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Making Migration Work for Adaptation: Classifying Remittances as Climate Finance

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Summary

- Labour migration programmes targeted towards climate-vulnerable populations can provide transformative finance, multiplying earnings 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.

The adaptation finance gap and an unused tool

Climate adaptation is badly underfinanced. This is in part due to difficulties in mobilising private adaptation finance. In 2022 only US$3.5 billion in private adaptation finance was mobilised, at a leverage ratio of 1:0.12.

Access to international earning opportunities can multiply incomes, far exceeding the impacts of conventional development interventions. Remittances go directly to households, allowing them to prepare for or respond to climate shocks.

Despite the high potential of migration for adaptation, very few governments have connected their migration policy to development goals.

Proposal

Governments in countries of destination should deliberately target labour migration pathways to climate-vulnerable communities. The remittances generated can be classified as mobilised private climate finance for adaptation under OECD-DAC guidance.

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.

Assessing mobilisation potential

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

Estimates of mobilisation potential suggest that migration programmes can efficiently mobilise private adaptation finance, significantly outperforming typical mobilisation ratios.

Benefits of the proposal

Targeted migration programmes are an efficient use of adaptation finance. Their leverage ratios can far exceed the 1:0.12 average.

Remittances go beyond concessionality. Adaptation finance is often provided through (non-concessional) loans: remittances do not need to be repaid.

Remittances are direct. Unlike conventional finance flows, remittances are transferred directly to the most local level.

Migration interventions' impacts can exceed those of conventional poverty reduction programmes. Conventional interventions may raise incomes by up to 20-30 percent; migration can raise incomes by multiples.

The proposal may **have positive spillover effects on country of destination behaviour.** To maximise mobilised private climate finance, they should:

- 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.

Implementation

Creating or adapting a programme. Migration programmes with no or low skill requirements are likely to be most accessible for climate-vulnerable populations. 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 155 'non-Annex I' countries under the 1992 UN Framework Convention on Climate Change. 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. Migrants must be selected 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. For remittances to qualify as mobilised private finance, programme costs must be at least partially funded by public climate finance; some programme costs may be eligible as ODA. Funding should also be sought from private sector employers.

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