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Migration and development

Strengthening links between migration and development in the Republic of Moldova

Note by the National Statistics Bureau, Republic of Moldova

I. Key migration trends in Moldova

1. Some new trends have recently emerged in the overall pattern of Moldavian migration: from the Commonwealth of Independent States (CIS) to the European Union (EU); from short-term and seasonal migration to long-term migration; there are increasing migration flows towards the U.S. and Canada. These shifts demonstrate the aspirations to move from low-income countries to higher income countries and this creates more opportunities for building up the development impact of migration, especially as related to increasing migrant remittance flows. Longer-term migration also has a sufficient potential to result in more serious development impact.

2. The factors of attraction, which encourage Moldavians to leave the country, include: higher income in receiving countries, higher living standards, larger opportunities for personal development and the availability of 'successful' migrants and social networks that they have created abroad. Additional attraction factors for the CIS countries are low costs and visa-free movements.

II. Need for mainstreaming migration policies into development strategies

3. The need for mainstreaming migration policies into the national development agenda is reflected in such strategic papers as *Moldova-EU Mobile Partnership* and in the *Action Plan for Encouraging Moldavian Labour Migrants to Return from Abroad*. The migration and development strategy is implemented in Moldova in collaboration with the

international community's representatives in the country (International Organization for Migration and International Labour Organization).

4. Despite of increased importance attached to the links between migration and development, the national labour migration policies often fail to capture full benefits of it as migration policies are not properly integrated into the overall development strategy.

5. In 2010, a special survey on migration and development was conducted in Moldova to explore the role of migrants considered both as a market segment and development resource. The survey was conducted by the Centre for Sociological, Psychological and Politological Analysis and Investigations Centre (IASCI-CIVIS) for the World Bank under the framework of the Migration and Remittance Peer-Assisted Learning network (MiRPAL).

III. Remittances

6. Starting from 1999, the flow of remittances from abroad has been steadily growing (except for 2009). According to the data of the Moldavian National Bank, in 1999 the remittances of overseas migrants were US\$ 89.62 million, whereas in 2008 such remittances achieved the level of US\$ 1,660.09 million. The official data on monetary inflows is underreported due to a large share of informal inflows, which are hard to measure. Nevertheless, according to the World Bank, Moldova is among top countries depending on migrants' monetary remittances. In 2007, the monetary remittances from overseas Moldavian migrants peaked and comprised 36% of GDP (23.2% in 2010). Thus, the migration of accumulated capital enables the Republic of Moldova to develop.

7. Migrants' monetary remittances have considerable positive impact on macroeconomic stability in Moldova. These help to finance significant and ever augmenting trade deficit in the country, to facilitate fiscal system consolidation, development of the banking system and financial intermediation services, to increase official reserve assets and to maintain the value of the national currency.

IV. Use of labour migrants' funds by households

10. The income in the families of those migrants who remit money home is about twice as large as of the families who do not receive such remittances from abroad. As compared to the families who do not receive remittances from abroad, these families spend more money for purchasing consumer goods (such as food and clothes), for repaying debts and for housing repair or construction. Experts estimate that about 80% of apartments were bought by Moldavians either working abroad or using the money they send home. The impact of these investments has been dual: on the one hand, such investments resulted in the growth of the construction sector, and on the other hand, they caused a rise in prices of apartments, especially in the capital.

11. Monetary remittances of migrants also increase household expenses for education and in many cases, they are the only source for attaining university-level education. But migration can also have negative impacts on education and the largest negative impacts include worsening quality of education because professional teachers and academia decide to stay abroad and lack of parental supervision.

V. Migrants as source of foreign direct investments

12. The impacts of money remittances on the economic situation strongly depend on what flows have been invested into business. According to the survey data each fourth household in Moldova with a migrant member has provided financial support to Moldavian

business by investing or lending funds. The review of business experience and investment intentions demonstrates that migrants' financial flows are mainly channelled into agriculture, retail trade (including bars and restaurants), construction, real estate and services. Nevertheless, such investment behaviour has not induced any considerable development in the country yet due to unfavourable business climate, high economic risks and administrative barriers.

13. The share of remittances that could be channelled into investment projects through financial and banking institutions is very small compared to the capital inflows from migrants, as well as compared to a tendency to save money received as remittances. The 2010 IASCI-CIVIS data demonstrate that only 18% of migrants hold their savings on deposit accounts in Moldavian banks whereas another 66% simply keep their money at home. Major reasons why migrants do not keep their money in Moldavian banks are insufficient household income, lack of confidence in the banking sector, high risks and unattractive interest rates. The refusal to keep money in banks undermines the potential development impact of current monetary remittances through financial intermediation.

VI. Return migration

14. Return migration facilitates development even stronger than migrant remittances. Remittances, as said above, are mainly used for consumer expenditures, whereas savings which are a purpose or a precondition for return migration of Moldavians are used oftener in productive activities. According to the survey data, Moldavians are very careful with money. Migrants' savings are accumulated either in cash and/or in banking systems of receiving countries. Should there be adequate incentives, guarantees and legislative framework these resources could be transferred into savings and investments in the origin country and this would eventually affect development.

15. Moldavian migrants are very businesslike and ambitious. As it was said above, in the past many Moldavians invested in business, both in receiving and origin countries. This trend was especially evident in the last three or four years and promises development in the future. Furthermore, while working abroad some migrants have obtained skills or knowledge of new technologies, e.g. while working in greenhouses in Spain, in auto repair shops, etc.

16. The development impact can be efficiently used with the involvement of financial institutions or in combination with private sector resources or those of local authorities.

17. The Government Resolution No.972 dated 18 October 2010 approved the 2010-2012 pilot programme to attract remittances into the economy "PARE 1+1"; this programme is oriented at labour migrants or their relatives willing to invest into a start-up or development of own business.

18. The purpose of the programme is to mobilize Moldavian migrants' human and financial resources for Moldova's sustainable economic development by encouraging establishment and development of small and medium enterprises of labour migrants and remittance recipients. The programme provides for arrangement of training courses for migrants and their relatives, free distribution of information materials, assistance to businessmen in starting a business, including preparation of business plans and grants worth of 50% of investments.

19. This project has enabled successful investment of migrant and state funds in support of small businesses (creation of agricultural and zootechnical farms, fruit and vegetable farms, businesses for production of furniture, forage, flower greenhouses, opening of car repair shops and pizzerias).

20. Nevertheless, the Moldavian government has not succeeded yet in securing political stability and economic attractiveness for migrants, which are key conditions for migrants to think about returning home.

VII. Constraints of migrant business activities

21. Business environment in Moldova provides little opportunities for investments. Despite of this, many migrants or their families, who have some investment capital, entrepreneurial flair and willingness to take some risks, venture to invest in Moldova. Moldavians prefer opening family businesses using own resources, which in most cases are limited.

22. In migrants' opinion involved in entrepreneurial activities there are many constraints, major of which are:

- insufficient financial resources;
- limited access to bank credits, high interest rates (from 24% to 32% per annum) and extremely rigid repayment terms;
- lack of reliable and qualified staff;
- excessive red tape;
- insufficient business skills;
- overall information vacuum with limited access to information (e.g. about projects supporting return migration);
- unfavourable tax policies;
- poor business infrastructure (bad roads, lacking or obsolete irrigation networks for agricultural land);
- poorly protected domestic market and difficulties when accessing foreign markets (monopolies of companies entitled to export agricultural products); and
- lack of opportunities and support they could find in receiving states.

23. The decision to start a business is difficult for return migrants due to their inability to reintegrate into the Moldavian labour market. Sometimes these failures recur and migrants start losing hope that their business can be successful. Thus, the environment and lack of alternatives make them to migrate again.

VIII. Moldavian migrant communities abroad

24. The ever-increasing flows of labour migrants from Moldova to EU and Russia have triggered a new phenomenon and made researchers speak about the phenomenon of migration community. There are in total 71 Moldavian non-governmental organizations in 23 countries worldwide. These NGOs bring together representatives of Moldavian diaspora and are registered in accordance with the legislation of a receiving state. Moldavian diasporas are not diasporas in classical understanding of the term because they unite not just Moldavians by origin who are nationals of a country of residence but labour migrants from Moldova as well.

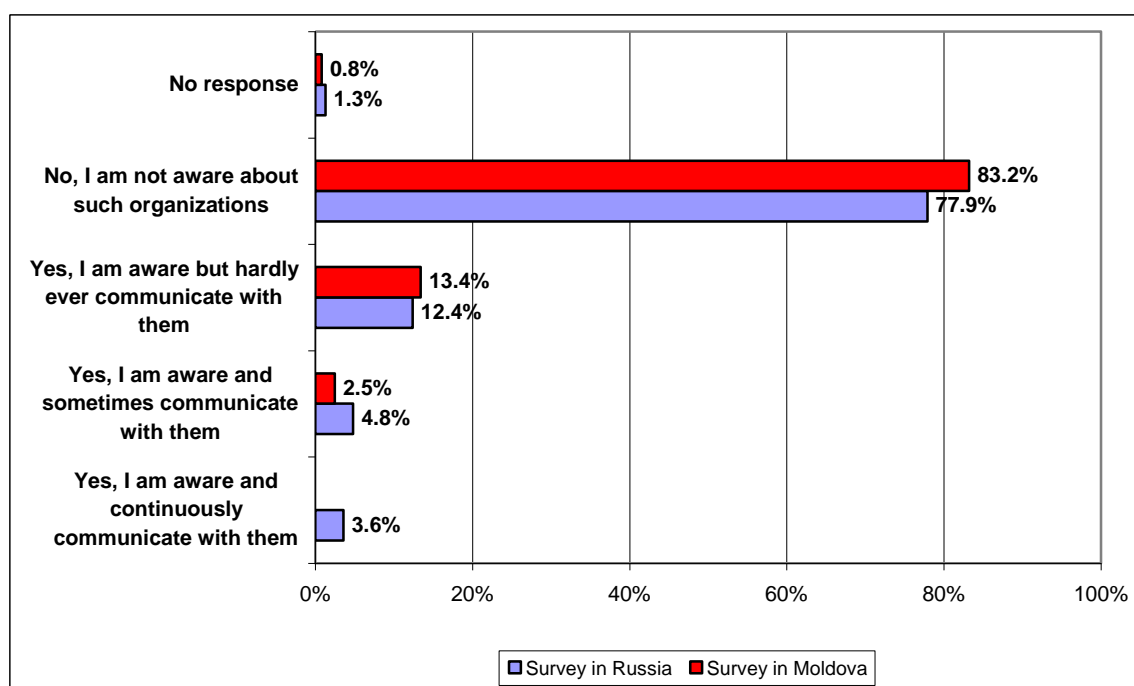
25. Social capital and mutual readiness, among migrants and between migrants and national communities, to help play an important role at each stage of Moldavian migration: from movement planning through to return home and reintegration. When preparing to move about 70% of potential migrants decided in favour of specific destinations because they have already some social contacts or even a guaranteed job there. These social

networks are of paramount importance for Moldavian migrants to overcome the risks pertaining to migration.

26. Though Moldavian migrants are quite cohesive at individual level, overall social cohesiveness of Moldavian communities abroad is limited. Migrants are often unaware about existence of formal Moldavian organizations, which represent their interests in a receiving state. Moldavian migrants have difficulties in accessing information due to poor Internet access, lack of time due to long hours of work or remote place of employment.

27. Special IOM surveys in Russia and Moldova, *Moldavians in Russia: Social, Economic and Political Issues*, have demonstrated very poor awareness of migrants about Moldavian organizations in Russia:

Awareness of Moldavian migrants about Moldavian organizations in Russia:



Source: Vladimir Mukomel, *Moldovans in Russia – Socio-economical profile and policy challenges*

28. Most Moldavian migrants in Russia know nothing about Moldavian organizations and just 3.6% continuously keep in touch with them. The intimate circle of migrants mainly includes their friends and relatives. Nevertheless, as entry into and adaptation of Moldavian migrants in Russia do not involve any serious difficulties, the role of Moldavian diaspora for Moldavian migrants will increase over time especially if and when migrants decide to finally move to Russia and integrate into Russian community.

29. The *Moldavians in EU survey* demonstrated that there are many small Moldavian communities in Italy, Portugal, Spain, and France. Moldavian migrants in the EU countries have the following features: unskilled labour by professionals (doctors, teachers) due to difficulties with the recognition of professional qualifications; impossibility to return to Moldova; aspiration to family reunification for living together abroad; and low confidence in Moldavian diaspora.

30. Communities' activities are limited to arrangement of ethnocultural events, information services, meetings, arrangement of Moldavian culture days and holidays. It is premature to speak about any large-scale project and programme activities involving considerable number of Moldavians. Therefore, the role of migrants in supporting the development of origin country was not taken into consideration.

31. The importance and need to work with diasporas was not immediately realized. At the time when the Bureau of Interethnic Relations was established in Moldova in 2002, there was no clear view on how to work with diasporas. However, gradually over the last years arrangements were made for accounting Moldavian diasporas overseas, contacts were established with them, joint work programmes were developed and four Congresses with representatives of all overseas diasporas were held. There are plans to conduct the fifth Congress in October 2012.

32. At the moment the Moldavian government is considering setting up a state agency to work with diasporas. Major objectives of the Agency will be to develop and implement policies affecting diasporas, to review diaspora and migrant needs, to communicate information related to legislative and executive authorities, Central Election Commission and other important institutions as well as to cooperate with foreign partners.

33. Moldavian diaspora should realize the potential of its contribution into the development of the home country. There is a need to develop social dialogue at the level of Moldavian communities living abroad, including more proactive involvement of Moldavian diaspora and diplomatic missions as well as other relevant actors. The diaspora could contribute to the national development through migrant remittances and investments, transfer of technologies, networking and promotion of access to markets.

IX. Improvements in collection of migration data

34. Some of the areas of government activities include elaboration of effective mechanisms to monitor migration flows, attraction of investments and remittances for economic development of the country, implementation of measures to prevent migration by creating employment opportunities, and improvement of links with Moldavian diaspora.

35. As initiated by IOM, a new tool, Extended Migration Profile (EMP), has been developed in Moldova to improve existing methods of migration data collection. As it is important to mainstream migration into other policies, this tool contains a number of key variables represented in wide development context. Demographic patterns, participation in the labour market, gender aspects of migration, including labour migration, remittances – these are the key variables included into the EMP, which will facilitate in-depth study of migration processes and their impact on future demographic and socio-economic development of the country.

36. The project objective is to facilitate effective migration management through the development of relevant policies based on quality actual data, to improve usage and distribution of existing information on migration movements among stakeholders.

37. The statistics obtained by EMP will help to have better understanding of conditions of migrants and to develop targeted policy responses to satisfy specific needs of labour migrants. The information on issues, which labour migrants have to face, may help in the reintegration of return migrants, their inclusion into national employment, and in securing gender equality at the labour market. The implementation of the migration profile will enable existing structures to develop such tools as retraining of migrants, involvement of migrants into SME development programmes, business development, creation of a database of skilled migrant workers and provision of information on vacancies.

38. It is also important to further maintain the newly created mechanisms for regular monitoring of migration trends and for assessing migration impacts on all aspects of life in Moldova; and such importance is also duly taken into account.

39. In addition, in 2012, NSB will conduct a modular Labour Migration Survey as part of the Labour Force Survey.
