

The Effect of Foreign Aid on Migration

A. Fuchs, A. Groeger, T. Heidland, and L. Wellner

Discussion by Rodolfo G. Campos (Banco de España)

The views expressed in this paper are **those of the author** and do not necessarily coincide with those of the Banco de España or the Eurosystem.

Summary

Research Question

- Can foreign aid reduce migration by addressing root causes in origin countries?
- What mechanisms drive changes in migration preferences and flows?

Key Findings

- **Short-term:** Aid announcements reduce migration preferences.
- **Medium-term:** Aid disbursements reduce asylum seeker flows.
- **Long-term:** Aid increases income and regular migration.
- The authors propose **mechanisms** that explain these results.

- **Data:**

- Geo-referenced World Bank aid data (2008–2019)
- Gallup World Poll (migration preferences)
- OECD migration and asylum data

- **Empirical Strategies:**

- Event study around WB project announcements
- IV estimation using synthetic disbursements

Comments

How does the short-run mechanism work?

The proposed mechanism and the evidence

Mechanism:

1. WB approves a project for a province and announces it.
2. People in that province find out.
3. They anticipate that this project will benefit them individually. The opportunity cost of emigrating increases.
4. They report less willingness to emigrate.

Evidence:

- People interviewed right after the WB announcement report less willingness to emigrate ($1 \rightarrow 4$).
- The effect is stronger for those connected to the internet ($1 \rightarrow 2 \rightarrow 4$).

The proposed mechanism and the evidence

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However:

- The effect does not depend on the province or the size of the project (goes against 2 \rightarrow 3).
- It appears that the typical WB announcement tells people something about the whole country which has a dichotomous nature.

What do people learn from an aid project announcement?

What information is revealed by a project approval?

- An implicit assumption in the paper is that the new information revealed at the time of a project approval is **only about the project** itself.
- Could the announcement contain **other** information? What kind of information?
 - **Certification**: maybe the fact that the WB approves a project reveals favorable information about the type of the national government (level of corruption, perceived stability, etc.). Agents update their priors with this new information and become more optimistic about their future (in the whole country and with no relation to project size).
 - **Relationship with another country-level process**: it could be that the approval of a project requires that the country changes its status along some dimension. Once this status changes, the project becomes unblocked. The change in status itself makes agents more optimistic about their future (in the whole country and with no relation to project size)
 - **Others?**

Example: Argentina (April 11, 2025)

April 11, 2025, multiple international institutions made major announcements of funding/aid.

STATEMENT | APRIL 11, 2025

World Bank Group Announces US\$12 Billion Support Package for Argentina's Economic Reform Program

IMF Executive Board Approves 48-month US\$20 billion Extended Arrangement for Argentina

April 11, 2025

NEWS RELEASES

IDB to Provide \$10 Billion in Support for Argentina

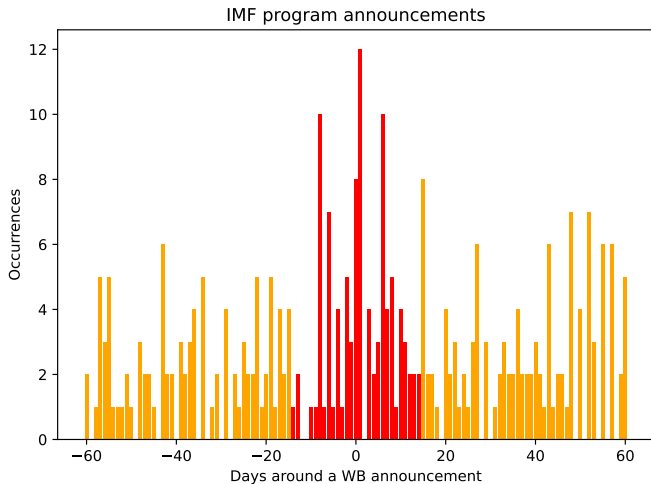
April 11, 2025

**How common are simultaneous announcements by
several IFIs?**

I downloaded some data...

- World Bank Projects & Operations database (downloaded on 2025-06-23)
 - Country name
 - Board approval date
 - `projectfinancialtype` $\in \{\text{IBRD}, \text{IDA}\}$
- IMF Monitoring of Fund Arrangements (MONA) database (downloaded on 2025-06-23)
 - Country name
 - Board approval date
 - `Review type` == R0 (start of program)

IMF announcements are more prevalent in the ± 14 -day window around WB announcements

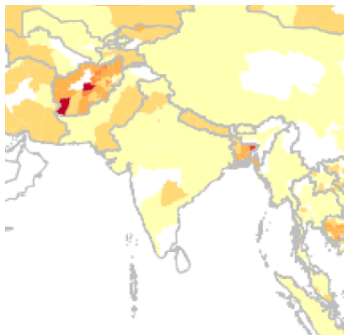


Interpreting these results

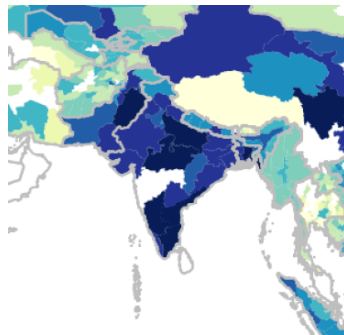
- Even though there seems to be a concentration of IMF program announcements inside the ± 14 -day window, the fraction of compromised WB announcements is relatively small.
- The reason is that there are only 354 IMF announcements compared to 5,715 WB announcements over the same period (post-2002).
- In fact, something as extreme as dropping all compromised WB announcements from the sample would not lower the number of observations by much.
- Additional issue: measurement error in the amount of funding received by a country if multiple IFIs are involved.

Minor point on aid amounts

- I would find it more natural if aid were measured in per-capita terms, both in the descriptive analysis and in the regressions.



Migration preferences



Aid (not per capita)

- First paper on a very relevant topic.
- Evidence using various methods tell a coherent story.
- Additional work on substantiating the proposed mechanisms would make them more compelling.