

# Strengthening the Link between Migration and Development in Moldova

PREPARED FOR:

World Bank

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

Chisinau  
2010

## CONTENT

<i>Acknowledgements</i> .....	3
<i>Abbreviations</i> .....	3
<i>Research team</i> .....	3
<i>Figures and Tables</i> .....	4
<i>Executive Summary</i> .....	5
<i>Introduction</i> .....	6
<i>Objectives</i> .....	6
<i>Methodology</i> .....	6
<i>Project activities and limitations</i> .....	7
<i>Project outputs</i> .....	7
<i>Chapter 1. Moldovan Migration - Background</i> .....	9
<i>Chapter 2. Migration and Development – theoretical discussion</i> .....	15
<i>Chapter 3. Transforming Migration into Development</i> .....	21
3.1. <i>Key characteristics of Moldovan migration</i> .....	21
3.2. <i>Gains from migration and opportunities for their use</i> .....	23
3.3. <i>Impact of Current Remittances</i> .....	24
3.4. <i>Return Migration – entrepreneurial experience to date</i> .....	28
3.4.1. <i>Constraints facing migrants in entrepreneurial activities</i> .....	30
3.5. <i>Assessment of Future Return</i> .....	35
3.6. <i>Potential Role of Retained Savings</i> .....	37
3.7. <i>Highly Qualified Migrants</i> .....	38
3.8. <i>Role of the Current Economic Crisis</i> .....	39
<i>Conclusions</i> .....	40
<i>Recommendations</i> .....	43
<i>Bibliography</i> .....	46
<i>Annexes</i> .....	48
<i>Annex 1. The profile of the interviewed migrants</i> .....	48
<i>Annex 2. Departure intermediation</i> .....	51
<i>Annex 3. Gains from migration</i> .....	52
<i>Annex 4. Migrant investment intentions</i> .....	53
<i>Annex 5. Return migration support projects: a successful experience</i> .....	54
<i>Annex 6. Reasons for mistrusting Moldovan banks</i> .....	55
<i>Annex 7. The effects of economic crisis</i> .....	56

## ***Acknowledgements***

We are grateful for the advice and assistance given by the stakeholders mentioned below (including financial intermediaries, governmental counterparts, civil society and specialized agencies), and for the participation and valuable contributions of migrants and their families throughout the course of our research.

1. Ministry of Labour and Social Protection (MLSP)
2. Ministry of Agriculture
3. Ministry of Education
4. National Employment Agency (NEA)
5. Organization for Small and Medium Enterprises Sector Development (ODIMM)
6. Centre for Rural Development (CDR)
7. Academy of Sciences of Moldova (ASM)
8. State University of Moldova (SUM)
9. IDIS Viitorul (IDIS)
10. International Organization for Migration, Mission in Moldova (IOM)
11. EU Delegation in the Republic of Moldova
12. Mobiasbanca
13. Banca Comerciala Romana (BCR)

**The quantitative inputs of this report are based mainly on the researches carried out with the financial support of the European Union within DEVINPRO Moldova 2009/2010 Project and in the context of the EC-UN Joint Migration & Development Initiative.**

## ***Abbreviations***

FGD	Focus-group discussion
IDI	In-depth Interview
HH	Household

For stakeholders to be considered the abbreviations used for acknowledgements.

## ***Research team***

### **CIVIS team**

Ruslan SINTOV, Project manager

Natalia COJOCARU, Project coordinator, co-author of the report

### **IASCI team**

Nicolaas de ZWAGER, Senior Consultant, co-author of the report

Iilir GADESHI, Senior Consultant

## ***Figures and Tables***

All figures in this report are based on IASCI-CIVIS DEVINPRO Moldova Market Analysis, 2010 data.

<b>Nr. of the Table/Figure</b>	<b>Name of the Table/Figure</b>	<b>Page number</b>
Table 1.	Socio-demographic features of the participants (no.)	7
Table 2.	Total volume of transfers (including remittances), FDI, and trade deficit in Moldova	13
Figure 1.	Dynamics of migration (%)	9
Figure 2.	Primary sectors of employment of migrants in country of migration	10
Figure 3.	Age demographics of Moldovan migrants	11
Figure 4.	Education levels of migrants prior to migration	11
Figure 5.	Levels of employment in place of migration	12
Figure 6.	“Are you or any members of your household considering migrating?”	14
Figure 7.	Regularisation period of migrants during the migration cycle	16
Figure 8.	Dynamic of regularisation within the first year of migration in destination country	16
Figure 9.	Transfer methods of funds to Moldova	16
Figure 10.	Intended purposes of remittances	17
Figure 11.	Migrant intentions to return permanently to Moldova	19
Figure 12.	Status of long-term residency/work permit in country of migration	22
Figure 13.	Migration experience influencing investment intentions	23
Figure 14.	Frequency of remittance transfers among migrants	24
Figure 15.	Frequency of remittance transfers	24
Figure 16.	Distribution of transfer mechanisms	24
Figure 17.	Distribution of remittance spending among migrant households	26
Figure 18.	Migrant investment intentions by sector	28
Figure 19.	“How do you plan to invest in your business?”	28
Figure 20.	Migrant investment intentions	30
Figure 21.	Planned sources of borrowing or obtaining financial capital among the general migrant population	31
Figure 22.	Conditions for return migration	35
Figure 23.	Variations in timeline for planned permanent return to Moldova	35
Figure 24.	Household savings objectives for migration period	37
Figure 25.	Impact of global economic crisis on remittance amounts in 2009	39

## ***Executive Summary***

Labour migration from Moldova has increased rapidly over the past two decades. Numerous migration studies show the significant impact this labour movement has had on the economic and social situation of the country. In spite of the heightened importance placed on the relationship between migration and development, national migration policies often fail to achieve maximum benefits, because they do not adequately integrate migration policy into their overall development strategies.

This report examines the role of migrants as a distinct market segment and as a resource for development. Various sources have shown that they remit large amounts of money, have a high propensity to save, show a strong intention to return home, and manifest a clear ambition toward investment in Moldova. The investment objective is often combined with other important goals, such as obtaining a necessary skill-set or establishing relevant contacts. The underlying assumption of the current approach is that the transfer of this accumulated capital could provide a significant potential developmental opportunity for the Republic of Moldova.

This project is based on exploring the links between migration and development, which is often underestimated, misunderstood, or ignored by the Moldovan government, analysts and commercial financial intermediaries. To carry out this task, the research directly addressed the following issues: local conditions (including business environment and opportunities), gains from migration, and opportunities for capitalising on migrants' intentions to return to their country of origin.

***Main outcomes:*** The Moldovan business environment provides limited opportunities for investment. Despite these conditions, many migrants or their families, who possess some capital for investment, have entrepreneurial spirit, and are willing to undertake some risks choose to invest in Moldova.

The earnings that migrant workers remit to their families are currently the greatest visible benefit of migration for Moldova. Until now, these were used primarily for consumption; however, remittances have become important sources of start-up and investment capital for many Moldovan family businesses. The Moldovan government could maximize the impact of these remittances by taking measures to reduce the costs of sending them, as well as to channel them into productive uses.

Besides remittances, migrants' savings are also very important in their home country. A significant amount of this money is accumulated in the place of migration. These resources could be channeled into savings and investments in Moldova, ultimately impacting development.

Moldova still demonstrates a deficiency in the area of a comprehensive policy framework for migration, which requires an explicit national policy, a regulatory framework, an organized institutional structure, and an effective coordination mechanism of migration policies.

One of the social issues associated with large-scale migration from Moldova is the brain-drain phenomenon, which could be addressed by providing skilled workers with relevant employment opportunities and living facilities in their home country.

The Moldovan diaspora is rudimentary. Its ability to strengthen and mobilize communities of co-nationals is still minimal. Therefore, the role of migrants in supporting the development of their country of origin remains negligible. For this reason, it is necessary to develop a social dialogue at the community level for Moldovans residing abroad, including a more active involvement of the Moldovan diaspora and of diplomatic representatives, as well as other important actors. Subsequently, the diaspora would be more able to contribute to the development of the country through remittances and investments, transfer of technology, the development of networks, and through the promotion of market access.

## ***Introduction***

### ***Objectives***

This report provides an evaluation of the impact of migration on development in the Republic of Moldova. It takes into account key local conditions in mobilizing the gains from migration (including stage of migration, propensity to save, return intentions, communication channels, social, and business and institutional environments that allow migrants to efficiently invest their accumulated capital in their country of origin, etc.). The overall goal of the study is to provide Moldovan stakeholders with data, information, conclusions and recommendations that support and leverage the positive impact of migration in relation to sustainable development in Moldova. Specific objectives of the study are:

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

The study was based on the premise that financial, human and social capital accumulated by migrants abroad has the potential to considerably impact the economic and social development of Moldova. At the same time, the study seeks to determine whether pre-existing social, market and institutional environments allow migrants to efficiently invest their wealth accumulated abroad in their country of origin.

The project focuses directly on two themes, in particular:

#### *Theme 1: Migration/Remittances and Economic Growth*

- ✓ Addressing the main barriers to effectively harnessing the development impact of remittances – cost and access;
- ✓ Leveraging the human and social development impacts of remittances;
- ✓ Reinforcing the capacities of senders and recipients to further enhance the impact of remittances on development;
- ✓ Giving a voice to migrant communities for development.

#### *Theme 2: Migration/Remittances and Financial Sector Development*

- ✓ Broaden and deepen financial intermediation by attracting remittances and migrants' transfers towards formal financial intermediation and productive investments in Moldova.

### ***Methodology***

The study was carried out using qualitative approaches. The first method consists mainly of desk research, based on an in-depth review of existing data. The following resources are referenced in the literature review: IASCI-CIVIS 2010 data sets and reports, European Training Foundation materials, IOM reports, World Bank data, and other sources. The second research method employs qualitative techniques (focus group discussions and in-depth interviews), based on semi-structured methodologies in which three categories of respondents participated:

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

Research technique: focus-group discussions and face-to-face interviews performed on the basis of a semi-structured guideline developed by the CIVIS Centre, in collaboration with IASCI and in coordination with the World Bank. The working languages were Romanian and Russian.

***Project activities and limitations***

In order to gather information, in-depth interviews and focus group discussions were carried out with stakeholders and entrepreneurs. Limitations to the data collected from the field research are acknowledged. This includes:

- For the case of stakeholders:

Several potential interview contacts declined interviews by the CIVIS surveyor, including: the Moldovan Chamber of Commerce and Industry, the Ministry of Economy, the Division for International Relations, European Integration and Diaspora, and Moldova Agroindbank). Time constraints and “inadequate authority” to discuss the proposed subject matter were cited as reasons for declining to be interviewed. Contacts at the Ministry of Education were difficult or impossible to reach due to staff members being absent during the period of on-site work (the period of the survey coincided with the examinations and evaluations in the area of education).

Another limitation to the data concerns the openness or willingness of the experts to provide information. The surveyors noted hesitation and fear to objectively express opinions during the interview process. Some experts explained this attitude as a result of the current instable political circumstances of the Republic of Moldova. The respondents felt that any opinion “stated in the wrong place” could unfavourably affect the situation of their workplace.

- For the case of migrants<sup>1</sup> and beneficiaries<sup>2</sup> of remittances for business activity:

Not all of the entrepreneurs were open to answering the questions referring to financial resources invested in businesses. Some refused to answer; others mentioned that they could not recall how much they had invested. A third category stated that they made gradual investments and could not estimate the total amount invested.

***Project outputs***

Overall, 18 interviews with stakeholders and 54 discussions with migrants and beneficiaries were carried out, including three focus group discussions (FGDs) (26 persons) and 28 in-depth interviews (IDIs). The socio-demographic characteristics of these persons are presented in Table 1.

**Table 1. Socio-demographic features of the participants (no.)**

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

**Total: 54 migrants and beneficiaries**

Most of the survey participants had previous investment experience (either successful or unsuccessful)<sup>3</sup>. Some even had several businesses in different areas. Additionally, respondents included those with start-up

1 In this specific paragraph, migrants are defined according to (a), in Methodology, page 6

2 In this specific paragraph, migrants are defined according to (b), in Methodology, page 6

businesses whose success is not possible to evaluate, as well as people who only intend to invest in business activity.

The report is organized into three main sections, followed by conclusions and recommendations, as well as by annexes.

Chapter I provides a brief discussion of migration from the Republic of Moldova. It covers the dynamics and characteristics of migration, maturity cycle, diversity, types of migration and the role of social capital in determining migration.

Chapter II addresses the relationship between migration and development in Moldova, focusing on the following aspects: pre-departure preparation, issues related to legality/illegality, labour agreements, transfer means, the impact of remittances, migrants as sources of foreign direct investment, the brain-drain/gain phenomenon, the diaspora institution, return migration (i.e. social, human and financial capital), re-integration into the country of origin after return, roles of key stakeholders/actors (including government) at the central and local levels, banks and diaspora groups.

Chapters I and II provide background information based on secondary sources, mainly European Training Foundation materials, IASCI-CIVIS 2010 data sets and reports, IOM reports, World Bank (WB) data and other sources.

Chapter III presents the results of interviews and group discussions carried out for the purpose of this study. It is meant to reinforce the quantitative data presented in the previous chapters. The information refers to the impact of remittances on development, namely: the means of transfer, spending on consumption and investments, impact on poverty alleviation, on education and health, and on the level of savings. The relationship between remittances and return migration is also outlined, mainly in terms of the influence of capital gained from abroad on the investment behaviours of Moldovan migrants/households, the sustainability/success rates of the above investments, re-migration and constraints to investing. Inputs and policy adjustments required, assessments of future return by migrants, assessment of the brain-gain phenomenon, the potential role of retained savings and the role of the current economic crisis on migration and remittances are also investigated.

In the last section of the report, conclusions and recommendations of the study are presented.

The annexes contain information on the profile of the interviewed migrants, as well as some quotations from the focus-group discussions and interviews performed with migrants and stakeholders.

---

3 Respondents have assessed their investment experience on a subjective level. A successful business is the one, which thrives and ensures financial profitability.



## Chapter 1. Moldovan Migration - Background

### Dynamic of Migration

The Republic of Moldova was formerly under the rule of the Soviet Union, when “outside migration” was prohibited. As a result, migration flows from the Republic of Moldova were limited to within Soviet territory. However, with the first signals of liberalization of the Soviet Union at the end of the 1980s, migration restrictions were eased, and many countries witnessed the return of citizens to their historic homeland and family reunification (mainly of Jewish and Germans towards Israel, Germany and the USA).<sup>4</sup> This phenomenon intensified following the disintegration of the USSR.

The collapse of the USSR led to the subsequent assertion of Moldova as a newly independent state. The period was also characterised by conditions of worsening of ethnic tensions, which were manifested through ethnic and/or military conflict (i.e. the Transnistrian conflict of 1992). These circumstances provoked migration on ethnical grounds in the first half of the 1990s, predominantly towards Russia and Ukraine. However, the role of this conflict in the process of migration should not be overestimated.

Since the second half of the 1990s, the outflow of Moldovan migrants has become a large-scale phenomenon. It has been primarily economically motivated. To date, three waves of mass migration can be identified. The first mass migration was economically motivated and had a commercial character (purchase of goods from abroad and sale on the Moldovan market).<sup>5</sup> However, the introduction of a visa regime, along with more complicated customs controls and equalization of prices in the post-communist states made this type of commercial migration less profitable for an individual migrant. As a consequence, commercial migration was gradually replaced by labour migration.<sup>6</sup>

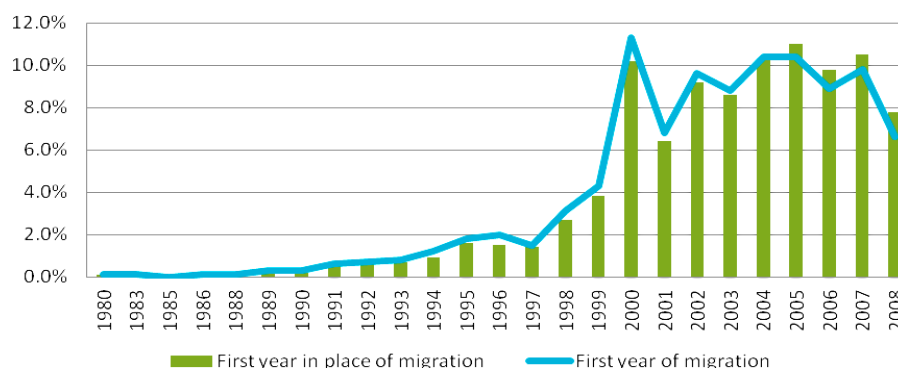
The financial and economic crisis experienced by the Russian Federation in 1998 triggered the second wave of mass migration from Moldova, which continued with high intensity until at least 2007. This wave of mass migration occurred as a response to acute poverty.

Today, Moldovan emigration is mainly a response to opportunities on the foreign labour market, and should be viewed as an investment strategy for the future response to acute poverty.<sup>7</sup>

*Moldovan migration has been characterized by high intensity since 1998...*

**Figure 1. Dynamics of migration, (%)**

Source: IASCI/CIVIS 2010



4 Mosneaga, V., & Corbu-Drumea, L. (2006). Migration to/from Republic of Moldova: process and regulation (first decade). Moldovan population in the context of international migration, vol.I, p.249 - 251. Iasi.

5 Mosneaga V. with reference to Евдокимова Л. Коммерческая миграция населения Республики Молдова: основные этапы и их характеристика [commercial migration of the population of the Republic of Moldova: main stages and their characteristics]. // Население Молдовы и трудовая миграция: состояние и современные формы [Moldovan population and labor migration: status and current forms]. – Chisinau, CAPTES, 2000, p.65 - 83.

6 Mosneaga, V. (2009). Moldovan Population in the Context of Current Migration Processes. Moldova – Transdnistria: Working Together for a Prosperous Future, 156-172. Chisinau: Publishing House.

7 Elina Eskola. (2007). Investing in a Brighter Future Abroad? The Need for a Domestic Alternative in Moldova. SIDA

## Migration Profile

In general, long-term Moldovan migrants come from all walks of life and originate from both urban (25%) and rural areas (75%). Moldovan migration is primarily directed towards two **regions**, the *European Union* (mainly Italy and Portugal) and the *Commonwealth of Independent States* (mainly to Moscow and St. Petersburg in the Russian Federation, and some to Ukraine). A specific feature of Moldovan migration is the high level of clustering of people in the places of migration. The overwhelming majority of the migrant stocks are found within a few destination regions, with ten cities hosting about 3/4 of all migrants from Moldova.<sup>8</sup>

Three **types of international migration** can currently be identified in Moldova. 1) *Short term* international migration mainly to CIS countries. 2) *Long term* international migration, predominately to the European Union countries. 3) *Legal long-term* international migration to the US and Canada.

More recently, the following **trends and shifts** have been observed in Moldova's overall migration pattern:

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

These trends and shifts appear as a tendency<sup>9</sup> towards diversification of countries of destination and a move from lower income countries to higher income countries. This creates increased opportunities/potential for increasing the development impact of migration, particularly in terms of increased remittance flows or more stabilized/resistant remittance flows that are less likely to transfer economic uncertainty or risk to the country of origin. Longer-term migration also has the potential to lead to greater development impacts.

One characteristic of Moldovan migration is its relatively low '**maturity**'<sup>10</sup> compared to other countries studied. According to the IASCI-CIVIS 2010 data-set, 67% of long-term migrants consider their residency and work status as regularized. However, family reunification amongst married migrants is relatively low, amounting to 21%. Moldovan migrant HHs also do not often use banks in their places of migration compared to their level of regularization; 36% of migrant HHs hold a bank account in the country of migration (predominantly EU host countries). Furthermore, despite the high level of educated and professional expertise of Moldovan migrants, many take on unskilled work in their country of migration, resulting in a situation characterised by 'under-employment' and 'de-qualification'. This finding supports the impression of a lower level of integration and prosperity of Moldovan migrants. All these results seem to confirm the low level of maturation of the Moldovan migration cycle.

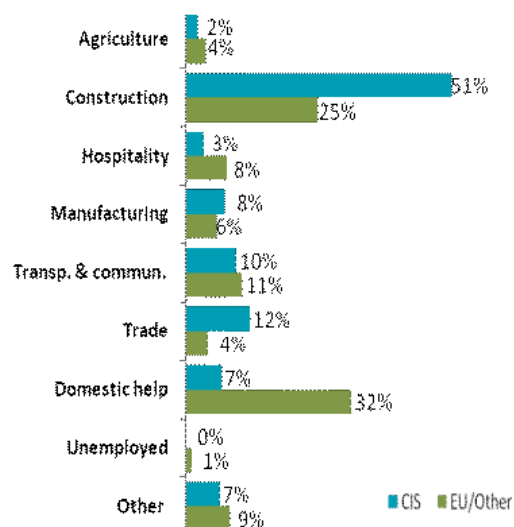


Figure 2. Primary sectors of employment of migrants in country of migration

Source: IASCI/CIVIS 2010

<sup>8</sup> Lücke Matthias, Toman Omar Mahmoud, and Pia Pinger, Patterns and Trends of Migration and Remittances in Moldova, The CBS AXA Survey 2006, Chisinau: IOM, 2007, p.17.

<sup>9</sup> Of note is these trends' and shifts' relative significance.

<sup>10</sup> Maturity of the migration cycle refers to the overall process of mass migration from a specific country of origin, not the experience of the individual migrant. It is assessed using a number of indicators into account, as discussed in the paragraph.

The **profile of Moldovan migrants**<sup>11</sup> shows that they are predominantly:

- ✓ *young* – Moldovan migration is composed of the economically active part of the population, the largest part of migrants (79%) aged between 18 and 44 years
- ✓ *married* – dependent on the civil status of Moldovan migrants, a large contingent is married (71%), although family reunification rates in the places of migration remains relatively low (21%);
- ✓ *more educated* – one distinctive feature of migration from Moldova is that a significant proportion of those leaving are relatively well educated; 28% of all migrants have completed university-level education and 63% completed high school or professional/vocational education
- ✓ *male-led and female-led at the same time* – male labour-migrants, amounting to 63% of the labour force, tend to migrate towards CIS locations and are engaged primarily in construction and repair sectors, transportation, industry and agriculture. Females tend to migrate to EU countries and work in the service sector, housekeeping, trade, care of the aged and children.

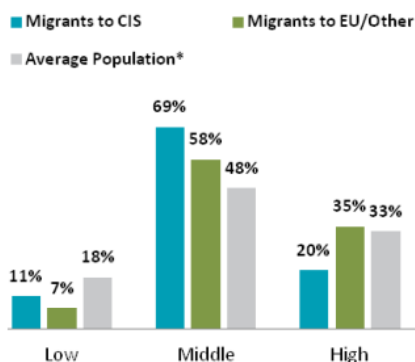
Moldovan migration is composed of the economically active part of the population. A characteristic of Moldovan migrants is their relative youth, with an average age at the time of departure of 29.7 years, which had climbed to an average age of 36.1 at time of interview. The largest percentage of migrants (79%) is aged between 18-44 years. Males predominate in the age group 18-29 years, while women are more likely to be in the 45-65 year group.



**Figure 3. Age demographics of Moldovan migrants**

*Source: IASCI/CIVIS 2010*

Another characteristic of Moldovan migration is the exodus of specialists in a variety of sectors of the national economy, which causes a **brain-drain** phenomenon for the country. Amongst those who leave, intellectuals represent 18%; they worked in Moldova as engineers, doctors, teachers, lawyers, and economists prior to migration<sup>12</sup>. Economic and political instability or crises, poverty and low standards of living, unemployment and/or very low salaries, inadequate social protection and limited life opportunities caused the population outflow. The brain-drain phenomenon began with the liberalization of the Soviet system, which greatly affected the branch of scientific research and development. A continuous reduction in the number of scientists began in Moldova in 1991, and has intensified over subsequent years.<sup>13</sup>



**Figure 4. Education levels of migrants prior to migration**

*Source: IASCI/CIVIS 2010*

A significant proportion of highly skilled Moldovans undergo occupational “de-qualification” when they migrate, often employed as unskilled or low skilled workers. The brain-drain from Moldova does not necessarily become a brain-gain for the receiving countries, but rather a brain-waste for the migrants. However, highly skilled Moldovan migrants earn much more from low-status jobs abroad than would be possible pursuing careers in their home country.

Although the outflow of intellectual capital from Moldova is estimated to be substantial, no systematic and detailed studies of brain-drain exist to date.

<sup>11</sup> IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010

<sup>12</sup> Ibid.

<sup>13</sup> Kramarenko, V. What is the fate of S&T in the Republic of Moldova? In W. Meske et al. (Eds.) IOS Press, 1998. Transforming science and technology systems - the endless transition? Retrieved from (www.books.google.com)

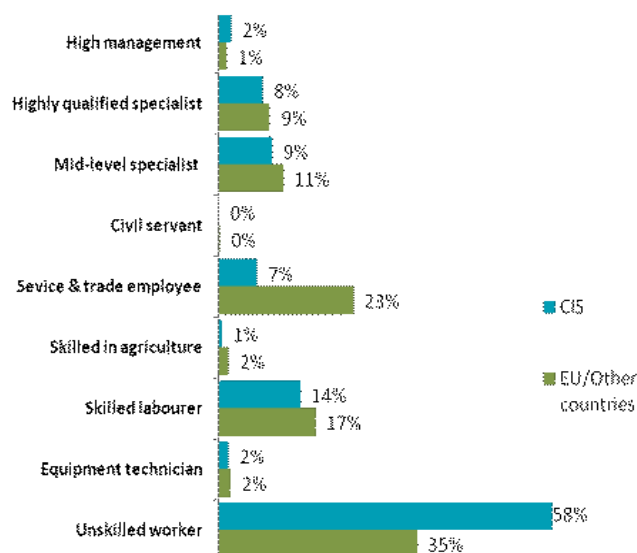


Figure 5. Levels of employment in place of migration

Source: IASCI/CIVIS 2010

## Drivers of Migration

Several “push and pull” factors can be identified when explaining the drivers of migration. Many studies emphasize Moldovan migration as being driven largely by *economic motivations* (more than 72% of migration push factors).<sup>14</sup> A 2008 ETF study showed that Moldovans are generally considered as being *pushed* to go abroad due to poverty, the lack of adequate employment opportunities, low salaries and an unstable economic environment.

At the end of the 1990s, the level of GDP in Moldova was 34% of that of a decade earlier. According to data from the National Bureau of Statistics, the unemployment rate was 8.5% in 2000, 7.3% in 2001 and 2002, while large groups of the employed were on extended leave.<sup>15</sup> Nominal salaries were very low, while real ones dropped because of high inflation rates. As a result, poverty was widespread; a World Bank study evaluated that in 1999, approximately 80% of the Moldovan population was below the official poverty line,<sup>16</sup> with 20% of the population living in extreme poverty.<sup>17</sup> Thus, mass migration was basically economically driven, a coping mechanism to try to alleviate poverty.

The *pull factors* motivating Moldovans to leave the country are primarily: higher income levels in the host countries, better living standards, better opportunities for personal development and having ‘successful’ migrants and their social networks already established abroad (relatives, acquaintances and close friends).<sup>18</sup> Another pull factor distinctive to CIS destination countries is the low travel costs, given the geographic proximity and possibility for visa-free travel.<sup>19</sup>

Social capital and mutual-help between migrants, as well as between migrant and home communities, plays an important role in every phase of the Moldovan migration experience/cycle. This holds from pre-departure planning to eventual return and reintegration. In the pre-departure phase, 70%<sup>20</sup> of individuals chose their

14 European Training Foundation. The contribution of Human Resource Development to Migration Policy in Moldova, 2008

15 Pyshkina T. V., Economic Consequences of the Migration of Labour from the Republic of Moldova/ UN World Institute for Development and Economic Research, Helsinki, 2002

16 UNDP, Good Governance and Human Development. Moldova Human Development Report 2003

17 Republic of Moldova, Interim Poverty Reduction Strategy Paper, November 15, 2000

18 Walewski, M., Sandu, M., Mincu, G., Hristev, E., & Matysiewicz, B. (2008). The impact of migration and remittances on the rural areas of Moldova and Case Study on migration management in Poland. Centre for Social and Economic Investigations (CASE), p.21

19 Lücke, M., Mahmoud, T. O., & Pinger, P. (2007). Patterns and Trends of Migration and Remittances in Moldova. The CBSAXA Survey 2006. IOM & Sida., p. 25-26.

20 IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010

destinations because they already had social contacts or even a guaranteed job.<sup>21</sup> These social networks play crucial roles in assisting Moldovan migrants to manage migration-related risks, lower associated financial costs, and maximize their gains. The IASCI-CIVIS 2010 findings show that Moldovan migrants maintain strong levels of contact in their place of migration, as well as links to their home communities. This is an important factor for the exchange of information and support regarding economic and social conditions, both in the place of migration and in Moldova.

## Migration and Remittances

Remittances are one of the most researched aspects of migration in Moldova. The flow of money transfers from abroad has shown steady growth since 1999. According to the National Bank of Moldova, migration-related remittances from abroad amounted to 89.62 million U.S. dollars (USD) in 1999, reaching 1,660.09 million USD in 2008. The official calculations of remittance inflow are probably underestimated, because of a considerable share of informal inflows, which are misreported and are difficult to measure. However, Moldova is currently one of the top of remittance-dependent countries, ranking 2<sup>nd</sup> in the world according to the World Bank classification of 2008. Remittances represent 36% of the total GDP.

**Table 2. Total volume of transfers (including remittances), FDI, and trade deficit in Moldova**

	<i>Millions USD</i>										
Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Transfers	89.6	153	212	254	317.3	422.2	683.3	854.5	1218	1660	1182
FDI	65.77	129.49	100.31	90.09	77.33	130.1	176.25	233.58	591.24	717.99	38.5
Trade deficit	122935.6	304950.4	326733.5	394208.6	612413.5	783360.3	1201037	1641563	2347789	3307577	1990800

Remittances have increased not only in absolute terms at the national level, but also in amount received by individual HHs.<sup>22</sup> According to an IOM study, average remittances per migrant increased in nominal terms from USD 1,296 in 2006 to USD 1,848 in 2008.<sup>23</sup> However, beginning in 2008 in the wake of the global economic crisis, remittances began to decrease. A BBC report<sup>24</sup> highlights that Moldova is among the countries that suffered the steepest declines in remittances in 2008-2009. This trend is further confirmed by data obtained by the IOM in its latest study<sup>25</sup>, as well as by IASCI-CIVIS 2010<sup>26</sup>.

According to IASCI-CIVIS (2010) overall 84% HHs in migration transferred money to Moldova in 2009, accounting for EUR 422 million in remittances. The average 'remitting HH' transferred on average EUR 4,403. The main purpose of remittances is supporting dependent family members (usually spouse, children and parents). Most of this money is used for the consumption needs of HHs and contribute to poverty alleviation.

Remittance senders can be loosely divided into three separate groups<sup>27</sup>:

1. **The largest group** includes migrant HHs that send remittances primarily to meet the consumption needs of their family in Moldova. As noted, because of the low rate of family reunification in the place of migration, this group sends primarily to spouses and children.

21 IOM. (2008). Migration in Moldova: A Country Profile. Siar, S. (Ed.). Geneva., p.26

22 European Training Foundation (ETF). (2009). Moldova Country Report. Black Sea Labour Market Reviews., p.80

23 Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009). Labour Migration and Remittances in Moldova: Is the Boom Over?. IOM, CBSAXA Survey 2006-2008., p.3

24 Fix, M., Demetrios G. Papademetriou, Batalova, J., Terrazas, A., Yi- Ying Lin, S., & Mittelstadt, M. (2009). Migration and the Global Recession. Migration Policy Institute, BBC World Service.

25 IOM. (2009). The Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova Early Findings. CBSAXA. p.18-19;

26 IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010

27 Ibid.

Within this group, those senders who prioritized remitting for the purpose of ‘supporting spouse and children’ in Moldova, sent an average of Euro 4,423 (in 2009). When parents are the primary beneficiaries, this value drops to Euro 2,598. This illustrates the process of migration maturity, wherein family reunification will lead to a systemic drop in overall remittances to Moldova (assuming that the total stock of migrants remains steady).

2. **The second group** is comprised of migrants that include some level of savings as a priority component of their remittances. The value of annual remittances for this group in 2009 was Euro 6,630, on average. Part of these remittances are deposited in the Moldovan banking system as savings, and represent a main source of liquidity in the system as a whole.
3. **The third (and smallest) group** includes migrants that sent monies specifically for investment purposes as a priority part of their remittances in 2009. The average remittance value of this group is significantly higher, at Euro 13,260.

Moldovan migrants also include **a large number of non-remitters**<sup>28</sup> - 16% of all migrant HHs. Non-remitters are characterized by the following:

- Extremely high level of family reunification (41.1%), compared to 17.4% of remitting HHs;
- Relative youth (about 2 years younger than the average remitter);
- A lower rate of marriage (63.2%), compared to 71.8% amongst remitters.
- Lower banking rate (14.2%) in Moldova, compared to 30.1% of remitters (the banking level in the place of migration remains moderate for both groups, i.e. around 37%).
- Lower return intentions

## Potential Migration

Potential migration, defined as ‘the overall desire to migrate in the future’, is considered high for the Moldovan population. A 2007 study showed that 44.2% of the population, primarily the young and educated between the ages of 18 and 40, wished to migrate, primarily to the EU region.<sup>29</sup> The results obtained by IASCI-CIVIS are lower than current literature would indicate, and may be the result of the global economic downturn or stricter migration policies, in particular towards the European Union.

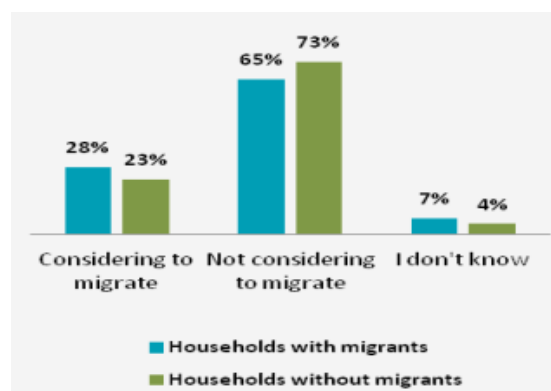


Figure 6. “Are you or any members of your household considering migrating?”

Source: IASCI/CIVIS 2010

<sup>28</sup> Ibid.

<sup>29</sup> European Training Foundation. The contribution of Human Resource Development to Migration Policy in Moldova, 2008

## **Chapter 2. Migration and Development – theoretical discussion**

According to official estimates, more than one quarter of the Moldovan labour force is currently living and working abroad. On one hand, this is a major source of income for the national economy, accounting for 36% of Moldova's GDP in 2007. On the other hand, if not properly managed, the migration situation may generate major problems for the country, including, but not limited to: loss of highly skilled labour forces; reduced growth and productivity because of a lower stock of highly skilled workers; loss of fiscal revenues from the taxation of workers; and inflationary potential in some areas (for example an excess demand for land and houses lead to artificial inflation of their prices).

### **Pre-departure preparation**

According to the ETF 2009 Moldova Country Report, little or no preparatory training is available to Moldovan migrants prior to departure.<sup>30</sup> Although professional pre-departure training used to be provided by the state body responsible for migration, few prospective migrants took advantage of it. Today, pre-departure preparation mostly consists of informational support for prospective migrants, which is usually provided by the local offices of the National Employment Agency with the support of international organizations (i.e. IOM, ILO). ETF studies suggest that where pre-departure preparation exists and is used, vocational and language training is considered to be the most useful.

In the past decade, Moldovan migrants have favoured migrating towards regions and countries with cultural, historical and linguistic similarities, such as the CIS and southern EU countries. The widespread knowledge of the Russian language in Moldova, along with shared histories in the Soviet period, are factors that facilitate migration and integration within the CIS region. Romanian is also a language that strongly facilitates the learning of other Latin-based languages such as Italian, Spanish, Portuguese and French. This language connection influences the primary choices for countries of destination within the EU, and many Moldovan migrants learn the language of these countries with relative ease.

### **Legal Issues Concerning Moldovan Migration**

A large number of Moldovans either migrate illegally or reside in their countries of destination on an irregular basis. An estimated one third of Moldovan migrants have an irregular status in their countries of destination.<sup>31</sup> Movements towards CIS countries are usually legal because of visa-free regimes. However, illegal residence status is more widespread in CIS countries (60% compared to only 8% of other migrants residing in EU/Other countries). In the EU, the rate of regularization of the residency status of Moldovan migrants has improved since 2006, as legalisation initiatives in Western European destinations made it easier for Moldovan migrants to obtain legal residence status and employment.<sup>32</sup> This is confirmed by the IASCI-CIVIS 2010 findings.

Migration to the EU is often irregular because few labour agreements have been signed between Moldova and Western EU countries. To date, labour agreements between Moldova and Russia, Ukraine, Belarus, Azerbaijan and Italy<sup>33</sup> have been established, while a labour agreement with Portugal has not yet been signed. Other agreements regarding cooperation on labour issues have been signed with Spain, the Benelux countries, Greece and South Korea, but with no stipulation on labour quotas.<sup>34</sup> The Moldovan government is currently negotiating labour agreements with some EU member states, albeit on the basis of limited quotas.

---

30 "Moldova Country Report", European Training Foundation, 2009.

31 IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010

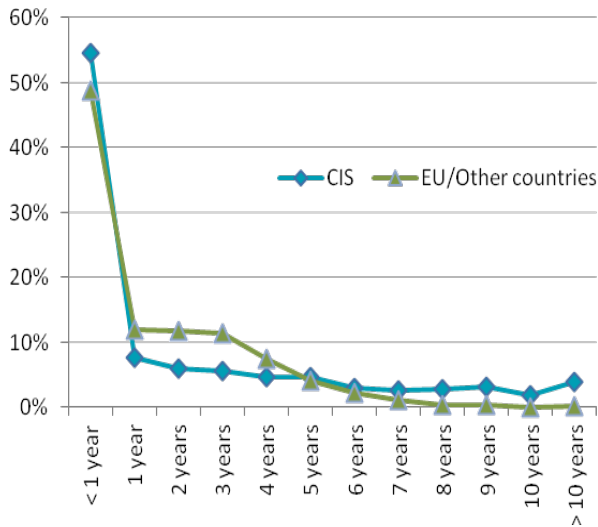
32 Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009). Labour Migration and Remittances in Moldova: Is the Boom Over?. IOM, 2008., p.14

33 The quota of Moldovan labour in Italy is 6 500 workers per year. However, this figure represents only the Moldovans already living in Italy and does not include any new labour from Moldova.

34 Peter Van Krieken, Tatiana Cernei, Raport Privind Readmisia – Republica Moldova, OIM, 2010, p.14

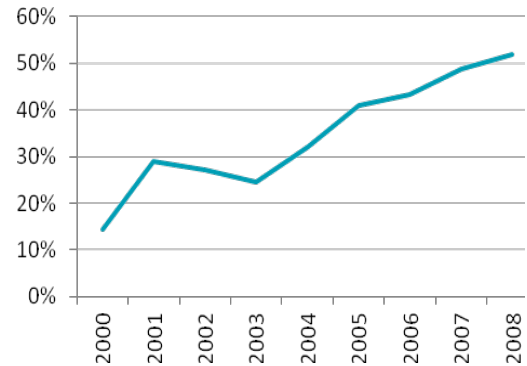
## Strengthening the Link between Migration and Development in Moldova

*Of migrants who regularised their status, the vast majority managed to do so early in the migration cycle...*



**Figure 7. Regularisation period of migrants during the migration cycle**  
Source: IASCI/CIVIS 2010

*Despite high numbers of illegal migrants, the trend is clearly towards legal migration and earlier regularisation of status...*



**Figure 8. Dynamic of regularisation within the first year of migration in destination country**  
Source: IASCI/CIVIS 2010

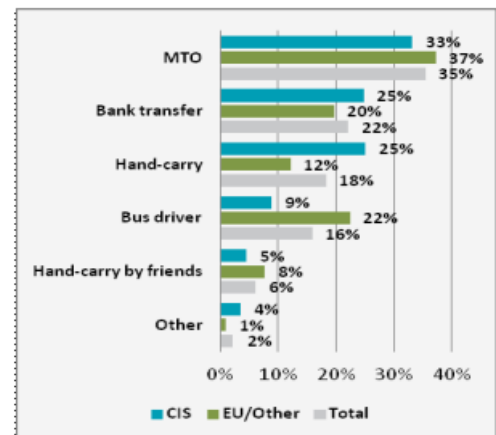
The irregular status of migrants increases the risk of ill treatment by local authorities, and often pushes migrants into illegal employment and sub-standard working conditions, leading to lower earnings and remittances sent by migrants. Legal intervention would support regular migration and as a result, would support development objectives by increasing migrants' incomes, remittances and savings values and encouraging the use of formal transfer channels. Moreover, legal status is a prerequisite for migrants to initiate and to take part in activities designed to foster community cohesion and links to the homeland. It also facilitates more frequent returns home.

### Financial transactions and savings behaviour<sup>35</sup>

The largest group of Moldovan migrants send money home (84% in 2009). Each of them make, on average, 6.4 to 6.8 formal and informal transfers per year. Around one quarter of migrants send remittances on a monthly basis. During 2009, the average 'remitting household' transferred on average EUR 4,403 to Moldova.

Informal channels of transfer are no longer the preferred method of transfer for Moldovan migrants, although they continue to be used by a large number of Moldovan remitters (40%).

Moldova's relatively less mature migration cycle, combined with a large migrant population in CIS (54%), results in a low



**Figure 9. Transfer methods of funds to Moldova**  
Source: IASCI/CIVIS 2010

<sup>35</sup> All the data provided in this section is based on IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010



average migrant HH income - on average, Euro 1,224. This places Moldovan migrant HHs in the low end of the overall income range. As well, interviews show that Moldovans make an effort to spend less in the place of migration when compared to other migrant groups in the same socio-economic situation. This combination of HH income and expenditure results in a very high propensity to save amongst Moldovan HHs, of approximately 41% of HH income.

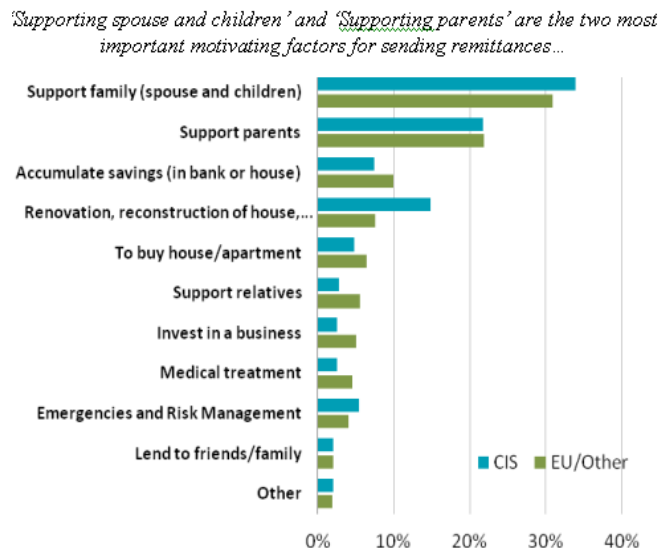
Low-income levels, combined with high remittance values, are clearly reflected in a low remittance to savings factor of 1.3:1 (compared to an average of 4.7:1 for the other countries). The total estimated pool of ‘retained savings’ amongst 122,000 Moldovan long-term migrant HHs in 2009<sup>36</sup> is therefore Euro 559 Million, in addition to the 422 Million remitted. These savings, along with the accompanying human and social capital, remain a largely underutilized resource. As such, the potential inherent within Moldovan circular migrants remains largely untapped.

## Impact of current remittances

### Positive impacts

As shown by the HH survey results,<sup>37</sup> there is a positive correlation between the receipt of migration-related financial flows and the perception of being able to cover basic needs. The income of families with migrants who send money home is approximately twice as high as families with migrants who do not receive remittances. Compared to families with no financial flows from abroad, these families allocate more money from their budget to purchasing consumer goods (such as food and clothing), to repay debts, and to repair or build houses.

Additionally, remittances have had a large and positive impact on the macro-economic stability of Moldova. They help finance the large and increasing trade deficit of the country, aid in fiscal consolidation, and have supported the value of the currency. The income remitted by Moldovan migrants working abroad reached its peak in 2007, at 36% of GDP. Remittances represent the most substantial and stable currency inputs compared to foreign direct investments, exports, loans and foreign assistance. They have contributed to the increase of the budget through VAT and import duties, the development of the banking system and financial intermediation services, and the increase of official reserve assets.<sup>38</sup> World Bank studies maintain that remittances are an important source of foreign exchange and have helped to finance the trade deficit in Moldova since the late 1990s. Both official and private financial inflows on the capital



**Figure 10. Intended purposes of remittances**

*Source: IASCI/CIVIS 2010*

<sup>36</sup> The estimate of the number of long-term migrant HH is based on the results of the Household Survey to determine the number of long-term migrants in migration (122,000). The migrant survey provided the number of members per migrant HH (1.45). Our definition of long-term migrants and population of study excludes seasonal workers and other potentially important categories of migrants. This was done by design. Interviews and literature review indicates that there may be up to 600,000 Moldovan migrants of all categories, with 40% in long-term migration and the rest in short or seasonal migration.

<sup>37</sup> IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010

<sup>38</sup> Nick Maddock and Lovita Ramguttee “Responding to falling remittances and returning migrants” in Development and Transition, July 13th, 2009 p.15 with reference to Migration and Development Brief (Washington D.C.: World Bank) 23 March 2009).

accounts have played a relatively small role, although there has been some increase in direct investments in Moldova since the late 1990s.<sup>39</sup>

### **Negative impact**

Remittances may also have a negative impact, although they often lead to higher HH incomes for the recipients. A higher HH income is often accompanied by a tendency towards higher HH expenditures, primarily on consumer goods. However, most consumer goods in Moldova, such as electronics, are not produced domestically but are imported from abroad. This increased demand for imports often leads to an increase in domestic prices, higher inflation and import dependency.

Literature suggests that remittances also generate a culture of dependence on ‘easy money’ that reduces or even eliminates the wishes of people, particularly youth, to participate in economic activities. Remittances may contribute to increasing income inequality between families that benefit from external support and HHs that have no family members abroad.

### **Migrants as sources of foreign direct investment**

IASCI-CIVIS 2010 data shows that one in four HHs in Moldova with a family member in migration (or 26%) have provided financial support, in terms of investments or lending, to a Moldovan business enterprise in the past. The level of remittances sent by long-term migrants estimated to be saved (20%) and/or invested (22%) is rather high. Additionally, 56% plan to invest in or expand the business in the future, revealing a very high level of entrepreneurial ambition among Moldovan migrants and their families.

Investments in Moldova are traditionally made on a small or micro-level, and are usually carried out individually or together with close family members. An examination of past entrepreneurial experience and investment intentions shows that the financial flows of migrants are directed mainly towards the sectors of agriculture, retail trade (including bars and restaurants), construction, real estate and services. However, this investment behaviour has not necessarily resulted so far in significant development for the country itself because of a general unfavourable business climate, high economic risk and administrative barriers.

The share of remittances, which could be targeted towards investment projects through financial-banking institutions, is extremely small compared to the capital inflows from migration, as well as compared to the propensity to save out of remittance income. The IASCI-CIVIS 2010 findings show that only 18% of migrants’ keep their savings in deposit accounts in Moldovan banks, while 66% simply keep it at home. Main reasons for not maintaining their money in Moldovan banks are insufficient HH income, lack of trust in the banking sector, high risk, and unattractive interest rates. Deciding against holding a bank account undermines the potential development impact of current remittances through intermediation by the financial system.

### **Brain-drain/gain phenomenon**

As previously mentioned, no systematic or detailed studies of Moldovan brain-drain/gain exist to date. However, statistical data on migration show that Moldova's brain-drain has deprived the national economy of many of its youngest, most skilled, and most entrepreneurial workers. According to some sources, an alarming trend can be observed in the education and health care systems. Over the past two decades, more than 40% of trained health professionals have left the medical sector, with a significant

---

39 Mansoor, A., Quillin, B., “Migration and remittances: Eastern Europe and the former Soviet Union”, World Bank, 2006

number emigrating abroad. The ratios of doctors and nurses per 1,000 inhabitants are below the EU average. Moldova also suffers from a severe shortage of health care workers in rural areas.<sup>40</sup>

The Moldovan educational system has for many years faced a deficit of teachers, mainly at primary and secondary levels. Many young teachers prefer to migrate abroad for work, as they are faced with insufficient remuneration at home and can earn much higher salaries in other countries. The number of students abroad is also growing; in 2006, there were about 9,000 Moldovans studying outside the country.<sup>41</sup> Furthermore, of those who choose to study in Moldova, an increasing number of university graduates fail to find jobs and decide to leave the country after they have graduated.

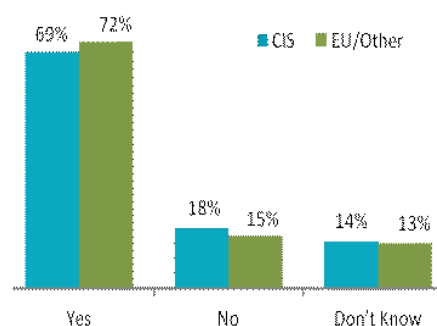
Migrants often find jobs below their qualifications or in sectors outside their specialization, creating a problem of ‘brain-waste’. One in four migrants (24%) receive education during migration (usually on-the-job training (10%) and formal language training (10%), as well as vocational training courses, academic studies, business training, etc.<sup>42</sup>). Moreover, policies designed to support returned migrants are lacking in Moldova. Returning migrants are met with insufficient financing in the science, education and health sectors, in addition to an actual economic situation and legislation, which decrease the incentives for entrepreneurship and do not stimulate knowledge, skills or know-how transfer of the human capital acquired by returning migrants.

In this context, the IOM Mission to the Republic of Moldova, in cooperation with Academy of Science of Moldova, has launched the program “*Addressing brain-drain and strengthening Moldova as a research and development hub through temporary return of expatriated Moldova scientists.*” The aim of this program is to facilitate and enhance the ability of scientists born in Moldova and who at present reside abroad to contribute to the development of the scientific and economic sectors of the Republic of Moldova.<sup>43</sup>

### **Return migration: social, human and financial capitals**

According to the ETF, return migration contributes to local development even more than remittances. Remittances are mostly used for consumption, while savings, which are often a goal or pre-requisite for Moldovan return migration, are more commonly used for productive activities.<sup>44</sup> IASCI-CIVIS 2010 data show that Moldovans are not only high remitters, but also high savers. In addition, Moldovan migrants are characterized by a very high rate of entrepreneurial behaviour and ambition. As noted, many have invested in businesses in the past, both in the country of migration and at home.

In a report published by *The Frankfurt School* in 2008 concluded that based on the observation of some Moldovan migrants’ businesses, the reinvested savings and entrepreneurial activities of return migrants were an important and real benefit of migration. They also observed that this trend had manifested itself particularly over the past three or four years, and had even more potential for the future. There also appeared to be at least some brain gain as result of migration; a number of the migrants had learned skills or developed



**Figure 11. Migrant intentions to return permanently to Moldova**

Source: IASCI/CIVIS 2010

40 [www.msmt.cz/uploads/Areas\\_of.../Action\\_Fiche\\_healthworkers.doc](http://www.msmt.cz/uploads/Areas_of.../Action_Fiche_healthworkers.doc)

41 Jesús Alquézar Sabadie [et al.], *Migration and skills : the experience of migrant workers from Albania, Egypt, Moldova and Tunisia*, World Bank and ETF, 2010.

42 IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010

43 [www.iom.md](http://www.iom.md)

44 Jesús Alquézar Sabadie [et al.], *Migration and skills : the experience of migrant workers from Albania, Egypt, Moldova and Tunisia*, World Bank and ETF, 2010.

knowledge of new technologies while working abroad, for example in greenhouses in Spain and in auto repair shops, etc.<sup>45</sup>

The IASCI-CIVIS 2010 data show a high intention to return amongst Moldovan migrants. 70% of migrants have a stated definite intention to return to Moldova and a further 13% remain undecided. Migrants have very clear objectives and conditions before return will be considered, i.e. meeting personal savings objectives, or good employment opportunities and a favourable business climate in Moldova. Moldovan migrants residing in EU countries wish to return after an average of six years, while migrant in the CIS wish to return after four.

### **Impacts of integration/failed integration<sup>46</sup>**

According to an ETF report, for many migrants, the skills and experience acquired abroad did not help them find better employment back home, especially since they were working in areas other than the ones they were qualified for in their native country. Migrants rarely find employment in the same sector in which they had worked abroad (except those who worked in construction, a sector which has seen a boom in Moldova). Other migrants did not acquire any new skills or knowledge abroad. The failure to integrate into the Moldovan labour market upon returning home, as well as poor infrastructure, especially in the rural areas, thus became motivating factors (push factors) to continue migration. Many migrants prefer to leave Moldova again in order to seek livelihoods abroad.

### **Roles of key stakeholders and actors**

The impact of remittances on macroeconomic growth and development of a country is conditioned by the quality of its political and economic policies and institutions. This development policy perspective is represented mainly by the “*EU-Moldova Mobility Partnership*” and the “*Plan of Actions Fostering the Return of Moldovans from Abroad*”. The migration-development strategy is being implemented in Moldova in cooperation with international community actors in the country (i.e. IOM and ILO). Still, the Moldovan government has not yet succeeded in ensuring political stability and economic attractiveness for the migrants, the main condition necessary before migrants will consider return. Another problem refers to the fact that the regulation of migration processes in Moldova is scattered between various governmental bodies. There is no special unit or body that ensures the coherence and effectiveness of migration management in its institutional framework and policies.<sup>47</sup> Furthermore, there are no visible national organizations in Moldova claiming to represent the interests of migrants, and there are also no NGOs dealing with migration problems.

### **Moldovan Migrant communities**

Moldovan migrants abroad have a high level of social cohesion. They are highly networked in their place of migration and rely on social networks in communities, live close together, and often work with other Moldovans in their jobs. However, there is a lack of participation of Moldovans in diaspora organizations or formal institutions abroad (perhaps because of the relative youth of Moldovan mass-migration). Therefore, the role of migrants in supporting the development of their country of origin remains negligible. In recent years, there has been great optimism regarding the potential of diaspora organizations to contribute to the development of the country through remittances and investments, transfer of technology, the development of networks, and through the promotion of market access, although there is little systematic evidence of what role diasporas actually play.

---

<sup>45</sup> Becker, T., Hockenos, P., & Holmes, E. (2009). Remittances from Austria. Frankfurt School of Finance and Management. Vienna.

<sup>46</sup> The information contained in this paragraph is based on European Training Foundation (ETF). (2009). Moldova Country Report. Black Sea Labour Market Reviews

<sup>47</sup> Becker, T., Hockenos, P., & Holmes, E. (2009). Remittances from Austria. Frankfurt School of Finance and Management. Vienna.

## **Chapter 3. Transforming Migration into Development**

### **3.1. Key characteristics of Moldovan migration**

Moldovan migration abroad has become a life strategy for the citizens of the Republic of Moldova. The scope of the phenomenon is sometimes difficult to comprehend: *“I saw villages where practically only women and children were left, or, which is more horrendous only husbands and children are left.”* IDI 4. From the respondents’ answers, it appears that only one of the 26 surveyed villages was unaffected by migration. This was Grimancauti village, where *“fruit seedlings are produced for sale in Russia, Ukraine and Romania. People get good revenues, even up to several tens of thousands of dollars”* IDI 32. Therefore very few people from this village have left.

According to an expert from the Academy of Science from Moldova, three important segments of the population are involved in international migration. The first segment includes the vocationally educated generation with certain work experience gained prior to departure. These individuals have already left the country and will likely never return. The segment also includes persons that were trained vocationally but had found no jobs during the transition times and had left for other countries. The second segment consists of young people being trained as professionals who are leaving, or who intend to leave shortly after graduation. Finally, the children of migrants make up the third segment involved in migration, i.e. who have either left or will do so in the future.

*“The trained staff, which have become „experienced professionals” have left the Republic of Moldova; the potential staff, which are being trained as professionals by the Moldovan state will migrate as soon as they graduate from their studies; as well as children that have joined the migration flow, migrants’ children. Thus, the mature and the young are leaving, and lately, children are leaving as well.”* IDI ASM

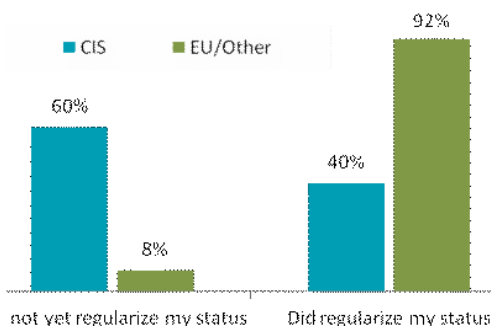
Some experts note that a change has occurred in the migration destination, with a decrease of migration to Russia and an increase towards the EU. This finding is confirmed by the responses of migrants and their families. The latter stated that their first migration experience was to Russia because of low travel costs, free border crossing and cultural and language advantages. Later, some changed their migration destination to European countries since *“earnings are better there”* along with a close network of other Moldovans that asked them to join them there. In a way, the migration to Russia was an initial source of funding for later migration towards the West.

Despite two decades of migration experience, illegal migration from Moldova still remains a problem. While departure and arrival is legal, many Moldovans stay in the host countries beyond their legal term. This includes remaining in the host country beyond expiry of any type of visa, labour contracts, or agreements for sharing experience, etc.

*„Many women leave for Turkey from our community. We leave for Turkey since we have cultural and language similarities and because of low travel costs around 200 USD. We leave using a Turkish 30-day visa but we stay as long as we wish; when leaving Turkey we pay the fines due for additional stay. We come back home and half a year later we may leave again. One is allowed to return to Turkey after only 6 months. People, especially women, use this way because it is convenient to have the possibility to stay at home with the family. Now they started to leave for Germany, especially the persons with Bulgarian citizenship. Gagauz and Bulgarians live in our village and those who have some Bulgarian in their family obtain Bulgarian citizenship.”* IDI 47

There is a well-developed network of intermediaries that „assist” migrants with obtaining visas for European states for substantial fees. The cost of intermediaries such as tourist companies and individuals is on average 3,000 Euros for EU countries (for details see Annex 2, page 51).

Additionally, access to Western Europe for Moldovans is facilitated through obtaining Romanian passports, and for Gagauz Yeri residents through obtaining Bulgarian passports. This guarantees the right to free movement in the Schengen space for 90 days, although not the right to work.



**Figure 12. Status of long-term residency/work permit in country of migration**

Source: IASCI/CIVIS 2010

Concerning residence and employment status in the host countries, the situation is different in CIS destinations (mainly, Russia) and in EU countries. Moldovans residing in EU countries tend to legalise their status making use of migratory amnesties and new migration regulation mechanisms accepted in the EU countries. The survey data show that the best results in this area are for migrants in Italy, a destination preferred by Moldovans.<sup>48</sup>

Migrants in France face the greatest difficulties with legalising their status: „*The French state does not want to legalise anyone. They have many coloured citizens and Moslems and they avoid legalising immigrants. There are very few legalisation cases; one has to have great merit and connections in the criminal world. The legalisation process starts through such connections.*” IDI 2, 32).

Many labourers in Russia either do not wish to legalise their status, or are unable to do so. Legalisation involves financial costs, which can serve as a deterrent to Moldovans. Most of them are employed by individuals and work in construction and repair services. As such, they often refuse to undertake any expense in addition to their unofficially paid salaries. From those migrants who do actually decide to legalise their status, a greater number legalise their residence, while few are able to legalise their employment in Russia. Some of those migrants who leave to perform seasonal work in Russia, usually older people, decide to legalise their status in order to acquire pensions upon final return home.

Alternatively, migrants in the EU would like to legalise their status in order to be able to travel more frequently and maintain connections with their families. They would also like to see a visa facilitation regime developed in order to facilitate circular migration patterns (“*The government should facilitate the visa regime so that we can travel more easily and for shorter periods of time.*” DFG1)

In addition to the common occupations of Moldovan migrants - construction in the case of men and home care or care for the elderly in the case of women – the participants in the study have worked in trade, agriculture, gardening, placing indicators on highways, organizing weddings, as life guards, waiters, drivers, golf club and entertainment park assistants, etc. In many cases, migrants work more than one job (mostly unqualified work) to obtain a larger income. Younger people in the non-European space have more access to the “non-traditional” labour for Moldovan than older participants.

The Moldovans who reside abroad for labour generally carry out unskilled or low-skilled work, even if a considerable part of them have secondary or higher education and good professional qualifications. They are often overqualified for the work that they obtain.

In some rare cases, migrants may benefit from training, such as specialized courses, business courses or university education. This type of training could raise the professional status of the migrant that resides abroad (“*My husband had a labour contract with a construction company in Italy and his boss*

<sup>48</sup> According to official data, a number of 132 thousand Moldovans work in Italy, while unofficial data state that the figure is over 300 thousand Moldovans. About 26 thousand Moldovans submitted applications to legalize their stay and employment in Italy according to Italian official statistics. (Source, Timpul newspaper, July 27, 2010, page 1, www.timpul.md .

recommended him for a course on technical drawing at a professional school to be a higher qualified worker.” IDI 1). In rare cases during the pre-emigration stage or while already in the destination country, migrants might attend language courses. At the same time, participants in the study have stated that *knowing the language makes for easier integration in the host society (FGDI)*, while any other training provides an additional level of qualification and a privileged status at the workplace.

**The Moldovan communities abroad (MCA)**<sup>49</sup>. Migrants are often not aware of any official Moldovan organization that represents their interests in the place of migration. Some interviewed people, when asked about Diaspora organizations/MCA in their host countries, usually referred to unofficial groups of people involved in solving migrants’ problems, particularly concerning legalisation and accommodation. For most migrants interviewed, the contribution of official organizations abroad to strengthening and mobilising communities of other Moldovan nationals is rather small/insignificant.

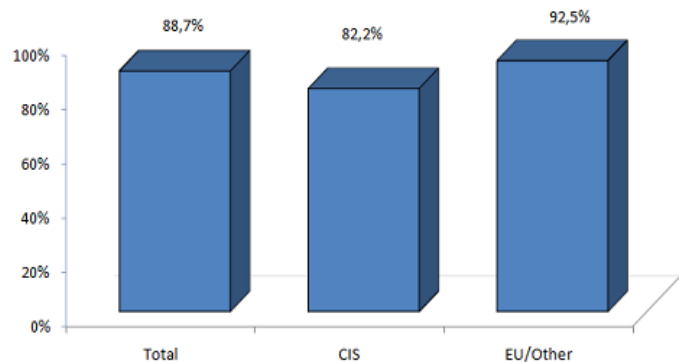
*“The diaspora associations should primarily be made known, and secondly to deal with problems Moldovans abroad face. They should work better, be more active both in terms of the community organizing (through more extensive information about the existence of the Moldovan community, by providing various types of support, by getting involved in defending the rights of injured Moldovans abroad) and in promoting a favorable image of its conationals in the place of migration”.* IDI 4

**Moldovan diplomatic representations abroad** are not currently being effectively used by Moldovans. Moldovans appeal to them, as a rule, when they have problems with documents that can only be solved through these institutions. Migrants often accuse diplomatic services of lacking transparency in their operations, being corrupt and having unprofessional attitudes towards their fellow citizens (no fixed fees for services, no receipts provided, selling labour contracts or other fake documents, extorting money).

According to an expert from the Academy of Science from Republic of Moldova, *“currently, there are a number of state agencies dealing with the issue of external migration and management of migration problems in the Republic of Moldova. These agencies have different authorities, or deal in parallel with the same issues of data collection and problem management with no coordination between them”* (IDI ASM). As a result, there is a low efficiency in solving migration-related problems.

### **3.2. Gains from migration and opportunities for their use**

According to migrants interviewed, the main benefit of migration is economic, although migration experiences have also changed migrants’ mentalities, their vision and concepts of life, ways to plan life and leisure activities, and have taught them to be more flexible, adapt more easily and to find power for survival. An important acquisition of Moldovans abroad was in new knowledge and skills acquired while working in different areas. Migration allowed them to get acquainted with new



**Figure 13. Migration experience influencing investment intentions**  
Source: IASCI/CIVIS 2010

49 Raviv Schwartz, Exploring the Link between Moldovan Communities Abroad (MCA) and Moldova, IOM and SIDA, Chisinau, 2007. (Speaking of Moldovan diaspora, Schwartz concludes that there are different patterns of the diaspora – homeland linkage. “On one end are examples which feature very established diaspora communities that provide strategically vital political and financial assets to the homeland countries. On the other end are those which feature more recent migrant communities that typically send remittances to family members back home. The Moldovan experience is clearly more consistent with the latter model, given its relatively brief history of migration and its lack of institutionalized mechanisms for accessing and mobilizing its migrants. For this reason, the term Moldovan Communities Abroad is preferred over that of diaspora.”)

modern technologies, to learn various strategies of planning and organizing businesses; to undertake some business ideas and to put them into application upon return to the home country.

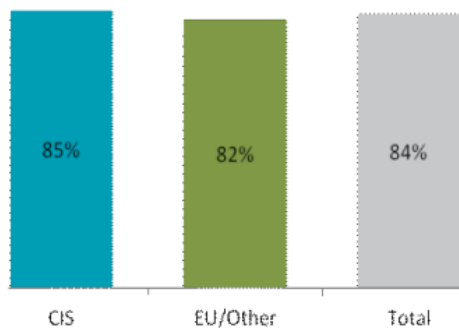
Some migrants manage to use these benefits upon their return home. These have a positive impact on their daily life and on entrepreneurial activity (for details see 3.4. *Return Migration – entrepreneurial experience to date*, page 28). However, most of the participants in the study, while recognising that migration gave them a high potential in terms of financial, human and social capital, say that these can, regrettably, be of only limited use in Moldova (for details see 3.4.1. *Constraints facing migrants in entrepreneurial activities*, page 30).

### **3.3. Impact of Current Remittances**

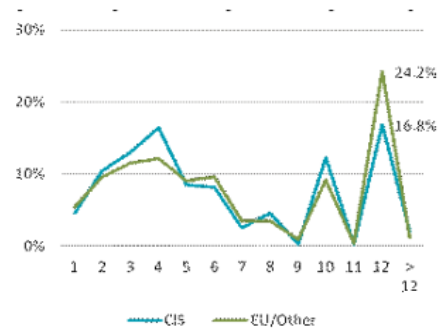
To be able to assess to what extent remittances are contributing to the development of the Republic of Moldova, two areas need to be examined: the effects at the HH level and the overall impact on the economy and society as a whole. The first is positive because financial inflows from abroad have provided secure livelihoods for families with migrant(s). Many people enjoy a higher standard of living that would not be possible without remittances. However, the second impact depends largely on whether remittance flows have been transformed into productive investments. On one hand, there is the potential willingness of the migrants to invest. On the other hand, the business environment is unattractive and frequently even hostile, which leads to the failure of migrants' efforts. Sometimes failures are repeated and migrants begin to lose trust and hope in the success of their businesses. Thus, they are forced by circumstances and the lack of other alternatives to return to migration.

#### **Transfer means**

The vast majority of Moldovan HHs in migration regularly send remittances to Moldova, using both formal and informal transfers on a regular basis. An average of 6.4 to 6.8 formal and informal transfers take place per year.



**Figure 14. Frequency of remittance transfers among migrants (by destination)**  
*Source: IASCI/CIVIS 2010*



**Figure 15. Frequency of remittance transfers among migrants**  
*Source: IASCI/CIVIS 2010*

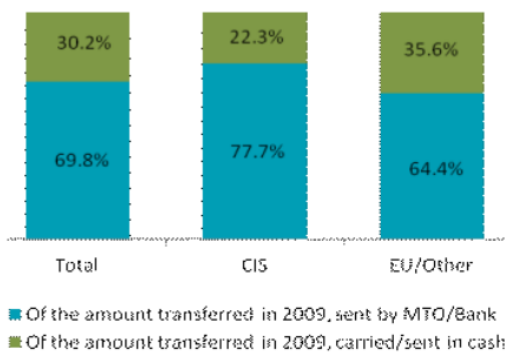
The decision to send money home through formal or informal channels depends on a number of factors. One factor is the monetary cost of the transfer, in addition to the speed and security of the delivery. The participants in the study most frequently use official routes for sending money home, mainly, rapid transfer services.

The most popular transfer system is Western Union, which is used by the vast majority of the migrants. Other rapid transfer services mentioned include: Money Gram, Contact, Anelik, Rapid, Migom and Opal. For most of the rapid transfer users these are rather efficient options in terms of cost, rapidity and security. Some rapid transfer services offer discounts during holidays, which is well appreciated by users.



However, in many instances, migrants expressed their dissatisfaction with the commission rate, as well as with failures to observe the conditions of service provision. For example, charging additional fees for money transfers abroad:

*In terms of actual remittance value, most migrants transferred remittances through MTOs or Banks...*



**Figure 16. Distribution of transfer mechanisms**

Source: IASCI/CIVIS 2010

*bank cannot get involved since it operates in the EU, while the Republic of Moldova was not an EU member. In the EU if one transfers from one account to another an amount less than 1,000 (I am not sure) no fee is charged, the transfer being free of charge. It would be good to have such a policy in our country.” IDI 2.*

*“In Spain the most expensive transfers carried out by Western Union are with the Republic of Moldova (as compared to other states). In addition, this is the only country (the Republic of Moldova) which offers no holiday promotions.” Woman, age 34*

*“Abroad there are three options to pay for the transfer. I selected to pay the cost of the transfer myself, however, when the transfer has been made to the bank in the Republic of Moldova, I found out that one percent of the amount was retained, although my contract with the foreign bank said that I was paying the total cost for the transfer there. I applied to the bank abroad and was told that the*

Sometimes, the migrants send money home using their bank accounts. The use of a bank account is less attractive compared to the rapid transfer because:

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

A bad experience with a financial transfer encountered by one migrant staying in Spain revealed the reserved attitude of the Spanish bank towards services provided by the Banca de Economii of the Republic of Moldova, the bank where the migrant applied to: *“I made the money transfer to Banca de Economii, which has national coverage and which I thought is more trustworthy. Having lost 100 euros of the 300 euros transferred and which finally never reached destination, I heard the following statement made by the Spanish bank officer: “If any Moldovan attempts to use this route to send money home, I will advise him/her to use another way. It is the only country where we have unpleasant “surprises”. Since then I decided never to send money through a bank.” Woman, age 34*

Only one person has used the opportunity to send money via *internet*, stating that the method was very good, convenient and had good prospects for the future. However, the method was still imperfect: *“I transferred money through internet at a bank. But I had a problem. Back home I had an account in Lei,*

*while I was making the transfer in foreign currency. For this reason, the money was not reaching the account and was staying somewhere in an account for unclear amounts. It would be good to sort out these types of inconveniences.” IDI 50*

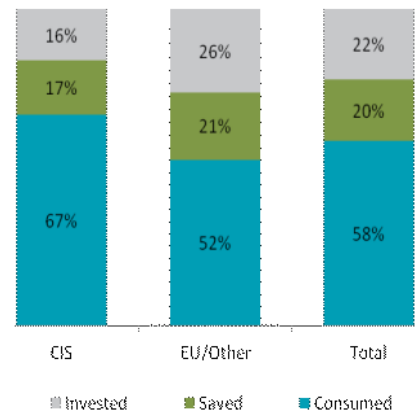
Although post office services have attractive transfer costs, migrants resort only rarely to them, mainly because they are satisfied with and used to the rapid transfers through MTOs.

The pattern of sending money home using mainly unofficial ways changed over time. Now, transfer services have diversified and people prefer to pay transfer fees to avoid the risks associated with unofficial routes for transferring money home. Currently migrants prefer formal routes because they have a number of advantages compared to unofficial ones. They are more secure, faster, relatively cheap (*“sometimes it is less costly than paying to a minibus driver or to a train conductor” FGD 1*), and additionally, the money may be left with the bank in a savings account. The multitude of communication routes between migrants and people at home has become increasingly more accessible, also helping to facilitate money transfer.

Although preference for formal transfer routes is growing, considerable amounts of money enter the country through couriers or are brought personally by migrants. For those who prefer *informal* routes, the main argument for choosing this method is limited cost.

### Savings

Although a good part of the remittances are used for consumption, the prevailing objective of migration is savings: *“This was our aim when we left – to save money” (FGD 1)*. According to migrants’ experience, saving behaviour changes over time. It is very well defined at the early stage of migration. At this stage, the migrants frequently sacrifice their living standard in order to be able to save and remit more. As soon as a certain amount of financial capital has been saved, migrants start to change their saving and remitting behaviour. This change is influenced also by the fact that migrants live in an environment with distinctly higher living standards than those they knew at home (especially in the case of European migration destinations), but also because when a certain welfare level has been achieved by remittance receivers, the family puts less value on remitted moneys. Overall, migrants start to save more and to remit less.



**Figure 17. Distribution of remittance spending among migrant households**

*Source: IASCI/CIVIS 2010*

*“People save very much at the very initial point in time when they leave the country. At a certain time, they want some change. One starts to look around and see how people live. And when one sends money back home to the husband or wife and sees that they lack for nothing and do not try to save, one changes the attitude and starts to remit less, to leave some money for oneself, for one’s own soul... They start to live their life like the people residing in the particular country.” FGD 1.*

Saved money is generally kept at home. The main reason for this is a mistrust of the financial and banking system in Moldova (see Annex 6, page 55), which resulted from bankruptcy in the post-Soviet period, as well as economic and political instability in the country conditioned by the global economic crisis. Mistrust in Moldovan banks is not only based on negative past experiences, but also on recent bad practices. Some interviewees have lost savings held in InvestprivatBanc, which went bankrupt during the

current crisis. Clients at other banks quit, disappointed with the offers and services of these institutions<sup>50</sup>. Low interest rates and failure to observe contract terms (more specifically, lowering the interest rates and failing to inform the client) were some of the main reasons clients left the bank. Migrants also cited inconveniences in closing accounts and withdrawing large amounts from bank machines and at the bank offices. Additionally, many were concerned that the minimum amount guaranteed by the state if the bank goes bankrupt was too small, and not worth the risk. Some deposits are made in a foreign currency, while the data processing is in Moldovan Lei, leading to a loss of money due to exchange rate fluctuations and currency conversion fees. Additionally, many migrants are not financially literate and often fail to read contracts carefully or in full. This contributes to the problem of losing potential interest rate earnings when placed in banks where interest rates are lowered during the saving period.

### **Investing in human capital**

One of the remitting objectives and savings priorities of migrants is education; they send money to finance their children's education, the education of their brothers/sisters, or save for their own education<sup>51</sup>. The cost of tuition for university education is growing each year, reaching amounts that many families cannot afford without financial support from outside the country.

Some parents finance the migration of their children in order to study and gain experience abroad. Children, particularly from urban environments, have access to extracurricular study and activities. An interview with a primary school teacher from a Moldovan village showed that migrants' children, at least those from the respective community, have greater opportunities to purchase a computer and to have internet connection at home than the rest of the children.

On the other hand, local experts, as well as migrants, also spoke about the negative impact of migration and remittances on children's education and training. In fact, general opinion shows a concern with the negative effects of migration and remittances, rather than revealing the positive side of migration. Data submitted by Commissions for Protecting Children's Rights as of the beginning of April 2010 shows that 84,207 children in Moldova had at least one parent in migration (of them, 66% were children with one parent abroad and one parent in Moldova, and 34% were children left with no parent at home). According to interviews with migrants and individuals working in the education system, lack of children's supervision by parents as a result of migration has a negative impact on school performance. (*"Children are irresponsible, do not do their homework, nobody checks their homework or imposes them to do it. They spend their time on the Internet and in bars. We have no focus group to work with. What will come of these children?"* IDI 30)

Another negative effect of migration is the loss of teachers from the Moldovan educational system and a resulting deterioration of the teaching process.

*"Due to small salaries the school has lost many teachers. We have a teacher deficit: retired teachers teach mathematics and French language, while we have no teachers at all for geography and Russian language. In these circumstances some teachers teach subjects which they are not professionally qualified for. But there is no other way out"* IDI 30

*"Very many teachers have left. In our school practically only retired people work, due to small salaries. This influences the quality of education. Elderly teachers have another mentality, while now children are very different from earlier times and need a different approach. Younger teachers take into account children's opinions, see a personality in them, establish contacts with them more easily, while the elderly*

---

The banks used by participants in the research include: Moldova Agroindbank, Moldinconbank, Banca Sociala, Victoria Banc, Energ Bank, Banca de Economii, and Mobias Banca.

<sup>51</sup> Students that benefited from Work and Travel program went to USA to earn money in order to pay the annual contract at the university where they studied.

*teachers impose their views and work according to socialist mentality. For instance, my child sometimes comes from school very indignant and dissatisfied.” IDI 46*

**Effects on the healthcare industry**

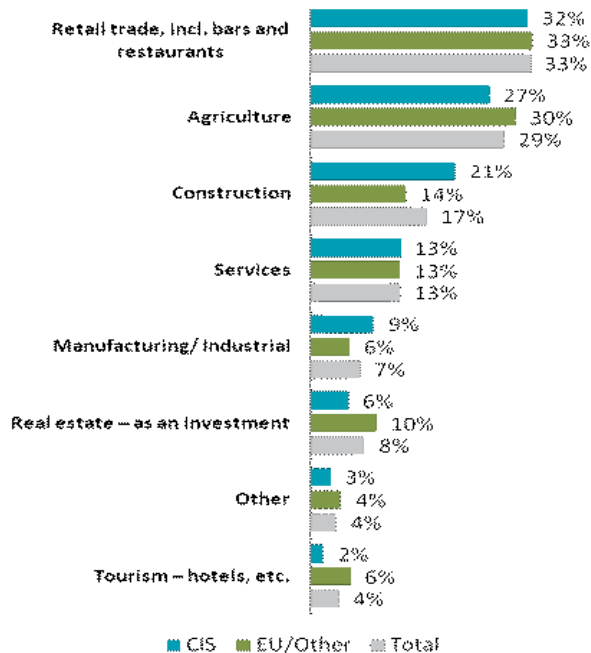
The mass outflow of Moldovans abroad has negatively impacted the healthcare industry. According to the interviewed people, the deficit of staff is acutely felt in the healthcare system, especially in the countryside. Low salaries make migration a more attractive alternative to practicing medicine in Moldova. The lack of doctors limits the provision of high quality and sufficient services.

*“The unofficial data of the Ministry of Health say that the shortage of medical doctors is 35,000. These persons were trained and had worked in the system but are abroad now. It is difficult to say whether people’s state of health has deteriorated, but the shortage of healthcare staff is deeply felt. The level of remuneration does not attract professionals to the countryside. The lack of doctors limits the provision of high quality and sufficient services. These could be compensated by new generations of professionals, however, they are not attracted to stay due to small salaries and they are leaving.” IDI ASM.*

**3.4. Return Migration – entrepreneurial experience to date**

According to the interviewees, return home in most cases ends in re-integration problems generated by the lack of jobs and low salaries. A solution for migrants would be to create their own business(es), however, insufficient funds and a lack of information often make it difficult to choose this option. In these circumstances, very often migrants find themselves in a situation of having to leave repeatedly to obtain employment abroad. However the research data show that there are entrepreneurs willing to invest resources and energy in productive activities, and who are capable of generating decent livelihoods in the Republic of Moldova.

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



**Figure 18. Migrant investment intentions by sector**

*Source: IASCI/CIVIS 2010*

Out of the 54 interviews with entrepreneurs for this study, 44 were migrants that have returned and created businesses. The other 10 were carrying out entrepreneurial activity based on remittances from relatives. The investments of interviewed entrepreneurs were based primarily on savings accumulated during migration income, only rarely on loans from banks or non-bank institutions. Some businesses were launched with resources not in excess of several hundred Euros, while in others several thousand Euros were invested. The largest declared investment amount in the sample was 60 thousand Euros (for details see Annex 1, page 48). Financial capital from migration is therefore very important in return migration. However, for some migrants gained human and social capital is equally important and often proves to have a positive impact on their daily lives and entrepreneurial activities (see Annex 3, page 52).

Most business investments were made in agriculture, construction and retail trade (for more details on the types of businesses in which interviewees have invested see Annex 1, page 48).

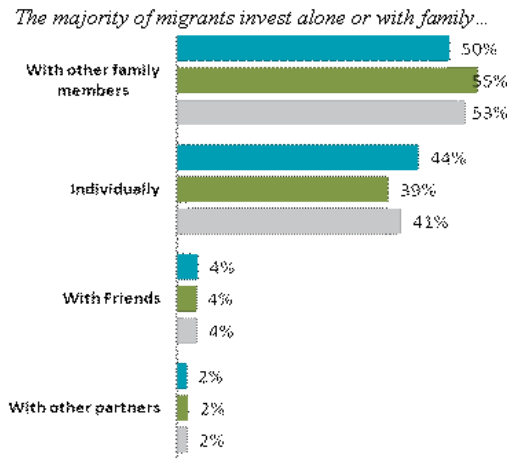


Figure 19. “How do you plan to invest in your business?”

Source: IASCI/CIVIS 2010

Moldovans give preference to small sized family businesses. The number of employees tends to coincide with the number of adults in the HH (for details see Annex 1, page 48). The migrants are the ones that start the entrepreneurial activity upon return home: *“In most cases the migrant comes back home and makes the investment personally, rather than sending money to relatives for investment. The migrant prefers to have control over the financial resources”* IDI CDR. Many of the businesses are not officially registered. For example, migrants that deal in construction work and repair in apartments and houses have invested in equipment, instruments and vehicles for these activities. Other types of work relate to agricultural activity, which bring income to farmers, such as the purchase of real estate or an apartment for rent (*“The cases are not rare when*

*migrants buy apartments and rent them while they reside and work abroad”* IDI 43). Another type of business is organizing groups of willing persons to work in construction in Russia (*“Village people who have worked previously in Russia in construction for individuals come back home, organize teams of voluntary brigades and guide them to work with employers who they already know. My husband is doing this as well”* IDI 30).

Many of the entrepreneurial activities undertaken by migrants after their return to Moldova are in the informal sector, a finding confirmed by experts from the MLSP. Some of these businesses are based on informal agreements between Moldovan return migrants and foreigners, usually the employers in the host country. One expert mentioned an example of needlework such as embroidery, crocheting and knitting made by Moldovan women. These hand-made items are popular in Italy and were sold by Italian employers who had informally hired Moldovan migrant women to produce the crafts at home and send them to Italy, where they were then distributed and sold. Another example involved a family that had returned from Italy and was making masks for the Venetian carnival. Due to the informal nature of such businesses, it is difficult to accurately assess the scope of such activities. However, evidence suggests that many informal business activities take place in the migrant community. Most importantly, these unofficial businesses between return migrants and partners abroad means attracting relational capital from abroad to Moldova.

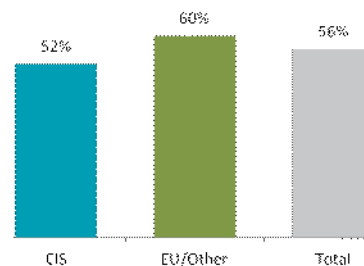
Examples of using social capital in a formal manner are extremely rare. Only one such case was found in our study: an IT business based on social and financial capital from France *“Our business from the area of informational technologies was opened in partnership with a Frenchman. We Moldovans have invested 40% of the financial resources needed, while the Frenchman invested 60%. We are developing websites for customers from the Republic of Moldova, but to a greater extent for foreigners in the USA, Japan, India, and France. Our French partner seeks the foreign clients.”* IDI 50

In all but two cases, the interviewed migrants mentioned that they could not contribute to attracting social capital because the business environment in Moldova was unattractive, corrupt and excessively bureaucratic. At the same time, *“Moldovans who are responsible gain the trust of foreign employers, especially Italians.”* (IDI CDR) Such individuals could become an important source for attracting relational capital.

The greatest number of interviewees mentioned that although migration provided them with a lot of potential in terms of financial, human and social capital, unfortunately, it could only be used to a very limited extent in Moldova because of the “*system existing in our country*”.<sup>52</sup> 17 of the total number of entrepreneurial initiatives are believed to be successful by the migrants, while the other 17 are believed to be failures or unprofitable. The failures are due to a number of factors, including: disagreements with business partners, economic crisis, high competition, lack of a market and an unfavourable or corrupt economic environment (for details see 3.4.1. *Constraints facing migrants in entrepreneurial activities*, page 30).

Despite their unfavourable experiences, Moldovan migrants maintain a strong investment and entrepreneurial spirit (see Annex 4, page 53), as well as energy and resistance to problems. They are aware of the difficulties that can pose challenges to their enterprises (for details see 3.4.1. *Constraints facing migrants in entrepreneurial activities*, page 30). However, they believe that migration can contribute to the accumulation of financial, human and relational capital that could help to stimulate the creation of new businesses in the home country.

The participants in the study stated a great need for assistance and support in launching businesses, particularly in terms of access to information and financial resources. Intervention by banks in these areas is welcome, however, given the current conditions in Moldova, many prefer to find loans or financial support through migration (either from relatives working abroad or by leaving for work abroad themselves).



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

**Figure 20. Migrant investment intentions**

Source: IASCI/CIVIS 2010

### **3.4.1. Constraints facing migrants in entrepreneurial activities**

The main constraints that have been identified by migrants engaged in entrepreneurial activities are: access to information, insufficient financial resources, limited access to bank loans, a deficit of responsible and qualified human resources, excessive bureaucratic red tape, persistent corruption, underdeveloped entrepreneurial skills, unfriendly tax policies, lack of infrastructure for entrepreneurship and a weakly protected domestic market.

The migrants that have invested in their own businesses have mentioned many problems facing them in their work. The vast majority of interviewees have faced problems even prior to launching their business. Many wanted to engage in entrepreneurship, but didn't know where to find information<sup>53</sup> related to priority sectors for investment, were unsure of procedures concerning how to initiate a business (i.e. which documents were needed or which authorities to contact), and lacked information about specific features of the businesses (e.g. how to cultivate certain agricultural crops or where to buy seeds or seedlings). Even while local experts (among them IOM, ODIMM, MLSP, NEA, etc.) reported on numerous information activities in this area, these informational provisions were not sufficient (in number or in quality and scope) to meet the needs of the migrant entrepreneurs. Migrants showed a high interest for further information activities. In their opinion, the best option would be to organise regional level information centres that could cooperate with local public authorities from rural communities. For example, local public authorities could inform rural communities about the existence of such centres and their programmes, as well as disseminate some useful new information.

<sup>52</sup> for details see Constraints experienced by migrants during entrepreneurial activities, page 43

<sup>53</sup> The agricultural entrepreneurs who participated in the study and who found information they were interested in have mentioned the following sources: the Internet, friends and acquaintances with entrepreneurial experience, agricultural stores which supplied their inputs, the National Agency for Rural Development (ACSA), the Agency for Tourism and local public authorities

The “information” problem is two-fold; not only is there a general lack of knowledge among potential entrepreneurs, but a problem also arises from those who possess information. Staff members may possess information that migrant entrepreneurs wish to obtain, but follow corrupt practices in the way in which information is disclosed. In many cases officials who provide the requested information are corrupt or negligent. Responsible local authorities (such as institutions for registration and licensing, local councils, cadastral offices, and others) often provide information only after securing financial benefits.

Another important problem refers to the high level of red tape encountered in obtaining permits, licences and certificates. Entrepreneurs have to prepare many documents, some of which are redundant and many that are rather costly. During the last fiscal year, for business permits alone, entrepreneurs needed to pay almost twice as much as in the previous year.

A discouraging factor in creating and operating a business are inspections from respective authorities. Excessive inspections carried out by these institutions can hinder successful operation of the businesses. Inspectors do not come to assist in solving some irregularities; they come to penalize, and they are often very corrupt. To have the inspectors “overlook” some irregularities, or to get inspectors to impose smaller fines, entrepreneurs sometimes have to pay bribes. Several interviewees stated that excessive inspections, especially during the period of launching the business, are the result of good “cooperation” between responsible institutions. *“Inspectors of different authorities announce to each other the existence of new companies, which they penalize for any minor irregularity, with no warning as beginners in the activity” (IDI 17).* Entrepreneurs believe the inspections to be necessary, but feel that the number of inspections should be decreased and the approach should be changed. For example, minor deviations observed for the first time should only be penalised with a warning.

**Corruption** is not only encountered in areas of information and bureaucracy, but also “accompanies” the entrepreneur through all stages of launching and operating the business:

*“To register a business in our country means to pay money in order to open doors.” IDI 32*

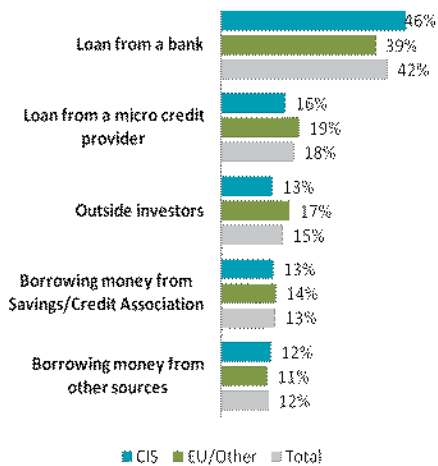
*“The Labour Division has the responsibility to provide us some information free of charge, for instance, information regarding labour safety. But they asked for money. I wanted to notify the anti-corruption service, but I was warned that these institutions are closely connected and assist each other.” IDI 17*

*“I know people who brought money home and wanted to start a business, but due to red tape and corruption gave up the idea and went back abroad.” IDI 32*

**Access to bank loans** for businesses is another problem that impedes business development in the Republic of Moldova. Lacking financial capital for their businesses, entrepreneurs resort to bank loans. However, borrowing money comes at a high price. Interest rates on bank loans taken by migrants in the survey ranged from 24% to 32% per year. Faced with mounting debt, the financial situation of many entrepreneurs ends up worsening. Thus, seeking support from bank loans in order to address the problem of limited financial resources sometimes ends up only aggravating the entrepreneurs’ financial situations.

In addition, the repayment terms for loans tend to be too rigid; the time span for repayment is too short and payment begins too soon. When one takes a business loan, as a rule, repayment begins the very next month. Usually, there is not sufficient time to earn profit from the business before the loan repayments begin. Therefore, entrepreneurs need to seek additional financial resources to repay the debt to the bank that provided the loan. Sometimes they resort to borrowing from other banks. In such conditions, it is not uncommon for a loan to create even greater difficulties, including: worsening relationships with relatives or friends from whom money was borrowed, loss of collateral, emigration for labour to repay debt to banks and other creditors, an even failure of the business.

## *Strengthening the Link between Migration and Development in Moldova*



**Figure 21. Planned sources of borrowing or obtaining financial capital among the general migrant population**

*Source: IASCI/CIVIS 2010*

*“We would like to take a loan for our business, but the interest rate is too high and we are afraid that we might be unable to repay it. It is better for my husband to go abroad, earn money and invest our own funds so as to avoid risks.” IDI 46, 49, 33*

Entrepreneurs were also dissatisfied with the *terms for provision of the loan and the process of approval for the loan*. Many migrants quoted long processing times for loan applications and stringent requirements including a personal appearance at the business premise by a bank official. In addition, the procedure is highly bureaucratized. These factors take away from the appeal of borrowing from banks.

These entrepreneurs would like to see a simplification of the package of documents necessary to get a loan, as well as a rethinking of banks’ policies regarding collateral. The only possible

guarantee to obtain a loan from the bank is with a “classical” piece of collateral such as real estate or a vehicle. Investors want collateral to be extended to include mobile goods such as equipment or materials used for production and entrepreneurial activities.

*“There is another problem – the collateral. Currently there are very many projects and much foreign assistance, but we cannot make use of them because commercial banks do not support us. They do not provide a loan unless one offers as collateral either real estate or a vehicle, which should not be older than five years. Countryside houses are not valued very high and are not always accepted as collateral. In the countryside one does not frequently see new cars. Businesses are not accepted as a guarantee, thus, they are not allowed as collateral. Thus, we have no access to loans. It would be better to invest more from the very start of the business, but the lack of sufficient financial resources and unfavourable loan provision terms do not allow this. In these conditions even the projects based exclusively on grants become unattractive.” IDI 3*

The unfavourable loan provision terms often act as disincentive for people to appeal to banks for financial loans. In these conditions, the potential clients prefer either to borrow money from relatives or friends (in most cases from persons working abroad), or to find a job abroad in order to earn the necessary funds.

There is extremely little to no awareness among Moldovans of non-banking financial institutions that provide loans. Currently, these financial institutions typically have more flexible loan provision terms, in addition to accepting alternative types of collateral (e.g. guarantees, inventory, equipment, etc.). Only one interviewee in the sample had applied to a micro-finance institution, but was dissatisfied with the circumstances under which he received the loan: *“I took a loan from MicroInvest (a non-bank financial institution), because they were not requiring collateral. They transferred the funds in my bank account at Agroindbank, saying that no transfer fee would be charged. I was to get 50 thousand Lei, but I received only 46 thousand. In addition to the interest I had to pay, four thousand were retained for the transfer.” FGD 3*

An interview with CDR, a microfinance institution, has shown that *“Moldovans do not know how to plan their activities or how to assess opportunities to repay the money. Currently we are carrying out a Project in Financial Education of Villagers with a focus on remittances. We will organise 60 seminars in*



### *Strengthening the Link between Migration and Development in Moldova*

*the villages of the Republic of Moldova, where Savings and Loan Associations exist, so that people can plan their financial resources, including remittances. However, these seminars are very few. People are very interested to get such information” IDI CDR.*

Overcoming obstacles to launching a business does not guarantee the success of subsequent operations.

**Tax policy** is often a problem in this respect:

- taxes and dues are high

*“Taxes are very high. About 1/4 - 1/5 of the income is subject to taxes, which is not little since here we do not count salaries, permits, licenses and all the other necessary things for labour.” IDI 4*

- too many reports

*“Too many reports and monthly payments for different activities [are required]. It would be good to retain an annual fixed tax, which may even be larger, with only one report for all taxes, thus saving time and paper. IDI*

- the taxation and dues systems are unstable, *“with frequent amendments made by political actors” (IDI 46).*

Tax burdens determine several problems. One of them is that sometimes they lead employers to resort to double accountancy practices, not reporting the actual number of staff employed and/or falsely recording their real incomes. This reduces the amount of social insurances, such as pensions, that employees are entitled to receive. On top of the low salaries already faced by many employees, this creates a financial disincentive for improving their skills for the workplace or obtaining new knowledge in their area of activity. As a result, there is a deficit of well-trained staff. Tax burdens also push people to conduct activities in an unofficial manner, despite the risks associated with such practices. However, many entrepreneurs would like to register their businesses officially if it were possible to do so. In the end, the problems of tax policies put entrepreneurs in a difficult situation, between doing business officially and unofficially.

Another issue is an unfavourable legal framework for opening and operating a business, which leads to a lack of transparency in operations. Avoiding legal frameworks is done by corrupting authorities. The problems of legal frameworks have motivated entrepreneurs in the Cahul region in the South of the Republic of Moldova to close their businesses and relocate them over the border in Romania, where legal frameworks are more favourable. This has resulted in a reorientation of financial, human and social capital away from Moldova towards Romania<sup>54</sup>.

*“It is very difficult to work according to the law. The laws in our country are not made in order to promote entrepreneurial activity; just the reverse, they are made to make people give up on starting any business. We manage to go on operating only by being able to go around some laws, that is, we make an understanding with the people in the tax inspectorate, for example. Otherwise, we would always work at a loss. For this very reason my husband has registered a company in Romania, in Galati, and we are not the only ones who do it. There are many people in Galati that had businesses in Cahul, hairdressers, pharmacies, stores, etc., but they have sold them and opened businesses in Romania.” IDI 45*

High levels of competition can sometimes be a threat to migrants’ businesses as well. ‘Copy-catting’ becomes a problem when too many of the same type of businesses are set up in the same area, flooding the market and leading to the failure of some businesses. Lack of business skills, limited access to investment information and operation in informal markets may mean that entrepreneurs cannot compete with other small businesses or learn to identify optimal areas to invest in.

---

<sup>54</sup> Cahul region is at the border with Romania

### *Strengthening the Link between Migration and Development in Moldova*

Another obstacle facing migrants' businesses in Moldova is demand for products, particularly for agricultural production. An abundance of imported produce in the domestic market drives prices down. Often the prices of imported goods are lower than those that are locally produced.

*"People are investing and they are willing to invest. The problem is the sales market. The imports are stifling us. Regretfully, this is an issue of interests, therefore, the government is protecting the imports. Import prices are twice as low as our production in the Republic of Moldova. This impedes development" (IDI CDR).*

Foreign agricultural production tends to be large-scale, benefiting from economies of scale and enabling foreign producers to produce and sell at lower prices. However, Moldovan agricultural production happens on a smaller scale, with reduced production capacity. This means that local producers face higher costs of production and sell at higher prices. Even though many Moldovan entrepreneurs in the agricultural sector might like to increase their production capacities, this process is often impeded by limited or non-existent financial resources.

Access to agricultural markets is also limited by the fact that local farmers do not have direct access to the market. They are forced to sell to intermediaries who buy from producers at low prices and then sell on the market for much higher prices. This allows the intermediaries to capture significant profits, while farmers see only marginal gains. These problems imply that farmers both face low demand for their products as a result of competition against lower priced imports, as well as low prices for their products which can only be sold off to intermediaries. These factors make it difficult for migrant entrepreneurs to compete.

Large commercial centres tend not cooperate with farmers and small landowners because they can only generate small volumes and are not able to meet standard packaging requirements. The interviewees in the sample believe that access to packaging and processing facilities for smaller scale producers might increase their sales.

Constraints exist not only with respect to the domestic market. Local entrepreneurs also face difficulties in accessing external markets. This can be explained by the following:

- In the Republic of Moldova there is a monopoly of companies holding the right to export agricultural products.

*"In order to export production abroad, the company needs to have a name. Probably some export quotas are meant, which some companies have. An ordinary person with ten tons of apples cannot export them. When I have apples for export to Russia I apply to these companies. Otherwise, it is not possible." FGD 2*

- Certification of commodities at customs is a highly bureaucratized and time-consuming procedure;
- Most custom offices have no offices with adequate equipment or technology to facilitate border crossing. For example, many customs offices do not have machines to test the level of pesticides on produce, or carry out other tests to pass goods through customs more quickly and efficiently. Border crossing would be easier if necessary analyses were carried out there.

Underdeveloped infrastructure, such as poor roads and non-existent or outdated irrigation networks for agricultural land, etc., also creates difficulties for businesses, particularly in rural areas. Entrepreneurs also have difficulties with the supply of products, equipment and machinery necessary for operating their businesses. This can include, for example, high quality flour for a bakery or high quality seeds for greenhouses and agriculture. In addition to quality, prices and availability of needed goods on the local market can create additional difficulties for businesses.

*Strengthening the Link between Migration and Development in Moldova*

Electricity and natural gas prices are very high in Moldova. This can create additional financial constraints for business owners. Investments in alternative energy resources to reduce costs for businesses and to ensure potential greater incomes could address this constraint.

*“I have a dream: to create a greenhouse in which the human factor is replaced by the computer. However, the necessary technology is very expensive and the energy consumption is very high. I dream of using alternative energy, wind, solar, from biomass, which in developed countries such as, Germany is cheaper than traditional sources. However, in our country, it is not profitable. : I attended some seminars organized by the Ministry of Agriculture and ACSA on the use of solar energy in agriculture and came to the conclusion that I would gain some revenues only after 30 years of operation if I use alternative energy. I always follow what the Germans are doing and noticed that in Germany they use all the manure to obtain gas, while in our country the manure is simply thrown in the fields. To create a modern greenhouse, one needs big investments. This is a good area for state intervention!” IDI 3*

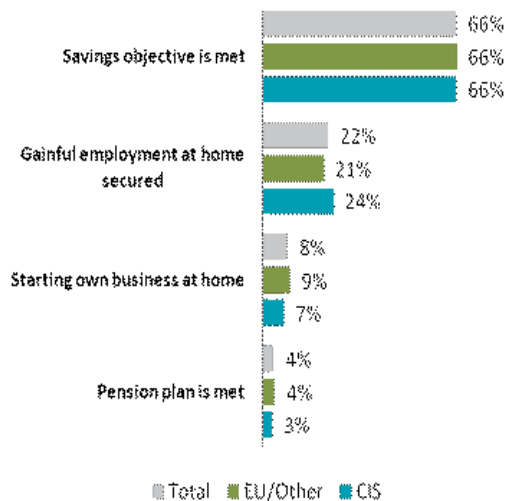
Agricultural subsidies from the state are limited and are not substantial enough to support agricultural production. Higher subsidies would help farmers to purchase high performance agricultural equipment.

Migrants that have created tourist businesses have a more positive impression based on the involvement of the Agency for Tourism of the Republic of Moldova in supporting and promoting rural tourism. The Agency is assisting entrepreneurs by organizing seminars in the country and conducting meetings abroad to inform them of potential projects to apply to. This includes individual agro-tourist pension routes as well as ordinary tourist routes such as monasteries, Orheiul Vechi, etc.

*“I visited the USA, Romania and Poland for training and I learned how entrepreneurs are supported there and which aid the state provides them. In 2001 about 8 or 9 seminars were organized, even in our own community on school premises, with the support of SOROS and Eastern Europe. All the seminars that took place in 2001-2004 aimed at explaining to people how favourable tourism development was in rural areas. We were informed about this by the Ministry (Agency for Tourism). I have cooperated with the UN, which supported me when I was building the terrace and I also repaired two rooms with the financial support granted to me.” IDI 54*

**3.5. Assessment of Future Return**

Moldovans, in general, demonstrate a strong desire to return home and reside permanently in their country of origin. Irrespective of how industrious they are or how long they have stayed abroad, many



Moldovan migrants feel like outsiders in the country of migration. Some even stated a feeling of being “nobodies”.

The return home is conditioned by a number of factors; the most important and the most frequently mentioned ones are:

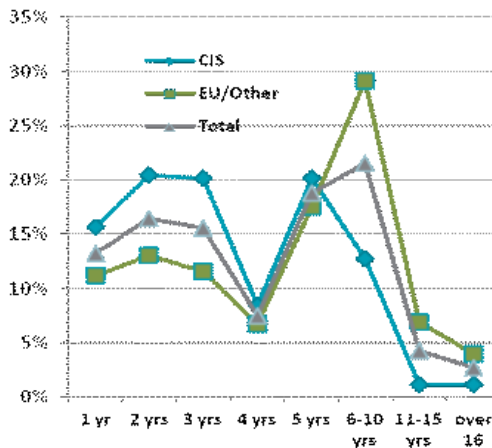
- ✓ A secure and well-paid job
- ✓ Improved economic, political and social environment in Moldova
- ✓ Achieving the savings objectives of migration and saving capacity
- ✓ Continuation of the global economic crisis
- ✓ Other factors: homesickness, relatives’ state of health, etc.

**Figure 22. Conditions for return migration**

Source: IASCI/CIVIS 2010

*Strengthening the Link between Migration and Development in Moldova*

This is also reflected in the varying timelines for planned permanent return...



**Figure 23. Variations in timeline for planned permanent return to Moldova**  
 Source: IASCI/CIVIS 2010

*“We will return home depending on how quickly we accumulate money to buy an apartment in Chisinau. We will return also in case the crisis lasts too long, since if one of the spouses is working, while the other stays home, it is better for us to come home.” IDI 1*

*“I will return home depending on how quickly I save sufficient money to open a business in Moldova. In addition, I should be sure that I am able not just to survive, but also to live decently in my home country. The level of salaries is of high importance for me: if these are insufficient I will not return home.” IDI 2*

Programs for supporting migrants who want to return home and start a business<sup>55</sup> was of great

interest to many of the interviewees, especially since migrants know little about such opportunities. Only 2 out of 54 interviewees had heard about return migration support projects, one of them having benefited from such a program (see Annex 5, page 54). This finding suggests that return migration projects may serve as an important prerequisite in determining decisions to return home.

A certain number of migrants residing and working abroad do not plan to return at all. This finding is supported by both experts and migrants, when examining migration experiences and demographic statistics. The ASM expert argued as follows: *“Demographic statistics up-to-date, as well as prognoses, show a high rate of population decrease. In 1989 there were about 4 million people in Moldova, in 2004 – 3.5 million, while the prognosis for 2050 is 2.5 million. People leave Moldova not because of the lack of jobs, but because of very low salaries. We anticipate the reunification of families abroad and this is already taking place. The migration of Moldovan women is very high. As a result, the divorce rate is growing. It is a proved fact that if women have left, they take along their children a few years later. Border service statistics shows that over the last half year the number of preschool children who crossed the border has increased. A number of 68,000 Moldovan citizens have legalised their stay in Italy and they are registered with the Italian social protection authorities. They benefit from indemnities. It is improbable that they will ever return if they benefit from social funds. In addition, the number of mixed marriages abroad is growing” IDI ASM.*

Migrants also state that they leave for economic reasons, but once they get in contact with other types of livelihoods, other opportunities, they seek various ways to stay abroad.

*“People leave at any cost. They want to get rid of poverty. They agree to be slaves, but to have sufficient means. Regretfully, very many people settle in Italy and Russia and do not intend to ever come back. They have nothing to return to!” FGD 2*

ODIMM and IDIS experts, as well as the migrants themselves, stated that many Moldovans manage to create successful businesses abroad and hire other Moldovans. This in turn reduces the probability that such migrants will return to their home country.

<sup>55</sup> IOM Moldova have been assisting the voluntary return of Moldovan migrants by implementing projects oriented towards return and reintegration of migrants returning from EU countries (Austria, UK, Ireland, Switzerland, Belgium, Central European countries), as well as providing reintegration services to members of local communities, offering alternatives to migration and contributing to local community development and poverty reduction (Source: <http://iom.md/index.php/en/programs/facilitated-migration/assisted-voluntary-return-avr>)

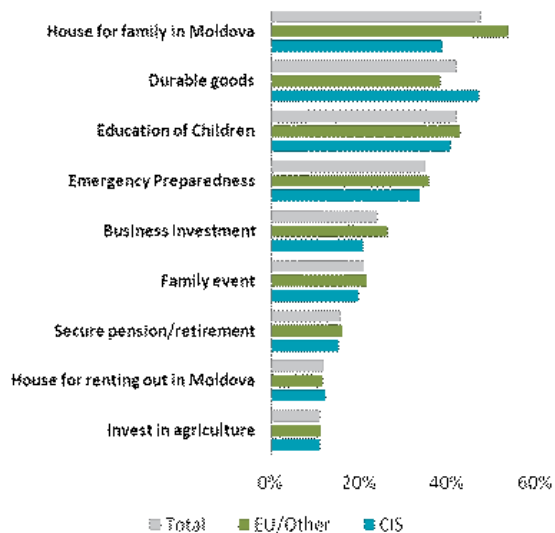
The tendency to re-migrate for the purpose of obtaining work is common among Moldovan migrants. Very few interviewees stated that they never intend to go abroad again. The most frequently mentioned reasons for re-migration was insufficient money for launching, operating or expanding a business.<sup>56</sup> In some cases, re-migration is instigated by the failure of a business, and therefore serves as a solution for securing a satisfactory livelihood. Other reasons for re-migration include: the availability of a robust and safe social security system in the destination country, lower levels of corruption and bureaucracy compared to the Republic of Moldova, and better quality and provision of services.

*“Over the following 10 years everyone will migrate and work abroad and then come back home. If we look realistically at things, nothing is taking place in the country. We realise that if Moldova still exists as a country, it is only due to the fact that we slave abroad and bring back money.”*  
FGD 2

Because of the global economic crisis, however, many migrants end up staying at home in Moldova: *“There are no jobs now, therefore, we stay home. As soon as the situation is resolved, we go back abroad immediately.”* FGD 2

### **3.6. Potential Role of Retained Savings**

The current research confirms the earlier findings of IASCI-CIVIS 2010 concerning the high propensity to save amongst migrants from Moldova. Some of migrants’ savings are accumulated in cash and/or banking systems in the place of migration. These retained savings averaged to EUR 601 million in 2009. Assuming appropriate incentives, safeguards and regulatory frameworks, these resources could be channeled into savings and investments in migrants home countries, ultimately impacting development.



**Figure 24. Household savings objectives for migration period**

*Source: IASCI/CIVIS 2010*

The interviews with migrants confirmed that they have very clear savings objectives. For most, the objective of buying a house was already achieved at the time the research was conducted. Thus, stated main savings objectives were supporting and care for family members, the education of children and financing special family occasions such as weddings, anniversaries, funerals and christenings. From this it can be concluded that savings objectives tend to be oriented towards alleviating poverty and enhancing standards of living. The interviewed migrants also stated a very strong wish to invest their money in the realization of their business ideas and plans (Annex 4, page 53). They believe this could have a positive effect not only at private level, but on the country’s development as well.

The amount of money needed to meet their saving objectives is estimated at tens of thousand of Euro, and usually only a small part of the money needed is managed to be saved. The respondents were relatively pessimistic about their ability to save these amounts while in migration, especially because of the economic crisis.

<sup>56</sup> We want to remind the reader that the study was focused mainly on migrants with investment experience, or those who want to invest in own businesses. Therefore, the results should be viewed based on this criterion.

### **3.7. Highly Qualified Migrants**

The phenomenon of brain-drain started early in the nineteen eighties and gained momentum around the turn of the 21<sup>st</sup> century. According to the interviews with representatives from the State University from Moldova and from Academy of Science, intellectuals specifically left Moldova because they were dissatisfied with salaries, work conditions, research opportunities and a lack of adequate technical support. In addition, when the USSR disintegrated, research ties with Soviet space countries was disrupted. The brain-drain phenomenon has since decreased slightly, as some migrants came back to Moldova after reaching their financial objectives. Often the goal was to earn enough abroad to afford an apartment at home. Very few university teachers who migrated returned and were re-integrated in universities. Most stayed abroad, but many of them have not lost ties with Moldova. Some of them are even still registered as university staff members in Moldova, in order to be able to claim a job in case they come back. However, migrants hired in research areas in Western institutions will most likely never return to Moldova because research technology there is very poor and outdated. Fewer teachers than researchers migrated abroad because of language constraints, whereas in research language is not as important.

There is some cooperation between universities in the Republic of Moldova and former researchers and teachers who have migrated. This cooperation mainly consists of organizing experience-sharing tours, joint publications, implementing cooperation projects with foreign universities, conferences and co-tutoring. However, such cooperation is more of an *“occasional than an ordinary practice in the country”* IDI ASM.

The brain-drain phenomenon is affecting the future research and academic potential of Moldova. The migration rate of young graduates is growing. This new wave of migration is opportunity-driven, as opposed to being driven primarily by needs. Well-trained graduates leave to find positions in the areas they have studied for and are less likely to seek unskilled labour jobs. The most attractive countries for youth migration are the UK, Canada, USA, France, Germany, and Spain. Teaching and research potential in Moldova is being lost in the areas of physics, mathematics, computer science and chemistry.

*“University education lost 10-15% of teachers and 30-40% of graduates to migration. However, almost all university graduates want to leave upon graduation. The young people are very flexible, they know more languages and learn languages more easily, have experience sharing projects and have favourable conditions for self-achievement and adequate salaries. Why should they stay here?”* IDI SUM.

There are cooperation contracts between universities in the Republic of Moldova and universities abroad. The students who go abroad for several years are obliged to return home according to the conditions of the contract. However, when they experience life abroad and receive a stipend significantly higher than salaries in Moldova, they often wish to stay. Many return to Moldova after their contracts expire and leave again several years later when an opportunity becomes available.

*“In 2006 the Republic of Moldova had 7,000 grant holder students studying abroad and there are no data on how many of them returned and how many were hired in state institutions”* IDI ASM.

The migration of intellectuals has negative effects. When young professionals leave, staff with little training are left behind. *“There is no staff deficit at the SUM, but there is a deficit of professional staff. The teaching staff is becoming older because the younger ones leave. There is no one to replace them because the best ones leave and the weakest ones stay. There is no “refreshing” of the teaching and research staff in universities. The positive effect is that the ones who return have new experiences, a different mentality, culture and new contacts. But the question is to what extent could these be used and whether they could be used at all.”* IDI SUM.

### 3.8. Role of the Current Economic Crisis

Numerous interviews with migrants and migrant families suggest that the global economic crisis has affected the employment status of many Moldovan migrants abroad (Annex 7, page 56). Migrants are facing reduced work hours, reduced incomes, job loss, difficulties finding a job and in some cases, expenses for accommodation and food that were formerly covered by the employer have been deducted from monthly compensation. This in turn, has affected the remittance and savings capacity of migrants.

According to a recent study by IASCI- CIVIS (2010) 31% of remittance-sending migrants sent fewer remittances to their HHs in Moldova in 2009 than in 2008; while 47% of receiving HHs reported receiving fewer remittances than the previous year. These data confirm the official estimates depicting a drop in value of transfers in 2009. According to the National Bureau of Statistics, as a result of these decreases in remittances, as well as other factors during 2009, the overall GDP in Moldova fell by 6.5%.<sup>57</sup>

According to the same IASCI-CIVIS 2010 study, in 2009/2010, and largely because of the impact of the global economic crisis, the group of non-remitters has grown substantially. It can be projected that this trend continued into 2010.

The global economic crisis has varying effects on the return behaviour of those left abroad. On the one hand, it might hasten the return of those migrants who want to avoid consuming the savings already gained. On the other hand, it may also delay the return of others; migrants who didn't reach their savings objectives may prefer to stay abroad to wait out the crisis. In both cases, savings capacity of the migrant plays the decisive role. From this point of view, the economic crisis has directly influenced the overall migration cycle.

On average, 31% of migrant respondents sent fewer remittances to Moldova in 2009 than in 2008...

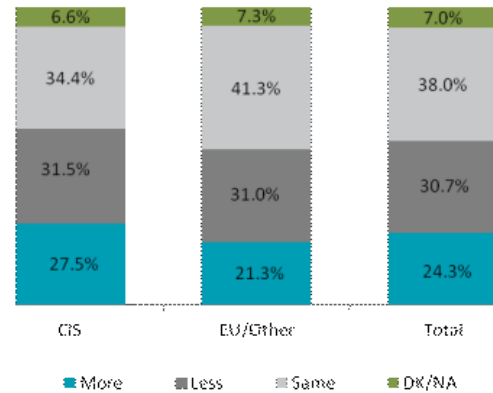


Figure 25. Impact of global economic crisis on remittance amounts in 2009

Source: IASCI/CIVIS 2010

<sup>57</sup> Preliminary estimate, National Bureau of Statistics, 2010, www.statistica.md

## ***Conclusions***

Migration has become a life strategy for Moldovans. Even after two decades of migration, people are still leaving for other countries illegally. The high priority destinations have stayed the same – the CIS (mainly Russia) and the EU (mainly Italy). However, a reorientation of migration patterns from CIS towards the EU states has occurred. Migration to Russia now often serves as a source of funding for migration towards the West. It has also been observed a shift from short-term and seasonal migration towards long-term migration. The reorientation of the migration patterns from lower income countries to higher income countries creates increased opportunities/potential for development impacts from migration; particularly in increased remittance flows or more stabilized/resistant remittance flows.

Migration has both positive and negative effects on the home country. The most important benefit of migration for Moldova is still remittances. These monetary sums are used mainly for consumption, enabling remitters' HHs to improve their standard of living. At the same time, migration enables migrants and their families to invest at home. Usually, migrants resort to "non-productive" investments, in particular, in housing. The results of the study show that these can generate employment and income for many non-migrants or ex-migrants. An important investment for Moldovans is education. Remittances increase educational expenditure in origin HHs, and in many cases, it is the only source of gaining access to university education. On the other hand, there is some evidence that migration may also create negative incentives for education, the greatest being the deterioration of educational quality as qualified teachers and researchers remain abroad, as well as the lack of parental supervision of children. Regarding the impact of migration on health, it is difficult to say whether the state of health has deteriorated or improved in the migration context. Specialised studies in this area are needed. However, a shortage of healthcare staff is widely felt. This shortage could be compensated for by new generations of professionals, although many qualified and young professions are not inclined to stay in Moldova. Faced with low salaries and limited career potential, shortly after graduation many educated youth migrate abroad.

Remittances are very important for HHs with migrants; however, the main purpose of migration is ultimately to save. Some of migrants' savings are accumulated in cash and/or banking systems in the place of migration. It is estimated that these retained savings average to hundreds of million Euros per year. Assuming appropriate incentives, safeguards and regulatory frameworks, these resources could be channeled into savings and investments in migrants' home countries, ultimately contributing to development.

After meeting basic needs, migrants tend to invest their capital in small-scale productive activities. Moldovans prefer to have family businesses built on their own resources, which are in most cases limited. The businesses are usually launched in migrants' home communities. In rural areas, financial capital is mainly invested in agricultural activities, while in urban areas investments are mostly made in retail, trade and construction. Moldovans' investment strategies are also limited. Frequently, migrants from the same community invest in the same types of businesses, such as mills, vegetable greenhouses, etc., which ultimately contributes to competition in the market and low profitability of the businesses. In addition, migrants contribute to the development of their communities mainly through attaining a level of individual prosperity, for example, through repair and modernization of their houses. Collective actions for achieving joint benefits are more the exception than the rule.

For return migrants, the decision to start a business is frequently hindered by a failure to re-integrate into the Moldovan labour market. Willingness, energy and ownership of some capital available for investment help to motivate the start-up of new businesses. Regretfully, the attempt to become self-sufficient and



remain in Moldova fails in many cases, either because of business failure or because the business does not meet expectations. As a result, many migrants resort to repeat migration.

The failure of some entrepreneurial activities can be attributed to many factors, the two main problems being 1) a lack of access to information (particularly in rural areas) and 2) difficulties in expansion and creation of businesses. Even if remittances have contributed to improving the life of many citizens of the Republic of Moldova and continue to ensure decent livelihoods, remittances are unable to solve the structural, economic and developmental problems that remain.

In spite of the numerous difficulties and challenges facing small enterprises, migrants remain generally optimistic, and trust that decision makers will change their attitudes towards small-scale producers. They hope addressing these issues will help them to bring back home the financial, human and social capital obtained from abroad.

Moldovans show a lack of trust in the financial and banking systems in the Republic of Moldova, as well as dissatisfaction with bank operations and services. As a result, Moldovans who have high savings capacity resort to informal banking methods. The enormous financial resources originating from migration are largely kept at home. In other words, banks have no access to these financial flows, limiting their capacities to contribute to the development of the country through provision of credit.

In cases of return migration, migrants often encounter difficulties when re-integrating into Moldovan society, often lacking the infrastructure, opportunities and support available to them previously in the countries of migration. This study revealed situations in which the financial, human and social capital acquired by Moldovans abroad is instead channelled towards, for example, Romanian border communities. Even if few such cases exist at the moment, there is a potential for these numbers to increase in the future, especially since obtaining Romanian citizenship by Moldovans has become easier.

Brain-drain from Moldova does not necessarily turn into brain-gain upon return. Irrespective of the level of qualification and education attained, Moldovan migrants abroad are often hired for low-skilled work or work for which they are over-qualified. Only rarely do these migrants benefit from training courses. Still, migrants often acquire a certain amount of human capital abroad, and attempts are often made to apply these new skills at home. The acquisition of new knowledge and skills and development of new values and lifestyles was registered mainly in the areas of construction and agriculture, but also in retail trade. These changes are shown through the purchase of equipment or machinery, the application of management skills and implementation of new business ideas in the home country.

The high migration rate in the Republic of Moldova (including a high volume of female migration) has resulted, along with other factors, in increased divorce rates. According to both experts and migrants, the process of family re-unification abroad has started. Many women have been legalising their status and bringing their children along. Legalisation provides migrants with the right to receive social contributions. Moldovans are also increasingly marrying abroad and remaining there, where the standard of living and social security systems are clearly higher. Moldova is affected by chronic political, social and economic instability, and a lack of opportunities for current migrants and their children. As a result, what began as temporary labour migration sometimes eventually turns into progressive depopulation.

Although there is a high degree of social cohesion between Moldovans abroad on an individual level, there is limited social cohesion among the community of Moldovans abroad (Moldovan diaspora) as a whole. These formal groups have the potential to become involved in the development of their home country, although their actual level of engagement in such activities remains limited.

A number of state institutions are responsible for keeping records of people's external migration and for managing migration problems. While the functions of these institutions are different, there is little or no

*Strengthening the Link between Migration and Development in Moldova*

coordination between these bodies. The authorities do not have control over migration. Coordinated guidance of responsibilities pertaining to the respective structures would allow for a more effective management of the migration phenomenon from the perspective of migrants and of the Republic of Moldova.

The international community shows openness to the Republic of Moldova by providing its assistance both to the Government and to migrants. In the first case it provides services and advice in order to ensure efficient migration management, it helps to find practical solutions to migration problems, and contributes to promoting international cooperation on migration issues. The international community also provides assistance to Moldovan migrants during all the stages of migration, including return home (which is very important from the development perspective). The openness of the international community is a resource, which should be used to develop a more efficient approach towards migration issues.

## ***Recommendations***

*“The actions, which are currently implemented in the area of migration refer to raising the level of economic knowledge and skills, but are not focused on specific actions for attracting remittances and migrants. There are no clear tools for which way and in which aspects to attract migrants and remittances; there are only very many discussions.” IDI ASM*

In more recent years, there has been growing realization among policy-makers, donor agencies and development specialists in Moldova that migrants should be supported in order to better capture development opportunities. The Moldovan government has many challenges ahead in the domain of migration, and finds itself at a critical point. If appropriate actions are taken, the country could, with the assistance of migration, place itself on a new path towards sustainable development.

The following are recommendations based on the research findings of this study, which are counselled...

### ***... to the Government***

- Coordinate structures and institutions responsible for keeping records of external migration and managing migration problems.
- Address shortcomings in the collection and reliability of statistics. This requires improvements in the collecting of migration-related data and in the system for overall registration and evaluation of the migration process. Statistics could serve to approach the phenomenon from the perspective of circular mobility, protecting Moldovan migrants, or facilitating money transfer. Knowing what types of work being carried out by migrants abroad could allow for the organisation of joint projects. Using the experience of Moldovan migrants in the EU, for example, could contribute to creating joint ventures or attracting affiliates, which could be aimed at using the new skills and technologies learnt abroad within the Republic of Moldova. The return home could be addressed through the facilitation of taxes on imports of new technologies and modern equipment. In other words, knowing the reality from relevant authorities could allow for bilateral negotiation on various aspects, which would be advantageous to both sides.
- Enhance cooperation between the Republic of Moldova and the destination countries in managing the migration process.
- Encourage the legalisation of Moldovans' residence abroad through the signing of mutual agreements. This would help to ensure the protection of migrants' social and economic rights. Legalisation also facilitates more frequent returns home.
- Extend diplomatic and consular presence in primary destination countries for Moldovan migrants. Currently, due to the lack of human and financial resources, consular and diplomatic missions abroad provide little help to Moldovan migrants in need of assistance. Migrants frequently request assistance when they are already in difficult financial situations.
- Strengthen contacts with the Moldovan diaspora through embassies, migrant organizations, the Internet, informal communities, etc. Inform migrants on investment opportunities in the country of origin.

### *Strengthening the Link between Migration and Development in Moldova*

- Continue the Moldovan government's actions to support SMEs.
- Continue monitoring and evaluation of government programmes for the productive use of remittances, with the aim of increasing the efficiency of such programmes.
- Reduce the general information vacuum in Moldova. Responsible institutions, including, but not limited to local authorities, should provide information on:
  - Procedures for launching a new business,
  - Identifying priority economic sectors and business opportunities with growth potential in the near future,
  - Obtaining entrepreneurial and management skills,
  - Financial mediation (loan provision opportunities, offers for grants or other programs supporting entrepreneurial activities, etc.).
- Target remittances towards business activities by supporting new entrepreneurs. This can be done through incentives such as exemption from income taxation, social contributions, preferential crediting terms, subsidies, grant components, reducing the number of inspections, etc.).
- Promote imports of required machinery, equipment, instruments and raw materials at preferential rates.
- Reduce bureaucratic red tape and corruption in order to facilitate entrepreneurship.
- Tackle infrastructure problems in rural areas in order to increase migrants' willingness to return and invest in these areas. Involve migrants in local infrastructure projects.
- Promote circular migration, so that the migration process does not severely or negatively affect families.

### *... to Banks*

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

*... to Moldovan Diaspora Groups*

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

*... to Civil Society*

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

*... to Mass-Media*

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

## ***Bibliography***

Becker, T., Hockenos, P., & Holmes, E. (2009). Remittances from Austria. Frankfurt School of Finance and Management. Vienna.

Elina Eskola. (2007). Investing in a Brighter Future Abroad? The Need for a Domestic Alternative in Moldova. SIDA

European Training Foundation. (2008). The contribution of Human Resource Development to Migration Policy in Moldova.

European Training Foundation. (2009). Moldova Country Report. Black Sea Labour Market Reviews.

Fix, M., Demetrios G. Papademetriou, Batalova, J., Terrazas, A., YiYing Lin, S., & Mittelstadt, M. (2009). Migration and the Global Recession. Migration Policy Institute, BBC World Service.

Jesús Alquézar Sabadie [et al.]. (2010). Migration and skills: the experience of migrant workers from Albania, Egypt, Moldova and Tunisia, World Bank and ETF.

IASCI/CIVIS DEVINPRO Moldova Market Analysis, 2010.

Interim Poverty Reduction Strategy Paper. (2000). Republic of Moldova, November 15.

IOM. (2008). Migration in Moldova: A Country Profile. Siar, S. (Ed.). Geneva.

IOM. (2009). The Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova - Early Findings. CBS-AXA.

Kramarenko, V. What is the fate of S&T in the Republic of Moldova? In W. Meske et al. (Eds.) IOS Press, 1998. Transforming science and technology systems - the endless transition? [www.books.google.com](http://www.books.google.com)

Lücke, M., Mahmoud, T. O., & Pinger, P. (2007). Patterns and Trends of Migration and Remittances in Moldova. The CBSAXA Survey 2006. IOM & Sida

Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009). Labour Migration and Remittances in Moldova: Is the Boom Over?. IOM, CBSAXA Survey 2006-2008.

Maddock, N., Ramguttee, L. (2009). "Responding to falling remittances and returning migrants" in Development and Transition, with reference to Migration and Development Brief (Washington D.C.: World Bank, 23 March 2009).

Mansoor, A., Quillin, B. (2006). Migration and remittances: Eastern Europe and the former Soviet Union. World Bank.

Marandici, I. Remittances and Development in Moldova, IDIS Viitorul. [http://www.viitorul.org/public/1258/en/Marandici\\_eng\\_3.pdf](http://www.viitorul.org/public/1258/en/Marandici_eng_3.pdf)

Mosneaga, V., & Corbu-Drumea, L. (2006). Migration to/from Republic of Moldova: process and regulation (first decade). Moldovan population in the context of international migration, vol.I, Iasi.

*Strengthening the Link between Migration and Development in Moldova*

Mosneaga V. with reference to Евдокимова Л. Коммерческая миграция населения Республики Молдова: основные этапы и их характеристика [commercial migration of the population of the Republic of Moldova: main stages and their characteristics]. // Население Молдовы и трудовая миграция: состояние и современные формы [Moldovan population and labor migration: status and current forms]. – Chisinau, CAPTES, 2000.

Mosneaga, V. (2009). Moldovan Population in the Context of Current Migration Processes. Moldova – Transdnistria: Working Together for a Prosperous Future, 156-172. Chisinau: Publishing House.

National Bureau of Statistics. [www.statistica.md](http://www.statistica.md)

Pyshkina T. V., (2002). Economic Consequences of the Migration of Labour from the Republic of Moldova/ UN World Institute for Development and Economic Research, Helsinki.

Schwartz, R. (2007). Exploring the Link between Moldovan Communities Abroad and Moldova, IOM and SIDA, Chisinau.

UNDP, Good Governance and Human Development. Moldova Human Development Report 2003.

Van Krieken, P., Cernei, T. (2010). Raport Privind Readmisia – Republica Moldova. OIM.

Walewski, M., Sandu, M., Mincu, G., Hristev, E., & Matysiewicz, B. (2008). The impact of migration and remittances on the rural areas of Moldova and Case Study on migration management in Poland. Centre for Social and Economic Investigations (CASE).

[www.msmt.cz/uploads/Areas\\_of.../Action\\_Fiche\\_healthworkers.doc](http://www.msmt.cz/uploads/Areas_of.../Action_Fiche_healthworkers.doc)

[http://portal.unesco.org/en/files/44210/12288309151Gheorge\\_DUCA-\\_Moldova.pdf/Gheorge%2BDUCA-%2BMoldova.pdf](http://portal.unesco.org/en/files/44210/12288309151Gheorge_DUCA-_Moldova.pdf/Gheorge%2BDUCA-%2BMoldova.pdf)

[www.iom.md](http://www.iom.md)

Annexes

Annex 1. The profile of the interviewed migrants

Nr.	Name	Urban/Rural Raion	Age	Educ. level	Country of migration	Area of investment	Invested amount (Euros)	Plans/future investment	No. employees
<b>CENTRE Zone</b>									
1.	Elena	U, Chisinau	32	H	EU (Italy)	Real estate		Agriculture	-
2.	Mihai	R, Sângerei	32	H	EU (France, Greece, Portugal)	In the past has invested in launching a business – a mill	About 20,000		-
3.	Sergiu	R, Bender	26	H	EU (Romania)	Experimental greenhouse	4,000	Extension, use of alternative energy resources	1
4.	Iurie	U, Chisinau	35	H	CIS (Ukraine)	Pesticide store	6,000		3
5.	Oleg	R, Criuleni	24	M	EU (UK)	Agriculture (corn)	20,000		7
6.	Vladislav	R	29	M	EU (UK)	Agriculture			
7.	Ion	R, Cimişlia	28	M	EU	Agriculture			
8.	Vera	R, Nisporeni	39	M	EU (Italy)	Agriculture, Cooperative for service provision using agricultural equipment	12.000		4
9.	Tamara	R, Anenii Noi	54	H	EU (Italy)	Real estate			-
10.	Silvia	U, Străşeni	46	H	EU (Greece, Italy)	Taxi (launching a business)	5,000		1
11.	Gheorghe	R, Cimişlia	40	M	EU (Lithuania) CIS (Russia)	Agriculture Vineyard			
12.	Ion	R, Orhei	56	H	EU (Italy)	Agriculture Orchards (seedlings) Agricultural equipment (tractor) Livestock (500 bird heads)		Irrigation system	4
13.	Irina	U, Chişinău	25	H	USA	Trade (store)			11
14.	Nicolae	R, Bender	29	M	CIS (Ukraine)	Agriculture, Orchard			
15.	Nicolae	R, Sângerei	30	L	CIS (Russia) EU (France)	Greenhouse	14,000	Extension	2
16.	Oleg	U, Chişinău	44	H	CIS (Russia)	Translation services	2,000		1-3
17.	Viorica	R, Criuleni	30	M	EU (Portugal, Greece)	Furniture factory	5,000		4
18.	Alexandru	R, Causeni	22	H	USA	Construction (unofficial)	5,000	Golf club,	3



*Strengthening the Link between Migration and Development in Moldova*

								Entertainment site	
19.	Anton	R, Orhei	59	M	EU (Italy)	Tourism		Rural tourism (he would like to build a mini-hotel, pension in the Codri region)	3
20.	Galina	R, Orhei	48	M	EU (Italy)	Education of children			-
21.	Aurel	R, Orhei	50	L	EU (France) Israel	Lake		Wedding party hall	
<b>NORTH Zone</b>									
22.	Boris	U, Bălți	53	H	Egipt, Irac, Algeria, EU (Romania, Bulgaria)	Aviation services in agriculture, Store			
23.	Andrei	U, Bălți	24	M	CIS (Russia)	Repair of apartments	1,000		2
24.	Vitalie	U, Bălți	40	M	CIS (Russia)	Repair of apartments	800		2
25.	Constantin	U, Bălți	47	H	EU (Romania), CIS (Russia)	Real estate agency			
26.	Ludmila	U, Bălți	49	H	EU (France)			Language and translation bureau	
27.	Eugeniu	U, Bălți	62	H	EU (Portugal)	Agriculture			
28.	Zinaida	R, Făleşti	50	M	CIS (Russia)	Export to Russia			1
29.	Vladislav	U, Bălți	54	H	CIS (Ukraine)	Had a trade business			
30.	Ludmila	R, Ocnita	47	H	CIS (Russia)	Orchard			
31.	Lilia	R, Ocnita	47	H	CIS (Russia)	Had a bakery		Veterinary clinic	20
32.	Nicolae	R, Ocnita	58	M	CIS (Russia)	Agriculture (land holding, machines and equipment (tractor, seeder, truck, cultivator, sprayer), orchard and cereals)			3
33.	Marcel	R, Briceni	33	L	EU (France)	Store, bar.  Used to have a furniture factory, but gave it up after 5 years of operation, because sales decreased	15,000		3
<b>SOUTH Zone</b>									
34.	Mariana	R, Leova	31	L	CIS (Russia), EU (Italy)	Store			2
35.	Olesea	U, Cahul	30	M	CIS (Russia)	Store of photo-video appliances			2
36.	Cristina	R, Cahul	29	H	CIS (Russia)	Entertainment			

*Strengthening the Link between Migration and Development in Moldova*

37.	Aliona	R, Cahul	33	H	EU	Livestock			
38.	Natalia	U, Cahul	23	H	CIS (Russia)			No answer	
39.	Ion	R, Cahul	34	H	EU (Romania)	Agriculture			1
40.	Vitalie	U, Cahul	32	M	CIS (Russia)	Opening a store			
41.	Mihai	R, Cahul	18	L	EU	Disco			1
42.	Marina	R, Cahul	18	L	EU			Vineyard	
43.	Vitalie	R, Cahul	30	H	CIS (Russia), EU (Portugal, Spain)	Grapes (has a refrigerator and is selling grapes in winter)  In the past had a business in Cahul – car rent.		Leisure and entertainment site	3
44.	Mihail	R, Cahul	21	L	CIS (Russia); EU (UK)	Agriculture (alfalfa, wheat, sunflower) / agricultural equipment (including service provision)		Other business in agriculture	3
45.	Luminița	U, Cahul	36	H	EU (Italy) Turkey	Bar / services for children  In the past carting		Transportation services to Romania (TIRs)	
46.	Valentina	R, Comrat	40	H	CIS (Armenia, Ukraine, Russia)	Started with restoration of old furniture. Currently own a furniture factory, also paint doors		Importing wood from Russia for furniture	3
47.	Marina	R, Comrat	25	H	Turkey CIS (Russia)	Store		Reopening the store	3
48.	Tudor	R, Cahul		H	Turkey, CIS (Russia) EU	Mill, vineyard, store	At least 60,000	Agriculture (cultivation of strawberries and raspberries).	
49.	Andrei	U, Cahul	21	H	USA	Photo services	Under 1,000 Euros	New photo technologies	3
50.	Ruslan	R, Vulcanesti	28	H	EU (UK)	IT (development of web sites)	Partnership with France	Cultivating medicinal herbs for export	6
51.	Irina	U, Cahul	25	H	EU (Italy)	Dressmaking (the husband has sent two high performance sewing machines)			3
52.	Vadim	R, Comrat	24	H	CIS (Russia), EU (Bulgaria)	Building/repair real estate			70
53.	Natalia	R, Comrat	29	M	CIS (Russia)	Store (closed due to crisis)			
54.	Ala	R, Orhei	55	H	EU (UK) Son	AgroPension		Extension	

## ***Annex 2. Departure intermediation***

*“I left for Italy in 2002. I applied to a tourist company which opened a visa for me for 3,000 Euros”. Woman, age 48*

*“In 2003 I left for Spain. An acquaintance assisted me to get a visa as a minibus driver for 3 months in Europe. Services cost me 2,000 Euros”. Man, age 30*

*“To get to Spain my acquaintances (husband and wife) paid 5,000 Euros each. They came with a team of sportsmen. The person dealing with visas for the sports team “squeezed them into the list”, Woman, age 34*

*“I had a week visa for Austria to attend a conference in the area of agriculture, and from there I left for Italy, where I stayed for several months.” FGD1*

### ***Annex 3. Gains from migration***

*“I learned what management is. I realised that if the business is not well managed, it fails. We lack good management at the very time of business launching. I learned what clients are and how to establish connections with them. This helped me a lot in creating my own business back home.” IDI 3*

*“Coming back home we wanted to do something which we saw abroad and liked a lot. We opened a bar for children, we purchased vehicles with electrical engines for children and then we invested in carting. Initially it was difficult because we had no experience, but due to our stay abroad we have learnt some things and implemented them here and now things are all right.” IDI 44*

*“My husband has worked at a monastery in Russia where he was doing wood carving. There he got the idea to bring home the wood and to work at home.” IDI 46*

*“The children I was taking care of in Turkey were learning in a German school with an English profile. I obtained a lot of materials and information from them and learned some skills for work with children. I brought the knowledge back and I try to apply it in the native village school where I have worked as a foreign language teacher since my return home. I noticed that children liked my lessons more than an ordinary class and they started to pay greater attention to the subject.” IDI 47*

*“My father worked for five years in Italy in construction. There he purchased some equipment which he brought home. The equipment brought from Italy is of higher performance, very accurate and easy to work with. We have also purchased a truck for work and we start operating gradually. If everything goes well, we will create a construction business.” FGD2*

*“My husband brought back experience. When he left for Moscow he had no connection to construction. But using gained experience, he came back and is building our own house with his own hands. He says that it was like a school for him.” FGD 3*

#### ***Annex 4. Migrant investment intentions***

*“I would like to open a golf club in the future. I have worked in such a club abroad and learned some things in this area. I noticed how clients are being attracted and have formulated some of my own ideas about such a business. I know what I would like to exclude and what to add to my own business.” IDI 18*

*“If I had an opportunity, I would still invest in tourism. I would build a small hotel or a pension here in our Codri region. If another businessman would like to invest, so that we build things quicker, I would accept a partnership.” IDI 19*

*“My husband plans to return from Russia and open a veterinary pharmacy. He is a veterinarian by profession and there is no veterinarian in the village. People need the services and it will be more convenient for them to have a specialist right in the village than to call one from the regional centre and to pay for his fare plus services. In addition, one needs to do something anyway. One cannot stay forever in Russia and he is not getting any younger.” IDI 30.*

*“In our village there are many land holdings in the valley where strawberries and raspberries may be planted. I notice that when I want to buy them in the market I cannot find them, or they are very expensive. If the state supported such an initiative for a long period of time it would be quite an opportunity.” IDI 48*

*“I would like to create a business in the area of agriculture. There are opportunities to involve partners from France. There are many herbs in the Republic of Moldova which may be exported for the production of medicines. For the time being, I have no sufficient funds and have not thought out my strategy yet, but I trust that I will make a decision in the future.” IDI 50*

***Annex 5. Return migration support projects: a successful experience***

Nicolae (age 30) returned to Moldova from France after benefiting from OFII (Office Francais de l'Immigration et de l'Integration<sup>1</sup>) services. The OFII has funded his return home and recommended to him to apply to the Alianta Prosperarii (Prosperity Alliance)<sup>1</sup> to get support in launching a business. The financial support amounted to 7,000 euros and was provided in form of agricultural equipment:

*“While in France, I found out from friends about the programme for support to migrants who want to return home. We visited OFII. They pay for the travel and accommodation. We told them the area we wanted to create a business in. Thus, we came to Alianta Prosperarii in Moldova, which assisted me in launching my business. I had to prove to them that I was motivated to do something here. After starting my business, I have sent them pictures, showing that the business was operational and they offered to me financial support in the amount of 7,000 euros, equal to what I have invested from my own funds. I created two greenhouses for vegetables, one for tomatoes and cucumbers, and another for late cabbage. Up to date the business is operational and I am happy with it.” IDI 15*

## ***Annex 6. Reasons for mistrusting Moldovan banks***

*“We thought to save some money and to place it in a bank, but with this instability in the country, we gave it up.” IDI 47*

*“There were times, when we needed the money urgently. I could not withdraw from the bank the amount I needed. At that time I was keeping a large amount in the bank, but the bank did not release it to me for various reasons. There are times when money machines do not operate or allow for withdrawing a limited amount per day. Therefore, it is better for me to keep my savings at home.” IDI 50*

*“I had deposits with a number of banks: AgroindBank, Viktoria Bank. I would make a deposit, where the interest on deposits was larger. The worst was AgroindBank: initially, I made the deposit at an 8 percent interest rate, but after half a year the bank decreased the interest rate to 3% and never informed me about it. The contract said the bank had the right to change the interest rate, but the bank neglected to inform me. I have found out about the change only three years after opening the account. I was not at all happy with the services provided by them.” IDI 43*

*“We had savings at InvestprivatBanc. The bank had invested large amounts in building some blocks of apartments, but they could not be finished and the people were left with no money and no apartments. The issue had political implications. As a result, the bank no longer exists, while we have lost a part of our money (20,000 USD) and we cannot recover it. We do not know when and in which way will the problem be resolved.” IDI 46*

*“Several years ago I had a deposit in foreign currency. When I needed to withdraw the money I faced many barriers. I could only withdraw the money from a certain affiliate of the bank, that is, I was being sent from one affiliate to another. At the respective affiliate, I had to submit an application for the following day in the afternoon. If there is some emergency and one wants to withdraw money from one’s own account, there is the risk not to be able to do it.” FGD 1*

*“The state guarantees only six thousand Lei from the deposit in a bank, irrespective of the amount in the account. In the Netherlands, for example, the amount guaranteed is 37 thousand Euros. In the Republic of Moldova, the state provided an inconvenient guarantee.” FGD 2*

*“I have opened an account in Euros in the Banca de Economii, but the bank is showing me the account in Lei. The exchange rate of foreign currency is always fluctuating. I placed three thousand Euros in Briceni with an affiliate of the bank. When the money depreciated, I wanted to withdraw it, but all I got was Lei. They had Euros only in Chisinau; there were no Euros in Briceni. If I needed Euros, I had to go to an exchange office and change the Lei, thus losing a certain amount of money.” IDI 32*

*“I had a deposit in Moldinconbank, but the interest rate was very low – 4 %. The bank takes from people 26 % on loans and it gives 4%. It was very unfair and I closed the account.” FGD 1*

## ***Annex 7. The effects of economic crisis***

*“The salary was decreased 20-30% and we are sending home less” IDI 51, 19, 21, FGD 1.*

*“When I saw that trouble was starting, I came back home.” FGD 1*

*“My husband was working in Russia and he had an understanding to be paid a certain amount in autumn in Russian roubles. The currency depreciated along with the crisis and he obtained half of the agreed amount. In addition, earlier, the employer was providing them with free accommodation and food, but along with the crisis, he started to deduct these expenses from the remuneration. Thus, the net income was very low.” IDI 30*

*“Since the remuneration was not calculated against some exchange rate, we were paid less along with the crisis. For example, earlier the rate with the dollar was 25. Then it turned to 30. It means that I was losing 400 dollars from 1,000 dollars per month. Thus, earlier I was sending back \$1,500, and now only \$1,000.” FGD 3*

*“The crisis is felt. There was less work and certainly we were saving less.” IDI 43*

*“In the USA it was more difficult to find work and, finally, the annual earnings were not the same as during the first year. They were slightly less.” IDI 49*

*“Yes, at the time the crisis began, my position was reduced and I lost my job. However, this was the reason that made me come back home and start my own business. As a result, currently I do not want to go anywhere.” IDI 3*