DIALOGUE

D I A L newsletter

Number 19 June 2003

Editorial

International news is often dominated by subjects relating to the issue of migration, in countries in the North and in the South. In this issue of our newsletter, we present a review of recent economic research on the impact of emigration from developing countries on the economic situation in these countries. Whereas the theoretical literature generally suggests that emigration has a positive impact on the source economies, the results of empirical studies are very varied. The results depend to a great extent on the type of emigration in question (skilled labour, usually referred to as the 'brain drain', or unskilled labour) and how it takes place. These studies encourage the developed countries to authorise temporary migrations (with the possibility of going back and forth between North and South), to maximise the potential positive effects of emigration in the source countries (financial remittances, dissemination of knowledge acquired abroad, etc.).

Amongst the highlights of DIAL's work during the last six months, we would first like to mention our activities aimed at improving economic and statistical capacities in the South.

DIAL researchers and statisticians helped run three workshops organized by AFRISTAT in Bamako, designed for African economists and statisticians. The first two workshops were aimed at helping the Institutes of Statistics in West African countries to exploit and analyse the initial results from phases 1 and 2 of the 1-2-3 surveys conducted under the PARSTAT programme, directed by WAEMU and financed by the European Commission and France. The third workshop was aimed at evaluating the distributive impact of economic policies, in particular using micro-simulation techniques.

We also organized a training session on computable general equilibrium models at the DIAL premises, attended by executives from Morocco, under the project: "Enhancing modelling capacities and assessing the impact of the EU-Morocco Association Agreement on the Moroccan economy", financed by the European Union. The session was run by several researchers at the centre, with help from outside contributors, including Bernard Decaluwe, professor at the Laval University, Quebec.

We are also very pleased to announce two new publications:

- the English version of our collective work on poverty reduction strategies (the French version was published by Economica last year) was published by Routledge, under the title *New International Poverty Reduction Strategies*;
- Denis Cogneau, Sandrine Mesplé-Somps and François Roubaud coordinated a special report on the current crisis in Côte d'Ivoire in the journal *Afrique contemporaine*. The report provides some new elements of analysis, interpreted from an economic and a political standpoint, whilst setting the crisis in a long-term perspective.

DIALOGUE is Dial newsletter. It is published in French and English. Circulation: 1.500 copies.

Free subscription on our web site www.dial.prd.fr

Publisher : Jean-Pierre Cling

Editor : Jean-Pierre Cling

Page-setting : Coryne Ajavon

Design : www.PassionMicro.com

Print : Instaprint (Tours)

N° ISSN : 1254-7182

DIAL Développement et insertion internationale

4, rue d'Enghien • 75010 Paris (France) • Phone 00 33 (0)153 241 450 • Fax 00 33 (0) 163 241 451 • www.dial.prd.fr

THE IMPACT OF EMIGRATION ON THE SOURCE COUNTRIES: CURRENT STATE OF RESEARCH

According to the International Office for Migration (IOM), the total number of international migrants at the start of this new century amounts to approximately 175 million people, including refugees, i.e. 2.9% of the world population. Still mainly fuelled by Europe in the 1950s, migratory flows have undergone very significant changes and now overwhelmingly come from developing countries. China heads the list of source countries for migrants, with net emigration of 380,000 individuals per year for the period 1995-2000, followed by Mexico, countries in the Indian sub-continent (India, Pakistan, Bangladesh and Sri Lanka), the Philippines, Indonesia, Egypt, Turkey and North Africa (Morocco and Algeria) (United Nations, 2002). Although not on the list, sub-Saharan African countries are also concerned: the flow of emigrants from both West and East Africa compared with the demographic weight of these regions of the world, actually puts them in the position of being amongst the areas with the highest net emigration figures[1].

Since population movements are partly dictated by the immigration policies of the host countries, it appears somewhat risky to draw up forecasts for migration in the coming years. By taking a long-term view of the issue, Hatton and Williamson (2002) did however show that world migratory flows observed since 1850 could be relatively well predicted by four economic and demographic factors: income differences between regions (or countries); the share of young people of working age (15-39 years) in the sending and receiving countries; the immigrant stocks already present in the receiving countries (the "networks") and the incidence of poverty in the sending country (poverty being synonymous with incapacity to finance the costs of migration). On this basis, the authors concluded that migratory pressure is likely not only to continue, but also to grow significantly, particularly in Africa.

Whether or not we accept the predictive value of Hatton and Williamson's model, the increases observed in the number of population movements, for which inequalities in different countries or regions are unquestionably one of the driving forces, raises the question of the role of the migratory phenomenon as a factor encouraging development. Following the example of the European migrations towards the United States, which, at the end of the 19th century, undoubtedly contributed to the convergence of GDP per capita and real wage rates (see in particular Boyer et al., 1993; Hatton and Williamson, 1998), do the migrations taking place today favour development in the source countries?

The following discussion presents a panorama of the most recent research on this issue. We begin with an overview of the theoretical literature on the links between migration, remittances and development, then go on to present a few empirical studies[2].

Migration, remittances and development: theoretical studies

In the 1980s, literature on the subject focused on studying the short term impact of migration and remittances on relative prices and well-being in the sending countries, adopting the Salter-Swan 'dependent economy' model as their analytical framework. Rivera-Batiz (1982) showed that, without remittances, the migration of a fraction of the workforce results in a loss of well-being for the remaining residents. The argument is that migration provokes a relatively stronger contraction of production in the (more labour-intensive) non-tradable goods sector than in the tradable goods sector. This results in an increase in the relative price of non-tradable goods, which is detrimental to the well-being of the remaining residents. However, Djajic (1986) showed that the opposite result is obtained if the analysis takes into account the remittances sent by the migrants. By re-creating opportunities for exchanges between tradable and non-tradable goods within the country, the sending of funds

[1] For instance, the average annual net emigration rate for the period 1995-2000 was 6.2‰ for Guinea, 5.5‰ for Burkina Faso, 4.7‰ for Mali and 3.4‰ for Lesotho.

[2] It should be noted that this literature concerns "voluntary" migrations only. This means that it excludes "forced" migrations following conflicts, political disorders or natural disasters, which the UNHCR estimated at 21 million in 2001.

improves the well-being of those who remain, including those who, because they are not related to the migrants, do not personally receive the remittances. The result is that the net impact of migration is ambiguous and depends on the relative importance of the impact of the reduction in size of the domestic market and the return effect of remittances.

At the end of the 1980s and the beginning of the 1990s, these studies on the short-term impact of migration gradually gave way to longer-term analyses aimed at identifying the different transmission channels through which migration and remittances could be favourable or, on the contrary, harmful to growth in the source economies. With the blossoming of literature on endogenous growth and the emphasis put on the positive externalities related to the accumulation of human capital, the researchers particularly studied the consequences of the departure of skilled workers, or the so-called 'brain drain', in the source countries[3]. Following on from Bhagwati and Hamada (1974), several studies began, fairly unanimously, to put forward the idea that the brain drain was unfavourable to development (Miyagiwa, 1991; Haque and Kim, 1995; Reichlin and Rustichini, 1998; Wong and Yip, 1999). For example, Miyagiwa (1991) demonstrated that when there are increasing returns on education, the emigration of highly skilled workers can lead to a fall in the income of workers with intermediate qualifications, whether the latter migrate or not. The author showed that, in certain circumstances, the national income of the source country can be lower than if no migration takes place.

However, the majority of these studies are based on relatively restrictive hypotheses: matching of supply and demand for skilled labour in the sending country; irreversibility of migration (i.e. the migrants have no desire to return to their country); perfect functioning of the credit market; no restrictions on emigration, etc. A few more recent contributions have shown that if one of these assumptions is abandoned but the same analytical framework is retained, net positive effects on the accumulation of human capital and growth could be related to the migration of skilled workers. For Stark et al. (1997, 1998), Mountford (1997), Vidal (1998) and Beine et al. (2001), the opening of borders and the prospect of migration increase the expected return on education and are therefore an incentive for workers to invest more in human capital. However, given the uncertainties regarding opportunities to migrate, only a fraction of them will actually migrate once their training is finished. On this basis, the authors came to the conclusion that it is possible for a "brain drain" to be beneficial overall for the source country if the incentive effect, or what they call the "brain effect", dominates the "drain effect".

Although they were somewhat neglected in this literature, the flows of remittances sent by the migrants (or brought back to the country when they return), are one of the other positive externalities of migration. This externality particularly comes into play through the accumulation of savings that enable the migrants (or their families that stay behind) to alleviate their liquidity constraints and invest in human or physical capital in their country[4]. Mesnard (2001) revealed that 26% of the Tunisian workers who returned to their country on a permanent basis during the period 1974-1986 set up an enterprise with their savings on their return. Starting with this empirical fact, the author proposed an overlapping generations model which serves to compare the evolution of wealth distribution in an economy when its borders are more or less open to the emigration of workers. The model shows that with indivisible goods and capital market imperfections, the temporary emigration of workers and the resulting accumulation of capital lead to a disruption of wealth distribution in the sending country at a given point in time. This is perpetuated through intergenerational transfers and can lead the economy onto a path of prosperity.

In the same context of capital market imperfections, Stark (1980) also looked at the possibility that migration could be a factor in increasing agricultural output, by giving those that stay in the country access to the resources required to innovate or simply to pay for all the expenditures involved in the production cycle

[3] For a review of the literature on this question, see Commander, Kangasniemi and Winters (2002).

[4] Several recent theoretical papers show that poor access to credit is a brake on growth in countries with high levels of income inequalities (see particularly Banerjee and Newman, 1993; Aghion et al., 1999; Aghion and Bolton, 1997)

(buying seeds and intrants, renting equipment, etc.), but this hypothesis was not formalised.

The final positive externality of migration studied by the literature is the dissemination of knowledge when migrants return to their countries. Domingues Dos Santos and Postel-Vinay (2003) showed that when workers in a developing country are free to emigrate wherever they want to and for as long as they want to, some make the rational choice of only migrating temporarily. The two authors showed that the dissemination of the knowledge acquired abroad when they return favours per capita income and therefore reduces the incentive to emigrate.

Empirical illustrations

The scope of the theoretical debate on the relations between migration and development in the source countries is in sharp contrast with the scarcity of empirical studies on the question. This is to a great extent due to the lack of reliable, harmonised data on several pertinent variables (emigration rate by country or by qualification, amounts of remittances, etc.) and the lack of longitudinal series, which are vital if the recent macro-econometric tools are to be used (the tests for stationarity of variables and for co-integration, in particular, are highly unreliable when carried out on a small number of observations). Consequently, existing empirical literature is mainly limited to a few case studies carried out on the basis of micro-economic data.

However, two macro-econometric studies have recently been carried out on the relationship between migration, human capital investment and growth, on the basis of cross-sectional data (Beine et al., 2002; Faini, 2002)[5]. Both studies used the rates of emigration by country and by qualification estimated by Carrington and Detragiache (2002) to test the nature of the relationship between the brain drain, human capital accumulation and growth, but they came to different conclusions[6]. Beine et al. (2002) demonstrated, using a sample of 50 countries, that the rate of emigration of the most skilled workers exerted a positive, significant effect on human capital accumulation. They then estimated a growth equation based on panel data which they used to measure the impact of the brain drain on growth and to identify those countries that were "winners" and those that were "losers". Most of the countries lacking in human capital and with a low emigration rate for skilled workers came into the first category; those in which the emigration rate for skilled workers exceeded 20% and/or where the percentage of well educated people exceeded 5% of the total population came into the second. Using a sample of 37 countries, Faini (2002) estimated an equation in which the rates of secondary and higher education are explained by a vector of variables including emigration rates by level of education. On the basis of the results obtained, he rejected the hypothesis of the brain drain being favourable to growth in the source countries[7].

With a micro-economic perspective, Hanson (2002) used data from the population census in Mexico in 2000 to test the hypothesis of a relationship between migration and human capital investment. The results of the econometric tests suggest that children from families in which one or several members have migrated complete between 0.7 and 1.6 years of schooling more than those from families with no migrants. In addition, the impact of migration on schooling is greater for girls than for boys and increases with age.

Using data from a household survey in El Salvador of 14,286 people aged between 6 and 24, Cox-Edwards and Ureta (2003) estimated a Cox proportional hazard model and showed that remittances made by migrants significantly reduced the probability of leaving school. In urban areas, the effect was ten times

[5] Another recent macro-econometric study was aimed at testing the hypothesis of a link between remittances and a rise in real exchange rates, using a panel of 13 Latin American countries for the period 1979-1998 (Amuedo-Dorantes and Pozo, 2002).

[6] The database itself poses a certain number of problems, as the data is not wholly reliable.

[7] The hypothesis that the dissemination of knowledge is a positive externality of migration (Domingues Dos Santos and Postel-Vinay, op.cit.) is difficult to test empirically. Nevertheless, several case studies show that return migration is low for highly skilled workers. This observation led certain researchers to study the possibility of mobilising the skilled expatriate populations (the 'Diasporas'), by associating them at a distance in the development of their countries of origin (see in particular Meyer and Brown, 1999).

greater than that of the other sources of income.

Empirical literature is far more abundant on the question of the links between migration, remittances and business creation, but focuses almost exclusively on the case of return migrants. A number of descriptive studies first demonstrated that most entrepreneurial projects initiated by former migrants were financed with savings accumulated abroad and not via the credit market (see in particular Massey and Parrado, 1998; Mesnard, 2000; McCormick and Wahba, 2001; Woodruff and Zenteno, 2001; Dustmann and Kirchkamp, 2002). For example, Dustmann and Kirchkamp (2002) observed from a sample of 646 former Turkish migrants that four years after their return, 51.1% had invested in a business project and were self-employed. The authors also found that amongst those who had invested in a business project, 63.9% had financed it with savings accumulated during their time abroad and 1.2% had used a bank loan.

The existing studies also use econometric analyses to specify the role of earnings from migration (in the form of savings or remittances) in business creation. Using two surveys conducted in Mexico (a national employment survey and an enterprise survey in urban areas), Woodruff and Zenteno (2001) showed that access to earnings from migration (measured by the rate of emigration in the source region) has a positive, significant effect on the amount of funds invested, but not on the decision to start an enterprise. On the basis of these results, they estimated that migration accounts for 20% of the total investments made in micro-enterprises in urban areas of Mexico.

Using a sample of 1,526 former Egyptian migrants, McCormick and Wahba (2001) showed that savings accumulated abroad and the length of time spent abroad are two factors which increase the propensity of well-educated return migrants to invest in a business project.

The hypothesis of a positive impact of migration and remittances on agricultural output and rural development has also inspired several empirical studies (amongst the recent articles, see Taylor and Wyatt, 1996; Adams, 1998; Rozelle et al., 1999; Mochebelele and Winter-Nelson, 2000; Azam and Gubert, 2002). They all highlight the positive impact of migration remittances on the accumulation of capital. However, their conclusions differ when it comes to assessing the overall impact of labour loss due to migration and remittances on productivity and/or agricultural output.

Using data from a survey of 787 farming households carried out in North East China, Rozelle et al. (1999) estimated a crop yield function and showed that remittances only partially made up for the loss of labour due to migration. By using the results of their econometric analysis, they estimated the decrease in farm yields caused by migration at 14%.

Using original survey data on households in the Kayes area (Western Mali), our own studies propose an assessment of the impact of migration and remittances by taking into account the underlying motivations of the migrants (Gubert, 2002; Azam and Gubert, 2002). We show that, by supporting consumption in case of need, migrants' remittances make a very significant contribution to improving conditions for the households which benefit from them. We also show that this insurance mechanism leads to a phenomenon of moral hazard, shown by the fact that agricultural outputs and productive efficiency are significantly lower for families which benefit from remittances (see box).

Conclusion

Therefore, although the recent theoretical literature tends to suggest that emigration has a positive impact on the source economies, the results of the empirical studies vary enormously. They nonetheless show that the migrants' return is generally of benefit to the source country, due to the dissemination of knowledge acquired abroad and the repatriation of savings. However, drastic restrictions on immigration make it almost impossible for people to go back and forth between source and target countries, and therefore act as a brake on the migrants' return. Witness the results of France's policies since 1977 to encourage voluntary departures: despite the proposed financial aids, they in fact only interested a very small minority of immigrants who already had a project for returning to their countries or who were approaching retirement age. Most of the skilled and unskilled migrants established in France are opposed to the idea of return and will remain so, for as long as it is impossible for them to come back to the host country in the event of failure. An ideal immigration policy would therefore be one that would allow the migrants to go back to their countries for as long as they want to set up development projects, and to go back and forth in order to accumulate more capital and improve their qualifications. In this way, migrations would be to the mutual benefit of the receiving countries, the sending countries and the migrants.

Flore Gubert

MIGRATIONS, REMITTANCES AND AGRICULTURAL OUTPUT. EVIDENCE FROM THE KAYES AREA.

Farm tools and family labour, by migration status

	Total (n=303)	Non migrant house-hold (n=81)	Migrant house-hold (n=222)	z (*)	P>|z|
% households owning :					
a plough	19 %	15 %	20 %	-1.07	0.28
a hoe	50 %	30 %	58 %	-4.46	0.00
a cart	45 %	25 %	53 %	-4.46	0.00
a seeder	13 %	9 %	15 %	-1.42	0.16
Family labour :					
N° of men	4.0	3.0	4.4	-4.24	0.00
N° of women	5.5	3.4	6.3	-6.21	0.00
N° of children	1.0	0.7	1.1	-1.97	0.05

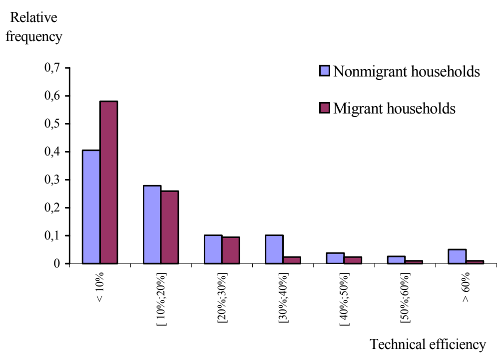
Source: Azam and Gubert (2002)
(*): Mean comparison test

Value of crop output, by migration status

In thousands of CFA Francs	Total (n=303)	Non migrant House-hold (n=81)	Migrant house-hold (n=222)	t (*)	P>|t|
Output, 1995	435.8	303.9	484.0	-4.15	0.00
Output, 1996	365.7	311.3	385.6	-1.85	0.07
Output per worker, 1995	45.2	46.3	44.9	0.37	0.71
Output per worker, 1996	42.9	54.4	38.1	3.28	0.00

Source: Azam and Gubert (2002)
(*) Mean comparison test

Distribution of family production units by technical efficiency and migration status



Bibliography

Adams R.H. Jr (1998), "Remittances, Investment, and Rural Asset Accumulation in Pakistan", *Econ. Dev. and Cult. Change* 47(1), pp. 155-73.

Amuedo-Dorantes C. and S. Pozo (2002), "Workers' remittances and the real exchange rate: a paradox of gifts", mimeo.

Azam J-P. and F. Gubert (2002), "Ceux de Kayes: l'effet des transferts des émigrés maliens sur leurs familles d'origine" in *Immigration, marché du travail, intégration*, dir. F. Héran, Commissariat Général du Plan, La Documentation Française.

Bhagwati J.N. and K. Hamada (1974), "The Brain Drain, International Integration of Markets for Professionals and Unemployment: A Theoretical Analysis", *Journal of Dev. Econ.* 1, pp.19-42.

Beine M., F. Docquier and H. Rapoport (2001), "Brain drain and economic growth", *Journal of Dev. Econ.*, vol.64, pp.275-89.

________ (2002), "Brain drain and growth in LDCs: winners and losers", Working Paper 8-02, Bar-Ilan University.

Boyer G., T.Hatton and K.H. O'Rourke (1993), "The impact of emigration on real wages in Ireland 1850-1914", CEPR Discussion Paper 854.

Carrington W.J. and Detragiache E. (1998): "How big is the Brain Drain?", IMF WP 102.

Commander S., M. Kangasniemi and L.A.Winters (2002), "The Brain Drain: Curse or Boon? A Survey of the Literature", papier présenté au séminaire du CEPR/NBER/SNS, Stockholm.

Cox-Edwards A. and M. Ureta (2003), "International migration, remittances and schooling. Evidence from El Salvador", papier présenté à l'Inter-American Seminar on Economics, NBER.

Djajic S. (1986), "International migration, remittances and welfare in a dependent economy", *Jour. of Dev. Econ.* vol.21, pp.229-34.

Domingues Dos Santos M. and F. Postel-Vinay (2003), "Migration as a source of growth: the perspective of a developing country", *Journal of Pop. Econ.* 16(1), pp.161-75.

Dustmann C. and O. Kirchkamp (2002), "The optimal migration duration and activity choice after re-migration", *Journal of Dev. Econ.* 67, pp.351-72.

Faini R. (2002), "Migration, Remittances and Growth", papier présenté à la conférence WIDER "Poverty, Migration and Asylum", Helsinki.

Gubert F. (2002), "Do Migrants Insure Those Who Stay Behind. Evidence from the Kayes Area (Western Mali)", *Oxford Dev. Stud.*, 30(3).

Haque N.U. and S.J. Kim (1995), "Human capital flight: impact of migration on income and growth", IMF Staff Papers 42(3), pp.577-607.

Hanson G.H. (2002), "Emigration and educational attainment in Mexico", mimeo.

_______ (2002), "What Fundamentals Drive World Migration?", NBER Working Paper No 9159.

Hatton T.J. and J.G. Williamson (1998), *The Age* *of Mass Migration: Causes and Economic Impact,* New York: Oxford University Press.

Massey D.S. and E.A. Parrado (1998), "International Migration and Business Formation in Mexico", *Social Science Quaterly* 79(1), pp.1-20.

McCormick B. and J. Wahba (2001), "Overseas work experience, savings and entrepreneurship amongst return migrant to LDCs", *Scott. Journal of Polit. Econ.* 48(2), pp.164-77.

Mesnard A. (2000), "Temporary migration and capital market imperfections", papier présenté à la conférence "Opportunities in Africa: Micro-evidence on firms and households", CSAE, 2000.

Mesnard A. (2001), "Migration temporaire et mobilité intergénérationnelle", *Rech. Econ. de Louvain* 67(1), pp.61-90.

Meyer J-B. and M. Brown (1999), "Les diasporas scientifiques : nouvelle approche à la fuite des cerveaux", papier présenté à la conférence mondiale de la science UNESCO-ICSU, Budapest, 31p.

Miyagiwa K. (1991), "Scale economies in education and the brain drain problem", *Internat. Econ. Rev.* 32(3), pp.743-59.

Mochebelele M.T. and A. Winter-Nelson (2000), "Migrant labor and farm technical efficiency in Lesotho", *World Dev.* 28(1), pp.143-53.

Mountford A. (1997), "Can a brain drain be good for growth in the source economy?", *Journal of Dev. Econ.*53, pp.287-303.

Reichlin P. and A. Rustichini (1998), "Diverging patterns with endogenous labor migration", *Journal of Econ Dyn. and Cont.* 22, pp.703-28.

Rivera-Batiz F.L. (1982), " International labor migration, non-traded goods and economic welfare in the source country", *Journal of Dev. Econ.*11.

Rozelle S., J.E. Taylor and A. de Brauw (1999), "Migration, Remittances and Productivity in China", *Am. Econ. Rev.* 89(2), pp.287-91.

Stark O. (1980), "On the role of urban-to-rural remittances in rural development", *Journal of Dev. Stud.* 16.

Stark O., C. Helmenstein and A. Prskawetz (1997), "A brain gain with a brain drain", *Econ. Letters* 55, pp.227-34.

_______ (1998), "Human capital depletion, human capital formation, and migration: a blessing or a curse?", *Econ. Letters* 60, pp.263-67.

Taylor J.E. and T.J. Wyatt (1996), "The shadow value of migrant remittances, income and inequality in a household-farm economy", *Journal of Dev. Stud.* 32(6), pp.899-912.

Vidal J-P. (1998), "The effect of emigration on human capital formation", *Journal of Pop.Econ.* 11, pp.589-600.

Wong K. and C.K. Yip (1999), "Education, economic growth and brain drain", *Journal of Econ. Dyn. and Cont.* 23, pp.699-726.

Woodruff C. and R. Zenteno (2001), "Remittances and microenterprises in Mexico", SCCIE Working Paper, 40p.

International conference
on Employment and Poverty
Lima, 16-17th October 2003

Recently, the debate on poverty-related issues has been refocused in new areas. Increases in per capita incomes have not had the expected impact of reducing income inequalities and the numbers of the poor, as the least favoured groups have benefited little from the employment opportunities arising from economic growth. This observation renews the debate on the persistence of poverty, on the strategies employed by the economic players to increase living standards for the poor and on the effectiveness of pro-poor public policies. Since work is the main source of income for the populations of developing countries, particularly the poorest groups, the impact of the governments' development strategies on the job-content of growth on the one hand, and on the labour markets' ability to offer workers productive jobs on the other, have become vital issues.

This conference moves away from the usual focus on the characteristics of poor households, in an aim to present new approaches to poverty centred on the economic and social dynamics of the labour market, the development of forces of production and the resulting generation of primary income. It will also endeavour to explain the implications that this change in focus will have on the way in which poverty reduction policies are drawn up and implemented.

The conference will cover the three main topics detailed below, each presenting the latest research on the different themes, adopting different angles of approach (anthropology, economics, sociology) and concerning different continents (Africa, the Americas, Asia, Europe).

Poverty dynamics: chronic and transitory poverty
The aim of this session is to analyse all the factors of persistent poverty

Employment and Poverty
The first aim of this session is to assess the development strategies the best suited to improve workers' incomes and working conditions.

Poverty reduction strategies
This session will deal with a critical study of the poverty reduction policies and an assessment of their impact.

Contact: Javier Herrera **jherrera@inei.gob.pe** or Pascale Phélinas **p.phelinas@terra.com.pe**

Working languages: Spanish, French, English.

See details on our site: www.dial.prd.fr.

Participation in conferences and seminars

France

J-P. Cling, M. Razafindrakoto and F. Roubaud presented the collective work *Les nouvelles stratégies internationales de lutte contre la pauvreté* (DIAL/ Economica, 2002) at the GEMDEV seminar in Paris on 31 January.

D. Cogneau presented an article entitled "Colonisation, école et développement en Afrique – Une analyse empirique", at the EDOCIF seminar at the Paris-IX Dauphine University on 10 January. He presented "AIDS and Income Distribution in Africa. A Micro-simulation Study for Côte d'Ivoire" at a development economics seminar at the University of Toulouse (20 February) and "L'égalité des opportunités et l'horizon temporel des programmes stratégiques de lutte contre la pauvreté" at the GEMDEV seminar (28 February).

F. Gubert presented an article on "Contingent Loan Repayment in the Philippines" (written with Marcel Fafchamps) at the DELTA/ DIAL/ ENSAE/ LEA-INRA seminar on 2 april 2003. She also presented a paper at the round table organized by the West Africa Department of AFD on the relationship between migration and development aid policies, Paris, 9-10 January.

Anne-Sophie Robilliard presented an article "Examining the Social Impact of the Indonesian Financial Crisis using a Micro-Macro Model", written with F. Bourguignon and S. Robinson, at the ABCDE-Europe conf. organized in Paris by the World Bank, the AFD and the CAE (15-16 June).

Abroad

J.-P. Cling presented the DIAL research programme on measuring governance and democracy at the conference of the African Statistical Institutes, organized by UNECA in Addis Abeba (11-15 May). He presented a paper entitled *Growth and poverty reduction: inequalities matter"* written with **P. De Vreyer M. Razafindrakoto and F. Roubaud** ("poster session") at the international conference organized by WIDER on the theme *Inequality, Poverty and Human Well-being* in Helsinki on 29-30 May.

M. Grimm presented a paper entitled "The Medium and Long Term Effects of an Expansion of Education on Poverty in Côte d'Ivoire: a Dynamic Micro-Simulation study" at the above mentioned conference in Helsinki and at the international conference *Staying Poor: chronic poverty and development policy*, IDPM, University of Manchester, 7-9 April. **P. De Vreyer** and **S. Mesplé-Somps** presented a paper entitled "Consumption growth and spatial poverty traps: an analysis of the effects of social services and community infrastructures on living standards in rural Peru", **J. Herrera** and **F. Roubaud** presented a paper on **"**Urban poverty dynamics in Peru and Madagascar 1997-1999" at the latter conference.

Training and expert missions

France

D. Cogneau, M. Grimm, M. A. Marouani, S. Mesplé-Somps and **A.-S. Robilliard** (with B. Decaluwe and I. Decreux) ran a training session on computable general equilibrium modelling for Moroccan executives from 14 April to 2 May, as part of a project financed by the European Commission.

M. Razafindrakoto presented a paper on the multiple facets of poverty in African countries at the sociology thesis seminar at the *Ecole des Hautes Etudes en Sciences Sociales* directed by S. Paugam on 15 May.

Abroad

A. Brilleau carried out two technical assistance missions in Dakar under the Informal Sector section of the PARSTAT programme: from 16 March to 2 April and from 6 – 20 June. He took part in a workshop on the use of statistics for poverty reduction and development policies for West Africa, organized by PARIS 21 in Dakar from 21 to 23 January.

A. Brilleau, M. Kuepie, F. Roubaud and C. Torelli took part in workshops on processing data from 1-2-3 surveys (employment and informal sector) organized by AFRISTAT for the West African Institutes of Statistics under the PARSTAT Programme, in Bamako from 12 to 23 May and 23 June to 5 July.

D. Cogneau and **M. Grimm** ran a seminar on assessing the distributive impact of economic policies, designed for West African economists, organized by AFRISTAT in Bamako, from 9 to 13 June.

M. Kagan went on a mission to Tunis from 7 to 9 January with **C. Torelli** and from 26 to 31 January, to estimate informal employment in Tunisia. He also went to Malta for a final seminar on MED-NA and MED-NOE projects from 2 to 8 March.

M. A. Marouani carried out a mission to Rabat on behalf of the General Economic Policy Board (DPEG) as part of a project financed by the European Commission, from 22 May to 9 June.

S. Mesplé-Somps and **M. Raffinot** took part in a workshop on "results-oriented public expenditure management" organized by ODI in London on 21 March, where they presented two case studies, on Burkina Faso and Mali.

F. Roubaud went to Bogota from 20 to 26 April with **J. Herrera** on a mission to assess the results of the 1-2-3 surveys in 5 Andean Pact countries on behalf of the Andean Commission-DGCID/MAE.

C. Torelli carried out a technical assistance mission in Cotonou under the PARSTAT programme from 2 to 15 June.

Working papers published in the first semester of 2003

All these papers are available on our site: http://www.dial.prd.fr

Cogneau D. : *Colonisation, School and Development in Africa, An empirical analysis,* March, ***Réf. 2003-01***.

Macroeconomic data on 45 countries are combined with microeconomic data on 4 case-study countries to reveal significant differences in the levels of education attained under the different colonial powers in Africa during the colonial period. In 1960, former British colonies exhibited higher educational performance. These differences are robust to the control of some pre-colonial factors and have persisted over time until 1990. However, the education differential did not give rise to either income per capita or life expectancy differentials. Urbanisation occurred at a faster rate in the former French colonies. Microeconomic data for the case-study countries show indeed that private returns to education tend to be lower in the former British colonies.

Pasquier-Doumer L. : *L'évolution de la mobilité scolaire intergénérationnelle au Pérou depuis un siècle*, Mars, ***Réf. 2003-02***.

Since the beginning of the twentieth century, the education system in Peru has known a considerable development. This suggests that in all probabilities opportunities for study should be on a more equal basis. In the present article, I set out to discover whether all social groups have really benefited from the development of the school system and whether this development created equal opportunities or not. I therefore analyze the evolution of educational inequalities throughout the twentieth century by basing my observations on the evolution of the relationship between the educational level attained and the socio-cultural origin of the person. I then examine whether the apparently diminishing importance of this relationship is due to the opening up of a vaster field of equal opportunities or whether the principal factor is the generalized prolongation of studies. Finally, I examine what public policies could be pursued in order to increase equal educational opportunities. Thanks to the exceptional quality of the data at our disposal, this is the first time these issues can be dealt with in relationship to a developing country.

Herrera J., Roubaud F. *: Dynamique de la pauvreté urbaine au Pérou et à Madagascar 1997-1999 : une analyse sur données de panel,* Mai, ***Réf. 2003-03***.

Because of the lack of panel data there have been few studies on poverty dynamics in developing countries. Furthermore, because of methodological differences, it is difficult to draw general conclusions from them. This paper analyses a large sample of Peruvian and Madagascan urban households (1997-1999), applying the same methodology for both countries. Its objective is to identify the general and specific characteristics of chronic and transient poverty. We measure the importance of poverty transitions, as well as the characteristics of the temporarily and the chronically poor, with respect to those of non-poor households. Using a multinomial logit model, we also highlight the specific contribution to chronic poverty and poverty entries/exits of three main variables: household characteristics (demographics, human and physical capital), and shocks (related to both demographics and job market) experienced by these households; « geographic » variables linked to neighborhoods (provision of public goods, income levels, human capital and employment structure, etc.).

Our results do not confirm the idea that only shocks are relevant to explain temporary forms of poverty. The type and quality of entry on the job market, as well as the features of the residence neighborhood, turn out to be equally relevant in the analysis of poverty dynamics. These results suggest that the spatial « inequality » dimension should be added to analyses on income and poverty transition dynamics.

Cling J-P., De Vreyer P., Razafindrakoto M., Roubaud F. : *La croissance ne suffit pas pour réduire la pauvreté : le rôle des inégalités*, Mai, ***Réf. 2003-04***.

This paper contributes to the current debate on pro-poor growth. It discusses the respective impacts of macro-economic growth and the reduction of income inequality on monetary poverty. Our results emphasise the potential importance of the latter factor and suggest putting forward redistribution policies, which are usually hardly even considered. They also question the credibility of the first of the Millennium Development Goals, which aims at halving the proportion of the population living in absolute poverty by 2015. The first section analyses the factors which lead to placing poverty reduction at the core of development policies. The second section conducts a survey on the impact of growth and inequality on poverty reduction in the economic litterature. The third section presents the results of simulations on the evolution of poverty incidence in all the developing countries by 2015. These simulations are based on an analytical formulation of the poverty elasticity, under a log-normal hypothesis concerning the income distribution, and making various assumptions on growth rates and the evolution of inequalities. Our estimates suggest that African countries will not meet the first MDG; they also come to convergent conclusions on the potential gains in terms of poverty reduction brought about by pro-poor growth. The fourth and final section reveals the contrast between the above result and the lack of interest for redistribution policies within existing PRSPs (Poverty Reduction Strategy Papers).