



Making Migration Work for Adaptation: Classifying Remittances as Climate Finance

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Two problems

This proposal responds to two problems. One is a problem of a funding gap for the most vulnerable; the other is a problem of a funding source not being used.

The funding gap

There is a major under-supply of financing for climate adaptation. This under-supply is expected to continue, and to grow. The 2009 commitment made by high-income countries to provide US\$100 billion per year in climate finance was **only achieved in 2022**, two years late, with **only US\$32.4 billion** (28 percent) provided for adaptation.

Estimates by the UNEP suggest that low- and middle-income countries' adaptation finance needs are currently **many times greater** than current international public finance flows, **expected to total** US\$160–340 billion by 2030, and US\$315–565 billion by 2050.¹

The financing obligation placed on high-income countries is likely to grow considerably if the New Collective Quantified Goal (NCQG) on climate finance is agreed. The NCQG, actionable from 2025, **will increase the minimum annual transfer** from US\$100 billion; recipient countries **have called** for contributions of over US\$1 trillion a year. The historical

SUMMARY

- Labour migration programmes targeted towards climate-vulnerable populations can provide transformative finance, raising household incomes and allowing adaptation.
- Current flows of adaptation finance are highly insufficient. Mobilisation of private adaptation finance is very low, despite commitments to increase mobilisation.
- Targeted labour migration programmes can leverage private adaptation finance at a high level of efficiency.
- Incentivising the selection of migrant labour from communities most vulnerable to climate change by counting a portion of their remittance flows as mobilised private climate finance may therefore have significant benefits.

failure to mobilise adequate amounts of climate finance is partly due to lower-than-expected mobilisation of private climate finance. In 2020 **only US\$13.1 billion** in private climate finance was mobilised, versus **previous expectations** of at least US\$24.2 billion.

Mobilisation for adaptation, for which returns on investment are typically much lower, is **especially challenging**. In 2022, **only US\$3.5 billion** was mobilised (Figure 1).² Numerous actors have stressed their commitment to greater mobilisation, including **the EU; USAID; World Bank; and the UNEP**. Notably, **the UNEP suggests** that deliberate mobilisation of remittances should be used as an alternative form of climate finance.

The funding tool left unused

International labour migration is one of the most potent tools in the development toolkit. The benefits of international migration to low-income households are **“immediate and huge”**, “at least an order of magnitude larger than the income gains from any other development program that has been rigorously evaluated”. Thanks to **increased productivity in countries of destination**, hundreds of billions of dollars of

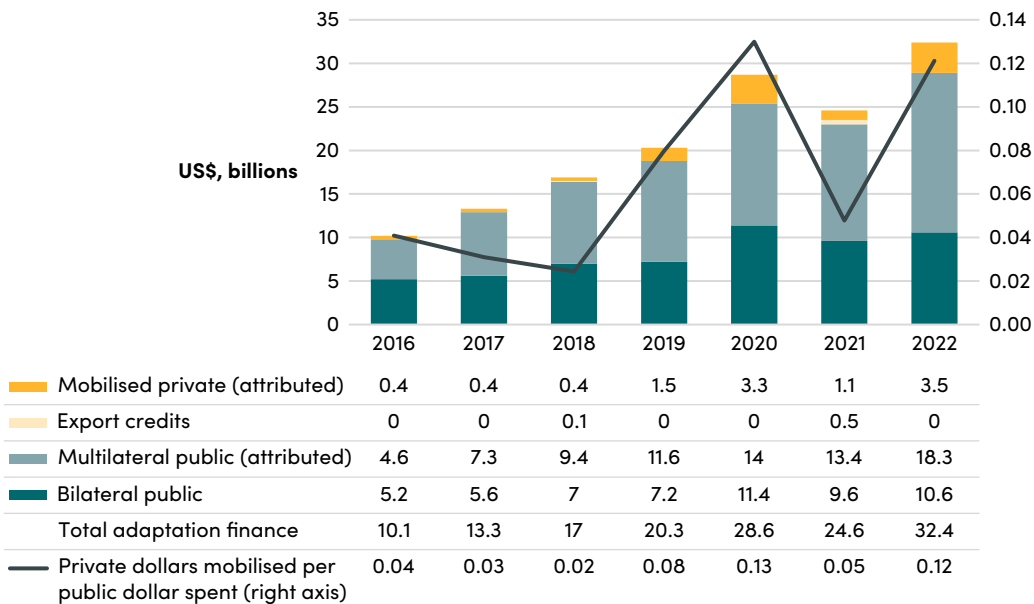
remittances flow from high-income countries to low- and middle-income countries each year (Figure 2).

In the context of climate shocks, migration can be transformative. Remittances can **be sent counter-cyclically**, supporting households during or after crises such as climate shocks.

Remittances can go directly into the pockets of households, allowing them to respond to their most immediate needs and to invest in new opportunities. Remittances can, for example, allow households **to maintain consumption** where it would otherwise not be possible; **pay off debt**, reducing the risk of vulnerability spirals; **reconstruct properties** after disasters, or **proactively strengthen dwellings** ahead of impacts; **diversify income streams**, reducing reliance on shock-exposed sectors such as agriculture; or **fund health-care**. For households vulnerable to climate shocks, remittances **can be a lifeline**.

Despite the enormous benefits to the most climate vulnerable through migration, very few coherent efforts have been made to maximise its benefits. Only a few governments have ever attempted to provide access to migration to highly vulnerable populations who would most benefit.

FIGURE 1 Adaptation finance provided and mobilised, 2016–2022, per component

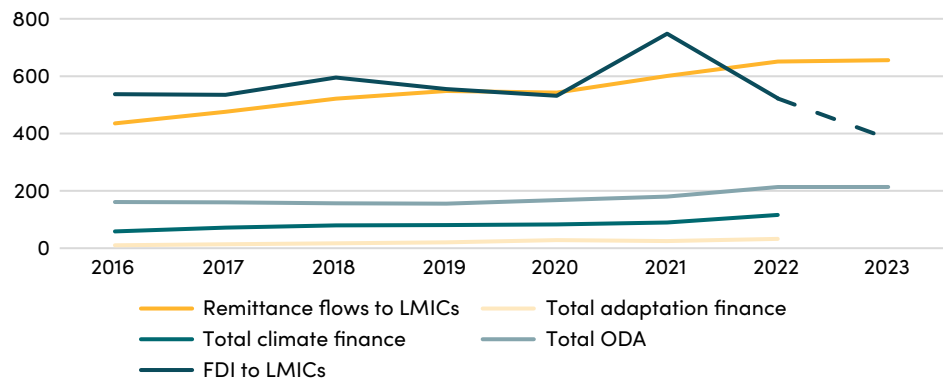


Source: Adapted from [OECD, 2024](#).

This is a terrible waste. We know that a dollar of aid spent in a poorer country is likely to be **more impactful** than one spent in a richer country. Migration works similarly: not only does \$3,000 of remittances represent a much higher multiple of average incomes in poorer countries than in richer countries, but it represents a much higher multiple of incomes in poorer households than in richer households within each country (Figure 3).

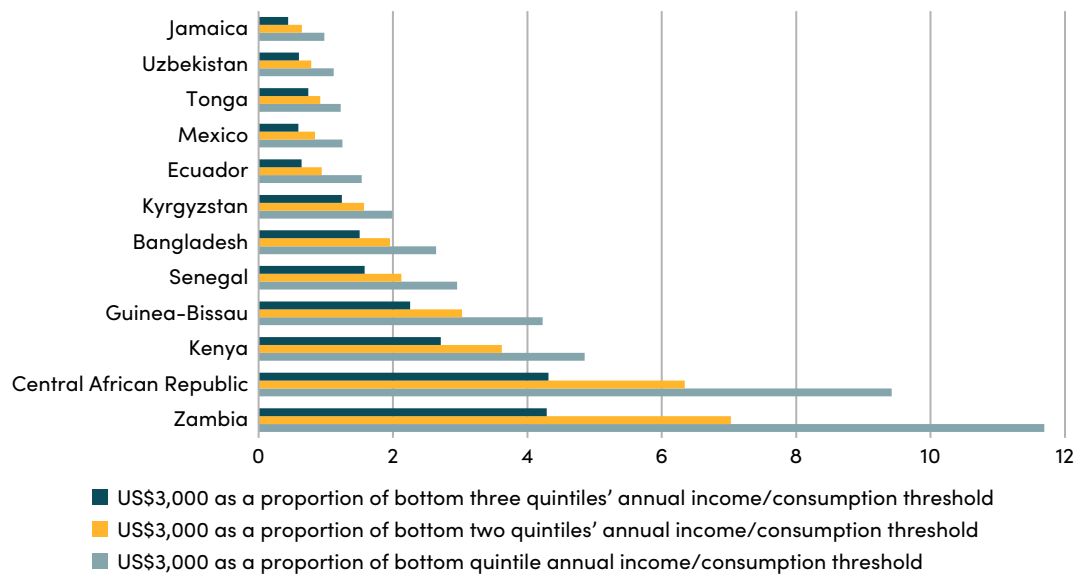
Why does this happen? It is fundamentally due to an incentives mismatch. The transformative benefits of migration to the poorest are **a positive externality** uncaptured by the country of destination government. The inconvenience of reorienting migration programmes to those who would most benefit is too great: countries of destination are agnostic as to migrants' countries of origin and the effects of migration elsewhere.

FIGURE 2 Remittances vs. other financial flows to LMICs, US\$ millions, 2016–2023



Sources: World Bank, 2024; OECD, 2024; Ratha et al., 2024. Note that the FDI figure for 2023 is projected by Ratha et al., 2024, and that climate finance figures are only available up to 2022.

FIGURE 3 Indicative remittance sum (US\$3,000) as a multiple of threshold income or consumption across quintiles, 2022



Source: Data from World Bank Poverty and Inequality Platform, 2024. Data used is measured in PPP\$ in 2017 prices (international dollars converted by purchasing power parity to account for differences in costs of living across countries). Note that for Jamaica, Uzbekistan, Tonga, and Zambia, the most recent data is from 2021 rather than 2022.

Migration policy is typically siloed from other policy areas. Development agencies do not have control over migration policy, and are typically not included in migration policy decisions. Migration policy's development benefits are typically "an inadvertent product of other, mostly domestic, policy goals": development is seldom a primary concern.

Proposal

We propose that where labour migration pathways are deliberately targeted towards climate-vulnerable communities, the remittances generated should be classified as mobilised private climate finance for adaptation. This mobilisation would not dislocate or reduce existing commitments: bilateral public finance and mobilised private finance are not substitutable. Instead, it would stretch the effects of bilateral public finance further.

High-income countries of destination have a stated goal of increasing mobilisation. This proposal would provide an incentive to orient access to migration towards low-income populations exposed to climate shocks. It would not (necessarily) incentivise countries of destination to increase migration.

Using climate finance

To be eligible to mobilise private climate finance, a programme must be eligible to use public climate finance. We follow the OECD-DAC's guidance on Rio markers, a widely used methodology for identifying climate-oriented projects, to assess the proposal's eligibility.

The OECD-DAC's guidance specifies that for eligibility for the 'climate change adaptation' marker, an activity must:

intend to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them.

A migration programme would therefore only be eligible to use climate finance if it was deliberately targeted to assist climate-vulnerable populations explicitly in order to reduce vulnerability. Remittances bear many similarities to cash transfer programmes, many of which are already at least partially counted as climate finance.

A project eligible to use climate finance may obtain either a 'principal' or a 'significant' score. The score assigned is important in affecting the proportion of a project's funding that can be classified as climate finance, and the proportion an activity can potentially mobilise.

- **'Principal':** A project in which adaptation is a principal motivating aim. The project's financing can be classified as up to 100 percent climate finance.
- **'Significant':** A project in which the climate-related objective is *explicitly stated*, but not *the fundamental driver or motivator for it*. A lower proportion of financing is classified as climate finance, typically 30–50 percent.

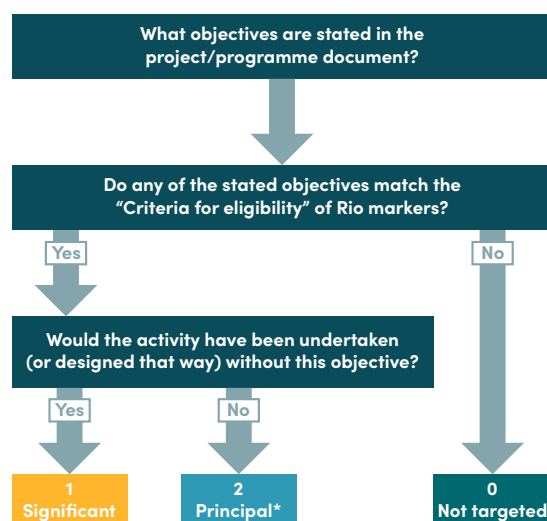
Figure 4 provides a brief decision tree guiding project classification.

Given OECD guidance, it appears a matter of discretion whether a migration programme targeting climate-vulnerable communities should be marked as 'principal' or 'significant', although 'significant' will be more likely. Such a programme would originate in the need to source workers, but would be redesigned to deliberately recruit from climate-vulnerable populations with the aim of reducing vulnerability by increasing access to earning opportunities. Its climate finance coefficient could therefore typically range from 30 percent to (exceptionally) 100 percent.

Mobilising private climate finance

Private climate finance can be considered 'mobilised' by a public actor if there is a demonstrable causal link between the specific leveraging mechanism used by a public financial actor, and the private finance made available for a specific

FIGURE 4 Decision tree for scoring an activity against a Rio marker



Note: *Assigning a double principal score (e.g., to both mitigation and adaptation) to the same activity should be considered only upon explicit justification.

Source: OECD, 2016

project or programme. Some actors, such as the UK, also require that the finance is *additional*—i.e., that it would not have been allocated to a climate objective or activity absent an intervention.

Under [OECD-DAC guidance](#) and current practice, remittances can be eligible to be considered mobilised private climate finance if they are:

1. Directed to highly climate vulnerable communities in need of adaptation support, *by*
2. Deliberately targeted migration programmes which would not have benefited these populations *without*
3. Public interventions explicitly intending to make support for adaptation a key component, *such that*
4. The programme fulfils Rio marker guidance.

When calculating mobilised finance, the total mobilised is multiplied by the coefficient set under Rio marker guidance. For a project tagged as ‘significant’ with a 30 percent coefficient, 30 percent of private finance mobilised could be considered mobilised private climate finance.

Some approaches to scoring and reporting climate finance have been criticised for ‘greenwashing’. It is crucial that the proposed migration programme is properly targeted at the most climate vulnerable, and that mobilisation is not claimed to occur where this does not happen. Beyond this proposal, it is critically important to improve and ensure the credibility and integrity of all climate finance reporting.

Assessing mobilisation potential

Countries of destination have long sought to mobilise private finance efficiently (e.g. through the ‘billions to trillions’ agenda). Historically, these efforts have been disappointing. In 2022, [only US\\$0.12 of private adaptation finance](#) was mobilised for every dollar spent.

If countries of destination do prioritise efficient mobilisation of private climate finance, a targeted migration programme should aim for higher leverage ratios than from alternative investments. Ideally, it should exceed a leverage ratio of 1:1.

To assess how much money a targeted migration programme can raise, several conceptual points must be considered.

Firstly, what share of net remittances *should* be considered eligible for classification as climate finance? Not all

remittances are spent directly on activities typically considered ‘adaptation’. We argue that *if* migrants are adequately selected from climate-vulnerable communities, the entirety of remittance sums (net of deductions, and after the climate finance coefficient is applied) should be considered eligible for classification. This recognises (i) that any resources transferred to highly vulnerable populations will increase their resilience and adaptive capacity, and (ii) that distinguishing between ‘adaptation’ and ‘non-adaptation’ activities undertaken by highly climate-vulnerable populations is challenging.

Secondly, the total amount of remittances mobilised must be measured. To ensure that estimates of mobilised finance are accurate, we suggest that remittances could be measured in partnership with a low-cost remittance service provider which participants are required to use. (Surveys offer a [less reliable](#) alternative.)

Thirdly, migrants’ participation costs and—possibly—opportunity costs must be deducted from remittance totals. Participation costs include visa costs and airfare. Opportunity costs may need to be estimated and deducted, but this is [not clear from UNFCCC/OECD guidance](#). Cost deductions reduce leverage ratios, but also incentivise countries of destination to minimise participation costs and target vulnerable groups with low opportunity costs.

The amount of climate finance mobilised through a programme’s remittances can be calculated using the following formula:

$$\begin{aligned} & \text{Climate finance mobilised via remittances} \\ & = \alpha (\beta(\gamma - (\gamma\delta) [-\epsilon] - \eta)) \end{aligned}$$

α - total number of migrants

β - climate finance coefficient

γ - average amount remitted per migrant: the product of *average percentage of earnings remitted* and *average earnings* (for which inputs are *hours worked*; *earnings per hour*; and *tax rates*)

δ - cost of sending remittances, as a percentage

ϵ - opportunity cost [if applicable under interpretation of UNFCCC guidance]

η - participation cost

Fourthly, the costs of the migration programme must be assessed against remittances mobilised, establishing a leverage ratio. We use past data from a programme run by Australia, and estimates for the UK’s Seasonal Worker visa programme, to obtain leverage ratios: we find that highly efficient mobilisation is possible.

Example assessments

In the case of the pilot programme of Australia’s Seasonal Worker Programme, which ran from 2012 – 2014, state expenditure came to US\$1,274 per migrant when upfront costs are distributed beyond the initial cohort. During this period 3,487 migrants worked in Australia, remitting an average of US\$4,465; from this is deducted participation and opportunity costs of US\$1,831 per migrant. This would, *had the programme targeted climate-vulnerable populations* and been given a ‘principal’ Rio marker, give **a leverage ratio of public to mobilised private climate finance of 1:1.83**.

Projections for a targeted version of the UK’s Seasonal Worker Visa scheme find similar results across a range of scenarios.³ **Leverage ratios vary from 1:1.4 for a successful pilot programme with a low ‘significant’ Rio marker to 1:10.2 for a highly successful scaled programme with a ‘principal’ Rio marker.**⁴ If the entirety of the UK’s Seasonal Worker Visa scheme was targeted towards climate-vulnerable populations, between US\$97 million and US\$543 million of private climate finance could be mobilised per year. This would equate to between 2.8 and 15.5 percent of all private climate finance mobilised for adaptation [in 2022](#).

Why this proposal matters

Adaptation funding available to particularly vulnerable countries is highly inadequate. In its absence [low-income countries](#), and [the poorest within them](#), must pay for adaptation from extremely limited budgets. This is highly

inequitable. It is crucially important that greater finance for adaptation is mobilised.

Remittances can contribute to this, and targeted migration programmes can deliver high-quality climate finance. In several ways, programmes redistributing access to the high earning opportunities of international labour migration to climate-vulnerable populations can outperform alternative possibilities.

Targeted migration programmes are an efficient use of climate finance. Current leverage ratios—dollars of private adaptation finance mobilised for each dollar of public money spent—are [around 1:0.12](#). Targeted migration programmes could be much more efficient in leveraging finance directly to high-vulnerability populations: they can thus be a highly effective way of stretching scarce climate finance further.

Remittances go beyond concessionality. Remittances are de facto grants. Despite [frequent calls](#) from the most vulnerable countries for climate finance to be provided through grants, allowing them to avoid greater indebtedness, around 70 percent of official climate finance is currently [provided as loans](#)—often at [non-concessional rates](#). Remittances, by contrast, do not have to be repaid.

Remittances are direct. It has been [persistently difficult](#) to bring conventional climate finance and development flows to the local level, where it can make the most difference. By contrast, remittances are transferred directly to the local level.

Migration interventions' impacts can exceed those of conventional poverty reduction programmes. At the high end, conventional interventions [are estimated](#) to increase incomes by 20–30 percent. Even a very short spell of low-skill work by an international migrant, by contrast, can potentially [raise household income](#) by well over 100 percent.

Remittances' benefits are directly comparable to those of cash transfers. Remittances provide migrant-sending households with extra money. Beyond the pre-requisite of having undertaken migration, there are no strings attached

to the flows. Cash transfers can be [highly beneficial for adaptation](#). Transfers from a targeted migration programme can [out-perform cash transfers](#) in reach, effect, and size.

In addition, the proposal may have **positive spillover effects on country of destination behaviour**. If the country of destination seeks to maximise mobilised private climate finance and improve the proposed programme's leverage ratio, it should be incentivised to:

- ▶ Reduce migrants' programme participation costs, to reduce deductions;
- ▶ Reduce exploitation of migrants, e.g. wage theft, to increase remittances;
- ▶ Reduce remittance sending costs;
- ▶ Reduce taxes on earnings and remittances.

At present, countries of destination often ignore outcomes for migrants. By giving them international credit for increasing remittance totals, this may change.

Implementing climate-targeted labour migration programmes

Implementing the proposed programme requires:

1. Creating or adapting a programme
2. Identifying countries of origin
3. Targeting climate-vulnerable populations
4. Preparing funding sources

Creating or adapting a programme. Lack of access to education and skill development is [a component of high climate vulnerability](#).⁵ For this reason, migration programmes with no or low skill requirements are likely to be most accessible. Temporary (often circular) migration programmes for agriculture fit these conditions in most countries of destination. Where one already exists, it can be adapted.

Identifying countries of origin. Climate finance must be used in ‘non-Annex I’ countries under the 1992 UN Framework Convention on Climate Change (see Figure 5). This comprises a list of 155 ‘developing’ countries. To meet requirements under Rio marker guidance, simply selecting migrants from ‘eligible countries’ is not enough to use or mobilise private climate finance: *vulnerable populations* must be specifically and deliberately targeted.

Targeting climate-vulnerable populations. Without successful targeting of participants, climate finance cannot be used or mobilised. This requires careful screening in the country of origin, selecting based on *the location of possible migrants and their capacity to adapt to hazards*. A combination of remote sensing and partnerships with local actors may efficiently facilitate targeting and recruitment.

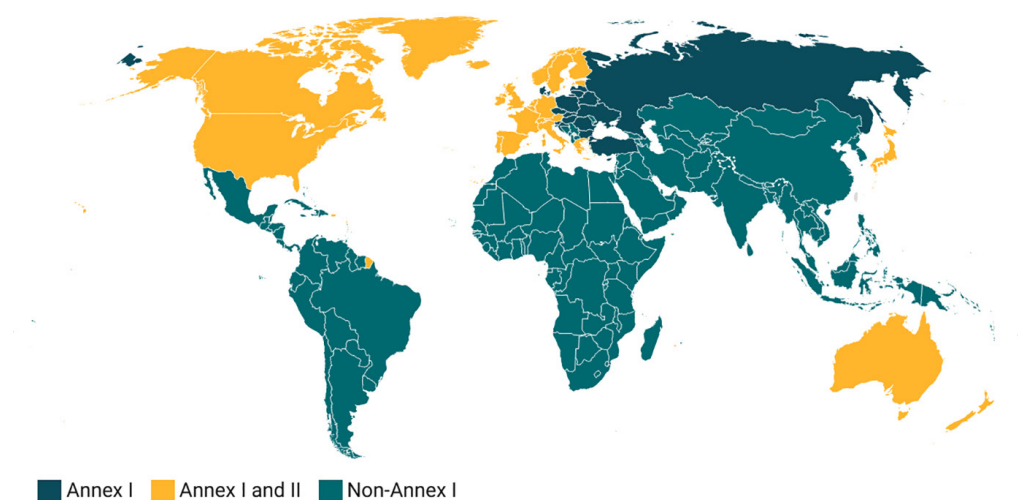
Funding programmes. A number of costs must be borne, including selection, screening, and visa support. For remittances to qualify as mobilised private finance, programme costs must be at least partially funded by public (either bilateral or multilateral) climate finance; some programme costs may be eligible as Official Development Assistance. Funding should also be sought from private sector employers benefiting from the programme.

Beyond this, it is also sensible to seek to maximise programme impact. This could be achieved by:

- ▶ **Assisting migrant households in using new capital.** Low ‘climate literacy’ *hinders adaptation choices*. Behavioural change interventions *successfully improve outcomes* of cash transfer programmes; training to increase remittance recipients’ knowledge of adaptation options may boost the effectiveness of migration programmes.
- ▶ **Complementing migration programmes with parallel development projects.** Targeted migration programmes can significantly increase finance available in low-income areas. Development projects seeking to increase access to credit, reduce local barriers to growth, or *pool remittances for local public goods*, could increase impacts.
- ▶ **Rigorously evaluating migration programmes.** Impact evaluations of migration programmes are seldom conducted, and would be valuable in improving programmes and ensuring value for money.

Given its potential benefits, we suggest that this is an innovative proposal with potentially significant impacts on adaptation. It therefore deserves consideration by country of destination governments.

FIGURE 5 Countries by UNFCCC annex status



Source: UNFCCC, 1992. Created using Datawrapper. National borders are set by Datawrapper.

Endnotes

1. Other estimates are higher. The UNFCCC finds that the finance needs outlined in low- and middle-income countries' Nationally Determined Contributions (NDCs) total around US\$600 billion per year up to 2030. Even these estimates [may undercount](#) the sums needed.
2. Historically, furthermore, most mobilised private adaptation finance is [not principally for adaptation](#), but for mitigation projects with adaptation components.
3. Scenarios vary factors such as hours worked, remittance sending rates, cost of remittance, and climate finance coefficients.
4. They assume the same per-migrant cost as that of Australia's programme for a pilot programme, and a lower cost for a scaled programme.
5. A highly unsuccessful programme would mobilise private finance at an unattractive leverage ratio, but nonetheless could significantly improve participants' earning opportunities versus the country of origin.
5. Lack of access to education may contribute to vulnerability, or be an effect of causes of vulnerability.

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This brief is based on the CGD policy paper, *Making Migration Work for Climate Adaptation: Classifying Remittances as Climate Finance* (Sam Huckstep and Jonathan Beynon, 2024). To read the full paper, visit www.cgdev.org/publication/making-migration-work-climate-adaptation-classifying-remittances-climate-finance.



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