



# **Enhancing the Development Potential of Return Migration – Republic of Moldova - country experience**

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# 1.1 Introduction: Migration

- Migration: 191 million migrants worldwide and
- 24.5 million internally displaced persons (IDPs) (2007)
- In Moldova, the total number of emigrants grew from fewer than 100,000 in 1999 to more than 350,000 by the end of 2006. The total number of labor emigrants is estimated at around 345,000 (IOM's survey), amounting to one quarter of total labour force
- Driving forces:
  - Pull factors
  - Push factors
  - Inter-country networks

# 1.2 Introduction: Remittances

- **Migrant remittances are defined broadly as monetary transfers that a migrant makes to the country of origin, i.e. financial flows associated with migration.**
- **US \$ 300 billion in remittances worldwide (*IFAD, IBD*). In Moldova, remittances reached US \$ 1.2 billion in 2007 (*NBM*); ratio to GDP - 36 %, one of the highest**
- **Forms:**
  - **Cash transfers from migrant workers or immigrants to recipients in home country**
  - **Monetary investments, deposits, or donations by the migrant in the country of origin**
  - **In-kind personal transfers and donations**

## 2. Remittances: an Overview

- Remittances are the largest source of external finance for the developing countries.
- Remittances to developing countries have grown from U.S. \$2.98 billion in 1975 to over \$300 billion in 2007. Their true size, is believed to be even larger.
- Remittances are larger than FDI and more than twice as large as official aid received by developing countries.
- Remittances exceed 10% of GDP in 22 developing countries, capital flows in 36 developing countries; merchandise exports in 12 countries; and the largest single commodity exports in 28 countries.
- In Moldova, remittances have exceeded merchandise exports (NBM, 2007, QII).

# Migration: Impact on Development

## Developmental dimensions of Migration:

- **Migration is an essential, inevitable and a complex historical phenomenon**
- **Orderly and humane migration can benefit all stakeholders, whereas irregular migration is a development retarding**
- **Governments can and must manage migration through national policy and international co-operation**
- **Consensus that migration is an integral part of the development process**
- **Though, migration can not be a full substitute for development, but it can contribute to the development process**

# 3.1 Migration: Impact on Development

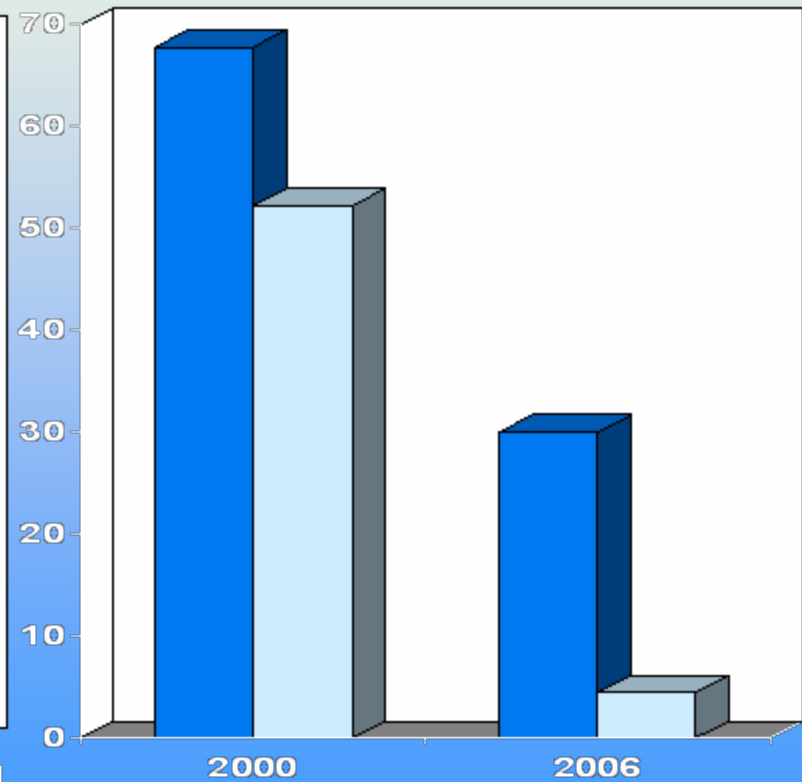
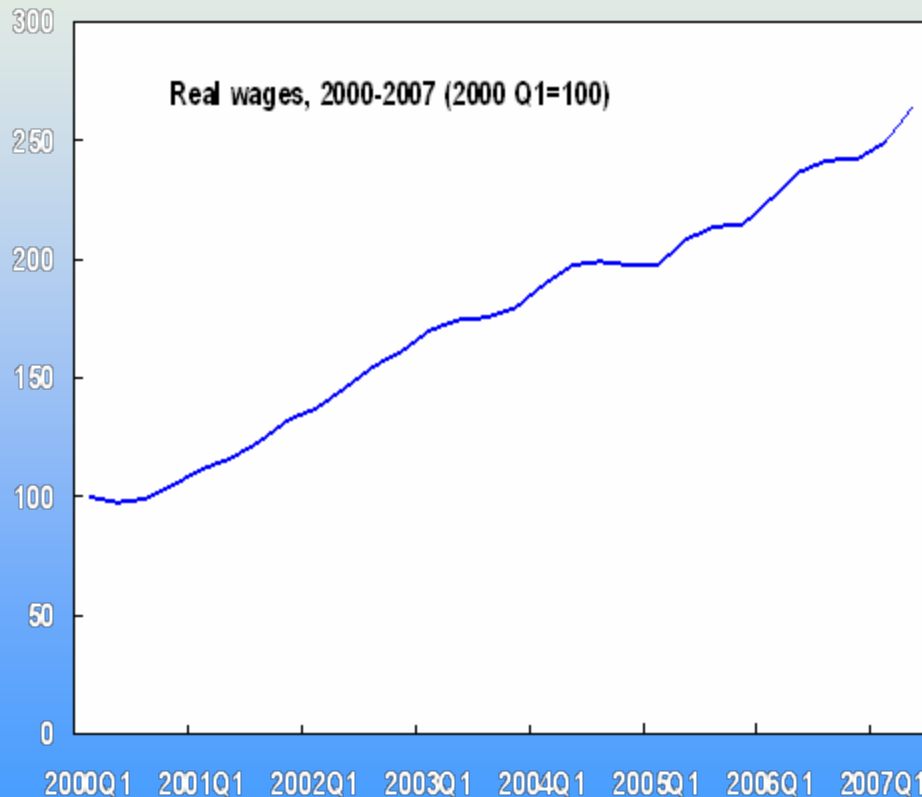
## Positives:

- **Economic gain - remittances, investment etc.**
- **Labor market and employment opportunities abroad (enhanced mobility of labor force)**
- **Migration can empower women/other groups**
- **Impacts on social institutions - origin & destination countries**
- **Migrants as development agents (human, social capital, skills, fostering innovation, progress and advancement)**
- **Diaspora as a source for economic and social development**
- **Return (brain circulation) can maximize developmental impacts of migration by transfer of skills**
- **Equalizing effects on income of origin countries**

# Case of Moldova: Migration has reduced poverty

raising salaries

increasing incomes through remittances



■ Absolute poverty ■ Extreme poverty



# Negative impact of migration on development

- **Brain-drain (loss of human capital, including highly qualified specialists);**
- **Social: torn families, children left behind, weakening the social protection system**
- **Inflation impact on economy/pressure on currency exchange rate**
- **Increased inequality/disparity in incomes**
- **Creation of a “tradition of migration”**
- **Irregular migration harms inter-state relations**

**Remedy: a comprehensive migration policy needed at the national level, supported by appropriate legislations and implementing mechanisms**

# 3.2 Remittances: Impact on development

- The effect of remittances on development remains a widely debated issue:
  - Negative view: create dependency, wealth disparities, currency appreciation, inflation, displace local jobs, higher import content of consumption, encourage further migration and may cause labour shortages.
  - Positive view: foster poverty alleviation in countries of origin, increase productivity and investments, promote economic development, augment national savings, ease foreign exchange constraints.
- Remittances alone do not lead to development and economic growth, and their impact depends on micro- and macro-level factors of the economies of host and home countries.
  - Therefore, migration cannot be considered to be a universal solution for addressing all developmental problems.

# 4. Policy Recommendations. Moldova's experience

## Main policy directions of the Government:

- To create effective mechanisms for management and monitoring of migration flows
- To improve the reliability of migration and remittance data and the capacity of the government to collect, share and apply such data
- To improve the knowledge and capacity of migrant workers and their families to channel and use their remittances for productive investments
- To improve the linkages of the Government with its Diaspora
- To improve remuneration of labour and a continued increase of state guaranties in this area
- To promote return migration and reintegration programs
- To create an enabling environment for SME growth
- To promote mobility of labour force/circular migration

# National Strategy Documents

- **EU – Moldova Action Plan (cooperation in justice and home affairs: migration issues) – implemented; new instrument drafted**
- **Moldova National Program of Actions on Migration and Asylum**
- **National Strategy for Support and Development of SMEs for 2006-2008**
  
- **National Return Action Plan**
- **National Remittances Programme**
  
- **Mobility Partnership EU-Moldova**

# 4.1 National Return Action Plan

**Creation of incentives for return of Moldovan migrant workers.**

**Main objectives:**

- 1. Provision of information on the job/business/social reintegration opportunities in Republic of Moldova**
- 2. Strengthening the links with Moldovan nationals abroad**
- 3. Provision of socio-economic reintegration services to returnees**
- 4. Implementation of a program for attraction and investment of remittances**
- 5. Enhancing the business environment and opportunities in rural areas**
- 6. Creation of conditions for prevention of migration, especially youth migration**

## 4.2 Enhancing the development role of remittances.

### Policy recommendations

- **Key Problems:**
  - Private nature of remittances
  - Entrenched policy environment poses a problem, esp. in countries of origin
- **Guiding Principles:**
  - Be cognizant of the importance of ending the dependence on migration and remittances
  - Do not regard remittances as the key instrument on par with traditional forces like exports and FDI
- **Main Policy Directions:**
  - Create a sound policy environment
  - Reduce transaction costs
  - Encourage productive use
  - Improve data collection on remittances

# EC Aeneas Remittances Project

- **EC Aeneas Project “Beyond Poverty Alleviation: Developing a Legal, Regulatory and Institutional Framework for Leveraging Migrant Remittances for Entrepreneurial Growth in Moldova”**
- **Main activities, aimed at enhancing the impact of remittances on economic development by facilitating increased investment of migrant resources in SMEs:**
  1. **Development of a National Remittances Programme**
  2. **Capacity Building for the Ministry of Economy and Trade**
  3. **Improving Remittances Data Collection**
  4. **Improving Financial Literacy of Migrant Workers and their Families**
  5. **Facilitation of Linkages of Remittances with Financial Services**
  6. **Building Bridges with Diasporas**

# National Remittances Programme

1. Encouraging the use of official transfer channels and increasing trust in official institutions by improving financial literacy.
2. Enhancing migrants' financial literacy through public-private partnerships
3. Reducing informality, improving competition and reducing transactions costs by: i) expanding the intermediation of banks, microfinancing agencies, credit and savings associations, post offices, in the remittances area and by ii) adopting new remittances-transfer technologies
4. Engaging diaspora in homeland development



# National Remittances Programme

5. **Implementing migrant outreach policy, stimulating confidence about homeland and building migrant partnerships**
6. **Supporting business investment plans and partnerships with diaspora**
7. **Matching remittances with other funding sources and orienting them on community development**
8. **Creating favorable regulatory and macroeconomic environment**
9. **Facilitating increased investment of migrant resources in SMEs by improving the SME regulatory and institutional framework**
10. **Improving data on remittances by expanding and improving remittance data collection practices, research, analysis, policies, and procedures**

# 4.3 Mobility Partnership EU-Moldova

- Council of EU for JHA from 6-7 December 2007 - initiating the dialogue with the Republic of Moldova to launch a pilot mobility partnership
- Concept of “mobility” is becoming a key element for the development of the EU migration management strategies
- Mobility partnership represents an overall political framework
- Aim: develop a balanced partnership with third countries adapted to specific EU Member States' labour market needs
- Mobility partnerships to be broad, tailor-made and balanced and include elements of mutual interest: legal migration, fight against illegal migration, migration and development, circular migration
- The parties to a mobility partnership, on the EU side, include both the European Community and Member States willing to participate in and contribute to it.

# Mobility Partnership EU-Moldova

Partnerships on migration with third countries can contribute to a coherent migration policy which combines measures aimed at:

- i. facilitating well-managed legal migration opportunities and their benefits
  - ii. fighting illegal migration, protecting refugees and tackling the root causes of migration
  - iii. impacting positively on development in countries of origin
- On 5th June 2008 the EC and 15 EU Member States signed Mobility Partnership (MP) with Moldova

# Mobility Partnership EU-Moldova

## Objectives:

- Increasing legal avenues for migration
- Protecting migrants rights
- Limiting negative effects of migration
- Putting in place effective external and internal controls to reduce irregular migration
- Augmenting the positive effect of remittances on economic growth
- Enhancing the cooperation with EU in migration sphere

# Mobility Partnership EU-Moldova

## Components:

- 1. Monitoring of migration flows in order to determine the needs and necessities**
- 2. Consolidation of the National Migration Management System**
- 3. Informing potential migrants about ways of legal migration to the EU Member States, as well as about the risks of illegal migration, and on assistance for reintegration of returning migrants**
- 4. Labour migration schemes (circular migration)**
- 5. Voluntary return and reintegration schemes**

# Mobility Partnership EU-Moldova

6. **Diaspora consolidation and co-development**
7. **Social protection of migrants and their families**
8. **Development of the Moldovan labour market**
9. **Visa and readmission**
10. **Cooperation in border management, identity and travel documents, fight against illegal/irregular migration and trafficking in human beings**



**Thank you!**

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