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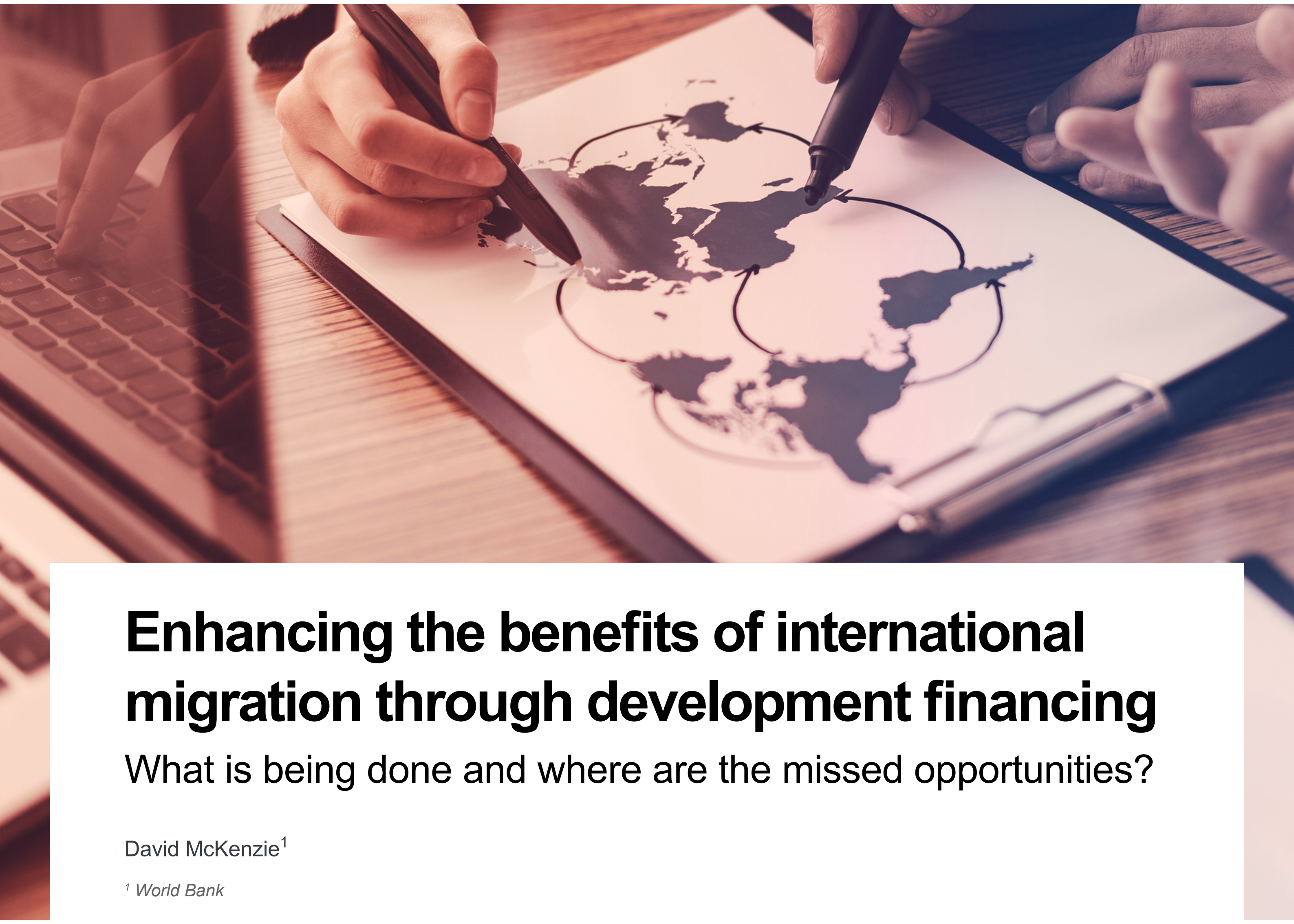

Enhancing the benefits of international migration through development financing

What is being done and where are the missed opportunities?

David McKenzie[1]

[1] *World Bank*

Corresponding author:
David McKenzie
dmckenzie@worldbank.org

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Migration is still treated as a problem to be contained, yet evidence shows that it can be a powerful driver of development. In developing countries, emigration is often viewed as a loss of talent, labour, and future growth. However, research tells a different story: under the right conditions, migration can stimulate investment, facilitate the transfer of skills, and reduce poverty. The disconnect is striking. Of the approximately $40 billion invested in migration-related projects by the World Bank, the majority of funding is allocated to refugee hosting. Only a few target economic migration, supporting skills before departure, lowering remittance costs, or engaging with diaspora communities. This imbalance reflects funding priorities and political reluctance in countries of origin. Development agencies have a key role here: to reframe migration as an opportunity, shift incentives, and foster partnerships that generate shared, sustainable benefits from mobility.

A large academic literature provides strong evidence of the many ways in which international migration can bring large development benefits for individuals and communities. But these benefits are not automatic; they depend on policy choices made by both sending and receiving countries. The 2023 World Development Report argues that 'Origin countries should actively manage migration for development. They should make labour migration an explicit part of their development strategy'. However, the extent to which this rhetoric translates into policy action, and whether countries are willing to spend money on migration policies and programs, is much less evident. Do countries proactively spend money to enable their citizens to find more and better jobs abroad, help them in transferring money and knowledge while abroad, and facilitate successful return migration? Or, do they spend very little on labor mobility, and only spend money on migration when coping with influxes of refugees?

To answer these questions, in a recent study, we systematically investigated and documented the extent to which money has been spent on migration activities and components through World Bank lending operations. The World Bank offers grants and concessionary loans to low-income countries through the International Development Association (IDA), loans to middle-income and creditworthy poorer countries through the International Bank for Reconstruction and Development (IBRD), and a combination of grants and financing to member countries through funds contributed by donors for special purposes, such as funding to help countries deal with large refugee inflows. We search and classify all operational projects approved between 2014 and early 2024, and use this to examine how much money is getting spent, what types of migration policies or programs are being supported, and what migration activities countries are borrowing to finance.

What is money being spent on?

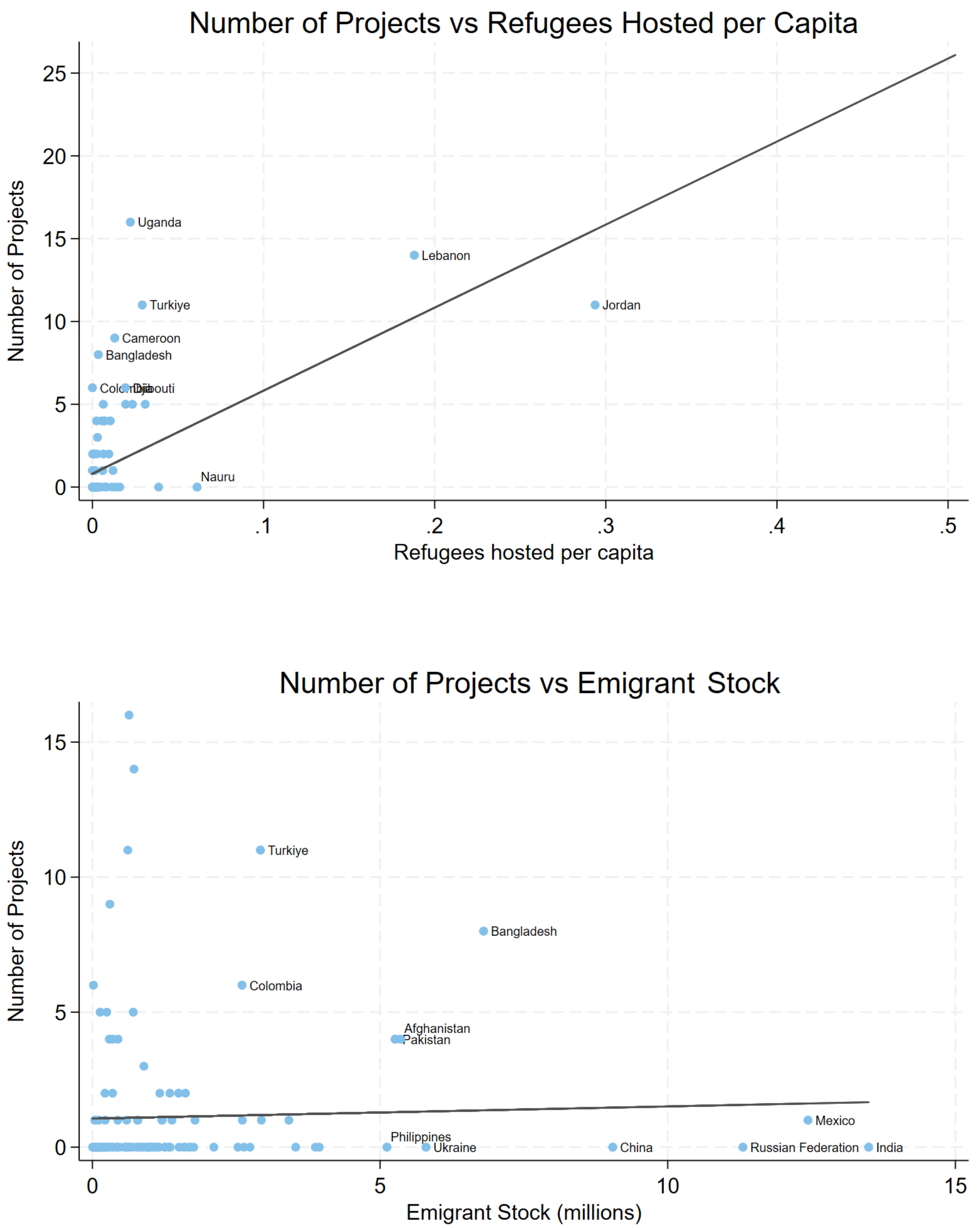
We identified 160 operational projects related to international migration and refugees over the period 2014-24, totalling $40 billion. It is common for projects to have multiple components, only one or parts of which are dedicated to migration. For example, a $200 million project in Bangladesh funded a set of economic inclusion activities for Bangladeshi low-income urban youth, along with a component with a budget of $49.5 million that was dedicated to the reintegration of returning migrants during the COVID-19 pandemic. Other projects may include refugees among a group of target beneficiaries, but without a separate budget for them. Of the $40 billion, $15 billion was allocated to components that involve migration.

The World Bank funds related to migration are concentrated in a few countries and almost entirely in supporting refugees

Only 41 out of the 145 IDA/IBRD member countries received any financing for migration-related activities over the past decade. Half of all World Bank migration projects took place in just eight countries: Uganda, Lebanon, Jordan, Turkey, Cameroon, Bangladesh, Colombia, and Djibouti. Examining what factors predict the presence of migration-related projects, we see that the strongest predictor is the number of refugees per capita that the country has received, whereas countries that participate more in global labor mobility do not have more projects (Figure 1). The number of projects is also unrelated to per capita income, population, or the importance of remittances in the economy.

Only $110 million across 7 projects, or approximately $11 million a year, was dedicated to activities to increase international worker mobility, or help better prepare workers for work abroad. Even less was spent on reducing remittance costs, connecting the diaspora, and monitoring worker welfare while abroad. We estimate that funding for refugee support is approximately 150 times that for labour mobility.

Figure 1—The number of World Bank funded projects is strongly correlated with how many refugees they have, but not with how many emigrants they have!



Source: Authors' calculations.

Why is more investment in economic migration not happening?

Most of the funding currently being spent is used by countries that have received many refugees, to help them have access to health, education, housing, and jobs. There has been global recognition that hosting refugees is a global public good, and international donors have helped receiving countries to finance the inclusion of refugees in their national systems. There is still much need for such funding, but there is considerably less attention given to proactive, strategic spending to shape migration in the years ahead and to enable countries to benefit more from economic labor mobility.

The main reason more labour mobility projects are not happening is that developing countries do not demand them

This lack of demand for such programmes may stem from several factors. First, many countries still see fostering labour mobility as a substitute for national development, rather than a core part of their development strategy. Second, developing country policymakers may believe migration opportunities are largely driven by policies in rich countries, and that there is little they can do through their own policies. Third, World Bank operations typically follow a country engagement model, whereas international migration involves multiple countries, and it can therefore be more difficult to lend based on activities that require actions in both origin and destination countries. Finally, countries may also worry that they have less control over the risks workers face abroad than at home, while the safeguard policies of the World Bank are also not designed for activities taking place outside of the borrowing country.

Where are the opportunities for origin countries to enhance labour mobility?

Although most countries currently are not borrowing to finance activities that can improve economic migration opportunities and outcomes, there are a few projects that are occurring that other countries can learn from, as well as opportunities to consider migration when improving existing programmes. Countries trying to improve their vocational training systems should take global skill needs into account.

Worker readiness, remittance costs, services offered to overseas migrants, and global skill partnerships are promising areas for investment.

Many countries already borrow from the World Bank and use their own funding to finance improvements in their technical and vocational training systems. Designing these training systems so that the skills taught are in demand globally, and are certified to meet global standards, is one policy action that offers promise. For example, Bangladesh, Nepal, and Tonga all have recent projects that aim to do this. Tonga's program aims to ensure course qualifications will be recognised by Australian and New Zealand standards, and includes English language training to help workers meet requirements for semi-skilled and skilled visas in these main destinations.

One example of efforts to improve worker readiness and help households benefit more from overseas employment is taking place in Papua New Guinea. A $32 million loan is financing improvements in regional recruitment hubs to support selection and recruitment of workers, providing work readiness training to give aspiring workers the skills they need for overseas jobs, delivering pre-departure training for workers, providing financial literacy training for migrants and their household members, and reducing the costs of migrating.

Countries can also do a lot more to support and benefit from their migrants once they are abroad. A first area is through reducing the costs of remittances. Digital technology and policy efforts have reduced the cost of sending money home, but there remains large variation in this cost across migration corridors and scope for continued investment here. Loans to Bangladesh and Papua New Guinea include components to help provide services for migrant workers, such as through monitoring labour conditions and worker welfare. Countries can also do a lot more to benefit from their diaspora, making it easier for them to collaborate and share knowledge with their home countries.

For example, a component of a loan to Serbia finances the establishment of a diaspora facility within the country's Science Fund that funds joint research projects and networks involving Serbian scientists, researchers, and entrepreneurs abroad.

The above can all be done by the origin countries alone. But there is also a need for more innovative financing and coordination arrangements between origin and destination countries. One such idea is Global Skill Partnerships, in which the destination country helps fund training in the origin country for skills needed in both labour markets. Examples include pilots between Morocco with Germany, Tunisia with Italy, and the Dominican Republic, Ecuador, and Colombia with Spain.

Although there is a vast research literature on the impacts of migration, the evidence on successful policy interventions to shape and enhance these impacts is very sparse. There is also both the opportunity and need for policy efforts to be accompanied by rigorous research, to help evaluate and improve these impacts.

The author

David McKenzie is a Lead Economist in the World Bank's Development Research Group. Prior to joining the World Bank, he spent four years as an Assistant Professor of Economics at Stanford University. He has published over 150 articles, with his main research focusing on migration, enterprise development, and methodologies for measuring and estimating causal impacts. His migration work includes evaluations of the development impacts of permanent and seasonal migration programs in the Pacific, an experiment to reduce irregular migration from the Gambia, evaluating the impacts of emigration on Mexican households, work on brain drain, and testing migration theories through lab experiments.

Email: dmckenzie@worldbank.org

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