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**PATTERNS OF INTERNATIONAL MIGRATION AND REMITTANCES: A MACRO ANALYSIS FROM ETHIOPIA**

**EYOB BEKELE JUHAR**  
**DOCTORAL CANDIDATE**  
**DEPARTMENT OF ECONOMICS**  
**PUNJABI UNIVERSITY**  
**PATIALA**

**ABSTRACT**

*International migration was highly accelerated in 1990 due to political situation in Ethiopia at that time. However, as it takes a newer form it turned out to be a conscious action by the economic agents apart from political persecution. The Middle East has emerged as an important destination for Ethiopian migrants. Ethiopia has experienced a continuing surge in inward remittances flows both in terms of volume and in terms of share of GDP over the past two and half decades. This study carried out trend analysis to examine the pattern of international migration and evaluates the contribution of the associated remittances for Ethiopian economy. Secondary data required for this study has collected from different reliable sources for 25 years i.e. from 1990-2015/16 (period of post reform). Simple descriptive statistical analysis was used to analyze the data. The outcomes of this study assert the efforts of government and its international partner's in putting in place legislative and bilateral agreements on labor migration with preferred destinations so as to connect the benefits of migration and its contribution to economic development in Ethiopia.*

**KEYWORDS**

Ethiopia, migration, remittances, economic implication.

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**INTRODUCTION**

According to World Bank Migration and Remittance Fact Book (WB, 2015) International migration flows out of Ethiopia are relatively small. The World Bank mentions an emigration rate of 1.08 percent of the population in 2015, which amounts to a stock of 1,072,949 persons in 2015. This number may seem quite small given the large number of population in Ethiopia. However, there is no reason to deny the importance of studying these migrant populations given the fact that their contribution for the improvement of Ethiopian economy can give an important insight. In this regard it is essential to understand the extent of migration and its pattern in detail where the flows are mainly directed (the major destinations) alongside with the resultant remittance flows. Therefore, the objectives of this study is to carry out analysis of international migration from Ethiopia and analysis of remittances inflow during the last few decades in Ethiopia. The Role of remittance on Ethiopian economy is explored to found out to what extent migration could help social and economic situation in the country.

**REVIEW OF LITERATURE**

According to the United Nations Department of Economic and Social Affairs, in 2015, the number of international migrants worldwide reached 244 million, an increase of 71 million, or 41 per cent, compared to 2000. Only About 3.3 percent of the world population are international migrants. Between 2000 and 2015, Asia added more international migrants than any other major area. Asia gained some 26 million international migrants during this period or 1.7 million additional migrants per annum. Europe added the second largest number of international migrants between 2000 and 2015 (20 million or 1.3 million per year), followed by Northern America (14 million or 0.9 million per year) and Africa (6 million or 0.4 million per year). Both Latin America and the Caribbean and Oceania added comparatively smaller numbers of migrants during this period (3 million or 0.2 million per year each). The share of Africa on the increase in international migrants during this period of one and half decade is only 8.6 (International Migration Report, 2016) this is not surprising, however, as it is well documented in migration literature that the "poorest of the poor" do not migrate, Africa is the poorest region in the world.

The migration-development nexus has received increasing attention of the international community and policymakers both in the countries of origin and destination of migrants. However, available data and information on international migration in the Ethiopia are often subject to scarcity, weaknesses and inconsistencies. Study by (Teklu, 2014) in Ethiopia using the Ethiopian Urban Household Survey (EUHS) data to examine the impact of remittances on the poverty, found that international remittances reduce the level, depth, and severity of poverty in the urban Ethiopia compared with no remittance scenario. According to the study with the inclusion of remittances the level of poverty was reduced by 4.3 percent, while the depth and severity were reduced by 4.6 and 3.3 percent respectively. There is an exorbitant lack of desirable information in a comprehensive manner about the pattern and extent of international migration and their implications to guide various policies that affect migration, remittances, and the households who participate in migration in the context of Ethiopia. The upcoming study aims to bridge this gap through its contribution in better understanding the phenomena that inform the policy development process. The lack of information is most noticeable in two main dimensions: (1) in terms of information about the size and character of migration flows and major destinations, (2) and in terms of the relationship between migrations, its potential effects on source communities, and policy. Additional studies filling existing data gaps are of utmost importance to identify the contribution of migration to development. Therefore, one of the main objectives of this study is to promote a better understanding of migration and development interaction in the context of Ethiopia. To the best of my knowledge no study come to my notice on the patterns and extent of international migration, remittances and their implication. In this regard, the present study will be unique.

**OBJECTIVES OF THE STUDY**

The overall objective of this study is to figure out the extent and patterns of international migration and the remittances alongside their implications for Ethiopian economy. Specifically, this study aims:

- i) To examine the patterns of international migration flow over time and its direction.
- ii) To study the extent and patterns of remittance flow and their role in Ethiopian economy.

**SIGNIFICANCE OF THE STUDY**

Migration for economic motives, is not only about individual or household level decision-making and welfare maximization, there are structural aspects of such labour flows that need scrutiny. Therefore, this study will be of great importance in this regard.

- i) This study gives clear view of the issue of extent and patterns of international migration, and remittances and provides their implication
- ii) The finding of this study assert the efforts of government and its international partner's in putting in place legislative and bilateral agreements on labor migration with preferred destinations so as to connect the benefits of migration and its contribution to economic development of the nation.
- iii) This study will add a brick to literature in the field of economics.
- iv) This study will act as substance for prospective researchers to conduct research in the field of international migration and the remittances.
- v) This study will inform government about the situation of international migration, the remittance flow and its role on the economy of the nation.

**RESEARCH METHODOLOGY**

For this study the data required has been collected from authentic secondary sources. The data on international migrants is collected from World Bank development indicators, World Bank’s Bilateral Estimates of Migrant Stocks. Data on remittance inflow is from World Bank Migration and Remittances Fact Book, National Bank of Ethiopia and World Development Indicators Database.

To examine the extent and patterns of international migration from Ethiopia simple descriptive graphs were used. Analysis of the extent and patterns of international migration from Ethiopia based on historical account is done using available secondary data from various national and international published sources. To explore the role of remittance on Ethiopian economy the remittance flow over period of the study was compared to other financial inflows like the foreign direct investment and the official development assistance.

**RESULTS & DISCUSSION**

The result of the analysis is organized in sections: In the first section that deals with the characteristics of migration from Ethiopia, the overall economic set up from which migration emanates is explored. Followed by the extent and patterns of international migration over period of time. In the second section the role of remittance on Ethiopian economy is analyzed and the last section tries to link migration and development in the case of Ethiopia.

**CHARACTERISTICS OF MIGRATION FROM ETHIOPIA**

This section aims to provide brief characteristics of Ethiopian migration trends, before the analysis of Ethiopian out migration trends it is reasonable to look at its overall economic performance of the country as the nation had been in an economic renaissance. Ethiopia also had experienced political and economic revolutions and shift in ideologies which in one way or another influenced the international migration pattern.

**ECONOMIC SITUATION IN ETHIOPIA – PUSH FACTORS OF MIGRATION**

The rationale of the importance of economic conditions is their direct influence on migration flows. The more the economic situation is unfavorable directly or indirectly implies, the more people intend to leave the country so as to be better off elsewhere abroad. One can use the above mentioned term of *push factors*. According to the human development reports of the United Nations development program (UNDP, 2014) Ethiopia has experienced significant economic and social changes and has recorded some of the highest growth rates in the world-over 10 per cent for more than a decade. However, the country remained one of the poorest countries in the world, ranking 173 out of 186 on the United Nations Development Programme (UNDP) Human Development Index. Ethiopia’s Human Development Index (HDI) and its relative ranking have not moved appreciably during the past decade. Ethiopia’s Human Development Index value increased from 0.284 to 0.442, indicating an average annual increase of 3.21%. Even though Ethiopia is one of the 10 countries globally that has attained the largest absolute gains in its HDI over the last several years the ranking shows the position is still the lowest one so to speak.

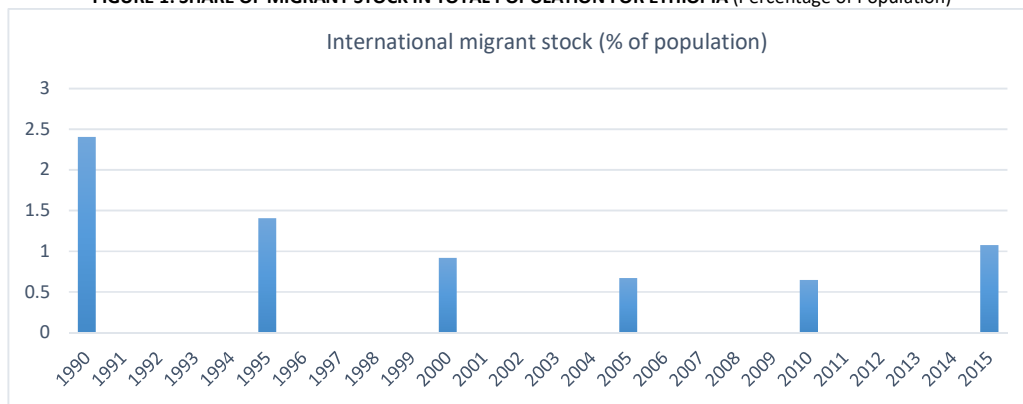
According to the national bank of Ethiopian report, Ethiopia has seen both economic growth and improvements in income inequality and poverty reduction in relative terms and poverty which is estimated to have dropped to 22 percent from 38.7 percent a decade earlier. But, 22 percent of the population still lives below the national poverty line and recurrent drought is still a common phenomenon.

Despite its declining contribution to GDP over the years, agriculture remains the leading sector in terms of contribution to the country’s overall economy. The majority of the population is involved in agriculture. It also is a major source of food for domestic consumption, of raw materials for the domestic manufacturing industries and of primary commodities for export. Moreover, the sector contributes 73% of employment, and supplies 70% of the raw-material requirements of local industries. Ethiopia’s agriculture depends highly on traditional farming methods and a rain-fed farming system, and is vulnerable to environmental and climate-related shocks. (NBE, 2015)

**EXTENT OF INTERNATIONAL MIGRATION FROM ETHIOPIA**

People choose or are compelled to migrate in reaction to changes in the structure of opportunities (mainly economic) and constraints around them. Then, as a result of their action, they contribute to changing that structure. They do so by changing the resources, including knowledge and power available to change their life and to live a life of dignity. This takes place in different ways and have attracted the attention of scientific scrutiny long ago. But more so in the past three or four decades, as a consequence of the increasing intensity and significance of the linkages between migrants and their areas or origin. One of these links between the migrants and their origin country is the remittance sent back home. The past few years have witnessed a booming interest by academics, donors, policy makers, and international financial institutions in the potential development impact of these flows. More on these will be dealt latter in the following section. In this section analysis of the extent and patterns of international migration from Ethiopia is done based on historical account using available secondary data from various national and international published sources.

**FIGURE 1: SHARE OF MIGRANT STOCK IN TOTAL POPULATION FOR ETHIOPIA (Percentage of Population)**



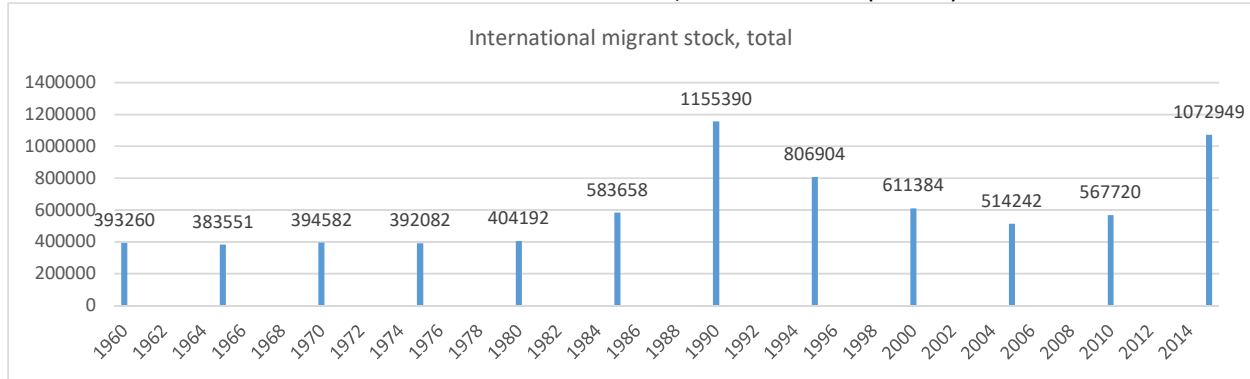
Source: Author’s presentation based on World Bank development indicators data (2016)

Figure 1 illustrates the share of migrant stock in total population for the last two and half decades. The migrants share in year 1990 is the highest in history about 2.4 percent and the share has been declining since then until 2010. After 2010 the share is increasing once again. Various Studies had shown that Most of the migrants during 1990 from Ethiopia were refugees, escaping political conflict, famine, and persecution (for instance, Bariagaber, 1997). In most cases the refugees were persecuted by their own government and they were trying to escape the political conflict (De Waal, 1991). Until the early 1990s, Ethiopia was also mentioned as one of the largest producers of migrants in Africa (Bariagaber, 1999). Even if Ethiopia has experienced migratory flows throughout its history, International migration from the country had shown rapid increase starting from the late 1970’s, which mainly resulted from the political instability and revolution at that time. The movement of Ethiopian citizens became noticeably high in the late 1960s and 1970s (Berhanu, *et al.*, 2004). Especially after the 1974 revolution, large migration flows started to arise. Most of the migrants from Ethiopia were refugees, escaping political conflict, famine, and persecution (Bariagaber, 1997). The main reasons, however, have changed over time. Migrants primarily fled for political reasons and to escape conflict. Later on, the motives of Ethiopian migrants to flee their country turned out to more economic motives.

Gradually, out migration which was primarily dominated by the urban elite for political reason in the previous periods, started to take more of economic dimension and became the aspiration of most urban people (Alemayehu *et al.*, 2011). In 2005 Dejene states that by the mid-1980s, even the rural people started migrating to the Middle East and the Gulf countries in search of jobs though it was not that much large number so to speak.

Apart from war and political violence, ecological degradation, famine, and poverty are historically among the major causes of migration in Ethiopia (Berhanu & White, 2000; De Waal, 1991; Ezra 2001; Ezra & Kiros, 2001). Migration as a result of low opportunities or poor living conditions is often seen as a form of household income diversification. In these regard some household members migrate to areas with better opportunities while other household members stay at their original location and benefit from, for example, remittances. Historically, this has also been the case for some Ethiopian households in drought prone areas (UNDP, 2009). As per the reviewed literatures Previously Ethiopian international migration flows were mainly generated by political violence, poverty, famine, and limited opportunities. In the same way the present migration patterns in Ethiopia are driven by the same factors that led to historical migration flows.

FIGURE 2: INTERNATIONAL MIGRANT STOCK, TOTAL FOR ETHIOPIA (PERSONS)



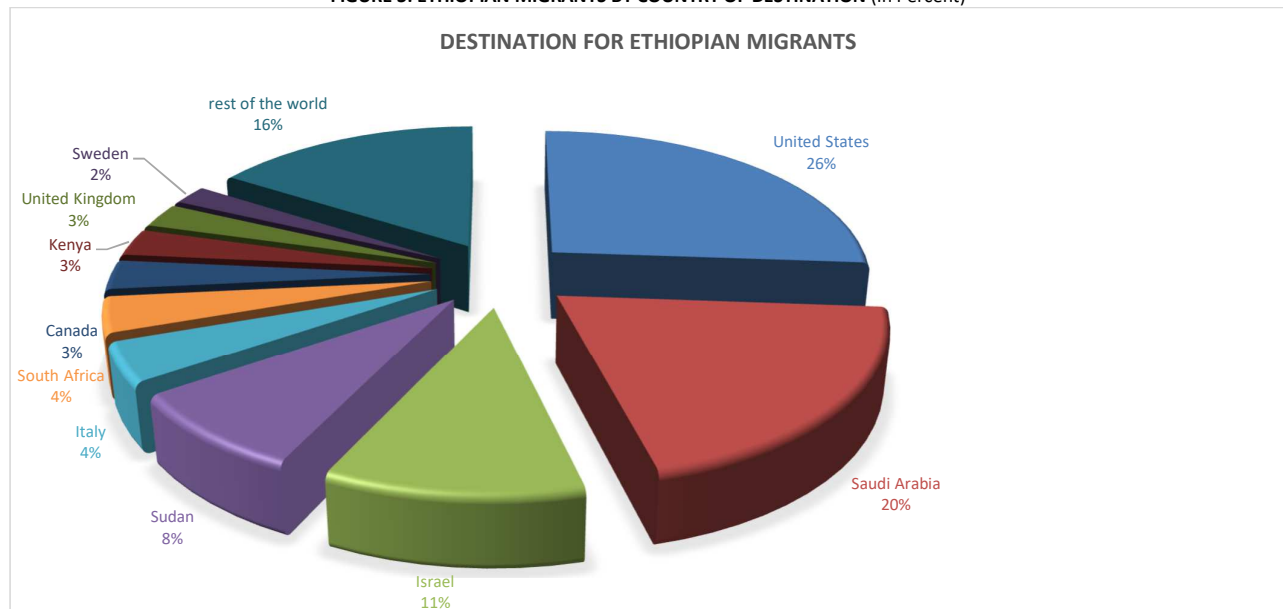
Source: Author’s presentation based on World Bank development indicators data (2016)

Ethiopia is one among the countries with a large number of migrants in North America, the Middle East and Europe. In recent years the migrant stock has started increasing once again as more people are migrating to different destinations in search of better life and employment despite the remarkable GDP growth for almost a decade. As matter fact these estimate about the migrant stock given on the world development indicators or any other official documents may miss to include the entire migrants and in effect the actual number of migrants can be a higher than what is indicated. The actual number of migrants in case of Ethiopia is expected to exceed the estimate because the majority of migration from Ethiopia to the Middle East and South Africa mainly remain undocumented. For instance, during the Saudi Arabian crack down and deportation of about 163,000 Ethiopians in year 2013, the country did not have data about such huge number. The reason for this is the migration remains undocumented as the majority of the migrants are using smugglers and crossing the borders without any formal registration.

In terms of country of destination, the World Bank’s bilateral migration matrix data indicates, the top ten destinations countries. (See figure 3) United States of America is the leading destination for Ethiopian migrants (26 percent of total migrants), followed by Saudi Arabia (20 percent), Israel (11 percent), Sudan (8 percent), and Italy and South Africa (4 percent each). Canada, Kenya and United Kingdom (3 percent each) Sweden 2 percent. The rest of the world combined 16 percent.

This indicates that the top three migrant receiving countries namely; United States, Saudi Arabia and Israel, host more than half of the total Ethiopian migrants across the world. In continental wise, Asia become the major destination continent for Ethiopians which accounts for about 31 percent. The total migrant stocks in United States of America and Canada accounts 29 percent of the total migrants of the nation, in contrast to the share of Europe and Africa where the stock of Ethiopian migrants are 9 and 15 percent, respectively. From the above one can observe that for Ethiopians the neighboring countries are not their destination. There also was a similar conclusion earlier than this study by Fransen and Kuschminder, 2009 which indicated that the neighboring countries are not destination for Ethiopians. Rather, they are a transit route to other European, Asian and North American nations. Several years’ latter still Ethiopians are heading to other parts of the world not to the neighboring countries for obvious reason that there is limited opportunities out there in neighboring countries as the structure of the economies in the sub Saharan region are similar and opportunities are limited.

FIGURE 3: ETHIOPIAN MIGRANTS BY COUNTRY OF DESTINATION (In Percent)



Source: author’s computation based on World Bank’s Bilateral Estimates of Migrant Stocks (2015).

The character and root causes of the Ethiopian migration patterns are diverse and had been through different changes in the past decades. Looking for a better education, employment opportunities, and political instability are considered as major causes for migration. Political migration, in particular, was intensified in Ethiopia during 1970-1990 due to political instability at that time. However, in the subsequent years, the reason for migration is having more of economical motive. For instance, the Middle East has become an important destination for Ethiopian migrants, especially from rural areas, to find better employment opportunities. It is widely recognized now a days in economic literature that International migration boosts incomes and widens opportunities by allowing workers to move to where they are more productive. Migration results in an increase in aggregate output and income. According to the World Bank (2016) Remittances generally reduce the level and severity of poverty and lead to: higher human capital accumulation; greater health and education expenditures; better access to information and communication technologies; improved access to formal financial sector services; enhanced small business investment; more entrepreneurship; better preparedness for adverse shocks such as droughts, earthquakes, and cyclones; and reduced child labor (ibid).

Migration from Ethiopia as is from elsewhere is not only the result of political persecution and run away from natural calamity. Rather, as it took a newer form historically should be considered as conscious action by the economic agents. Migration as an action against poverty dates back to early human history, but it has certainly taken on different characteristics, and a whole new quantitative dimension, in the last few centuries.

**THE ROLE OF REMITTANCE ON ETHIOPIAN ECONOMY**

In economic literature it is widely discussed that one of the economic effects of out migration of people is remittance money that will be sent back to origin countries. In this regard like many migrants from developing countries, Ethiopian migrants also send money back to their home countries. At macro level, remittance flows are an important and stable sources of external finance, and constitute a substantial part of financial inflows for countries with large migrant labor force. At household level, remittances inflows provide an important source of income for families to meet their basic needs.

One of the major insights in relation to international migration in the Ethiopian context is the increasing amount of remittance sent back to country. World Migration Fact book (2015) puts Ethiopia as 8<sup>th</sup> among the top remittance receiving countries in sub-Saharan Africa. Nevertheless, Ethiopia is not among the highest remittance receivers, even compared to Sub Saharan countries, the volume of remittance inflow to Ethiopia remarkably increased in the past decades. According to the data from World Bank, the amount of remittance inflow recorded in 2015 was around \$0.6 billion.

In relation to this a closer scrutiny at the overall performance of external sector of Ethiopian economy gives some impression on how the private transfers is becoming significant for Ethiopian economy. In the year 2015/16 fiscal year the export sector which in most cases receive better recognition to improve the current account balance witnessed poor performance. According to national bank of Ethiopia report for year 2015/16 Merchandise exports dropped by 5.0 percent compared to the fiscal year 2014/15 due to lower international commodity prices of some export items such as coffee, oilseeds, and gold, chat, leather & leather products. Likewise, receipts from net services dropped by 161 percent year-on-year as outflows for construction services soared. The less expected net private transfers showed 18.6 percent growth in contrast to the others.

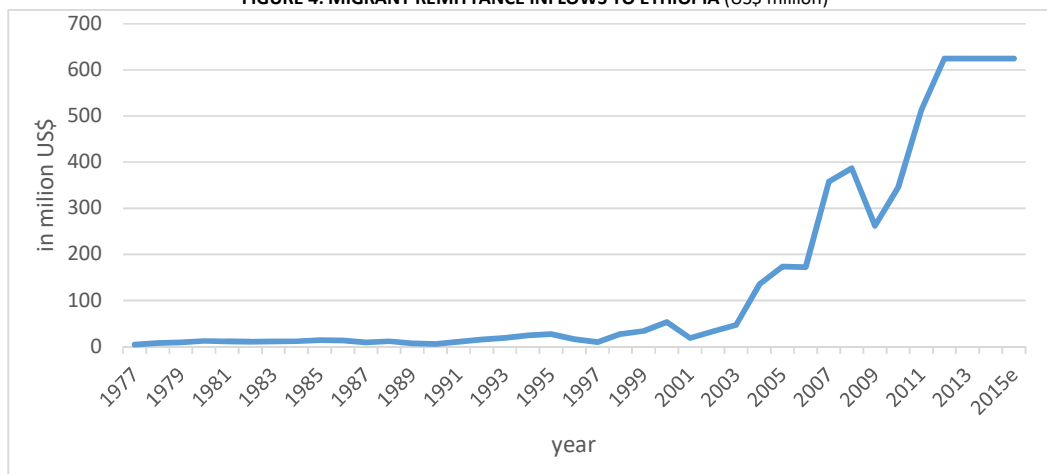
Data from the national bank of Ethiopia shows that the Net transfers improved by 9.9 percent during the fiscal year 2015/16. This improvement is mainly because of the remittances/ the private transfers which amounted to 22.9 percent increase. During the same period a 32.2 percent decline in official transfers was observed. The decline in net official transfers was attributed to lower grants from both international financial institutions and bilateral donors. This is in line with remittances literatures which in recent years has recognized the importance and superior performance of the remittance over other official transfers particularly the official development assistance and the foreign direct investment.

This implies in a country like Ethiopia where the external sector performance show a widening deficit in its trade, current account (including official transfers) capital account and the overall balance of payments, Enhancing Migrants remittance by giving proper recognition could be one solution to cope up with balance of payments deficit. In the following section trend analysis is presented to uncover the, extent and patterns of this financial flow to Ethiopia.

**TRENDS OF REMITTANCE FLOW TO ETHIOPIA**

As it can be observed from figure 4 below, the total amount of remittance inflow started rising, mainly since 2003. Between 1977 and 2003 remittance flows have steadily grown from 4 million USD to 47 million USD. By 2004, remittance inflow had over passed 100 million USD. A critical examination of the figure reveals that the inflow of remittances leaps strangely in 2007 which possibly be associated with the celebration of the Ethiopian Millennium. After a while this continuous increase, nevertheless, witnessed a slight decline in 2008 after reaching nearly 386 million USD due to the global financial crisis that occurred in the western economies, which is the main source of remittance for Ethiopia and host for significant proportion of the Ethiopian migrants as indicated in the discussion about destination of Ethiopian migrants. This is an indication of how the effect of the crisis is in the destination countries is indirectly manifested in migrant’s origin countries. Any favorable change in the host countries also could increase the earning potential of the migrants thereby increase remittance sent back home which is the life blood for the migrant households at household level and a lot more implication at macro level for instance increasing the supply of foreign exchange. In development financing the government of Ethiopia have been trying to boost the export sector by implementing various policy measures to encourage the export sector hoping to solve the hard currency constraint. That is appreciable and a lot more is needed to be done to tap the potential of remittance in an attempt to relax the hard currency constraint to finance development projects.

**FIGURE 4: MIGRANT REMITTANCE INFLOWS TO ETHIOPIA (US\$ million)**



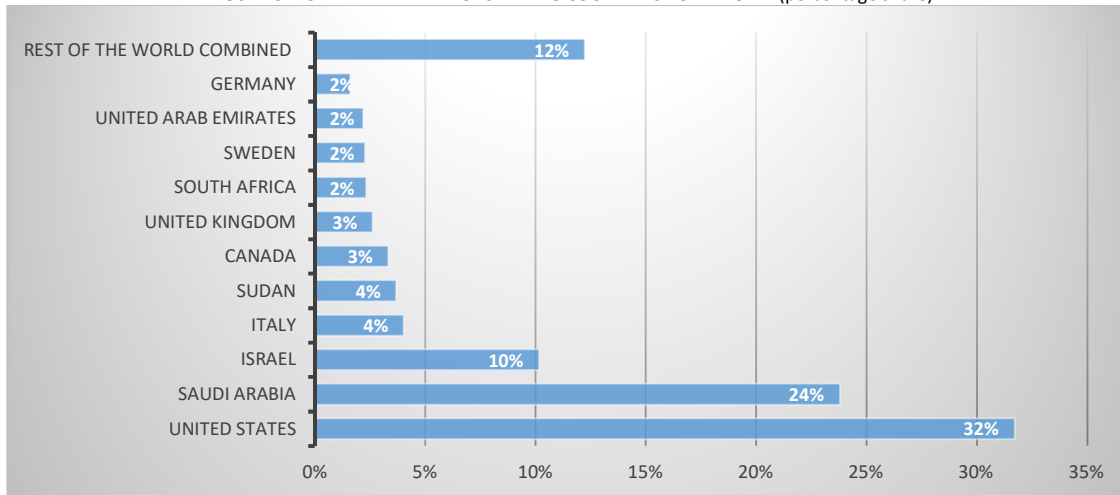
Source: World banks data base (2015)

According to World Bank (2009) report, the global economic crisis had led to 5.5 percent decline in remittance flow to developing countries between 2008 and 2009. In Ethiopia, during this particular period, remittance inflow had declined by about 32 per cent which is by far higher than the average decline for developing countries. Apart from this, however, the year 2010 witnessed an immediate recovery of about 31 per cent and reached nearly 345 million USD. By 2012, the remittance flow had reached about 625 million USD with a growth rate of about 22 percent compared to the previous year’s growth of 49 percent. After that, in

a year 2013 onwards it got stuck from rising as it used to in the previous years. One possible explanation for this could be the massive deportation of undocumented migrants amounting about 163,000 from Saudi Arabia in 2013/14. Although, demand for labor in these destination countries is high, the barriers to employment impacted profoundly on the safety and wellbeing of migrants. For instance, in 2013, Saudi Arabia claimed to be in need of another 0.75 – 1.5 million domestic workers. Despite this demand, at the end of 2013 and early 2014, Saudi Arabia carried out massive deportations of irregular migrants, including some 163,000 Ethiopians.

**MAJOR SOURCES OF REMITTANCE INFLOW TO ETHIOPIA**

**FIGURE 5: TOP TEN REMITTANCE SENDING COUNTRIES TO ETHIOPIA (percentage share)**



Source: Author’s Computation Based on Migration and Remittances Fact Book 2016

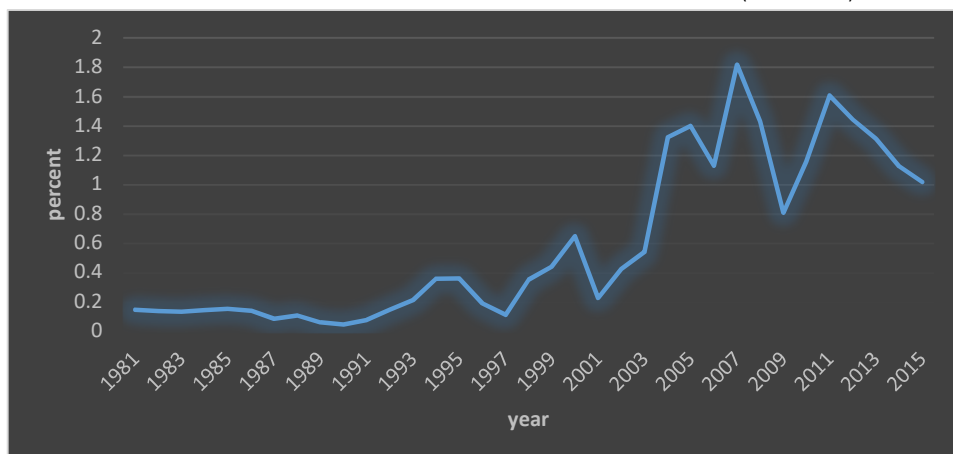
Looking at the distribution of remittance by country of origin, United States of America takes the lead comprising about 32 percent of remittance income that comes to Ethiopia. This is not surprising given the large number of Ethiopian migrant that the nation accommodates. Saudi Arabia the top remittance sending nation in Asia- is the second most important remittance source with a share of 24 percent. The growing migration of young Ethiopians to gulf countries in general and particularly to Saudi Arabia through Yemen in search of employment opportunities could be good justification for this massive flow. The remittance flow from these two countries accounts about 56 percent of the total remittance income for the Ethiopia. As indicated in figure 6 above, the other major remitting country is Israel with a share of 10 percent followed by Italy and Sudan with 4 percent each, Canada and United Kingdom with 3 percent shares each. The top five remittance sending countries namely USA, Saudi Arabia, Israel, Sudan and Italy account for about three fourth of the total remittance flow to Ethiopia. The amount of remittance flowing from African nations is very little compared to other continents. For instance, South Africa and Sudan managed to get in the list of top ten remittance corners but their share is meager. The amount of remittance income flowing from each of these nations constitutes 6 percent share from the total remittance directed to Ethiopia.

There are various reasons behind the increasing remittance inflow, apart from the growing number of migrant stocks. For instance, the improvements made in the recording system of the remittance and increasing remittance flow networks through large number of remittance service providers can be recognized. Moreover, expanded bank branches which led to extensive coverage and reduction in remitting cost compared to preceding years had enabled to divert the amount of remittance income that had previously been flowing using the unofficial channel.

**REMITTANCE INCOME RECEIVED AS A PERCENTAGE OF GDP**

It is essential to look at the flow of remittance in comparison to GDP in addition to looking at the actual amount of remittance inflow. Hence, over the past three and half decades, the total remittance inflow as a percentage of GDP had grown immensely, even though it was not able to exceed 2 percent. From its lowest share (0.04%) in 1990, it had achieved a share of about 1.5 per cent in 2012. Within this interval the highest remittance to GDP was recorded in 2007 followed by in 2011 with the share of 1.9% and 1.7%, respectively. As the figure 6 below shows the impact of global financial crisis on remittance income is also reflected on the share of remittance to GDP between the years 2007 and 2009. Furthermore, a simple computation reveals that remittance has averaged only 0.59 % of GDP over the last three and half decades which slightly goes up to 0.78% of GDP excluding the remittance flow in the previous regimes.

**FIGURE 6: REMITTANCE INCOME RECEIVED AS A PERCENTAGE OF GDP (Current USD)**



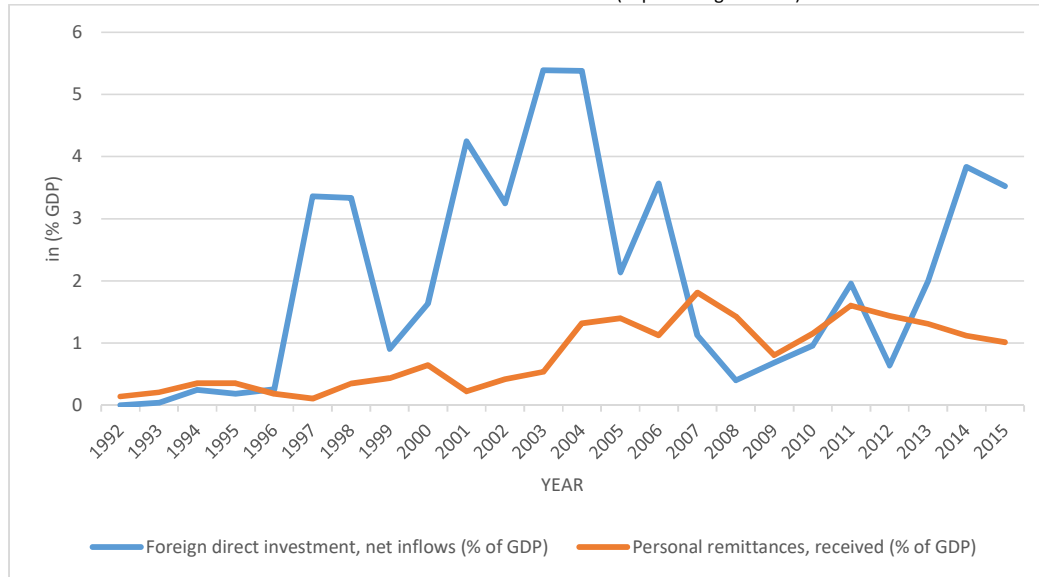
Source: World Development Indicators Database

The growing remittance flow can also be seen via-a-vis government deficit. With the growing government budget deficit, the role of remittance income as an alternative means of financing this gap had become evident. Over the past three decades, remittance income is able to cover government budget deficit by an average of 5.75 percent. This ranges from the lowest share in 1990 which is only 0.47 to 18 percent in 2008. The lowest share of remittance to budget deficit in 1990 is due to the relatively high budget deficit (about 1 billion USD) versus the low level of remittance flow which is only 5 million USD.

**REMITTANCE VERSUS OTHER FINANCIAL FLOWS TO ETHIOPIA**

The importance of remittance to the Ethiopian economy becomes strong when the remittance figures are compared to other external financial income sources of Ethiopia. This is not surprising, remittance has become the major financial flow from the developed world to the developing countries worldwide and this has been evidenced by the stability/resilience of this financial flows even in times of financial crisis in which the other flows show huge fluctuations. As the previous discussion indicated, Ethiopia has experienced a continuing surge in inward remittances flows both in terms of volume and in terms of share of GDP over the past two and half decades. It is evident that, government has been encouraging the FDI inflows by making investment climates conducive to the foreign investors by giving tax holidays and other infrastructure facilities. However, it has now become evident that the less anticipated remittance has performed well than FDI.

**FIGURE 7: REMITTANCE VERSUS FDI FLOW (in percentage of GDP)**



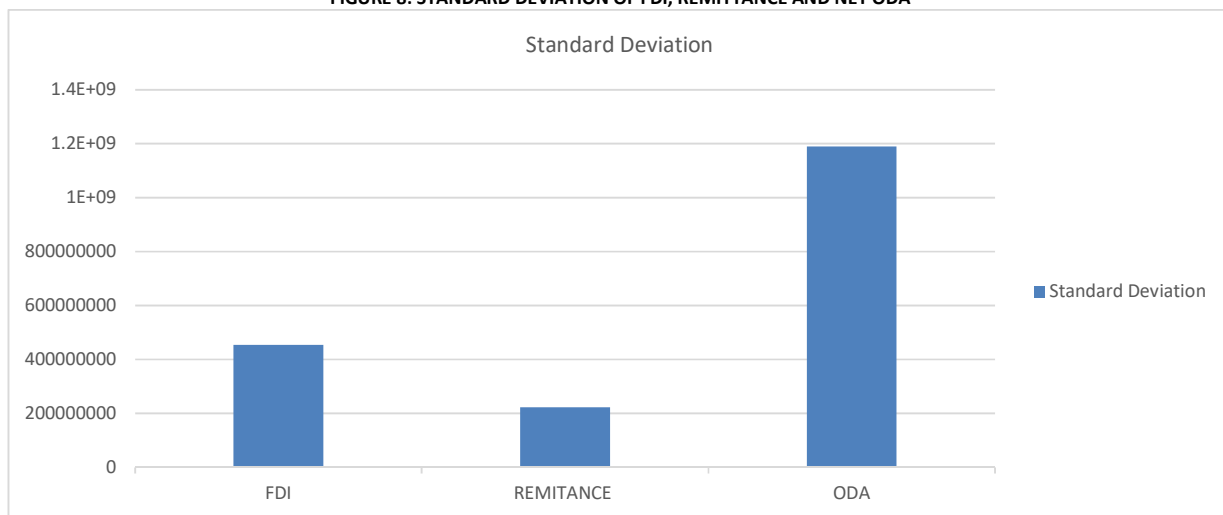
Source: World Development Indicators (2016)

As figure 7 indicates, before 1996 remittance transfer as % of GDP had over passed the FDI, although in subsequent year's % share of FDI flow to the country had by far exceeded the remittance share as % GDP. Between 2007 and 2010 where the share of remittance flow was characterized by significant decline and an immediate recovery, the remittance flow was higher than the FDI flow. Recently after 2011, there is a clear indication that the remittance flow is increasing continuously, unlike the FDI where there is a substantial declining trend.

Certain pattern can be observed when looking at the share of remittance and FDI as a percentage of GDP. As figure shows for instance, FDI contributed only about 1.16 per cent to the GDP while remittance transfer accounted for 1.88 per cent of the GDP in 2007. The share of FDI in GDP was only 0.67 per cent in 2012 whereas remittances accounted for about 1.5 per cent of GDP during the same year. Even though in recent years the FDI take the lead in GDP share over all it is more volatile than remittance flow when one looks at the general trend.

One of the noteworthy features of remittances in economic literature is its resilience. Compared to other flows, remittances are resilient and stable. As we can see from the figure 8 below compared to official development assistance (ODA) and FDI, remittances inflows to Ethiopia are more stable. The volatility of the three variables which can be explained by the standard deviation of each variable had indicated that remittances have the smallest variation across years as compared to other capital flows (see figure 9).

**FIGURE 8: STANDARD DEVIATION OF FDI, REMITTANCE AND NET ODA**



Source: Author's Computation Based on Data from World Bank Development Indicators



## CONCLUSION AND IMPLICATIONS

This study carried out trend analysis of international migration and the remittance inflow to Ethiopia during the last few decades. Even though there is a tendency on the side of the media and the general public propagating migration as if it is at its all-time high rate, this study showed that based on measures like the migrant stock as well as the percentage of population migrated, the current migration is not at all time high rate. The migrants share in year 1990 is the highest in history about 2.4 percent. Political migration, in particular, was intensified in Ethiopia during 1970-1990 due to political instability at that time. However, in the subsequent years, the reason for migration is having more of economical motive. Therefore, Migration from Ethiopia as is from elsewhere is not only the result of political persecution and run away from natural calamity. Rather, as it took a newer form historically should be considered as conscious action by the economic agents. The top three destination for Ethiopian migrants namely; United States, Saudi Arabia and Israel, host more than half of the total Ethiopian migrants across the world.

Ethiopia has experienced a continuing surge in inward remittances flows both in terms of volume and in terms of share of GDP over the past two and half decades. The top five remittance sending countries namely USA, Saudi Arabia, Israel, Sudan and Italy account for about three fourth of the total remittance flow to Ethiopia. The importance of remittance to the Ethiopian economy becomes strong when the remittance figures are compared to other external financial income sources of Ethiopia. Compared to the official development assistance (ODA) and FDI, remittances inflows to Ethiopia are more stable.

It is evident that, Ethiopian government has been encouraging the FDI inflows by making investment climates conducive to the foreign investors by giving tax holidays and other infrastructure facilities hoping to promote the export sector. However, it has now become evident that the less anticipated remittance has performed well than FDI. The implication is that there is untapped potential in this regard for development financing. Although, demand for labor in the destination countries is high, the barriers to employment impacted profoundly on the safety and wellbeing of migrants. For instance, in 2013, Saudi Arabia claimed to be in need of another 0.75 – 1.5 million domestic workers. Ironically it is on the same year that massive deportation of some 163,000 Ethiopians was carried out. Given the fact that Saudi Arabia is a country which is now major destination for Ethiopian migrants as indicated in this study. This calls for rethinking about well-studied diplomatic relationship that could be mutually beneficial.

As long as migration is a conscious action by economic agents instead of viewing it as a problem the findings of this study indicated it as an opportunity to achieve the development goals. Therefore, Development of a national Labor migration strategy and an Action Plan in a way that emigration, and migration policy in particular, is incorporated in the broad development strategy, Establishment of an effective labor migration management system with transparency, accountability and the rule of law as key features, and aimed at strengthening of national and international cooperation and coordination should be given emphasis so as to tap the potential of the migration for development.

## SCOPE FOR FURTHER RESEARCH

Before talking about the developmental impact of the migration process it is essential to first make sure that migration has taken place in the first place. From the analysis of the extent and patterns of international migration this study indicated the magnitude of migration and the associated financial flow, the remittance. Ethiopian out migration patterns that were described in the previous section represent a considerable outflow of human resource from the country. The implication is that a lot more has to be dealt than simply looking at the remittance part only. This is because it might also have a negative impact on Ethiopia's development processes. There are also some more positive consequences of emigration as well, that need to be considered apart from remittances, the engagement of diaspora in the development process and the return migration of Ethiopians who received extra schooling and work experience abroad. These are areas for further research for those who are interested and are beyond the scope of this study.

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