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Human capital development and labor mobility: maximising opportunities and minimising risks

Session 1.4: “How can circular migration and sustainable return serve as development tools?”

Setting up a model Circular Migration program

Coordinating Partner: Governments of Luxembourg and Mauritius, and the European Commission.

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1. Background

1.1 Circular Migration is increasingly recognised as a form of migration that, if well managed, can help match the international supply and demand for labour, and contribute to a more efficient allocation of available resources and to economic growth. Migration flows are driven by a combination of structural forces both in the receiving and sending country, quality-of-life considerations and social and economic structures that arise to connect areas of out- and in-migration. On the level of individual and household motivations more generally, deficiencies in financial and human capital are the main drivers of this accelerated movement. Especially for those migrating to the EU or other developed countries, the opportunity arises to accumulate both financial savings and human capital.

1.2 On the level of structural determinants, migration trends reflect the larger political-economic structural forces, the porous borders and the demand for cheap (or seasonal) labour. Economic migration tends to manifest very high return rates, however sending countries often fail to fully benefit from international migration because their policies fail to provide incentives for returning migrants to use their acquired skills, knowledge and savings.

1.3 Policies that improve the incentives for business investment, financial deepening, and entrepreneurship are the same that will likely reduce the incentives for migration in the long run, and to encourage returns, either of people, temporary or permanent, or their skills and other assets. If 'quality of life' policies are understood as a broad range of economic structural, social equity, governance factors, then improving these policies creates the incentives necessary for maximizing the benefits from existing migration flows.

1.4 Past policies have failed to induce circular flows because of the failure to work on both supply and demand and to recognise that return on a voluntary basis is only probable if quality of life in the origin country is perceived to be improving. In particular, it is important for the business climate and Governance to be perceived to be improving. Otherwise, it will be difficult to encourage migrants to return and instead they will have their family join them even if this meant moving into illegality.

1.5 In recognition of the role of expert international migration organizations such as IOM, with its longstanding operational expertise, these could be called on to assist countries in facilitating their temporary migration to countries where the demand for such skills is high. A comprehensive short term temporary migration strategy could be devised that would:

- maximize the development potential of migrants returning home after a limited stay abroad, bringing with them new skills, savings and ideas;
- encourage the Diaspora to return home and assist in the development of the country, and facilitate remittance flows which will improve long term benefits to migrants' families and enhance development impacts;

An international organization with expertise in development economics, like the World Bank, could help build capacities in the business and SME sectors in the origin country to enable migrant credits and business start-ups.

1.6 The EC supports the idea of circular migration against the backdrop of changing migration patterns around the world and the need for the European Union to offer a credible alternative to illegal immigration, as mentioned in the European Commission Communication on Circular Migration released on the 16 May 2007. The EC could be interested to play a role in moving to an operational pilot on circular migration in a subset of EU member states. The EC could also consider financial support to help structure the various elements of such a program including capacity building.

- 1.7 The developmental impact of a circular migration pilot is the central component that will make this scheme different from other temporary migration schemes. To maximize these gains, the pilot will emphasize targeted selection of migrants interested in building their skills (including language skills) and savings to start a small business on return or invest in other productive sectors. With emphasis on these elements, the political acceptability is likely to be enhanced, especially if an international organization could offer support services to facilitate return and business start-up, and also play a key role in selection, drawing on its experience in other similar programs.
- 1.8 This proposal offers a way of translating the European Commission's concept of circular migration into action. It is meant to contribute to some practical outcomes of the Global Forum Roundtable 1.4 discussion; and to guide the development of pilot schemes to foster circular migration in sectors or occupations of interest to countries of origin and countries of destination such as EU Member States alike.

2. The value added of a multi-stakeholder approach

2.1 To move beyond just concerns about encouraging returns of low skilled migrants, an operational circular migration package needs to combine the need for regulating migration with a developmental aspect. In putting together such a comprehensive approach, coordination between different Government departments is required since responsibility for policy is often fragmented within governments. For example, a Ministry of Interior or Home Office responsible for migration usually only has levers to tighten or relax controls. It is neither mandated to consider the development needs of origin countries, nor does it have the tools to address these needs. Improving policy coordination is primarily a government responsibility both in developed countries or between the developed countries or other interested partners and participating sending countries.

2.2 The value added for interested destination countries would be

- (i) to offer viable alternatives to illegal immigration with a view to reducing it, while satisfying the demand for labor in non-traded services and agriculture;
- (ii) reduce social tensions from migration by actively selecting migrants and by bridging the gap, via circularity, between the desire for labor and the lack of desire for permanent migrants;
- (iii) contribute in a positive and low cost way to the reduction of poverty and improvement of the business climate and wider governance in the origin countries.

2.3 The value added for the migrants would be

- (i) a chance to participate in a structured program that allows them to build up their human capital and financial savings;
- (ii) enhanced opportunities to stay in contact with family by freely going back and forth;
- (iii) ability to use the legal system and social protection services against abuse;
- (iv) protection against exploitation by criminal elements as could happen in the case of illegal migration;
- (v) a benefit package that offers social protection on return beyond what is available at home;
- (vi) access to business services and assistance in setting up a small business on return;
- (vii) possibly, matching funds to augment their savings; and
- (viii) an improved quality of life on return home as a result of implementation of reform commitments taken by the sending country.

2.4 The value added for origin countries would be

- (i) more value from the reforms required to raise incomes and increase equity;
- (ii) access to the EU's or other interested partners' labour markets as a social safety net pending improvement in the domestic business environment;
- (iii) rapid build-up of human capital and savings required to expand business activity;
- (iv) help from an international organization to set up and manage programs to prepare the migrants (including language training and selection);
- (v) more remittances in a sustained and reliable framework;
- (vi) structured support from external partners to facilitate the emergence of small and medium sized enterprises;
- (vii) assistance from the external partners to improve the business climate, governance and service delivery to make return more attractive and to help Government, together with the international partner, develop programs to support returning migrants.

3. Key Features of a Circular Migration program

The following practical conditions and safeguards will need to be included to ensure that circular migration meets its objectives and brings long-term benefits.

3.1 *Developmental aspects*

Circular migration programs are more likely to win continuing financial and political support if they are:

- (i) consistent with the development agendas of countries of origin;
- (ii) generate a sense of ownership on the part of both countries of origin and receiving countries; and
- (iii) encourage active participation of different stakeholders.

3.1.1 For the proposed pilot to fly, it must focus also on the developmental aspects rather than just how to bring in cheap unskilled labour. Getting the developmental aspects right would help counter the inevitable concerns on human rights grounds.

3.1.2 According to the World Bank's Global Economic Prospects 2006 report, over 80% of the benefits of migration accrue to the migrant. Thus, making development central should be relatively straightforward but would involve ensuring gains also to the origin country in addition to the obvious gains to the destination country.

3.1.3 Circularity would generate particularly large gains to the migrant origin country if its policies have improved to increase the payoff to human capital, financial savings and personal initiative. The costs to receiving countries in terms of more turnover and associated training costs are likely to be offset by the benefits of active selection of the most entrepreneurial and those with better language skills, less friction and better integration and reduced criminal activity associated with the migrants

3.1.4 Any circular migration proposal needs to recognize and address the tradeoffs from conflicting objectives between developmental impact and migration policy objectives. We need to ensure that circular migration meets the development objectives of sending countries **and** those migrants do not overstay.

3.2 *Incentives for saving towards setting up a small business or for other investment*

3.2.1 Existing EU or other interested partners' legislation does not typically allow mandated savings. A formula would need to be found to justify an exemption, or strong incentives would be required to induce voluntary savings. The developmental nature of the pilot

could offer reasonable grounds, although this will need to be further evaluated. It may not be desirable to mandate that a part of wages must be saved.

- 3.2.2 As an alternative to enforced savings, incentives could be set up to encourage voluntary savings. Governments could offer benefits that may only be tapped upon return. If mandated savings of a part of earnings is deemed infeasible, the government (or its contracted agent) could draw on the experience of the Canadian seasonal agricultural worker programs to investigate how the contractual obligations between employers and migrants could be structured to achieve the desired objective. A matching savings scheme using funds otherwise devoted to SME development and support could be a convenient way to achieve this objective. Examples include preferential interest rates on savings lodged in approved home country accounts and matched investment from receiving governments in approved business initiatives.

3.3 *Time Scale*

- 3.3.1 Tradeoffs between various objectives will determine how long a migrant would be granted permission to work in the EU or other interested partners before needing to return home. From the perspective of human rights, beyond a continuous stay of a year, issues of family reunification arise. Moreover, once families move temporary migration tends to become permanent. However, employers prefer longer term employment arrangements. A longer time frame would also be required to meet the developmental objectives of accumulating enough savings to start up a business. Finally, the likelihood of return probably diminishes if the stay is too long. The tradeoffs between these conflicting objectives might be addressed by having annual renewable contracts, but with a requirement for some vacation time in the country of origin (COO) between contracts.
- 3.3.2 Current sector-based schemes usually involve 1-year renewable contracts, which provide some flexibility to adjust to demand conditions. While contracts would be renewable, the EU or other interested partners' authorities would need to decide if they should impose a limit on the number of renewals to, say, no more than five. A notional limit could be achieved by strong incentives rather than by administrative fiat. For example, to encourage return after five years, the EU or other interested partner governments could, as part of development assistance, provide a bonus (on top of interest earned on escrowed savings) if return occurred by the desired target date. The bonus could decline over time beyond the target date (for example be reduced by one-fifth for every year of stay beyond the target number of years).
- 3.3.3 Time may also be a sector-dependent issue. Canada has had success with its seasonal foreign employment, because return is encouraged by the certainty of being employed the following year. EU and Australian seasonal programs (mainly targeted at students) also seem to have good self-enforcement, perhaps because students want to go back and finish their studies. Experience with temporary sector-based schemes is less clear. The challenge may be in expanding temporary schemes to service sectors, particularly personal and domestic services, including households. In such sectors employers may be particularly keen for a long rather than short-term relationship once they have established a rapport with the foreign employees.

3.4 Role of intermediaries

- 3.4.1 Current schemes typically rely on operators (formally in the case of the agricultural workers schemes, informally in the case of the food processing workers schemes) to avoid oversight issues and minimize administrative costs.
- 3.4.2 Contracted operators guarantee a flow of supply that corresponds to fluctuating demand and allow an indirect relation between employers and migrants, and they help to minimize the use of illegal migration routes for low skilled immigrants. However, possible exploitation of migrant labor may still be a concern. Operators may de facto create long term immigrants without rights.
- 3.4.3 Enforcement of rules on employers may also be an issue, with operators perhaps making it more difficult to enforce compliance. Possible models for blacklisting of employers, or their operators, by the origin country government are given by countries like the Philippines.

3.5 Remittances

- 3.5.1 There is a need to make remittance transfers easier. With a view to facilitating remittances, it is proposed to encourage partnerships between micro-finance institutions and mainstream financial institutions; provide funding to joint projects by diaspora organisations and local organisations so as to support local development.
- 3.5.2 With a view to promoting cheap, fast and secure ways of sending remittances, there should be improved data collection to better understand the size of migrant remittance flows. Some studies would need to be undertaken in various fields such as households, the financial institutions etc.); improved transparency of remittances and payment services with a view to requiring payment service providers to make charges more transparent for customers. There is a need to stimulate competition among service providers, and expert institutions like the World Bank have some solutions to offer.

3.6 Institutional Framework

- 3.6.1 In order to develop a legislative basis for migration management, an institutional framework must be designed to regulate the disparate activities of the State towards a common policy objective. The executive, legislative, and judicial branches of government, and the agents or ministries of the State that implement the policies, need to be vested with proper authority and obligations, as should the secondary agents such as transporters, accommodation providers, educational institutions, employers, and international institutions. This combination forms the institutional framework for migration management. In Mauritius, the Government has set up a multi-agency Empowerment Programme, among others to mount training and re-skilling programmes for the unemployed and to enhance SME development. The Empowerment Programme is also entrusted with overseeing the implementation of circular migration. The Empowerment Programme has a matching service under its Employment and Reskilling Sub-committee chaired by private sector representatives from the Joint Economic Council (JEC) and comprising representatives of various Ministries and Departments.

3.6.2 This framework should also help frame and deliver the operational policy objectives. Managing migration involves an operational balance between options that include:

- measures for facilitation and control
- activities located abroad, at points of entry or within the country
- risk management or risk avoidance
- the responsibilities of migrants and their advocates, and of the State, for the purposes of economic, social, and cultural integration.

3.6.3 Managing migration involves striking a balance between broad-ranging public policy objectives in several areas: public health, security, economic prosperity, citizenship, social stability and cohesion, and cultural development.

3.7 Gender

3.7.1 Women are increasingly migrating on their own to improve their economic circumstances, enhance their skills and pursue professional development. They are migrating as seasonal agricultural workers, caregivers, nurses, teachers, scientists, technicians and business owners. Remittances from women also contribute to the social development of the family, in particular education and health.

3.7.2 Policy makers should review those programmes and incentives from a gender perspective to reflect the differences between men's and women's motivations and obstacles to a greater participation in the development of their country of origin. Gender sensitive labor migration policies should be adopted, including measures to ensure decent working conditions, protection in vulnerable employment markets and protection while abroad, such as maintaining family rights, social protection standards and freedom of association to trade unions or organisations for the defence of their rights.

3.7.3 Finally, policies should ease migrants' decisions to return to their countries of origin by removing obstacles by such means as promoting social security portability and encouraging migrants' investments in the country of origin. These policies should take into account the specific needs of men and women in their endeavour to return to the home country, in particular the change in social roles and empowerment gained by women while living independently abroad.

4. Ensuring effective circularity of migration

4.1 Incentives to promote Circularity

4.1.1 Rewards to bona-fide migrants through multiple entry residence/work permits, allowing temporary returns to home country; simplified, fast track admission procedures for migrants who have already resided in the EU or in another developed country for a certain length of time and returned voluntarily to their home country at the end of their permit.

4.1.2 Provision of long term multi-entry visas for returning migrants; allowing former migrants to obtain new residence permits for further temporary employment under simplified procedures could promote circularity. Receiving countries should open up more avenues for regular, repeat temporary labour migration and give incentives to migrants by offering future return to the same job.

4.1.3 The European Commission has proposed in its December 2005 Policy Plan on that EU states should give a multi-annual work permit to migrants to allow them to return several years in a row to perform seasonal jobs in the bloc. Due to ageing populations and the challenges of globalisation, circular migration is seen as one of the responses for Europe

to meet its growing need for well-trained women workers to work as domestics or carers. There is also growing demand for seasonal workers in agriculture, construction and tourism.

- 4.1.4 Appropriate training schemes would be carried out in order to familiarize migrants with the tasks abroad, and to empower them to adjust to a new environment. There is also a need to put in place a system that would allow the migrants to seek help in the destination state if they are faced with a problem. Training would be demand-oriented and would be carried out in collaboration with receiving countries.
- 4.1.5 Making the reintegration of returning migrants in their home country as smooth as possible. This could include support to job search and/ or setting up of businesses by returnees in their countries, recognition of the informal skills acquired abroad, special housing programmes etc.

4.2 *Monitoring circular migration*

- 4.2.1 Circular migration schemes should be carefully monitored for their design and practical implementation, to ensure that they meet their twin objectives of responding to the needs of labour markets in the EU or other destination countries and contributing to the development of countries of origin; and to ensure that circular migration does not become illegal, or permanent where not intended as such. A set of criteria should be developed and reliable data /information should be collected and made available for monitoring and assessing the impact of circular migration on the social and economic well-being of migrants, the development of their communities and countries of origin, and economic growth of the receiving countries. The EU, IOM and World Bank could devise some concrete proposals.

4.3 *Reducing the risk of brain drain.*

- 4.3.1 There could be a commitment not to recruit actively in sectors that may be detrimental to the development of the country of origin. Policies could be designed to reverse the impact of *brain drain* by facilitating *brain circulation* of professionals through temporary return visits. Ultimately, sectoral development to generate employment opportunities and strengthen the business sector are likely to provide the strongest incentives for skilled and professional persons to remain home, or return home.

4.4 *The role of diaspora*

- 4.4.1 Participation of the diaspora in the development of the home country could be enhanced by helping countries to map their diasporas; and by setting up databases where members of diaspora interested in contributing to home country development can register on a voluntary basis. Governments should give special recognition to members of the diaspora by engaging with their organisations, and enabling them to be interlocutors in development policy making. (See for example India, which has around 30 million expatriates abroad, and is reversing some of the brain drain through the return of migrants to set up their own businesses (especially in information technology and the biomedical industries). India is being paid back by its skilled expatriates.

4.5 *Bilateral agreements.*

- 4.5.1 Bilateral agreements could be the most plausible vehicle/mechanism to promote and manage circular migration. Key issues to be addressed in bilateral agreements between both governments include among others: working conditions, rights of migrants, social welfare, accommodation, possible further skills acquisition and upgrading, reasonable time frames for contracts, flexible visa arrangements, flexible contracts, return preparations and how effectively return of migrants could be ensured. The international interlocutor could assist in bilateral negotiations for increased visa allocations with some guarantee or bond to ensure that after their temporary stay abroad migrants will return home.

4.6 *Accessible Information.*

- 4.6.1 Countries of origin and destination may also cooperate to set up networks and databases designed to connect expatriates with projects, jobs and other opportunities to be actively engaged with their home countries. Some MIDA programs by IOM have assisted origin countries establish such databases. Modern forms of transport and communication have multiplied and intensified the ties between migrants and their source countries. The internet helps migrants to maintain strong social and business ties with the home country. Cheap transportation has made return visits or circular migration much more feasible.

4.7 *Portable Benefits.*

- 4.7.1 Countries of destination could also consider offering portable pensions and health and life insurance benefits, in order to reduce the disincentives for return. This may have hindered circulation among permanent resident.

4.8 *Flexible contracts.*

- 4.8.1 Longer and more flexible contracts with options of re-entry, may allow migrants, especially those at the low-wage occupations, to limit the expenses associated with migration and save the money and gain the skills needed for more successful returns. Investing in basic skills and entrepreneurial training might also facilitate circulation by equipping migrants with the tools to make informed decisions on their rights, obligations, and options.

The Mauritian Circular Migration Pilot

1. Overview

- 1.1 Mauritius is at a critical juncture of its economic history. The country faces unprecedented challenges with the triple shocks of the dismantling of the Multifibre Agreement, soaring oil prices and sharp cuts in guaranteed sugar prices. In addition, the economy is being constrained by numerous rigidities and economic imbalances that undermine its prospects for sustained growth, investment and job creation. The sustained high budget deficits over the past few years have substantially increased the public debt burden.
- 1.2 The Government has embarked on a 10-year reform programme to restructure the economy to meet the challenge of globalisation. This will result inevitably in labour retrenchment mainly in our two key sectors: Sugar and Textiles, as well as in the import substitution sector as we move to a Duty Free Island embracing global competitiveness instead of relying on preferences. The World Bank estimates up to 12,000 mainly low skilled jobs will be lost over the next three years.
- 1.3 Coupled with this, the country is faced with the problem of growing unemployment (around 9.1% in 2006) due to an increasing number of new entrants in the labour market, many of them young graduates, relatively unskilled labour and the inherent mismatch of skills reflected in the need to import labour of some 29,000 for our Textile sector. Moreover, Mauritius is very much concerned with the relatively high rate of female unemployment which is around 15.5% in 2006 representing three times the rate of male unemployment and with the high percentage of those having a relatively low level of educational attainment.
- 1.4 In this context, one possible solution for Mauritius' growing unemployment is to devise Circular Migration Programmes that would offer an opportunity to those unskilled and semi-skilled workers who lose their jobs or whose skills do not help them to find suitable jobs here, to spend a few years in Europe, the Middle East, Australia, Canada or elsewhere to build their skills before returning home to find employment in the new sectors or to start a business. Such programmes will also enhance capacity-building, encourage remittance flows and enhance their development impact. Simultaneously it is also proposed to seek creative solutions i.e harnessing the intellectual and financial resources of our diaspora- something the Asians particularly China and India have already achieved.

2. The Way Forward

- 2.1 In recognition of IOM's role as the leading migration agency, Mauritius became a member of the IOM on the 8 June 2006. Mauritius expects to derive significant benefits from membership in the organization. IOM could assist in unlocking temporary migration agreements with key countries like Australia, France, the United Kingdom, Canada and countries in the Middle East.
- 2.2 As Mauritius moves forward with its reform program, there are risks of labor retrenchment as indicated above. If such workers are provided with the appropriate skills that are certified at the international level, IOM could then assist Mauritius in facilitating their temporary migration to countries where the demand for such skills is high. In fact, Mauritius could put in place a comprehensive short-term temporary migration strategy that would:-
 - maximize the development potential of migrants returning home after a limited stay abroad, bringing with them new skills, savings and ideas;
 - encourage remittance flows which will improve long term benefits to migrants' families and enhance development impacts; and
 - facilitate the Mauritian Diaspora to return home and assist in the development of the country.

2.3 The Government has, therefore, requested IOM's assistance in the development of the following migration intervention:

- (i) Provide assistance in reaching migration agreements with countries like South Africa, Australia, United Kingdom, Canada and countries in the Middle East, preferably for short term circular migration with built in incentives to return;
- (ii) Provide assistance in mobilizing resources from the various Mauritian Diaspora by facilitating their return home, bringing with them new skills, knowledge and financial resources;
- (iii) Provide assistance for Capacity building; and
- (iv) Provide support for a study of labour demand/opportunities abroad.

The reports have been received and the recommendations are being examined.

3. Proposed Action Plan

- 3.1 In order to address our immediate concern with regard to the high level of unemployment among women, it is proposed to develop temporary migration with countries where there is a demand to work as domestics or carers for those women with a low level of educational attainment. For example in countries of the OECD where there is an ageing population problem there is a strong demand for caregivers, and in other developed countries there is a strong demand for seasonal agricultural workers (Spain and Greece). A profiling exercise is being carried out for the retrenched workers in the Sugar and EPZ sector and workers whose jobs are at risk in import substitution. This exercise would help identify all those who are interested to join the programme and the type of training they may require (basic literacy/numeracy and/or languages as well as specialized training as carers).
- 3.2 Appropriate training schemes would be carried out in order to familiarize them with the tasks and to empower them with workable strategies to adjust to a new environment. There is also a need to put in place a system that would allow the women (and interested men) to seek and obtain help in the destination state if they are faced with a problem. Training would be demand oriented and would be carried out in collaboration with receiving countries.
- 3.3 The Government of Mauritius will ensure that there are no bottlenecks for those going on temporary migration abroad to send their remittances and to channel them to SME projects and for investment in other productive sectors of the economy.
- 3.4 The Government, with assistance from IOM, will try through bilateral negotiations to look for increased visa allocations for our unemployed with some sort of guarantee or bond so that after their temporary stay abroad as per the objective of the programme they return to Mauritius.
- 3.5 The Mauritian initiative is in line with the new vision to migration as spelt out in the Communication on Circular Migration which has just been released by the European Commission. In fact, the Commission supports the idea that circular migration comes against the backdrop of changing patterns of migration around the world and the need of the European Union to offer a credible alternative to illegal immigration. The Mauritian pilot braces the message in the Communication about developing practical solutions of the concept of circular migration. It is also intended to contribute to some practical outcomes of the Global Forum Roundtable 1.4 discussion; and to guide the development of pilot schemes to foster circular migration in sectors or occupations of interest to countries of origin and countries of destination alike.
- 3.6 The European Union could be a key player in moving to an operational pilot in a subset of EU member states. It would also be expected to mobilize financial support to help structure the various elements of the programme including capacity building in the Ministry of Finance and Economic Development (MOFED); the Ministry of Labour & Employment and the Prime Minister's Office and possible financial support to the IOM to develop the programme. In

addition, the EC and/or EIB could assist in developing the instruments under the Empowerment Programme.

- 3.7 The World Bank could provide the framework for the pilot to fit into the overall reform effort. Coordination with the OECD would enhance the intellectual foundations and allow a focus on problem solving in both Mauritius and various receiving countries.
- 3.8 The developmental impact of the pilot is the central component that will make this scheme different from other temporary migration schemes. To maximize these gains the pilot will emphasize selection of migrants interested in building their skills (including knowledge of English) and savings to start a small business on return. With emphasis on these elements, the political acceptability is likely to be enhanced, especially if IOM and the Government of Mauritius offer support services to facilitate return and business start-up. Appropriate training programmes for SME would be conducted. IOM will also play a key role in selection drawing on its experience in similar programs between Albania and Italy.
- 3.9 The Government has set up an Empowerment Programme with a project value of Rs 5 billion over five years and which has among its objectives to provide mount training and re-skilling programmes for the unemployed and to enhance SME development. As part of its responsibility the Empowerment Programme has also been entrusted with the responsibility to oversee the implementation of Circular Migration.
- 3.10 As an alternative to using contracted operators IOM could be asked to take on the role of working with the Empowerment Programme which already has a matching service under its Employment and Reskilling sub-committee chaired by the Private Sector representatives. EU or other interested partners based employment agencies and job centres could work with the Empowerment Programme with assistance from IOM to match demand and supply. Once the scheme is established and the IOM/Empowerment Programme channel is open as one alternative, it may be useful to open up matching to private sector operators.
- 3.11 The Empowerment Programme will also support this component of SME development by working with external partners and receiving countries on the following dimensions:
 - a. Set up support services for SMEs with an emphasis on providing assistance in turning ideas into bankable projects;
 - b. Provide support to follow up and help SMEs meet market challenges and grow;
 - c. Setting up new facilities or ensuring that existing facilities can handle demand for credit from SMEs at market rates and with no subsidy. Lines of Credit/Risk sharing mechanisms supported by external partners may be useful. Assistance should focus on improving the existing instruments available in the Empowerment Programme.
 - d. Establishing a baseline to assess policies and institutions drawing, inter alia, on the Country Performance and Institutional Assessment, the Doing Business Indicators and WBI Governance indicators.
 - e. Using the baseline to agree on a programme including timetable over five years to improve specific policies and institutions and providing annual monitoring reports.
 - f. Drawing up proposals for corrective action when required based on falling behind with the agreed reform timetable. This would be done with input from the EU or other interested partners' authorities.

4 Proposed work programme

- 4.1 The ideas set out here are to launch the process and should be developed with the objective of organizing a workshop in about 6 months to agree on putting the pilot in place. The workshop would consider and agree on an operational proposal to be developed with the input of the IOM, OECD, EC and World Bank. Participants would include the relevant Government departments from the EU or other interested partners and other participating countries, banks and other financial institutions that might be interested in the programme (as holders of savings during the period abroad and/or on return home), NGOs with a role to play and the international organisations (EC, IOM, OECD and World Bank).
- 4.2 The pilot would focus on a quick start based on simple rules with an expansion of scope and regional coverage drawing on the early results.

5. Next steps

- 5.1 With IOM as a link, exchanges between the Government of Mauritius and the other external partners (particularly the EC, OECD and World Bank) would continue to flesh out an operational proposal to be submitted to the workshop. As a starting point, this note will be finalized with input from all the participants. The finalized note will be the basis for the Government of Mauritius with IOM support (backed up by the EC, OECD and World Bank) to prepare a skeleton of the proposal to be circulated to all participants at the end of 2007 or early 2008. We will jointly put flesh on the skeleton to develop the proposal.
- 5.2 In addition to providing comments on items not fully discussed, our external partners will come back to the Government of Mauritius on the following three items, inter alia:
- (i) desirability and feasibility of some form of compulsory savings that would be available for investment in a business on return home;
 - (ii) possibilities for some form of bonus to be paid (as a developmental program) by some (to be identified development agencies such as the EC, CIDA, DFID, AFD) to increase incentives for return and provide a larger pool of savings to be leveraged into financing for business start-ups;
 - (iii) list of possible receiving countries that would find a pilot with Mauritius to be attractive. Mauritius could be attractive in view of the commitment of the Government to reform and hence likely improvement in expected quality of life as an enhancement for return as well as the low risks in view of the relatively small numbers (at most 12,000 and probably only some fraction of that).
- 5.3 IOM will also explore the role it played in matching labor demand and supply between Albanian migrants and Italian workers, which might be a good example for the pilot.

6. Recommendations for follow-up

- 6.1 The EC, IOM, OECD and World Bank should set up a team to work with the Government of Mauritius to develop the early ideas in this paper into a full proposal that would be circulated to the EU or other interested partners.
- 6.2 Preliminary contacts have been established with some interesting parties to start work on the pilot. In order to make the project more manageable, it is envisaged to develop a road-map to better plan ahead and identify and prioritize the individual task that need to be tackled
- 6.3 On the Government side, the Committee on Training and Reskilling of the Empowerment Programme has been entrusted to oversee implementation of the circular migration project. The Committee is comprised of the following: The Prime Minister's Office, Ministry of Foreign Affairs, International Trade and Regional Cooperation, Ministry of Labour, Industrial Relations

and Unemployment, Ministry of Finance and Economic Development (Secretariat) the Private Sector, Unions, Civil Society Mauritius Sugar Authority, Sugar and Textile Employer Representatives and Enterprise Mauritius.

- 6.4 The paper would define the interventions required by all concerned parties and the policy actions required by Mauritius and receiving countries. The paper would also flesh out in outline form the framework for the pilot. The flesh would be put on the bones in the skeleton proposal based on dialogue with interested parties in the EU or other interested receiving countries and the international organisations (EC, IOM, OECD and World Bank).
- 6.5 In addition to identifying policy measures required, the process would come up with the outline of assistance required from external partners to set up the support services for encouraging return migrants to set up in business. The process would also identify the policy reforms required in Mauritius to make the business environment attractive for returning migrants to create small enterprises.

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