

**Transcript for the seminar:
REMITTANCES SENT FROM THE CZECH REPUBLIC AND THEIR IMPACT ON
DEVELOPMENT**

**Tuesday 24th of February 2009
9 a.m. – 2 p.m., room 116
Ministry of Finance CR, Letenská 15, Prague 1**

9 a.m. – 9.15 a.m. Introduction

- Moderating: Robert Stojanov (Mendel University, Brno)
- Welcoming the speakers: Donald Terry from the United States (World Bank), Guillaume Cruse from France (Agence Francaise de Développement), Blanka Tollarová from Czech Republic (MKC), Leila Rispens-Noel (Oxfam Novib), Ghenadie Cretu from Moldova (IOM Moldova)

- **Eva Anderová (Ministry of Finance CR):** The Czech Republic is the first of the former transformation countries to show a deep interest and engagement in the topic of remittances. The evidence for this is international conferences and our cooperation with the World Bank.
- In May 2008 the first mission of the World Bank studied remittances, which are connected to the growth in immigration. The flow-out remittances are about 55 thousand million.
- In the Czech Republic, there are roughly 400 000 immigrants. The estimated sum of remittances may however be just the tip of the iceberg.
- The issue of remittances has played a very important role, attention was paid to remittances at prominent conferences on financing for development; remittances support infrastructure and microfinance.
- Negative factors: those that can threaten the potential of remittances in the remittance-receiving country. Usually problems of the local market.
- Positive factors: the instrument focuses directly on the final recipients, the senders and recipients of payments are secure.
- The World Bank has set out an evaluative report on the remittance market and ways of improving it.
- In the following years the project will: undertake research on remittances by means of surveys, establish a national database on the amount of remittances in order to monitor the financial expense of senders and recipients.

- **Tereza Rejšková (MKC):** The seminar as a meeting of representatives of various organisations: ministries, financial institutions, international institutions, banks, development agencies, Czech NGOs, representatives of migrant communities in the Czech Republic, representatives of the academic sphere.
- Aim of the seminar: establishing the cooperation among these different stakeholders.
- Thanking the donors and co-workers of the Ministry of Finances, the European Commission, the Ministry of Foreign Affairs and IOM.

I. **Block I – REMITTANCES AND THEIR DEVELOPMENT IMPACT**

9.15 a.m. – 9.30 a.m.

- **Donald Terry (World Bank): How to make the system of remittances in the donor countries more effective with regards to their development impact in poorer countries**
- Concerned with the issue of remittances for about 10 years.
- 10 years ago, very little was known about remittances, at that point the Czech Republic was a net-recipient, nowadays a major net-sender of remittances in the whole world.
- Reason for not knowing much about remittances: macroeconomists are not very interested in micro-flows (200, 300 euro a month), the private sector (commercial banks) is not very interested because senders and recipients are not considered as much of a market (they might be quite wrong).
- Although everyone accepts the premise that the free-flow of trade and goods is a good thing, they are not so sure about the free-flow of people, especially not during the financial crisis (this can be seen in the reactions of the Western Europe, USA, Eastern and Central Europe).
- Global unease about migration patterns in the world.
- The knowledge of remittances has changed dramatically in the last 10 years. What do we know now about remittances: World Bank Fact Book on remittances is all wrong because it states only the official numbers.
- There are ca. 200 million economic migrants in the world today, a very high proportion of these send remittances home on a regular basis (150 million).
- A migrant sends an average of about 300 dollars home every month; the receivers are around 4 people on average. It means 150 million people supporting another 600 million people.
- More than one out of every 10th person directly involved in remittances. In developing countries more than 300 billion dollars comes from remittances.
- Scale of remittances is more than anything alike in the world, a better understanding is important due to this scale.
- Remittances are a very effective poverty reduction programme.
- Infrastructure that moves these resources? Commercial banking systems have not been very interested, that is why Western Union and others have been so successful due to their understanding of the need of safe, convenient and efficient service.
- Cost of transfer has been cut by two thirds (to 5 per cent) due to more competition, better awareness and better use of technology.
- Remittances are expensive because we have credit cards and poor people do not. It is expensive to be poor.
- Czech Republic – it is unusual that a country that is a remittance sender to be so interested of where this money is going and its development impact.
- Private flows are not the world's largest local economic development programmes because they are essentially unable to be leveraged as they are outside of the financial system.
- The Czech Republic has an important role to play because it is the only country in Europe so far that has undergone this World Bank assessment.

- In order to get the Czech Republic by the end of this year into the World Banks database, it is important to complete a survey, not just concerning the amount of money but also concerning who is sending and who is receiving it and how it is sent.
- Helping to move remittance flows into the financial system where they can be leveraged and can have the wanted impact for economic development for the recipient countries.

9.30 a. m. – 10 a. m.

- **Guillaume Cruse (AFD): Remittances and their impact on development; the approach of AFD**
- The AFD has been working on the migrants and remittances issues for 30 years. AFD is the French equivalent of the World Bank.
- Since 10 years ago things have changed, much more work on remittance and their impact on development.
- Supporting remittances is an important tool for development, we are mainly working with African countries, but it is the same for other countries such as Vietnam, Laos, or Cambodia.
- It is important that the flows are private and for private use. It is important to respect that migrants can do what they want to do with their own hard earned money.
- The first basic step concerning this field is to speak with the migrants and their organisations and associations.
- The second step is to talk to all competent public stake holders (i.e. ministry of finance, ministry of foreign affairs), banking systems.
- Remittances are a long-term issue and there is a real capacity for the developing country if they can use part of the money in investment.
- What can we do: try to contribute to regulation, try and add real figures (formal and informal flows), try and see which regulation has to be introduced, propose a good financial mechanism.
- Remittances are mesofinances not microfinances.
- Use of remittance investment in four countries: Senegal, Morocco, Mali and the Comoros.
- Remittances in these countries mainly used for consumption. Also for agriculture and housing: It is important to get more precise figures that can help the banks to see what to do for those who want to go further in that field.
- Project: a comparison website on the remittance prices of different banks, location and speed of sending money, useful for clients as well as for banks. France was one of the slower countries realising this.
- Introduction of a better relationship with the banking system.
- What is the best way to send money to locations where there are no banks or electricity?
- We as a development bank have to sustain and support the banking system in itself and to have a bank establishment in the country-side.
- Working with the microfinance institution because they can be a channel for remittances.
- Supporting the speed of transfer, increasing security and introducing new technologies is difficult in underdeveloped countries.
- It is important to be more open to migrants in France, Spain or Italy. They are unfortunately not very welcome in the system.
- If the country is more open to migrants, the bank will support them.

- It is important to work together, in order to find an efficient solution.
- The AFD works together with partners such as the African Development bank and also private partners.
- At present we are working together with the four mentioned countries and trying to introduce cooperation with other countries as well.
- It is very important to try to see which collaboration we can have together and a lot of time is needed for that, although political governments want fast results (for Morocco it took us 6 years of negotiation).

10 a. m. – 10.45 a. m. Discussion

- **Eva Anderová (Ministry of Finance)**: How do you see remittances in the context of ODA? Do you see any space for the banks to realise programmes to send remittances via bank accounts, specifically in the context of the financial crisis?
- **Donald Terry (World Bank)**: As was already mentioned, these are private flows – it is our job to help give these hard-working individuals more options to use their money. Then you will have the greatest development impact. The basic problem is that these flows are outside of the financial system, the financial sector has not been interested (not so Western Union).
- The Bank of America used to be called the Bank of Italy (because it provided financial services to Italian immigrants at the San Francisco Bay area, including remittances).
- In the Czech Republic half of remittance senders are women, between 1950 and 1970 money was sent by emigrants back to saving banks in Spain. This helped the banks to build up into the huge organisations they are today. And it improved understanding, the price for transfers used to be 20 percent, today for the money sent from Spain to Peru the price is zero – that’s what I call development.
- **Guillaume Cruse (AFD)**: Remittances cannot replace the ODA, one should be cautious to compare these two aspects.
- **Donald Terry (World Bank)**: In African countries government officials do not want to publish the real remittance figures because they think it will reduce their case for official development aid. They are confusing this - ODA goes for public goods and not private issues.
- **Michal Kadlec (Česká Spořitelna)**: Do these activities have any kind of a covering component? Will somebody determine the global tone concerning aid? How will this be dealt with on a global level? Do you have any idea which channel will be supported by global authorities? Do you have any idea what the remittance sending system should look like?
- Globally we know that nowadays the European Union can determine some rules. I would imagine that the system should have some kind of “driver” who would oversee the activities. From the Czech point of view I imagine that the Ministry of Finance should come up with some kind of proposal which will be discussed with the relevant private partners.
- **Eva Anderová (Ministry of Finance)**: We are initiators, maybe “drivers”, but definitely not the only ones who should be involved in this. We are joining together different institutions, i.e. IOM, the financial market, the Czech Post, Western Union, commercial banks etc. in order to get to the root of remittance sending.
- We want to be the ones who address other countries, at least in the area of Central Europe. The ambitions are there, but we are at the beginning.
- **Guillaume Cruse (AFD)**: We want to work on private public partnerships. There are several ministries dealing with this in France, and not only the ministry of finance,

also the public and private banking systems. We try to avoid the political issues and not to make the issue of remittances a political target for public opinion. We need time to figure out the best technical means. We need to listen to each other and not just migrants, but the system itself.

- **Wadim Strielkowski (FSV UK):** I would like to ask Donald Terry, to what extent is the interest in remittances in the last years driven by the intention to fight international terrorism? If you are a researcher, where can you expect to receive funding from the law enforcement and political authorities or research bodies? Is the interest in remittances driven more by the academic or by the political sphere?
- **Donald Terry (World Bank):** It is not driven by the concerns of money laundering or terrorist financing, it is driven by an increased awareness of size of these flows. I don't believe in a link between terrorism and remittances, but unfortunately increased information on remittances has made it more difficult to move money from the cash world to the regulated world. There is more interest and resources for those researchers looking at remittances as a development tool.

II. Block II – RESEARCHING REMITTANCES

10.45 a.m. – 11 a.m.

- **Donald Terry (World Bank): Recommendations of the World Bank for further research of remittances in the Czech Republic**
- In 2004 at the G7/G8 summit, the issue of remittances was raised for the first time. The World Bank and others started looking into this.
- In 2007 the World Bank issued general principles for remittances: remittance transfers should be transparent, there should be information available, consumer protection, an ombudsman.
- There is a series of principles dealing with payment systems infrastructure, basically dealing with how to make the system itself more efficient than it is, the principles ask for a better targeted regulation.
- More transparency: senders and receivers able to understand the costs.
- Ability to appeal to appropriate legal and regulatory environments.
- All this is leading to an increase in competition which lowers the transaction costs.
- How does the Czech Republic compare? Doing better than average, but not as good as it could be.
- Postal service would be a real opportunity for remittances, hopefully the government and the international union of postal services will be interested in this.
- Postal services are very helpful in rural areas where there are no banks.
- We are in the time where the issue of remittances sent by migrant workers is becoming more and more controversial. There might not be as many senders of remittances in the Czech Republic in a year from now as there is today.
- Imbalances: 1. developmental/economic (huge imbalance in the world in terms of economic opportunity), 2. Demographic imbalance relates to developed countries such as the US, Western Europe, the Czech Republic, Japan, Russia etc. There are not enough workers in those countries in order to maintain growing and vibrant economies.

- If the Czech Republic is to have a growing economy in the coming years, it will require a significant number of migrant workers.

11 a.m. – 11.30 a.m.

- **Blanka Tollarová (MKC) – The practice of remittance sending from the Czech Republic**

- The research initiative which we carried out together with Tereza Rejšková was a kind of a pilot study. Its aim was to identify relevant topics for further research. The presentation will cover the mapping of the issue and various dimensions of remittance sending in the CR.
- We focused on the following aspects of remittances: which way money is sent, what the expenses of remittance sending are and who shares these costs; social aspects of sending and receiving remittances (who sends them to whom and how they are used), how can migrants be informed if they were interested in considering alternative ways of sending money etc.
- We used a questionnaire devised by the World Bank and enriched it with further experiences derived from research.
- It was difficult to gain information regarding money because the respondents were only willing to talk about these sensitive topics outside of the official interviews.
- Three categories of potential respondents were addressed: 1) people from Czech NGOs engaged in migrant issues, 2) representatives of organisations and immigrant associations, 3) migrants who personally send money to their countries of origin.
- The focus was on migrants from Ukraine, Russia, Mongolia, Moldova, Vietnam, Belarus and China.
- Respondents from Asia were not as communicative as respondents from the former Soviet Union.
- Remittances are sent both from and to the Czech Republic, it is essential to know that the flows run both ways.
- Money sent to the CR: a family supports migrants who have lost their employment or who have been the victims of theft, have been ill etc. Not only money but also things are sent (documents, presents etc.).
- Ways of sending money: official (banks, post), non-official (traditional, physical, personal sending), mixed (through an intermediary and an institution)
- Money transfer organizations (MTOs): migrants do not have to prove their identity unlike in banks and they need to sign no contract for the transaction.
- Western Union: the leading MTO (secure, convenient and accessible), cooperates with the Czech post. Disadvantage: money received only in the currency of the home country.
- ChequePoint: used to be only an exchange office, now it opens branches in already existing offices and with already established businesses (e.g. in the offices of migrant associations or individual agents). Advantage: connection to banks and exchange offices in the countries of origin so the recipients of remittances can choose the currency.
- PDW: apparently specialises in Russian-speaking countries, the former Armenian organisation Anelik. Secure, accessible and fast.
- Money Gram and Unistream: do not have the price list and percentages on the internet.
- Some banks do not have clear price lists. Bad experiences with bank clerks regarding the securing of transfers in non-standard currencies.

- Often, in many countries of origin, banks are not trusted or they have great deficiencies (worries about insolvency), this is why MTOs are preferred.
- Another way of sending money is via post, which is very expensive and not often utilised.
- From what we learnt in our survey, the most common ways of sending money are informal: transporting the money in cash, sending it via bus, friends or relatives, the main reason: cutback on costs.
- This applies not only to the countries that are relatively near (Ukraine, Belarus), but also to those far away (Vietnam, Mongolia).
- The behaviour of migrants is often influenced by certain traditions, depending on what they arrange with their friends or relatives as the most convenient, often clients or mediators from work help their employees with finding ways of transferring money.
- The problem with money sending: regarding informal sending there is mafia; state inspections (i.e. in Belarus).
- We also asked about the role of non-profit organisations in this context. It is problematic because their work is unintelligible for migrants, their position in society is confusing for them, the providing of free services is incomprehensible for them.

11.30 a. m. – 12 noon Discussion:

- **Marie Říhová (IOM Prague):** Has it been possible to gain some indicators on what development impact do remittances sent to the countries of origin have? What percentage would be used on consumption and what on further investment (e.g. education)?
- **Blanka Tollarová (MKC):** It depends on the structure of the migrant's family here and in the country of origin. Of course if there are children in the country of origin, then most of the money seems to be used for their education. As it shows, all countries that we examined required fees at the university and sometimes also at secondary school levels. For respondents who have for example old parents in their country of origin it is very important to use remittances to cover their treatment in hospital or to provide them a carer at home.
- Building a house is also a significant aspect, there is really no development potential in that, and it seems to be an investment into something that will never be used. Often people build houses in their country of origin where they want to move once they return, but they presumably will never return and the houses are left empty because they might be unmarketable. Otherwise it looks like the money is really used for daily needs. Basically only education seems to be a long-term investment.
- **Donald Terry (World Bank):** This is a very important issue, this distinction between consumption vs. something that is considered to be a better investment. Macro economists who didn't even know that these flows existed ten years ago now look at it and say: „This is only consumption.” Providing resources for basic necessities is not such a terrible thing, but it turns out that the macro economists are also wrong when it comes to how much money is available for other than consumption. Across the world, the poorest countries receiving remittances (typically it is about 85 percent for consumption and 15 percent for other); sometimes the term consumption may include education which I would consider to be a very positive item. But in the countries which aren't the poorest you might get as high as 25 – 35 percent for other than consumption.
- I sometimes call the empty houses „monuments to remittances“. This is what happens when someone has money for other than consumption but they don't really have many

- other options to use their money, they are not part of the financial system, they don't have access to credit and other things. If you take the scale of remittances worldwide, the amount of resources of remittances that are available for other than consumption are probably about 25 percent on average, and 75 for consumption.
- This is still a considerable amount of money; the effort is how to give the people more options to use these resources that are available for other use than consumption. Improving the relation between banks and the migrants may take several years but it is worth the effort.
 - **Guillaume Cruse (AFD):** I agree. I want to say that concerning the transfers such as the Western Union, we have to be cautious. What is important is that Western Union costs money, but it is a fast and valid system. When we make an inquiry of migrants using Western Union, we find out that they do not care about the costs; the speed is much more relevant. The most important thing is to stick to what the migrants want and need, not to build a nice system that does not answer what they need. I appreciate your opinions and presentations, but the main question is whether you have asked the organisations and the migrants themselves what they think about it?
 - **Blanka Tollarová (MKC):** We have asked migrants if they have any wishes or suggestions and many of them stated that everything is fine the way it is. They have found their methods of where to send and change their money to dollars, by whom to send it etc. They would of course welcome a lowering of transfer costs, but actually most of the people feel that the situation is okay, nobody mentioned the unavailability of service or the like.

IV. Block III – REMITTANCES: COOPERATION WITH MIGRANT COMMUNITIES AND THE ROLE OF NGOs

12.30 p.m. – 1 p.m.

- **Leila Rispens-Noel (Oxfam Novib) – The role of NGOs in harnessing the development potential of remittances**
- For the relatives of migrants – living with no health insurance or securities – the migrant is their health insurance. When talking about remittances one must remember that we are talking about people, people who have left home to improve their quality of life and to help their families meet their basic needs. Consumption isn't a matter of random spending, but of buying necessities.
- Oxfam Novib is a Dutch development agency with the mission to help alleviate poverty. Oxfam Novib's work is based on right-based approach, underpinned by the right to a sustainable existence, the right to basic necessities like health and education, the right to life and security, the right to social and political participation, the right to identity.
- Their campaigning unit, largely funded by the Dutch government, provides technical and financial assistance to organisations with projects in developing countries including migrant organisations. The Netherlands has a multicultural society, and migrants send money both to their families and to projects in their country of origin. In this way they are partners in development.
- Of the 8 million euro fund available for Dutch NGOs, 30% is set aside for migrant organisations. This quota is necessary because previously migrant projects were unsuccessful in competing for funding. Now Oxfam provides training on project cycle management, and encourages them to conduct expert meetings, debates, workshops

- etc. Oxfam Novib encourages migrants to speak for themselves, to undertake their own advocacy.
- Each year they send groups of 5 to 10 people to migration development organisations in other countries. In 2005 they made a commitment to establish national, regional and international migrant networks of diaspora organisations by 2010. These networks will help to influence policy and practices in migration and development. Oxfam seeks to promote the visibility of the contribution of migrants in the field of migration development.
 - Oxfam Novib's work so far: alliance building (formation of various platforms, like the Diaspora Forum for Development, with 45 migrant organisations; Multicultural Women Peacemakers Forum); influence policy making (e.g. conference in London in 2004 followed by expert meetings with microfinance institutions, also in Mexico, Benin and the Philippines); upscale projects - not all migrant initiatives are small and where it is possible to upscale they become much more meaningful, in Somalia they have expanded a project and provided additional funding of around half a million after the project workers had proved themselves capable. This is especially important in Somalia because Oxfam is limited in access; they have also upscaled projects in Ethiopia and Ghana.
 - Some limitations in working with migrant organisations: they lack the capacity to upscale, the barrier of financial audits etc. in funding bids. Also 70% of workers are volunteers, working during the day and contributing their spare time, therefore Oxfam cannot demand a higher level of output. Most projects respond to basic needs but some are income generating, these are usually one-offs so there is an issue of sustainability.
 - Migrants in the Czech Republic are not organised, in the Netherlands they are too organised. Now they are calling the Ministry of Foreign Affairs and meeting with them. So the landscape is different in the Netherlands where 4 to 6 development agencies provide funding for migrants.
 - What is the role of development agencies and NGOs which are not providing funding? Beyond remittances, migrants also have skills, expertise and know-how which we can use. From the perspective of migrants, what can be the policy interventions from development agencies? Inclusive partnerships – we need a more disciplinary approach in order to maximise the potential of migration for development.
 - Development agencies, NGOs, multilateral organisations, private sector, migrant organisations themselves, need to work together and find out what their role should be in leveraging the potentials of migration for development. We cannot do everything.
 - My focus is the financial inclusion of undocumented migrants and access to affordable financial services for migrants. In 2003 the World Bank outlined 3 areas of policy interventions: improve data collection and database, reduce costs of transactions, and leverage remittances for development. The first two have been adequately addressed by international organisations and government, but we are lagging behind on the last.
 - There are many worthwhile initiatives, especially for example in Latin America, but Europe is very slow in responding. In Mexico there is a matching fund called tres por uno where for every dollar that Mexican migrants invest in their home town or state, the municipal, provincial and national governments will match one dollar each.
 - Current project under the EU budget line on migration and development: proposal to be implemented in 10 sub-Saharan countries and Europe, it will contribute to improve capacity building of migrant organisations in European countries, and facilitate the transfer of migrant remittances.
 - In Africa 70% of remittances are controlled by two giants: Money Gram and Western Union. This is no competition. More organisations must be involved in money transfer

to stimulate competition. Microfinance institutions can do this as they are often based in rural areas, where financial services are very scarce. The project will also contact immigrants in 10 European countries to facilitate linking; design remittance products - for example micro insurance or investments, anything that can help the family and migrants to secure their financial future.

- Expected results: with technical assistance we will conduct training and develop a market that is remittance based, introduce financial services and link emigrants with their countries of origin.
- In summary: migrant organisations must be involved in migration and development and remittances. Currently we are talking about them and not with them but they are the owners of remittances. Development agencies need to help in the capacity building of development organisations.

13:00 – 13:30

- **Ghenadie Cretu (IOM Moldova) – Practical experience with remittances in Moldova**
- Why Moldova and why IOM? Presenting the issue of migration and development from the perspective of a country which is a net recipient of remittances. I will speak about the other side of the coin.
- Remittances are truly vital for our economy, not just because of their size (remittances constitute about 37 percent of GDP, second top in the world), but another point is that the current economic growth model which is based on an excessive dependency from remittances fuels consumption imports which doesn't create a firm economic sustainable base.
- Links with the Czech Republic: there are ca. 10 000 Moldovans working in the CR, it is not much but it is the fourth non-EU nation providing migrants in this country.
- Basic facts on Moldova: IOM has been established more than half a century ago and has since become a leading international organisation working with migrants and governments to provide human responses to migration challenges. One of the principles to which IOM is committed is that human migration can benefit both migrants and society, act together with partners to assist in meeting the growing operational challenges in migration and development, to enhance the understanding of migration issues, to encourage the economic and social development of the countries through migration and remittances.
- In the Czech Republic IOM has been operating since the year 1997: assisting the voluntary return and reintegration of migrants from CR to their countries of origin, labour migration projects, migration and development, assisting in integrating migrants into Czech society etc.
- CR is becoming a player in the role of international aid, there are projects promoting skilled migration of Moldovans to the CR.
- IOM mission in Moldova: operates in supporting the country to manage migration for the benefit of all, act with partners to encourage the country's social economic development, advancing the understanding of migration issues, protecting the rights, dignity and prosperity of migrants.
- In Moldova our main areas of activities include: migration management, prevention of human trafficking, labour migration and remittances, assisted voluntary returns and reintegration of returning Moldovan migrants, migration and its health implications.

- The inflation is one of the highest in the area. Remittances have contributed to this, which is a part of the so-called Dutch disease. Trade deficit is truly high (over 3 billion).
- Remittances in 2007 have been 1.5 billion just through formal channels, together with informal channels ca. 2 billion dollars making the 37 per cent ratio to GDP. Nearly 25 percent of labour force is abroad, labour force is around 1.3 million. There are around 350 thousand migrants abroad.
- In the last years there was a sustained economic growth, it remains to be seen how the economic crisis will affect the economy.
- Moldova has been one of the most affected countries after the fall of the Soviet Union. It lost in real terms around 70 percent of GDP up to the year 1999. Together with a decrease in income this has led to massive out-migration in the 1990s. Now the situation has stabilised (the number of migrants grew from 100 000 to 400 000 by the end of 2006 and now it has been going down a bit).
- Push and pull factors: main driving forces include the need to save for the household and a lack of highly paid jobs in the country. Many of the problems are the same in other countries including Ukraine or Belarus.
- Aspects facilitating migration: namely the gradual development of inter-country networks creating corridors for migration. The main corridors are Moldova – Italy, Moldova – Portugal, Moldova – Moscow (especially the construction domain).
- Moldovan migrants in the CR: ca. 10 000 regular migrants of whom ca. 2 000 possess a permanent residence status. Mostly male migration to the CR.
- About 100 thousand individuals have left Moldova permanently since 2006, that's quite unfortunate given the demographic situation of the country.
- Trend of more legal migration: illegality reduces benefits from migration but also their incentives for remaining abroad permanently, illegality makes integration much more difficult.
- Statistics on remittances: in 2007 remittances reached 1.2 billion, in 2008 2 billion, remittances have exceeded the merchandise export by 50 percent.
- Collecting information on remittances in Moldova is not easier than anywhere else. The National Bank of Moldova performs an estimation of remittances in its balance of payments, not all remittances are sent through banks or mobile transfer operators, which means that the National Bank does not have all the data.
- Another way to calculate remittances is through surveys, but the number of remittances is very often underestimated because people do not tend to talk to strangers about their personal finances.
- Discrepancies are normally seen between the figures of the National Bank and the figures provided by surveys.
- The average remittances in nominal terms recently increased to about 1848 in 2008, however inflation of currency in Moldova has eroded most of these gains. This average figure also depends on the country where the migrant is working.
- Regarding the transfer channels the situation has improved a lot in the last three or four years, the use of formal transfer channels has grown to about 60 percent, increasingly fewer people are using informal services (bus drivers, train conductors) - only 11 percent in 2008. However, still a large proportion of informal transfers involves migrants taking money home personally.
- This change is happening because banks have increasingly understood the market and the benefits of working with remittances.

- They have developed a range of money transfer options which are operated through the banks. These are quite cheap, the average costs are between 3 to 5 percent (this also depends on the geographic area) which is considerably lower than the world level.
- Many people depend on remittances, about 35 percent of the population live in households that receive remittances, to a larger or smaller extent.
- Overall remittances take a big share in the income composition, the national level being at around 18 percent.
- Most of the remittances are used for consumption needs.
- The proportion of migrants who have a bank account remains very low (13 percent out of the households receiving remittances).
- Remittances have contributed to a poverty reduction of 11.3 percent, they also increase productivity and investments to making more funding available to the migrants wanting to invest money in businesses, they ease foreign exchange constraints, improve the country credit rating and access to international markets, bank deposits have increased in the last 5 years partly from money coming from remittances.
- Remittances have funded consumption, mostly through imports. Negative aspects of remittances: they encourage further migration and labour shortages, lacking investment opportunities.
- Remittances do not and cannot alone lead to development and economic growth and their impact depends on macro and micro level factors of the economies both in the host and home countries.
- Migrants' remittances cannot be considered as a universal solution for addressing developmental problems.
- More productive use of remittances: the private use of remittances is an issue, governmental involvement is not so welcome and there are limited ways for the governments to get involved.
- Another issue is the not so efficient policies which lead to low income and inflation and not so favourable economic investment climates, limited financial access and financial literacy of Moldovan migrants. If these issues are addressed and solved, it would greatly move ahead the improvement of economic growth.
- The main policy action should be the reduction of transaction costs, so far Moldova has done a lot. Yet other issues to be solved are encouraging the productive use of remittances and improving data collections on remittances.
- IOM's recommendations to the Moldovan government: encouraging the use of official transfer channels and increasing trust in banking institutions, educating consumers about existing remittance services, reducing informality, improving competition which will lead to a further reduction of transaction costs (this can be done by micro financing agencies, credit and saving organisations, post offices); adopting new remittance transfer technologies (e.g. mobile transfer), supporting business and investment plans and partnerships with governments and businesses in the country, facilitating linkages between remittances and financial services by offering loan products (i.e. mortgages) or saving products with attractive interest rates, easing of credit policies, adopting an efficient migration policy stimulating confidence about homeland and building migrant partnerships, matching remittances with other funding sources, improving remittance provider services to the poor including via new products and technology.

1.30 p.m. – 2 p.m. Discussion:

- **Robert Stojanov (Mendel University, Brno)**: Will the World Bank report on remittances in the Czech Republic be available?
- **Eva Anderová (Ministry of Finance CR)**: The report should be available after a mutual agreement with the World Bank; so far it has been confidential and created for our own purposes. With regard to the partner agreement we will make it available for the seminar participants. We will let you know as soon as everything is settled.
- **Wadim Strielkowski (FSV UK)**: I would like to ask Mr Cretu, if he thinks that the impact of global economic crisis would have any influence on Moldova? Such as people coming back home etc.? When looking at remittances, are you taking into account the impact of the crisis? Are you going to use the crisis in your national return plan as the comeback of migrants will be increasing?
- **Ghenadie Cretu (IOM Moldova)**: We are working with the World Bank right now which has sent a mission to assess the possible impact of the crisis on poverty. Certainly you have an impact on Moldova from the migration angle – namely more migrants will return as about one third of migrants work in the construction sector of Moscow region which has been severely hit. We expect quite a massive return of these people. If the crisis provokes a destabilization of remittance flows, in case of Moldova we expect a decrease. It is already happening – November 2008 was the first month when remittances did not grow. And given the fact that Moldova was not quite successful in developing alternative survival strategies, this can indeed lead to an increase in poverty. With respect to the returning migrants the government has approved the national return plan. It was actually approved right before the crisis has started but it came really timely. The government will have to think about job creation or at least retraining, re-qualifying the returning migrants, maybe offering jobs in the public works sector. By the end of this year we will start some bigger infrastructure projects including roads. So maybe a certain part of former migrants will be employed in this sector. But it is indeed a high concern to Moldova and overall to the countries which have a large share of workers abroad.
- **Marie Říhová (IOM Praha)**: Regarding the return of migrants from the Czech Republic to the third countries I would like to mention a number of things that are essential for both the non-profit organisations and the government in the CR. Recently there have been reports about the voluntary return programme in the media - migrants are offered 500 euro to return to their countries of origin. I would like to add that the Czech Republic has been financing development projects in developing countries, including Moldova, for the past 7 to 9 years. In addition to the voluntary returns there are going to be bilateral projects with several countries such as Moldova, Mongolia, Vietnam and probably the Ukraine. These programmes will provide integration of the migrants. We are discussing it now with Ghenadie Cretu and we will try to link the remittance issues with these bilateral projects, concerning for instance increasing financial literacy of returning migrants.
- **Yana Leontiyeva (Institute of Sociology of the Academy of Sciences, CR)**: I would like to give you some information on the results of a research from 2006 realized by the Institute of Sociology of the Academy of Sciences. Foreigners from the third countries who reside in the CR with a work permit were included in the research. The result was that 62 percent of the respondents stated that they send money home. The main focus of the research was not remittances and we did not want to ask our respondents about the sum of money because we would also have to find out how they send the money etc. We only asked to what extent the families in the countries of origin depend on the sent money. From the 62 percent of respondents who answered

- affirmatively, a third stated that their families are completely dependent on their support. A further 27 percent said that their families are not dependent on the money but that it significantly raises their standard of living. The rest stated that their families can survive without the money, but the money improves their quality of life.
- We did not have any further questions through which we could learn how the money was used. Nevertheless we can deduce from our research some basic demographic characteristics, for instance men send money home more often than women. We found out that 80 percent of Mongolian citizens in the CR send money home, 70 percent of Moldovan citizen, 68 percent of Ukrainians, but for instance only 20 percent of citizens from the United States. The research of remittances is a very sensitive topic because the research subjects are not easy to get hold of and the financial question of sending money home is also very delicate.
 - **Robert Stojanov (Mendel University, Brno):** We have discussed the ways in which remittances are used in the country of origin, but we have omitted so far the question of what proportion of remittances goes to covering the expenses of migration?
 - **Vladislav Silvestru (Embassy of the Republic of Moldova):** I would like to add something to what Ghenadie Cretu said. There is a problem in the CR and other countries with a large number of employees from Eastern Europe; it is caused by intermediary labour agencies. The problem has two very important aspects, the first is lowering the remittance level because these agencies in the CR take a large share of the revenue from the employee. The other problem concerns the voluntary returns project of the Czech government, because very often the worker who comes to the Czech Republic invests a large amount of money, not less than 2000–5000 euro, into coming here. Now try to evaluate if the 500 euro offered by the project is enough to bring the migrant back home and pay his debts. I would like to stress the importance of the migration promotion projects of the IOM and other NGOs in cooperation with the Czech ministries of the interior, of social affairs and embassies on legal ways of employing migrants. Language courses could be also helpful in this direction. In this way, if the migrants get paid legally it could benefit everyone, the employees would receive a larger amount of money, the state would get money from the taxes and black money would be reduced.
 - **Ghenadie Cretu (IOM Moldova):** I will react to the question concerning covering the cost of migration through remittances and connect it to the points made by the embassy representative. Our statistics (we asked about 4000 household members) shows that the cheapest is to migrate to former Soviet Union countries (travel costs 150 dollars). To migrate to the EU and find a job costs around 3000 dollars. These are investments that once invested one would be quite reluctant to return immediately after losing a job. One prefers to stay longer and look for another job. This explains the limited number of migrants returning from the EU.
 - **Leila Rispens-Noel (Oxfam Novib):** Can I ask a question especially when the representatives of the World Bank and the Czech Republic are here? The whole day we have been talking about the fact that remittances are higher than ODA. But there are speculations that remittances are going down in the context of the economic crisis. And while many developed countries including Europe are thinking now of a stimulus package and there are talks, e.g. in the Netherlands, about the money for the ODA when Netherlands itself needs money. On one hand ODA may be reduced, because Holland needs the money more now. And also, remittances can be viewed in the way that the third countries receive a lot of money anyway and some European governments can say they can reduce the ODA because the third countries receive a

lot of remittances anyway. For example in France, there has been a talk about trying to substitute ODA with remittances. How true it is? And I also wonder what will be the impact on poor people when from the United States the Latinos send now so little in remittances? Nobody knows how this economic crisis will develop. Two weeks ago I was in the Philippines and I asked the poor people: “What do you think about the economic crisis?” And the poor told me: “It has been economic crisis throughout our lives.” So for them, it is already bad and may still be worse. So what are the implications for the remittances and ODA in the current economic crisis?

- **Donald Terry (World Bank)**: Everyone can agree that the economic situation is deteriorating and that includes remittances and the ODA. The distinction between ODA (public goods, should be directed at the poorest of the poor) and remittances (private) is important. Countries cannot say that they don't need to send ODA because they are sending remittances. The countries do not send remittances but the individuals, which has nothing to do with the government. Nevertheless the ODA is going to be cut down, it seems inevitable under the current circumstances. Will the remittances also be reduced? The World Bank estimates that the remittances for the next three years will flatten but will not decline because the demographics of many countries require these workers. Even under the best circumstances there are relatively few countries that receive FDI and even these countries now get severe reduction. So in fact we have to rely upon remittances perhaps more than ever in the coming two or three years, therefore we have to rely more than ever on trying to turn remittances into local economic development programmes, along the line that Oxfam Novib has been trying to do. So ODA will be down, FDI will absolutely be down, remittances will be flat. This is basically the projection for the next three years.
- If we had a choice, remittances would not be the preferred method of development for developing countries in the world. Nobody prefers to send people out of their country to work abroad in order to send money back, but given the economic reality we have, this is what we get.
- **Robert Stojanov (Mendel University, Brno)**: Could Mr Cruse react to what was said about France contemplating abolishing development aid and the French development agency because there are a lot of remittances from France?
- **Guillaume Cruse (AFD)**: In our discussions we have spoken only of the North-South remittances, but there is a much more important South-South flow of remittances and it is important to have this figure also in mind when speaking about remittances. It is very important that if you take Africa, there are many more migrants inside the continent than in the North. It is important to have a geographical overview first. And another thing concerns the project of voluntary returns. Inside Europe the return can be much more of a reality than it is from North to South. In France we had a lot of people from Italy and Spain who turned back to their countries now. So there is a real going-back system, which is not at all the case between North and South. It was interesting to listen to you today, as that is nothing we have in mind as AFD.
- **Tereza Rejšková (MKC)**: You all talked about the importance of knowing the remittance flows, Mr Cretu has said that they are very good in Moldova in reducing the ratio of the unofficial to official methods of remittance sending. And I would like to ask you how you actually persuade migrants to use the official ways? Because we encountered serious problems in trying to make the migrants talk about it, let alone persuading them to change something. Is it just the free market competition that solves the problem? My second question is connected to this: you spoke about the importance of transparency and regulations and I'd like to ask you to be more specific about these

regulations. What exactly did you mean: is it regulations of the transfer costs? Thank you.

- **Ghenadie Cretu (IOM Moldova)**: I'll start with the second question about regulations. More action is needed still in the following areas: increasing competition, according to the Moldovan financial regulation system, microfinance agencies, saving and credit associations and also postal offices cannot be involved in paying remittances in foreign currency, so by changing the current legislation one can achieve the entry of more players on the market. Increased competition normally reduces the cost. Or the same applies to allowing the creation of new technologies. Right now the national bank of Moldova just cannot imagine how to allow the payment over mobile phones. But this is the issue of regulatory framework, so if you change that the costs can go even further down and financial access can be improved in the rural areas, so far there are not many options besides banks or MTOs which are not located everywhere.
- And then the first question about reducing informality and increasing the formal ways of sending money. This has not happened in one or two years, but probably in the last five years. And we did not need to persuade the migrants directly, it is the market, the banks which promoted the formal ways. Migrants rely very much on informal networking and they gradually learn about new options which are cheaper and safer. Migrants are rational beings and they make rational choices.
- **Eva Anderová (Ministry of Finance, CR)**: Before I finish our session I'd like to respond to some of the previous statements. I was present at the conference on financing for development in Doha, where Mr Sarkozy made a strong appeal to all participants and has stressed that Europe has contributed lately only by over one billion US dollars for the ODA increase, which of course to him was not enough at all. What was also stressed was that we must stick to pursuing development goals because this financial crisis will very soon turn into a human crisis. With ODA, many countries are still much below, the Czech Republic's obligation was to increase its ODA by 0.01% every year which in these times is really hard to achieve. When the economy does not grow, it is a more advantageous environment to provide the ODA so I don't expect a significant decrease in that. As for remittances, the people who are workers abroad in the situation when they are provided with 500 Euro and a free air ticket, they go back home. All countries are having problems with protectionism these days. Imagine what happens when those people come to the very low income countries? The country had not minded that much that they had left, because of the low employment level. If more people come back home it will decrease the employment level. So there is double leverage to take into account. We protect our people and therefore our employment rate. For that reason migrants leave the country of destination. But the countries they come back to want to protect their employment rate, too. So there are probably more challenges in what we have been speaking about. These are also the questions we should take away from today. It is a very challenging thing. The more we cooperate together, the better. I hope to meet all of you at future occasions and hopefully we can influence our own countries in some way to do something about remittances. Thank you.

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