

Strengthening the Link between Migration and Development in Moldova

Implemented by:

- ◆ **CIVIS (Centre of Sociological, Politological and Psychological Analysis and Investigations)**
- ◆ **IASCI (International Agency for Source Country Information)**

Financed by:

- ◆ **World Bank**

Prepared within Migration and Remittance Peer-Assisted Learning Network (MIRPAL)

Presentation of the study

Premises:

- a. the transfer of the capital accumulated abroad (financial, human and social) could provide a significant potential developmental opportunity for the Republic of Moldova.
- b. The role of local conditions in mobilizing the gains from migration

The overall goal of the study:

is to provide Moldovan stakeholders with data, information, conclusions and recommendations that support and leverage the positive impact of migration in relation to sustainable development in Moldova

Specific objectives:

1. assessment of the potential impact of migration/remittances (savings & investment model) on Moldova's economic growth and social development
2. policy and intervention recommendations

Methodology

Desk research

- *IASCI-CIVIS*
- *ETF, IOM, WB*
- *Other sources*

Research tool:

a semi-structured guideline developed by the CIVIS Centre, in collaboration with IASCI and in coordination with the World Bank.

FGD și IdI

- *persons with migration experience that have created businesses in Moldova using FC, HC and SC acquired abroad*
- *persons who have appealed to their contacts residing abroad (usually asking for financial support) to design or launch some entrepreneurial activity in Moldova*
- *stakeholders (including financial intermediaries, governmental counterparts, civil society and specialized agencies) who have been invited to participate in both the design and the analysis components of the research process*

Outputs

- a) 3 FGD – 26 people
- b) 28 IdI, including 18 with stakeholders

Socio-demographic features of the participants (no.)

Residence medium	Rural	36	Gender	Men	31
	Urban	18		Women	23
Education	University	31	Zone	Centre	21
	Vocational	16		North	12
	Secondary lyceum	7		South	21
Age	18-29	19	Emigration destination	CIS	25
	30-44	18		EU	29
	45-65	17		Other states	8

Total: 54 migrants and beneficiaries

Moldovan migrants' profile

- ◆ *young* – Moldovan migration is composed of the economically active part of the population, the largest part of migrants (79%) aged between 18 and 44 years
- ◆ *married* – a large contingent is married (71%);
- ◆ *more educated* – 28% of all migrants have completed university-level education and 63% completed high school or professional/vocational education
- ◆ *male-led and female-led at the same time* – male labour-migrants, amounting to 63% of the labour force, tend to migrate towards CIS locations and are engaged primarily in construction and repair sectors, transportation, industry and agriculture. Females tend to migrate to EU countries and work in the service sector, housekeeping, trade, care of the aged and children.

Moldova's overall migration pattern

Three **types of international migration** can currently be identified in Moldova:

- 1) *Short term* international migration mainly to CIS countries.
- 2) *Long term* international migration, predominately to the European Union countries.
- 3) *Legal long-term* international migration to the US and Canada.

Recent **trends and shifts** in Moldova's overall migration pattern:

- from the CIS region towards the EU region;
- from short-term and seasonal migration towards long-term migration;
- increased migration towards the United States and Canada.

Implications from the shifts (of note is these trends' and shifts' relative significance):

- ◆ a tendency towards diversification of countries of destination and a move from lower income countries to higher income countries. This creates increased opportunities/potential for increasing the development impact of migration, particularly in terms of increased remittance flows or more stabilized/resistant remittance flows that are less likely to transfer economic uncertainty or risk to the country of origin.

Maturity of the Migration Cycle

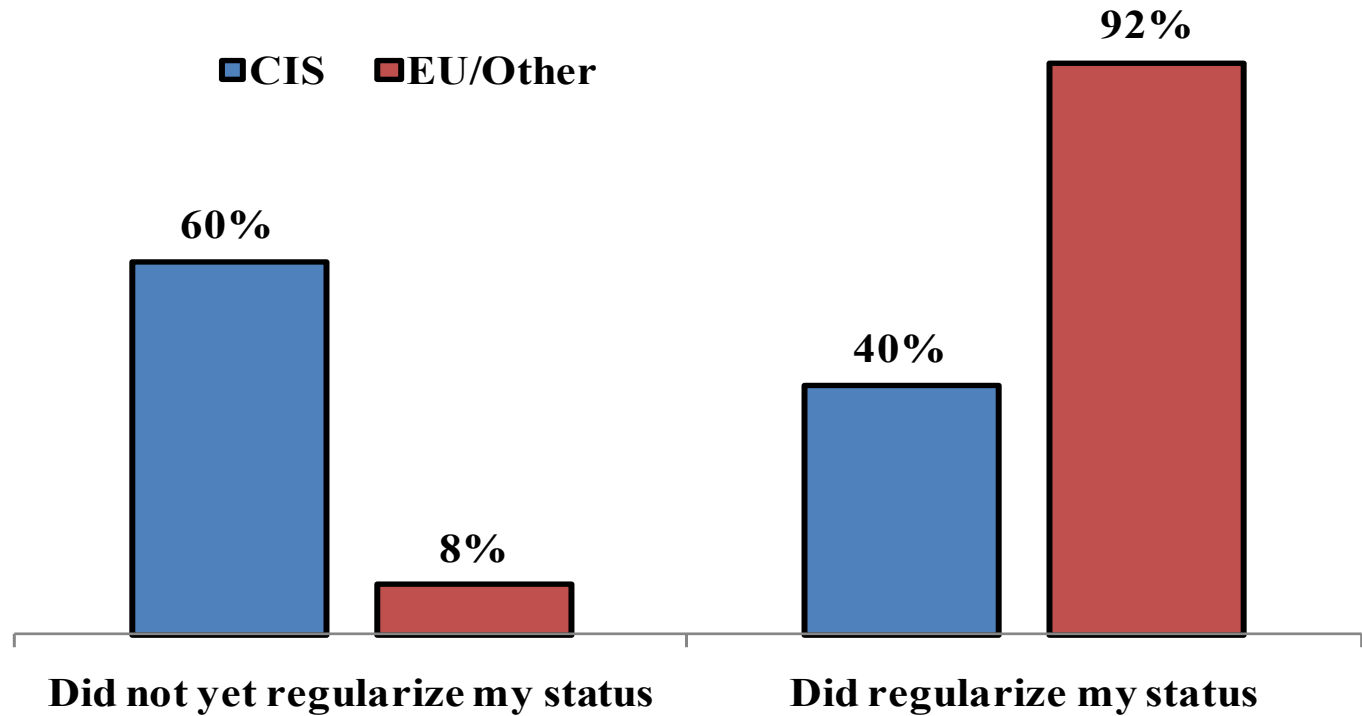
Understanding the relative maturity of the overall migration cycle is important for a number of reasons:

- ◆ It can provide significant insight into **current and future migration behaviours** of migrants, including probable return intentions.
- ◆ It is also a factor that can be used to explain and forecast overall **savings, remittance, and investment behaviours**.

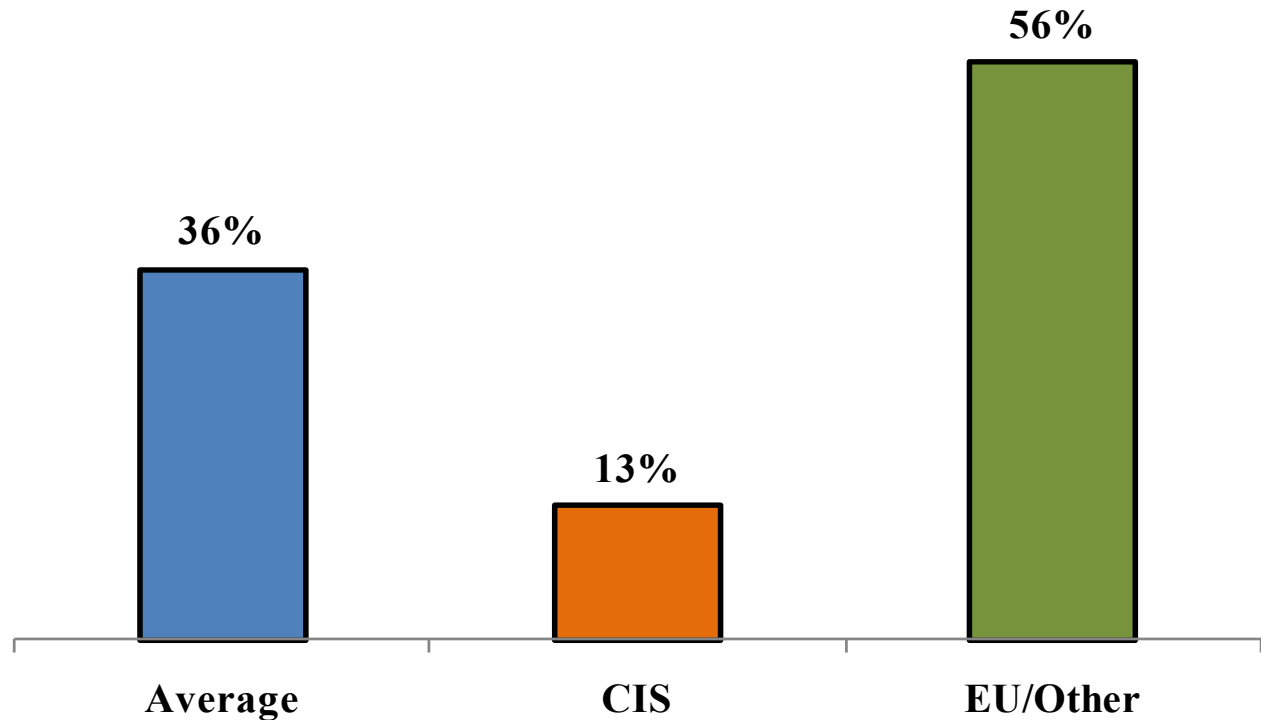
Low Maturity of the Moldovan Migration Cycle

Indicators: (slides 8-12) + language knowledge, property ownership

Most Moldovan long-term migrants in the EU regularise their residency and working permits



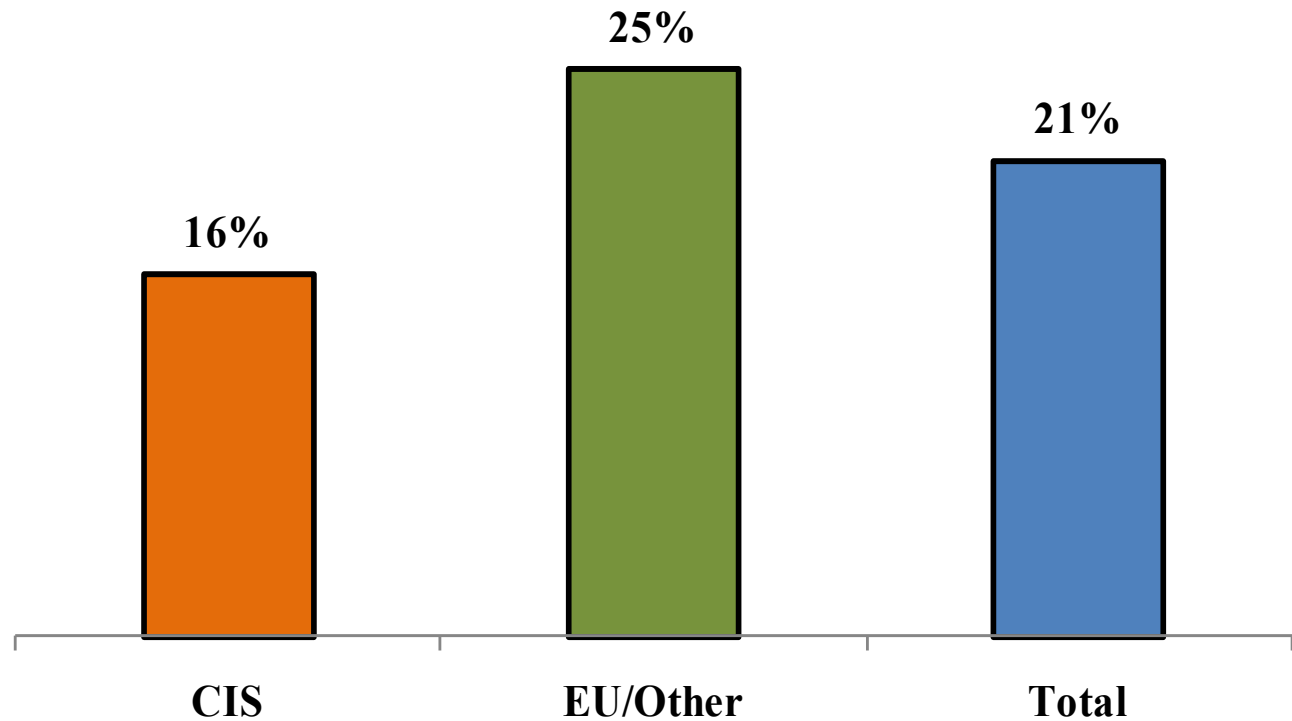
Relative level of regularisation is reflected in the propensity of migrant HHs to hold a bank account



“Do you or another member of your HH have a bank account in (country of migration)?”

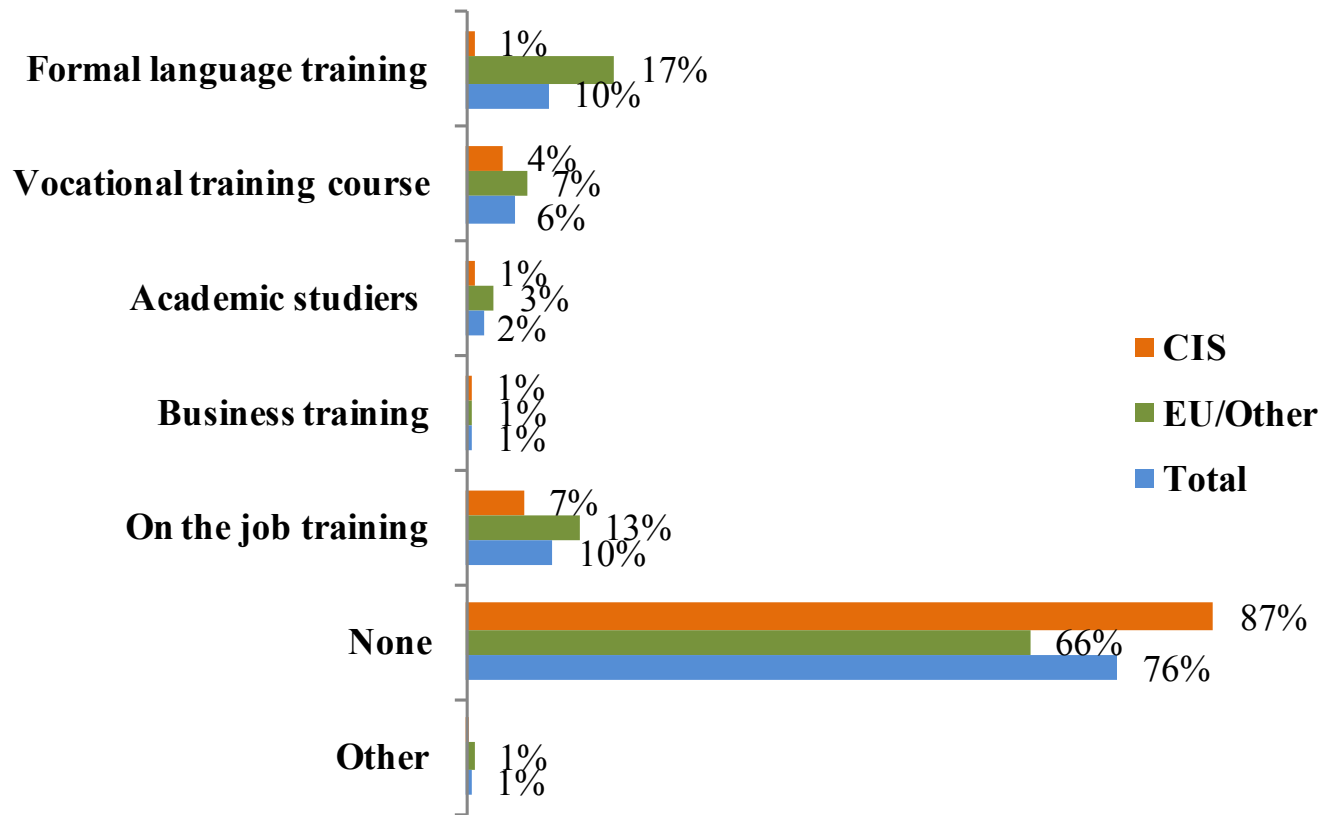
Maturity of migration cycle

Family reunification among married migrants is very low when compared to other countries studied to date



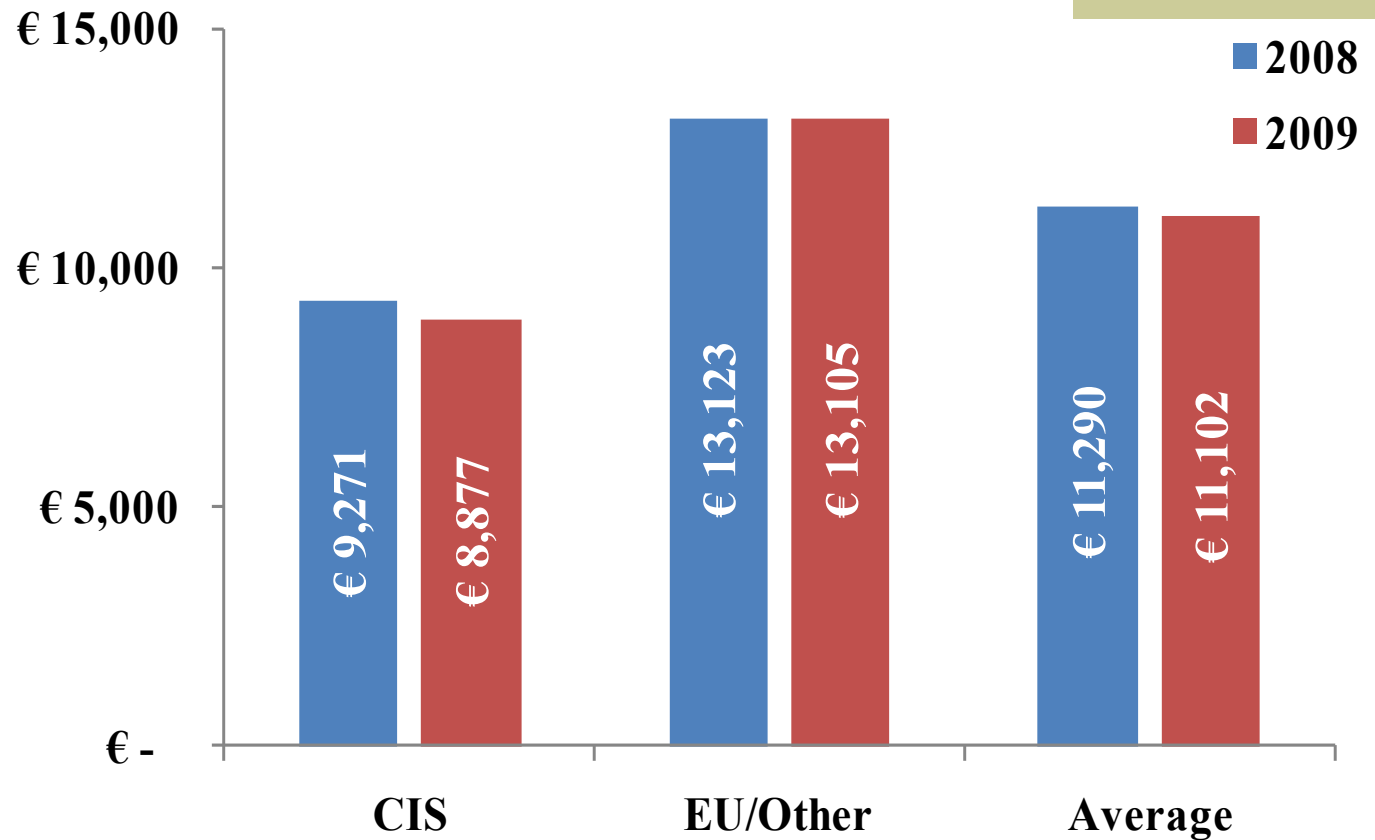
Family reunification rates in countries of migration

Few migrants have received formal education or on the job training



“During your period of migration, have you undertaken any of the following?”

Relative economic position
*Personal income levels reflect the economic prospects of
Moldovan migrants in the two main regions of migration*



Average personal income from all sources in your place of migration

Social Networks and Communication

1. Moldovan migrants abroad have a *high level of social cohesion*. They are highly networked in their place of migration and rely on social networks in communities, live close together, and often work with other Moldovans in their jobs.
2. Moldovan migrants also maintain *strong links to their home communities*.
3. Access to *Moldovan media in places of migration* is relatively high.

1,2,3 – Social Capital, which is important to developing relevant marketing and awareness-raising strategies.

However, there is a lack of participation of Moldovans in formal institutions abroad (perhaps because of the relative youth of Moldovan mass-migration). Therefore, the role of migrants in supporting the development of their country of origin through such formal organizations remains limited.

Social network and communication

Moldovan Communities abroad (diaspora organizations)

- ◆ *Rather informal*

(unofficial groups of people involved in solving migrants' problems, particularly concerning legalisation and accommodation)

- ◆ *Undeveloped*

- ◆ *Limited contribution in strengthening and mobilizing moldovan communitites*

(The potential of diaspora organizations to contribute to the development of the country: through remittances and investments, transfer of technology, the development of networks, and through the promotion of market access)

Moldovan diplomatic

representations abroad

not currently being effectively used by Moldovans.

- ◆ lacking transparency
- ◆ being corrupt
- ◆ having unprofessional attitudes towards their fellow citizens

Gains from migration. Opportunities for their use

1. **Financial Capital** (retained savings),
2. **Human capital** (experience, skills, knowledge, business practices, idea, etc)
3. **Social capital** (contacts, networks)

Survey

Migration experience has influenced the investment intentions of Moldovan migrants (89%).

IdI

most of the participants in the study, while recognising that migration gave them a high potential in terms of financial, human and social capital, say that these can, regrettably, be of only limited use in Moldova

- Successful experiences
- Constraints faced by migrants in launching/expanding a business

Remittances

84% of migrants have sent remittance on a regular basis, using both formal and/or informal ways.

The decision to choose either formal or informal way of transfer depends on the *Cost, Speed and Security* of the transfer (+ discounts during holidays, money can be left in a bank account (savings))



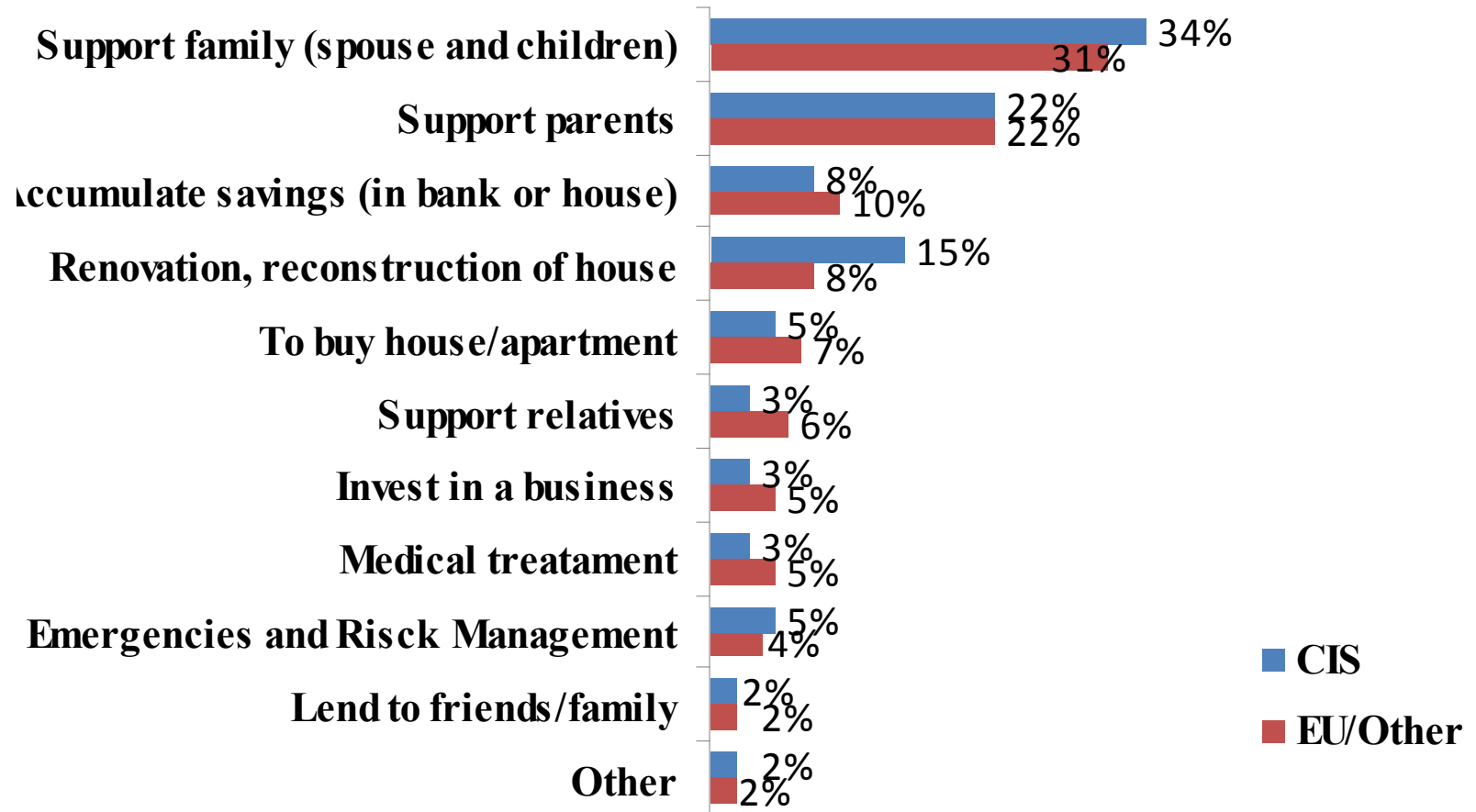
- ◆ MTOs and banks – frequently used
- ◆ Internet, post office – rarely used

Transfer means: comparative advantages

The use of a bank account is less attractive compared to the rapid transfer because:

- ◆ **there is need to show a residence status in the host country**, which is incompatible with an illegal stay abroad;
- ◆ **it takes longer for the money to reach the destination** - several days compared to several hours with the rapid transfer;
- ◆ **the bank converts foreign currency into national currency based on a current exchange rate** (*“I transfer money through Western Union because they reach Moldova still in Euros and it is very rapid. We do not apply for bank transfers, since in such a case the money is converted into Lei. The bank establishes a certain exchange rate and one needs to wait a day for a better rate.”* IDI 1);
- ◆ **lack of trust in bank confidentiality;**
- ◆ **concern for an eventual requirement of tax returns for money transferring.** For example, one interviewee said that he avoids transferring money through a bank because *“of the fear that he will have to submit tax returns on it some day and pay taxes on it”* IDI 48;

Motivating factors for sending remittances



“Can you rank the three most important purposes for transferring money to Moldova?”

Impact of remittances on development

the effects at the HH level:

Positive impact depends on whether the family receives money from abroad.

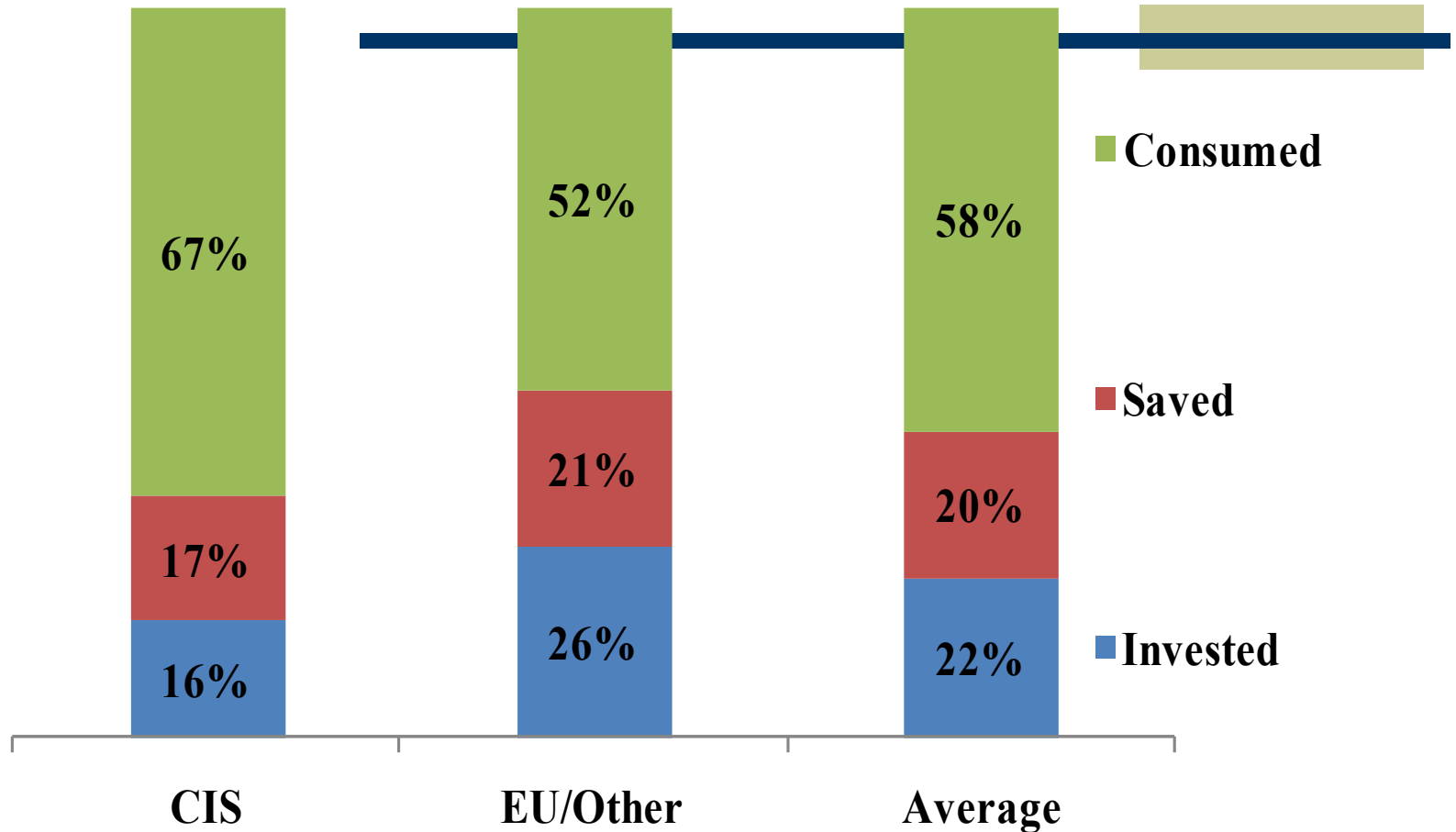
Financial inflows from abroad have provided **secure livelihoods** for families with migrant(s). Many people enjoy a **higher standard of living** that would not be possible without remittances.

the overall impact on the economy and society as a whole :

The impact of remittances on macroeconomic growth and development of a country is conditioned by the quality of its political and economic policies and institutions; it depends on whether remittances have been channeled into productive use

- 👍 **Migrants' intention/desire** to invest
- 👎 Unattractive, sometimes even hostile **business environment** ⇒ failure of migrants' efforts (sometimes repeated failure) ⇒ lose trust and hope in the success of their businesses ⇒ return to migration

Saving and investing represent a surprisingly large share of remittance values to Moldova ...

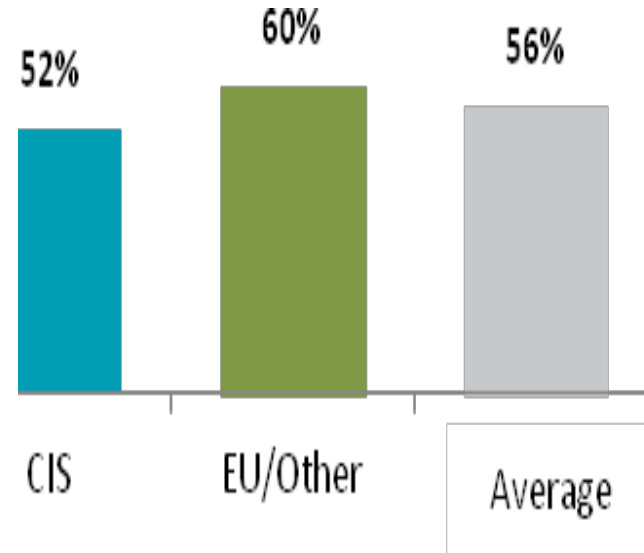


“Of ALL the money transferred by your HH to Moldova in 2009, what percentage do you think was...”

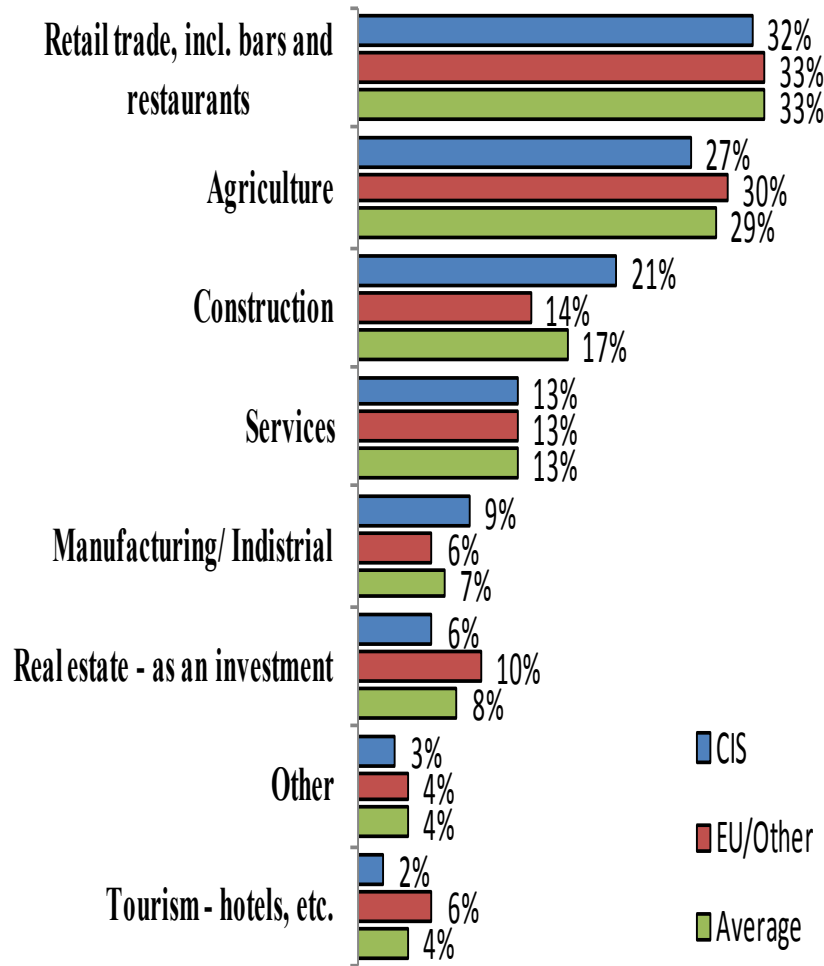
Entrepreneurial experience (business investments)

- ◆ 26% of Moldovan migrant HHs have provided finance to a Moldovan business enterprise in the past (whether investing or lending)
- ◆ Moldovan migrants have a very strong investment and entrepreneurial spirit

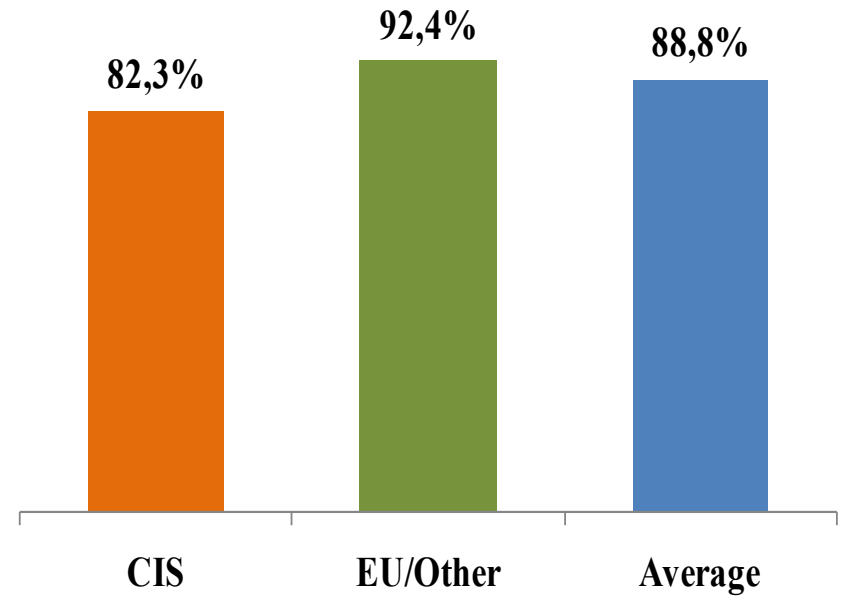
“ Do you plan to initiate or expand an investment in a business enterprise in Moldova in the future?”



SME-style investment in the trade, agriculture, construction and service sectors remain most popular



The migration experience itself influences investment intentions



“If yes, in which sectors do you plan to invest?”

Entrepreneurial experience (business investments)

Out of the 54 interviews with entrepreneurs for this study...

- ◆ 44 were migrants that have returned and created businesses.
- ◆ The other 10 were carrying out entrepreneurial activity based on remittances from relatives.

→ succes / insucces rate: 17 / 17

Business characteristics:

- ◆ The investments of interviewed entrepreneurs were based primarily on savings accumulated during migration income, only rarely on loans from banks or non-bank institutions.
- ◆ Moldovans give preference to small sized family businesses. The number of employees tends to coincide with the number of adults in the HH migrantul is the one starting and este cel care inițiază afacerea odată reîntors
- ◆ The migrants are the ones that start the entrepreneurial activity upon return home
- ◆ Many of the businesses are not officially registered.
- ◆ Most business investments were made in agriculture, construction and retail trade

Constraints

1. Access to information
2. Excessive bureaucratic red tape
3. Persistent corruption
4. Insufficient financial resources
5. Tax policy
6. Lack of infrastructure for entrepreneurship
7. A weakly protected domestic market
8. Limited access to bank loans
9. A deficit of responsible and qualified human resources
10. Underdeveloped entrepreneurial skills
11. Other

Savings. Potential role of savings.

IASCI-CIVIS: high propensity to save among Moldovan migrants.

601 million Euros have been saved in a bank account or in cash abroad (2009).

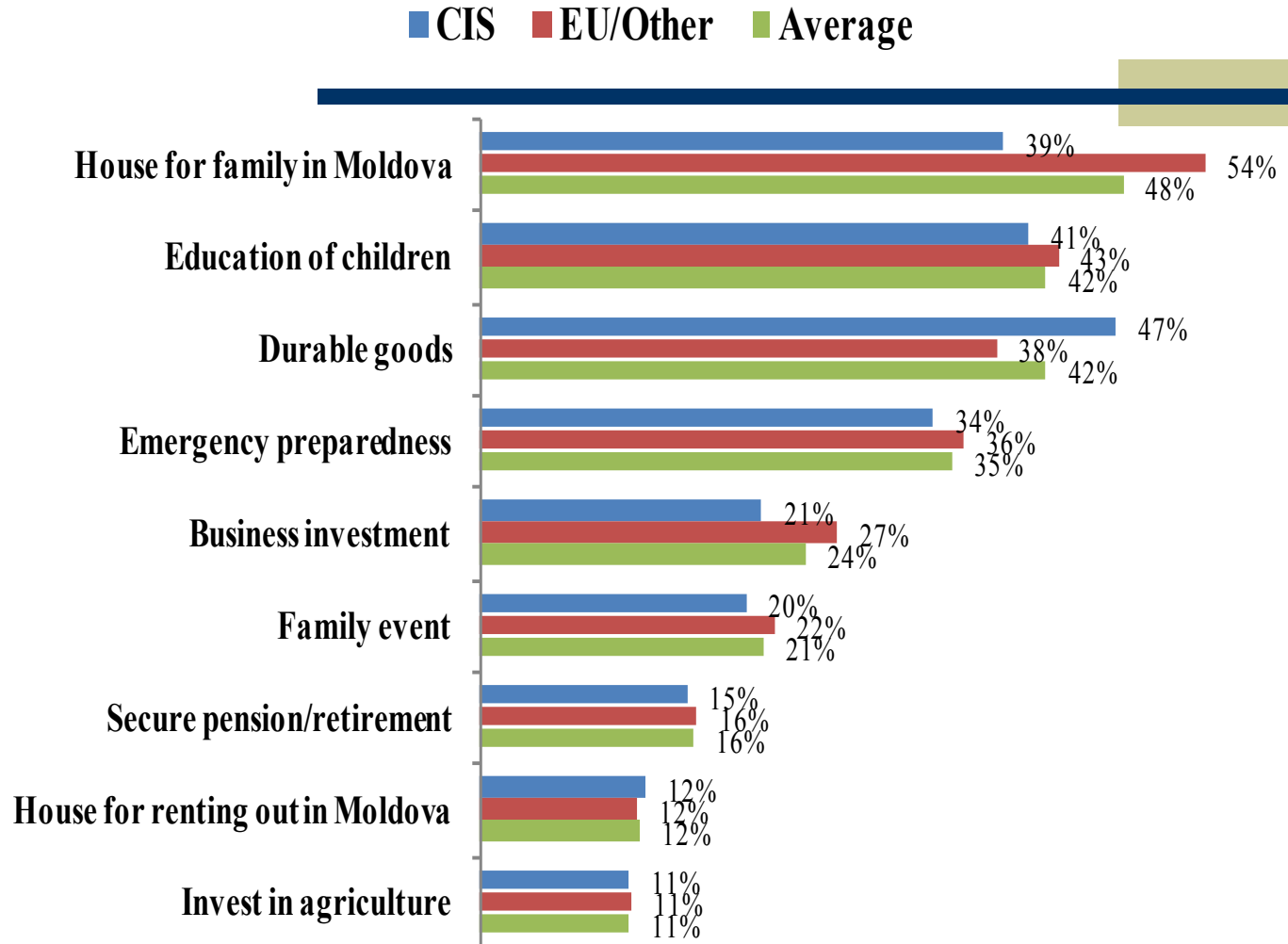
Assuming appropriate incentives, safeguards and regulatory frameworks, these resources could be channeled into savings and investments in migrants home countries, ultimately impacting development.

Savings objectives:

1. *Aiming at poverty alleviation and improving of standards of living(!)*
2. *Aiming at development (investing in business, education)*

The development impact could be leveraged when intermediated by financial institutions or coupled with resources from the private sector or from local authorities

Moldovan migrants have very clear savings objectives ...



Savings

Savings – main purpose of migration

Saving behaviour changes over time.

Saved money is generally **kept at home**. Motives:

- mistrust of the financial and banking system in Moldova
- disappointment with the banks' offers and services
- Low interest rates
- failure to observe contract terms
- inconveniences in closing accounts
- inconveniences in withdrawing large amounts from bank machines and at the bank offices.
- the minimum amount guaranteed by the state if the bank goes bankrupt was too small, and not worth the risk.
- Some deposits are made in a foreign currency, while the data processing is in Moldovan Lei, leading to a loss of money due to exchange rate fluctuations and currency conversion fees.
- **many migrants are not financially literate and often fail to read contracts carefully or in full.**

Savings - conclusions

Clients (potential):

1. Mistrust banks
2. Financially illiterate



Do not often use banks

Banks:

Fail in protecting clients' interests



Have no access (limited access) to migrants financial flows.

The enormous financial resources originating from migration are largely kept at home. In other words, banks have no access to these financial flows, limiting their capacities to contribute to the development of the country through provision of credit.

Investing in human capital

Education – one of the main objectives of remittances and savings

Positive impact:

- ✓ cost of tuition for university education is growing each year, reaching amounts that many families cannot afford without financial support from outside the country
- ✓ access to extracurricular study and activities
- ✓ greater opportunities to purchase a computer
- ✓ and to have internet connection at home

Impact negativ:

- ✓ School performances of children
- ✓ the loss of teachers from the Moldovan educational system and a resulting deterioration of the teaching process

The mass outflow of Moldovans abroad has negatively impacted the **healthcare industry**.

The lack of doctors limits the provision of high quality and sufficient services.

Economic crisis

The global economic crisis has affected the employment status of many Moldovan migrants abroad. Migrants are facing:

- ◆ reduced work hours,
- ◆ reduced incomes,
- ◆ job loss,
- ◆ difficulties finding a job and in some cases,
- ◆ expenses for accommodation and food that were formerly covered by the employer have been deducted from monthly compensation.

This in turn, has affected the remittance and savings capacity of migrants.

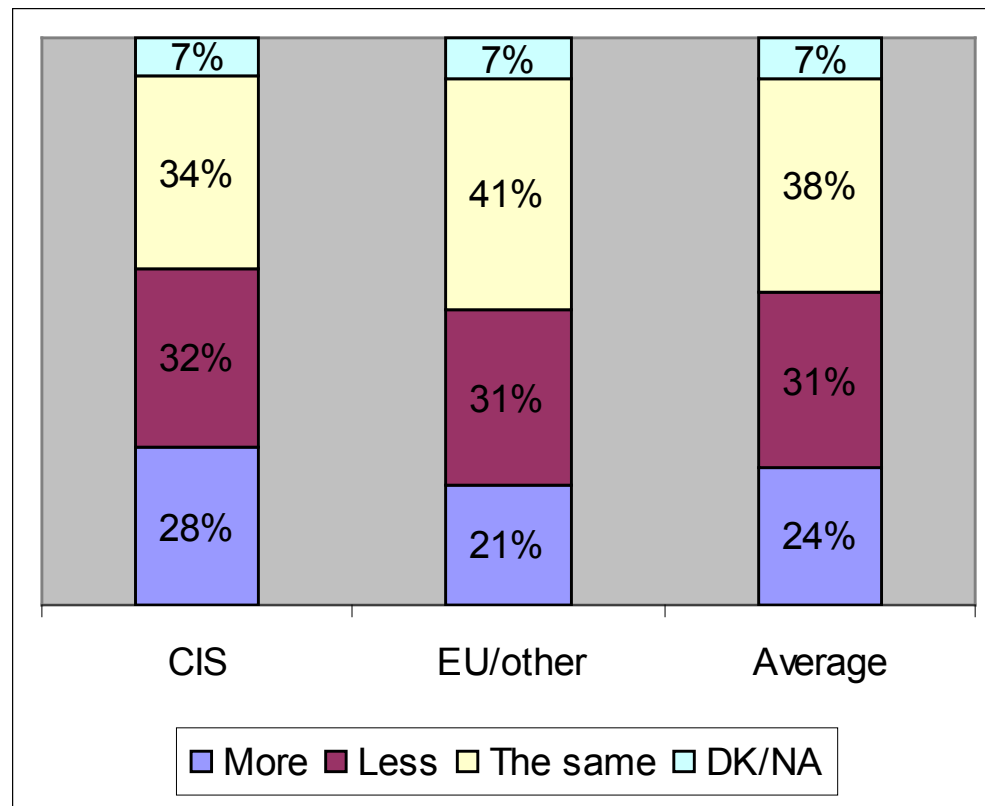
IASCI-CIVIS Survey:

- ◆ 31% of remittance-sending migrants sent fewer remittances to their HHs in Moldova in 2009 than in 2008.
- ◆ the group of non-remitters has grown substantially. It can be projected that this trend continued into 2010.

Official estimates show a drop in value of transfers in 2009.

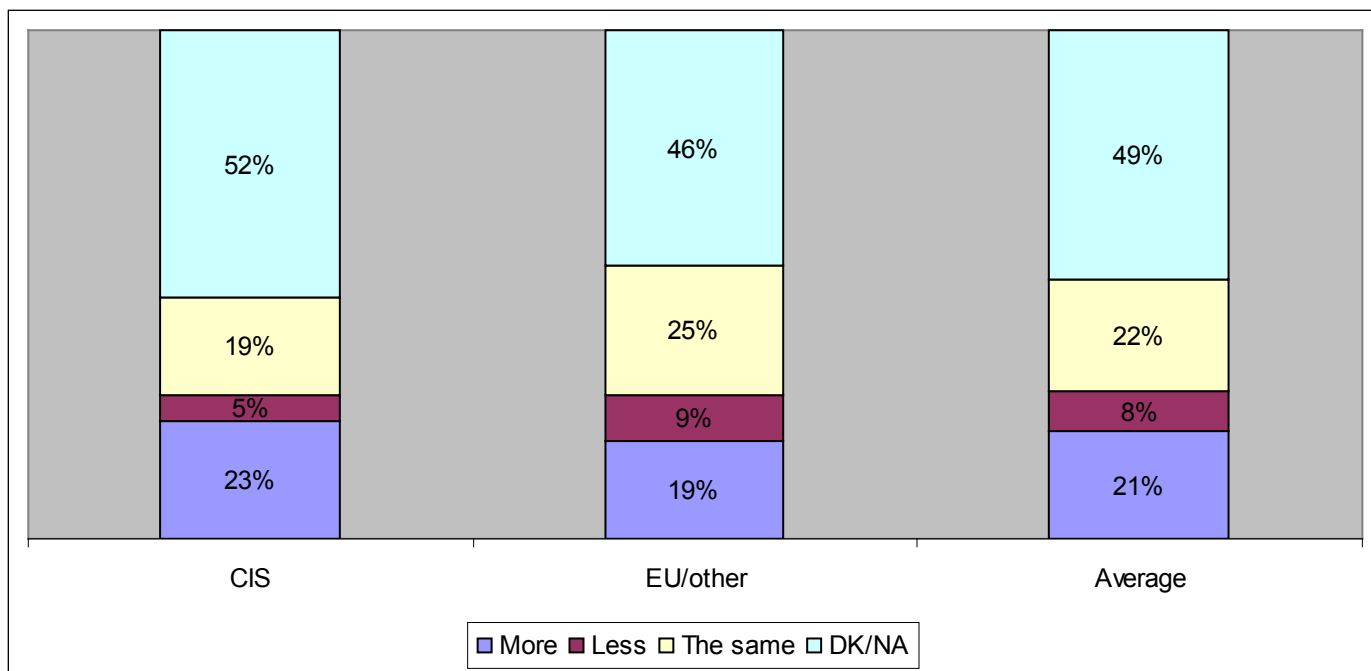
NBS: as a result of these decreases in remittances, as well as other factors during 2009, the overall GDP in Moldova fell by 6.5%

The impact of economic crisis on remittances (2008-2009)



Do you think you sent more or less remittances in 2009 compare to 2008?

High level of insecurity regarding remitting potential in 2010



Do you think you will remit more or less in 2010?

Economic crisis - conclusions

The crisis **has affected the remitting and saving capacities** of those left abroad, or even has **caused the return** of some migrants.

Return migration – 2 models:

1. On the one hand, it might **hasten the return** of those migrants who want to avoid consuming the savings already gained.
2. On the other hand, it may also **delay the return** of others; migrants who didn't reach their savings objectives may prefer to stay abroad to wait out the crisis.

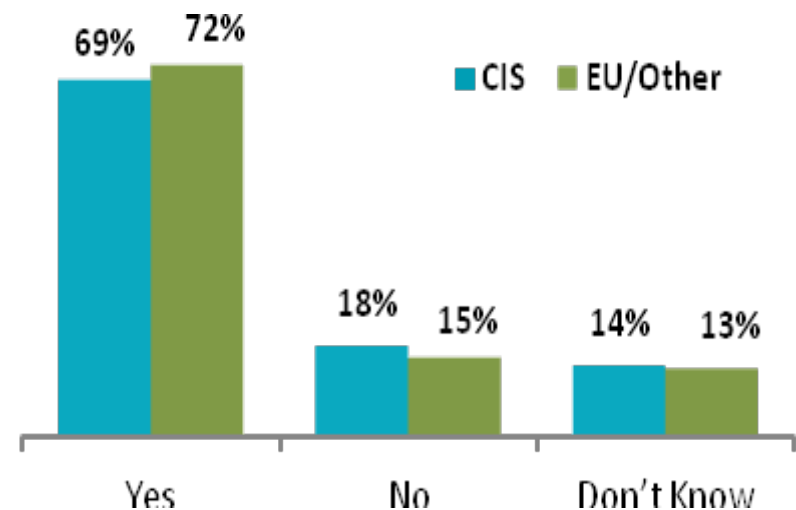
In both cases, savings capacity of the migrant plays the decisive role.

Return migration

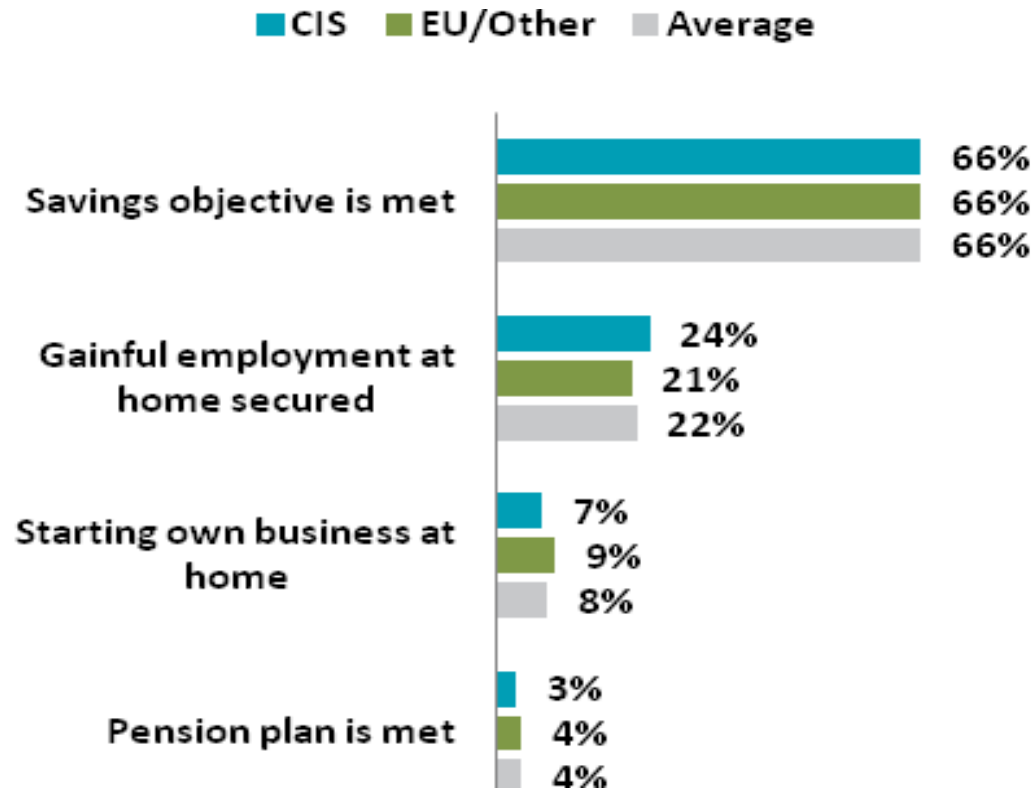
Sustainable return and integration is important because:

- ◆ it represents the last phase of a circular migration process, which implies
- ◆ the possible transfer of accumulated financial capital (retained savings), human capital (experience, skills, knowledge, business practices, idea, etc), and social capital (contacts, networks)
- ◆ it determines savings, remittances, and investment trends and behaviour,
- ◆ impacting the level of development that can be gained from migration

Overall, 70 percent of migrants have a definite intention to return to Moldova and a further 13 percent remains undecided



Moldovan migrants have very clear objectives and conditions before they consider returning...



Return migration

Reintegration problems, generated by the:

- ◆ Limited employment opportunities (both in terms of workplaces and retribution)
- ◆ Reverse cultural shock

Solution – create a business. However:

- ◆ Lack of sufficient financial resources
- ◆ General information vacuum



re-migration

Programs for supporting migrants who want to return home and start a business was of great interest to many of the interviewees, especially since migrants know little about such opportunities.

Brain-gain

- ◆ Although the outflow of intellectual capital from Moldova is estimated to be substantial, no systematic and detailed studies of brain-drain exist to date.
- ◆ Few migrants receive education during migration (usually on-the-job training)
- ◆ Teachers (needs driven migration), students (opportunity driven migration)
- ◆ There is no institution in Moldova to deal with the recognition of qualifications of migrants
- ◆ There is some cooperation between universities in the Republic of Moldova and former researchers and teachers who have migrated. This cooperation mainly consists of organizing experience-sharing tours, joint publications, implementing cooperation projects with foreign universities, conferences and co-tutoring. However, such cooperation is more of an *“occasional than an ordinary practice in the country”*

CONCLUSIONS

- The **reorientation** of the migration patterns from lower income countries to higher income countries creates increased opportunities/potential for development impacts from migration; particularly in increased remittance flows or more stabilized/resistant remittance flows.
- Migration has both **positive and negative effects** on the home country.
- **Savings** - the main purpose of migration. Assuming appropriate incentives, safeguards and regulatory frameworks, these resources could be channeled into savings and investments in migrants' home countries, ultimately contributing to development.
- **Investment behaviours** (limited investment sectors, strategies, and collective actions for achieving joint benefits)
- In cases of return migration, migrants often encounter difficulties when **re-integrating** into Moldovan society, often lacking the infrastructure, opportunities and support available to them previously in the countries of migration.
- For **return migrants**, the decision to start a business is frequently hindered by a failure to re-integrate into the Moldovan labour market. This attempt fails in many cases (main **problems** being 1) a lack of access to information (particularly in rural areas) and 2) difficulties in expansion and creation of businesses.), many migrants resort to repeat migration.
- Moldovans show a lack of trust in the **financial and banking systems** in the Republic of Moldova, as well as dissatisfaction with bank operations and services.

CONCLUSIONS

- Brain-drain from Moldova does not necessarily turn into **brain-gain** upon return. Irrespective of the level of qualification and education attained, Moldovan migrants abroad are often hired for low-skilled work or work for which they are over-qualified.
- Although there is a high degree of social cohesion between Moldovans abroad on an individual level, there is limited social cohesion among the community of Moldovans abroad (Moldovan **diaspora**) as a whole. These formal groups have the potential to become involved in the development of their home country, although their actual level of engagement in such activities remains limited.
- A number of state institutions are responsible for keeping records of people's external migration and for managing migration problems. While the functions of these institutions are different, there is **little or no coordination** between these bodies. The authorities do not have control over migration.
- The **international community** shows openness to the Republic of Moldova by providing its assistance both to the Government and to migrants. In the first case it provides services and advice in order to ensure efficient migration management, it helps to find practical solutions to migration problems, and contributes to promoting international cooperation on migration issues. The international community also provides assistance to Moldovan migrants during all the stages of migration, including return home (which is very important from the development perspective). The openness of the international community is a resource, which should be used to develop a more efficient approach towards migration issues.

RECOMMENDATIONS

... to the Government

- Coordinate structures and institutions responsible for keeping records of external migration and managing migration problems.
- Address shortcomings in the collection and reliability of statistics.
- Enhance cooperation between the Republic of Moldova and the destination countries in managing the migration process.
- Encourage the legalisation of Moldovans' residence abroad through the signing of mutual agreements.
- Extend diplomatic and consular presence in primary destination countries for Moldovan migrants.
- Strengthen contacts with the Moldovan diaspora through embassies, migrant organizations, the Internet, informal communities, etc. Inform migrants on investment opportunities in the country of origin.
- Continue the Moldovan government's actions to support SMEs.
- Continue monitoring and evaluation of government programmes for the productive use of remittances, with the aim of increasing the efficiency of such programmes.
- Reduce the general information vacuum in Moldova.
- Target remittances towards business activities by supporting new entrepreneurs. This can be done through incentives such as exemption from income taxation, social contributions, preferential crediting terms, subsidies, grant components, reducing the number of inspections, etc.).
- Promote imports of required machinery, equipment, instruments and raw materials at preferential rates.
- Reduce bureaucratic red tape and corruption in order to facilitate entrepreneurship.
- Tackle infrastructure problems in rural areas in order to increase migrants' willingness to return and invest in these areas. Involve migrants in local infrastructure projects.
- Promote circular migration, so that the migration process does not severely or negatively affect families.

RECOMMENDATIONS

... to Banks

- Raise the level of financial literacy among migrants, migrant families and the recipients of remittances, particularly women, youth and those living in rural areas. This can be done, for example, through information campaigns
- Optimize bank services by taking actions to:
 - Provide financial training, i.e. building awareness of the financial sector and the opportunities or services provided by financial institutions.
 - Reduce money transfer costs
 - Improve and diversify transfer technologies (e.g. developing the e-banking system so that migrants can personally manage their financial resources and attract savings towards banks)
 - Diversify the range of financial and banking services and instruments.
 - Formalize post-transfer banking services to help migrants secure their money (for instance, conversion of remittances and savings into insurance schemes, etc.)
 - Decrease interest rates on loans
 - Extend the grace period for commencing repayment of financial loans
 - Provide longer term loans
 - Increase interest rates on savings and deposits
 - Increase people's level of confidence in the system
- The development impact could be leveraged when intermediated by financial institutions or coupled with resources from the private sector or from local authorities.

RECOMMENDATIONS

... to Moldovan Diaspora Groups

- The Moldovan Diaspora Groups should recognize the potential of their contributions to the development of the home country, in establishing contacts with social capital, through charitable activities and transfer of skills, etc. It is necessary to develop a social dialogue at the level of communities of Moldovans residing abroad, including a more active involvement of the Moldovan Diaspora abroad and diplomatic representations, as well as other relevant actors. Subsequently, the Diaspora could contribute to the development of the country through remittances and investment, transfer of technology, development of networks and promotion of market access.

... to Civil Society

- Promote entrepreneurial skills among remittance recipients and support entrepreneurial activism through migrants' investment intentions.

... to Mass-Media

- Promote better media coverage of the activities of agencies dealing with migration monitoring and evaluation.