1   Introduction

Let y_{ijsge} denote the level of bilateral migration of individuals of gender g and education level e from country i to sector s of country j. Let x_{ij} denote the level of foreign aid flowing from country i to country j. In it's most general form, our model seeks to understand the relationship.

$$y_{ij} = f(x_{ij}, Z_i, Z_j, \delta_s, \gamma_g, \lambda_e) \tag{1}$$

The model links two bilateral flows (i.e., foreign aid and migration) and draws inspiration form "gravity" models of international trade. A linear specification for pooled ordinary least squares with fixed effects is

$$y_{ij} = \alpha + \beta x_{ij} + Z_i + Z_j + \delta_s + \gamma_g + \lambda_e \tag{2}$$

where Z_i are donor fixed effects, Z_j are receiver fixed effects, δ_s are sector fixed effects, γ_s are sector fixed effects

2   Assumptions and Caveats

1. The relationship between foreign aid and migration is linear.

2. Migration flows observed round year 2000 are proportional to flows observed in 2011. This assumption is a result of the nature of the observed data: migration is observed around year 2000 at the continent-country level and foreign aid is observed annually from 2011 to 2020 at the country-country level.

3. The bilateral migration data is observed only at the continent to country level. Therefore we need to assume that the flow of foreign aid from country i to country j in continent c can be directly linked to the flow of migrants from continent c to country i.

4. We make no assumptions on the direction of causality in this specification.

3   Results

Overall, the estimates from our specifications consistently suggest **a negative relationship between foreign aid and bilateral migration flows**. All else being held equal, an increase in the level of foreign aid from country i to country j is associated with a decrease in the level of bilateral migration from country i to country j. In our preferred specification, increasing foreign aid from country i to country j by \$1 million (2011 USD) is associated with 134 fewer migrants from country j to country i, on average. This result is robust to the inclusion of all of our fixed effects.