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A long history of public support for agricultural development: Lights and shadows of rural development programs and migration governance in the Republic of Moldova

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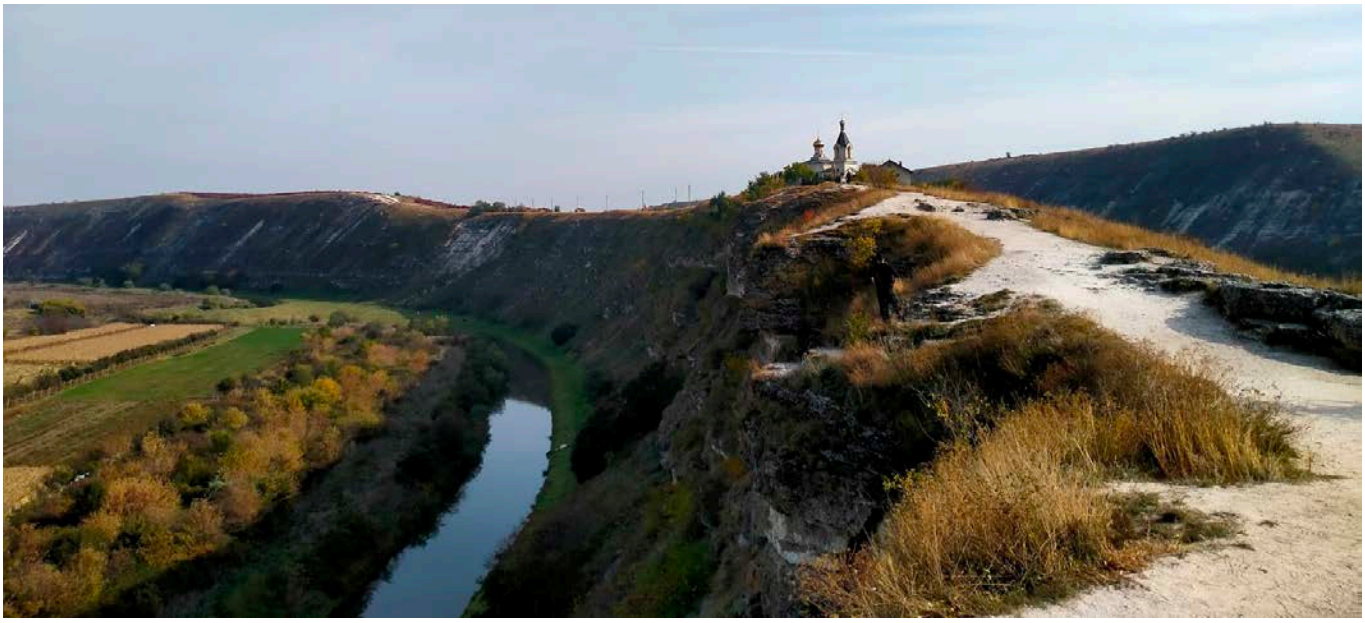
A long tradition of rural development programs

The Republic of Moldova has a history of implementing public programs aimed at supporting migrant activities, with the dual goal of reducing outmigration, in particular for the economically active population and encouraging return migration. Programs aim to increase economic opportunities for migrants and their families in Moldova, and attract direct internal and international investments to increase job opportunities in the agriculture and off-farm sectors.



Rural landscape and Orheiul Vechi Monastery in Butuceni, Moldova (*photo*: Matteo Masotti).

University of Birmingham · Haramaya University · Arba Minch University · Centre for the Study of Labour and Mobility · Université Mohammed V de Rabat · Mekelle University · SOAS University of London · IWMI International Water Management Institute · Alma Mater Studiorum Università di Bologna · INCE National Institute for Economic Research · University of Central Asia Graduate School of Development Mountain Societies Research Institute · South China Agricultural University · universität wien · OSCE Academy in Bishkek · raks thai · Center Polis Asia

Attention is also given to promoting the tourism sector. This is done in two ways: first, through public incentives for the creation of tourist enterprises, and second, through the promotion of tourism within the country, with a particular focus on encouraging diaspora communities and second-generation migrants.

Migration governance

Over the past few years, the government has undertaken intensive activities concerning legislation and policy development, aware that migration produces positive results for Moldova's development and induces negative social costs.

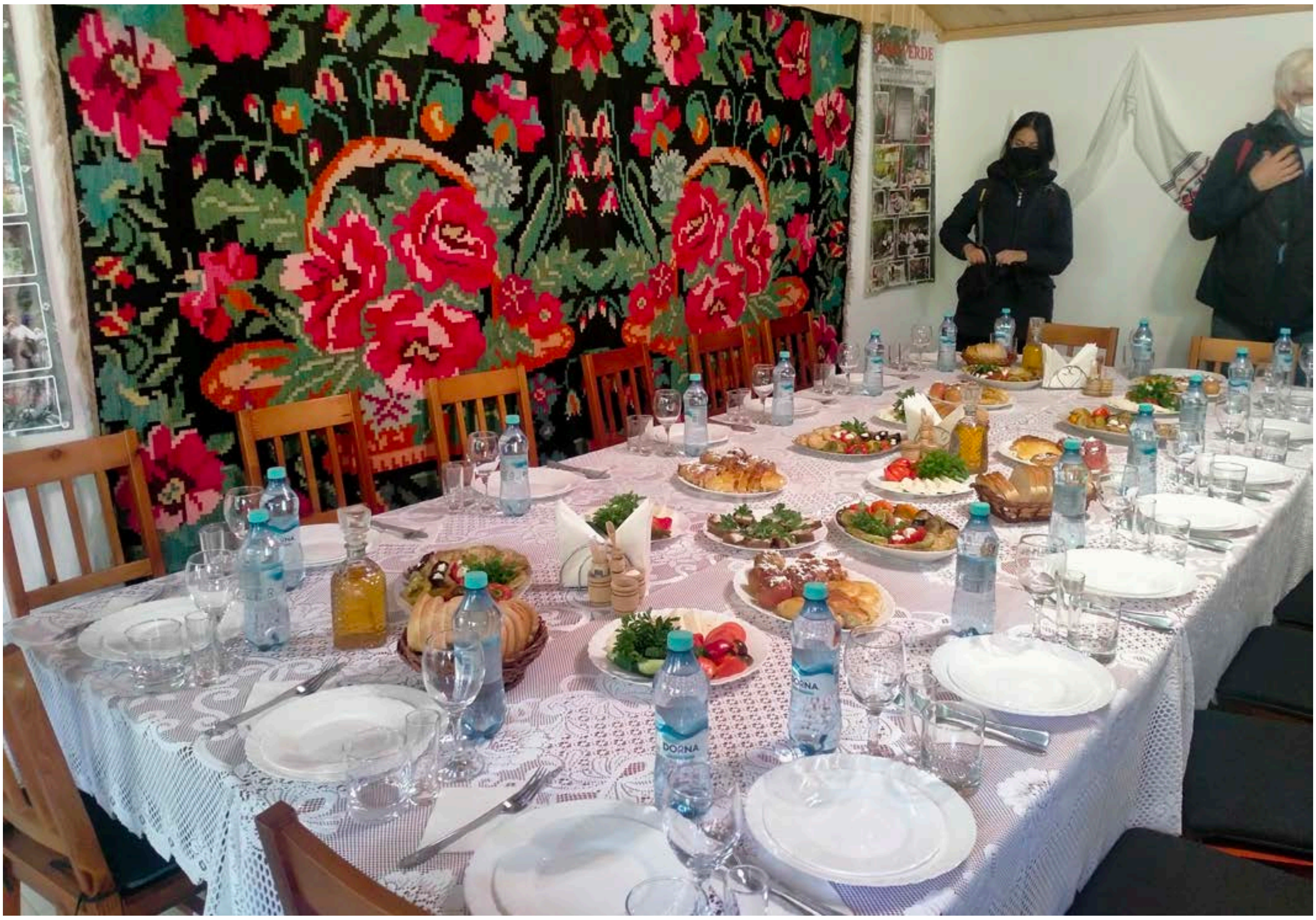
According to the European Training Foundation (European Training Foundation 2015), in the second half of the 2000s, the priorities of Moldovan authorities moved toward the migration and development concept, and migration policy became an integral part of social policy. The goal was to attract migrant and diaspora capital for sustainable development activities at both an economic and social level. In 2008, Moldova was one of the first countries to sign its Mobility Partnership Declaration with the European Union (EU) and 15 EU Member States, which aimed to facilitate regular and safe migration flows to and from the EU in terms of migrant entrepreneurship and to enable the transfer of social security benefits from destination countries back to Moldova. Then, in 2014, Moldova signed the European Neighborhood Policy, which has become the political and legislative framework regulating EU-Moldova migration agreements and policies (Ratzmann 2012; Roots 2016). In addition, Moldova signed 11 bilateral agreements from 2009 to 2014 on social security and legal protection for Moldovan migrant workers in the EU, with negotiations ongoing with four additional countries.

Within this context, 124 projects have been implemented since 2008. The projects focus on economic development, security, and stability on their external borders, the latter including the contrast to irregular migration, human trafficking, and cross-border crime. In Moldova, several government institutions are developing and implementing migration policies and governance of the Moldovan Diaspora.

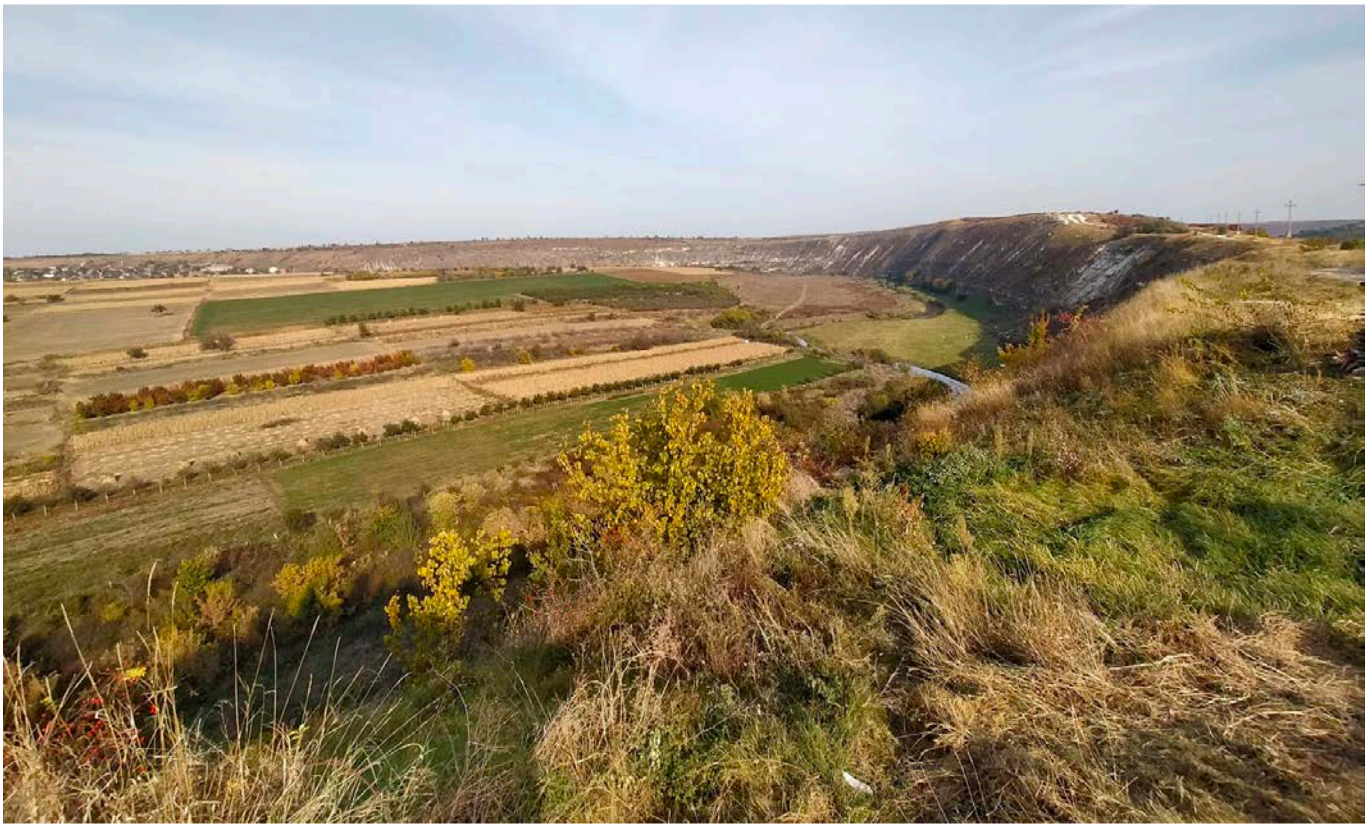
Among those programs, several have consistently impacted development in rural areas. Two examples are the Programme for Attracting Remittances into the Economy (PARE 1+1) and National Subsidies for Agricultural Producers.

Programme for Attracting Remittances into the Economy (PARE 1+1)

The Programme for Attracting Remittances into the Economy (PARE 1+1) is a national Moldovan state



Hospitality in an agritourism in Butuceni, Moldova (*photo*: Matteo Masotti).



Rural landscape in Butuceni, Moldova (*photo*: Matteo Masotti).

program aimed at mobilizing the human and financial resources of the country's migrant workers into Moldova's economic development, by stimulating the creation and development of small and medium enterprises and corresponding job placement of migrant workers and remittance recipients.

The target group for the program is comprised of all labor migrants and their first-degree relatives with Moldovan citizenship willing to set up or develop a business in Moldova with money coming from remittances. Documents are required to prove this. The program is implemented, coordinated, and monitored by the Organization for the Development of the Small and Medium Enterprise sector (ODIMM). A supervision committee oversees the examination and approval of the grants. The Ministry of the Economy chooses committee members to include representatives from all the institutions listed by the government.

The program has four main components:

1. Information and communications: Awareness raising about the program, especially for the target group.

2. Entrepreneurial training and support: The beneficiaries of the grants will receive 50 hours of training on entrepreneurship by ODIMM and free consultancy services by ODIMM to help prepare their business plan and manage their business throughout its life.

3. Financing businesses: The core of the program is to provide grants for investment to all the selected beneficiaries. The total amount of the grant is 50% of the total investment (not more than MDL 250,000); 30% of the total grants provided within the program will finance investments in Balti and Chisinau, while 70% will finance investments in rural areas.

4. Post-financing monitoring and program evaluation. The beneficiaries are monitored and assisted by ODIMM for two years after the provision of funds and longer if requested by the entrepreneurs. The program's impact is also evaluated in the future (e.g., investment volume, jobs created).

The financial resources are from the national budget and external funds from the European Union.

In terms of program outcomes, it has been an effective and efficient tool for reintegrating returnees into the national economy and for national economic development. From 2011 to October 2021, the program provided entrepreneurial training to 2,649 beneficiaries and co-financed 1,815 investment projects, helped create 739 new business start-ups, and 564 migrants returned home to start a business. Thirty-two percent of the beneficiaries were women, and 49% were younger than 35. Around 40% of the businesses are owned and managed by a migrant, and 60% by a relative; 84% of investments were conducted in rural areas, and most businesses are active in the agriculture sector.

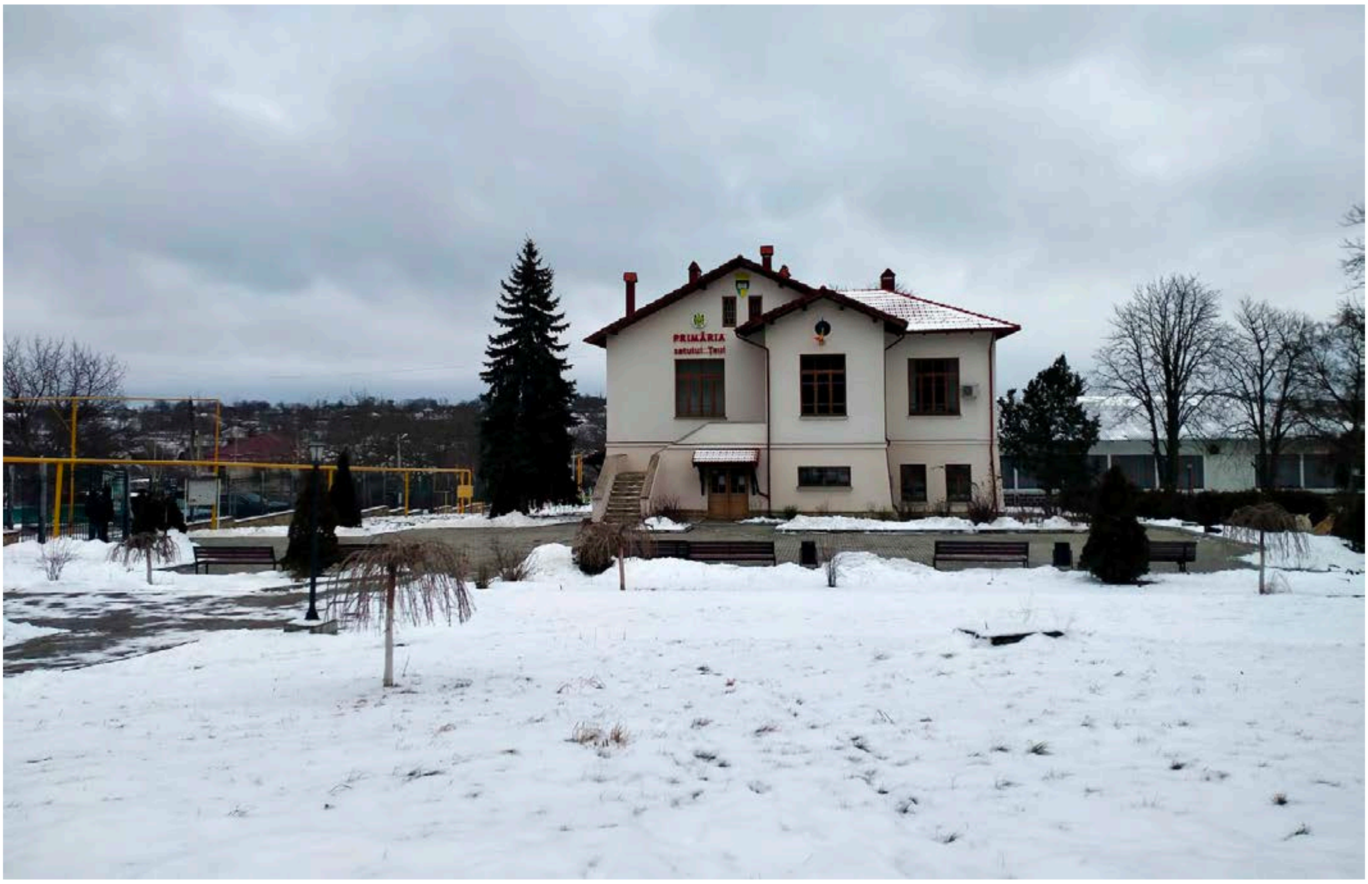
National subsidies for agricultural producers

Every five years, the government establishes subvention rules and policies according to its strategic needs. The budget for each measure is defined yearly according to the resources allocated to the National Fund for Agriculture and Rural Development. The National Strategy for Agricultural and Rural Development inspires the subsidy framework. The Agency for the Intervention and Payments in Agriculture (AIPA) implements all the measures and monitors and evaluates the effects of the subsidies according to criteria established by the Ministry of Agriculture. An evaluation committee assesses the eligibility of each application for each subvention measure.

Each measure has its rationale. Compensations are designed to protect agricultural producers from external shocks, including weather and energy costs. Post-investment subsidies aim to increase agricultural productivity and agricultural producer incomes and support sustainable rural development. In-advance rural development subsidies aim to support rural sustainable development, and start-up subsidies aim to increase economic opportunities in the agricultural field for youth and women. Direct payments per head of livestock aim at increasing agricultural production, productivity, and income. Overall, the measures aimed to increase agricultural productivity and the income of agricultural producers and support rural sustainable development.

During 2017–2021, a set of subsidies were implemented. In particular, ex-ante subsidies for the commercialization of Moldovan agricultural products included investments to foster a productive structural transformation and alignment with EU standards and investments to improve the processing and commercialization of agricultural products. Subsidies were also designed to support investments in farms and rural environments, improve rural infrastructure, and cover the expenses of consultancy services. All these measures are open to all agricultural producers with a legal entity where the rural household has the status of a legal person (*Gospodarie Taraneasca*) that has control over the land they have been cultivating for a specific amount of time.

Also, in 2020, other subsidies were designed to improve and develop rural public infrastructure for the regeneration and development of rural localities, foster grants to local public authorities for services improvement, maintain physical and cultural heritage, create tourist information points, and protect the environment. Subsidy measures are also aimed at strengthening rural economy diversification through non-agricultural activities and supporting people living in rural areas to create or develop non-agricultural economic activities such as handcrafts, tourism, traditional food processing, and commercialization. Finally, direct payments per head of livestock were introduced in 2020 to develop the livestock sector by increasing agricultural productivity, improving livestock breeding, improving rural living conditions, adapting to climate changes, and mitigating the effect of global warming.



Primary school in Tahul, Moldova (*photo*: Matteo Masotti).

Hospitality in an agritourism in Butuceni, Moldova (*photo*: Matteo Masotti).

Lessons from field research: Program strengths and weaknesses

The Republic of Moldova offers numerous programs dedicated to developing rural areas and attracting resources, both monetary and non-monetary, from migrants and returnees. Rural development programs related to migration foresee funds provided directly to beneficiaries that will be invested in activities in rural areas and through indirect investments. The latter include investments from the government and donors to improve infrastructure and to promote training courses to increase agricultural, entrepreneurial, and financial literacy.

Programs foreseeing direct incentives were generally appreciated by beneficiaries interviewed, and proved effective in increasing their livelihood conditions and helping them invest in remunerative economic activities. In particular, PARE 1+1 has been effective among beneficiaries in preventing outmigration and enriching return migration through more effective use of social and financial remittances.

In contrast, some critical aspects have been highlighted by beneficiaries and other stakeholders interviewed.

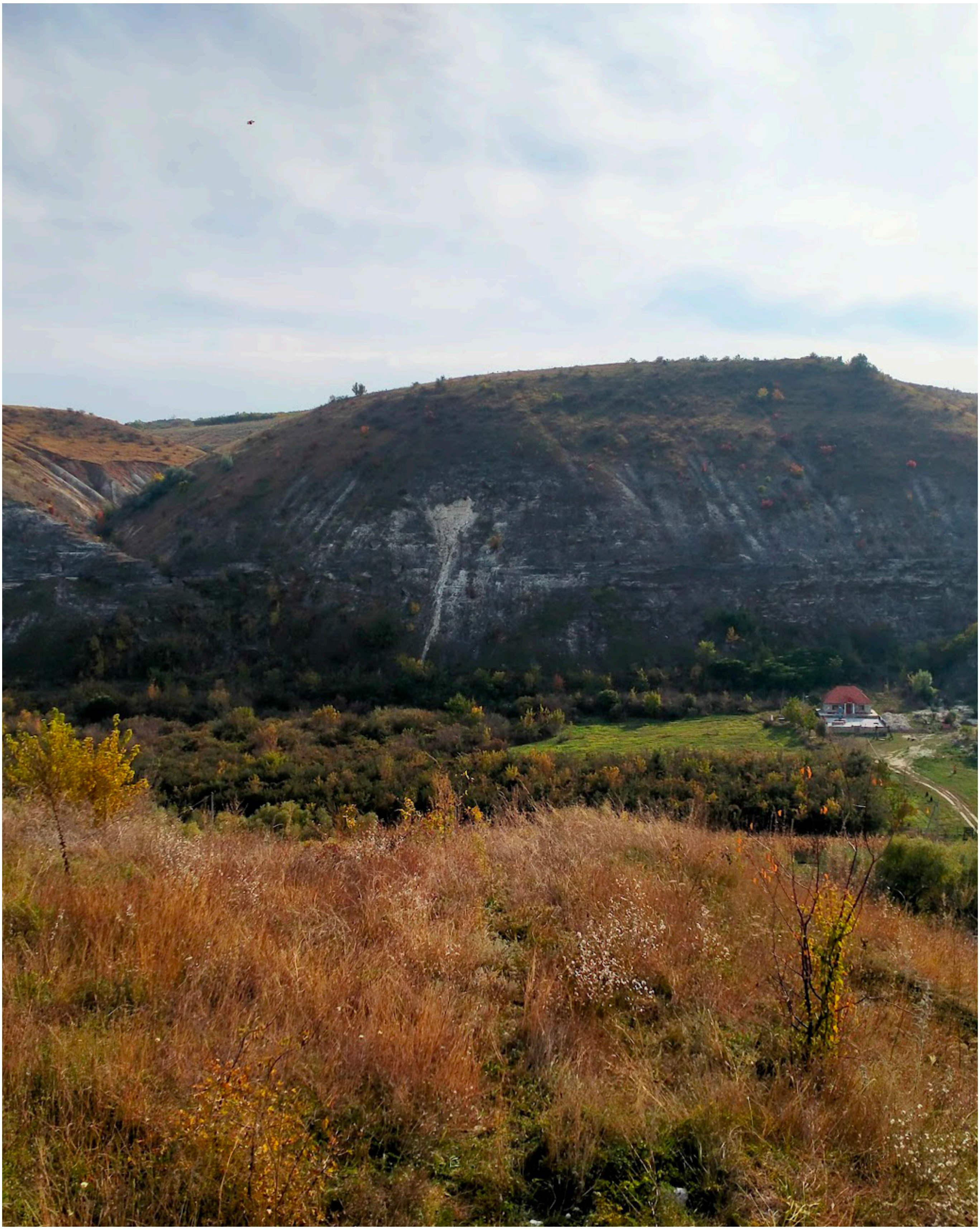
Interviews with beneficiaries and stakeholders and the results of a household survey conducted in rural areas of Moldova in January 2021 highlighted the low level of knowledge of these programs among the rural population. Ninety-nine percent of respondents said they had not received public incentives nor had they applied for any public program related to rural development promoted by the Government of Moldova or by international donors.

Concerning direct incentive programs, their long-term financial sustainability could represent an issue for their longevity. This is particularly true for PARE 1+1, which risks acquiring resources that might not be sustainable. While this is not the actual case as yet, this aspect was raised by several farmers during the field research interviews.

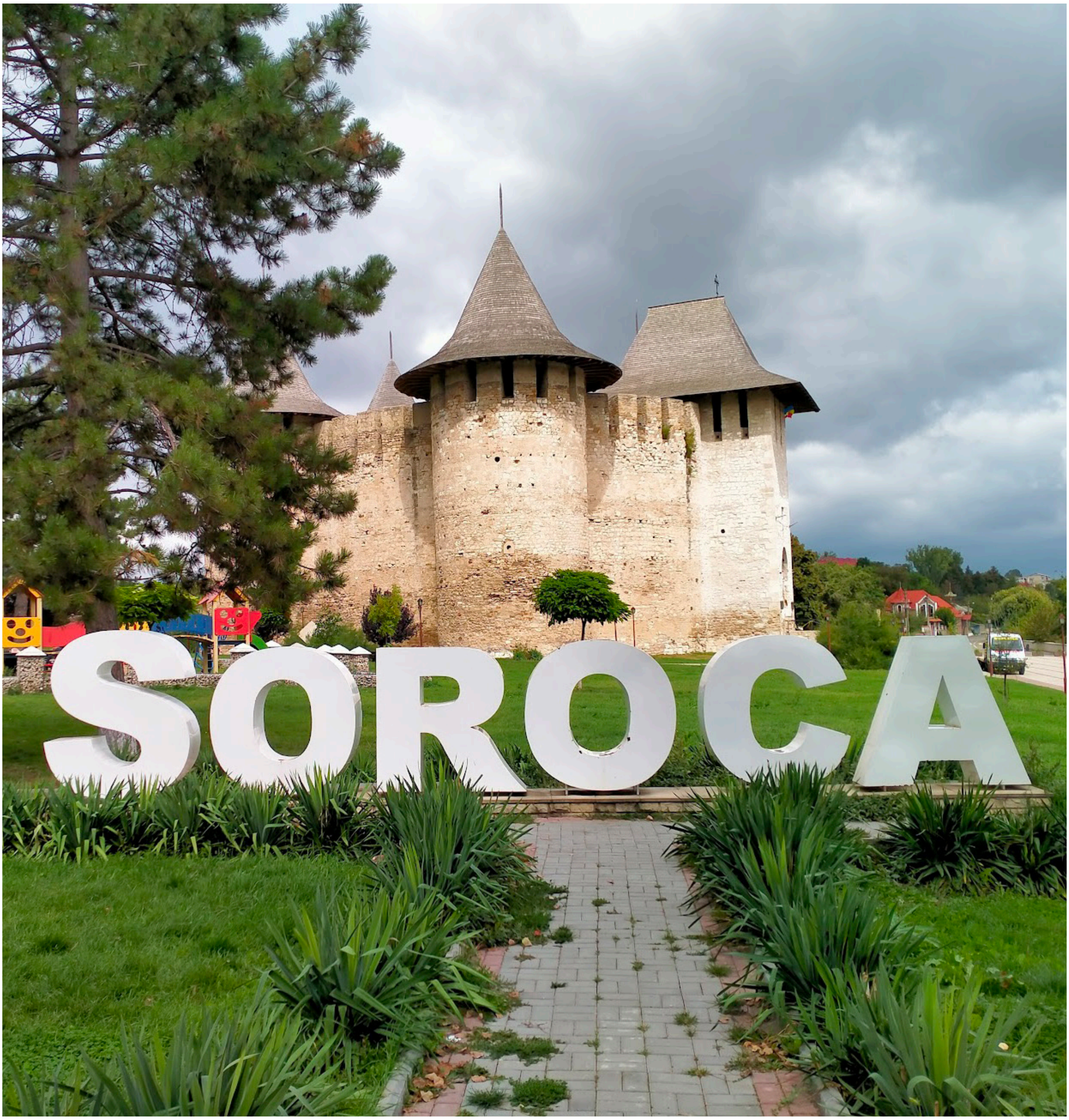
Another potential issue is connected to the risk of fragmentation of funds. This is particularly the case for programs providing direct funds to beneficiaries, such as PARE 1+1 and the incentives designed by AIPA.

This fragmentation of funds could lead to a situation where economies of scale do not emerge, and the benefits coming from incentives remain limited both in terms of individuals involved and their territorial dimensions.

Finally, the presence of start-up resources both in terms of capital (existing economic activity, existing accumulated capital) and expertise (e.g., financial literacy, administrative capacity) seems to be a crucial factor for the success of financial investments through incentives, in particular PARE 1+1 and incentives promoted by AIPA. In addition, the bureaucratic burden required to apply incentive programs disincentivizes potential beneficiaries with low financial and legal literacy. These aspects may discourage citizens with few or no resources from accessing rural development programs, especially those who are deeply involved in the migration process.



Rural landscape in Butuceni, Moldova (*photo*: Matteo Masotti).



The fortress of Soroca, Moldova (*photo*: Matteo Masotti).

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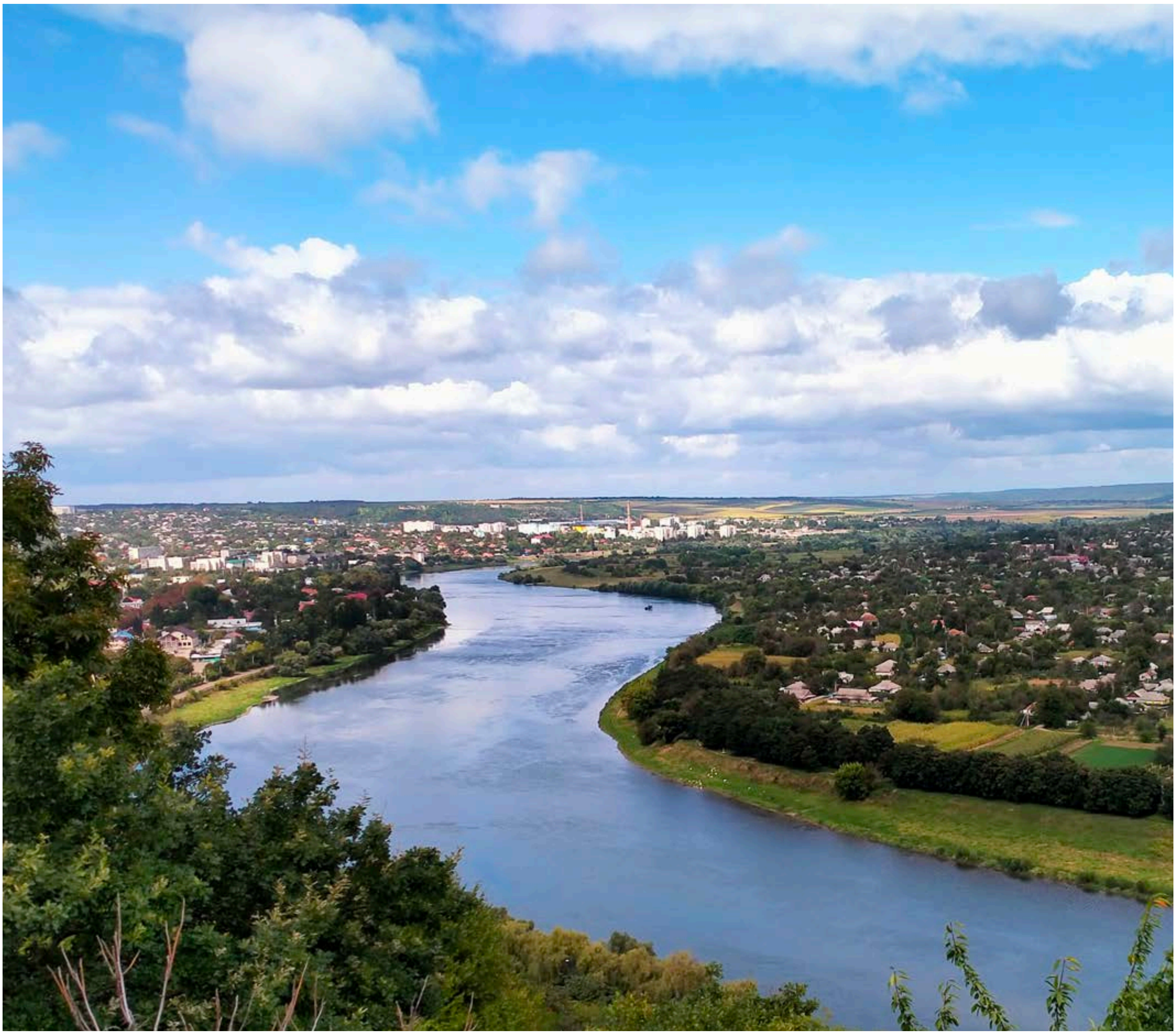

Rural landscape in Soroca and Nistru River, Moldova (*photo*: Matteo Masotti).

AGRUMIG Policy Brief Series

This policy brief is one in a series of briefs produced as part of the AGRUMIG project.

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AGRUMIG Project
The project titled **AGRUMIG** *'Leaving something behind' - Migration governance and agricultural & rural change in 'home' communities: Comparative experience from Europe, Asia and Africa* proposes an integrated approach to migration governance to address the two-way relationship between labor mobility and changes in agriculture and the rural sector. Migration creates challenges for rural 'sending' communities in low- and middle-income countries, yet it can also be transformative. The project engages in a comparative analysis of seven countries (China, Ethiopia, Kyrgyzstan, Moldova, Morocco, Nepal and Thailand) to identify the economic, institutional, cultural and agroecological factors which shape these relationships. It will identify the range of governance interventions that can harness migration to stimulate sustainable, gender equitable growth in agriculture, and reduce the distress associated with migration.

Donor: European Union (EU) Horizon 2020 Framework Programme (H2020) under grant agreement number 822730

(Call: Towards forward-looking migration governance: Addressing the challenges, assessing capacities and designing future strategies)

Project website: http://agrumig.iwmi.org

For more information on the project, contact: Angela Haynes, School of Oriental and African Studies (SOAS), University of London, UK (ah121@soas.ac.uk)

This project is part of the MARIS (Migration, Agriculture and Resilience: Initiative for Sustainability) network (http://maris.iwmi.org)

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