



Moldova Market Analysis

IASCI
International Agency for
Source Country Information

CIVIS
Centre of Sociological, Politological and
Psychological Analysis and Investigations

Annex II

Literature Review

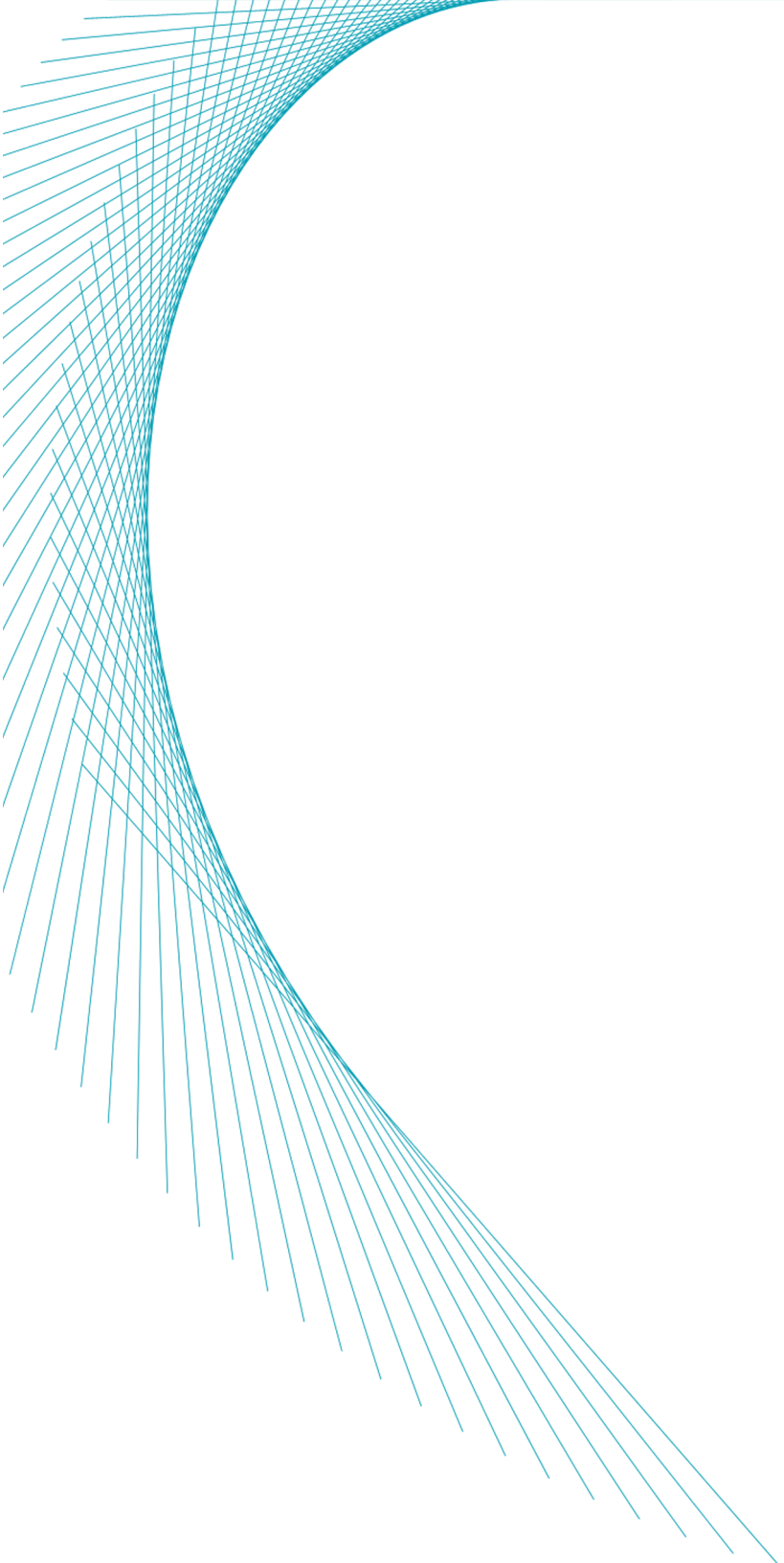
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Contents

International migration and its dynamics over time	5
Brief Historical Overview	5
Internal migration.....	6
Contemporary Migration Flows.....	6
Migration Factors.....	8
Directions of Migration.....	9
Socio-Economic Characteristics of Migrants	13
Future trends on migration	15
Financial flows.....	18
Remittances trends	18
Transfer mechanisms.....	21
Savings, investments and financial literacy	22
Implications of the crisis on savings and investment trends.....	24
Regulatory, political and environmental issues	25
Institutional framework.....	25
Legislative framework.....	26
Government-specific initiatives in the Area of Migration and Development	29
Conclusions and Recommendations	33
Conclusions.....	33
Recommendations.....	35
Bibliography	37



International migration and its dynamics over time

Brief Historical Overview

During the communist era, the Republic of Moldova (RM) was integrated into the migration flows within the Soviet Union, mainly because “external” migration was prohibited during this period. The movement of Moldovans within the USSR was comprised mainly of people seeking higher earnings in other regions of the Soviet Union such as the Far East, Siberia, and the Far North.

At the same time, the inhabitants of other republics within the Soviet Union were coming to Moldova and were engaged in the industrialization of the country. Both voluntary and compulsory migration strategies were utilised.

The collapse of the USSR and the subsequent assertion of the new independent states encouraged the return of citizens to their historic homeland and the process of family reunification.

At the same time, independence was strengthened under the conditions of worsening of ethnic relations, sometimes manifested through ethnic and/or military conflicts (in the case of Moldova, the Transnistrian conflict from 1990 to 1992)¹.

The role of this conflict in the process of migration should not be overestimated; however, almost 100,000 refugees² have been registered in third countries as a consequence.

Since the second half of the 1990s, the migration of the Moldovan population was mainly economically motivated. The first form of economically motivated migration was commercial in nature (purchase of goods from abroad and their sale on the Moldovan market) with countries such as Turkey, Poland, Russia, Romania and Germany being the main destination countries³. However, the introduction of a visa regime, more complicated customs control and equalisation 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 after the year 2000.⁴

¹ For a brief history on the Transnistrian Issue please refer to Endnote 1.

² 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.254. Iasi.

³ 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 labour migration: status and current forms]. – Chisinau, CAPTES, 2000, p.65-83.

⁴ 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.

Internal migration

According to a CIVIS study (with reference to the data of the National Bureau of Statistics)⁵ the internal migration in Moldova shows a negative balance, meaning that people are increasingly leaving their place of residence in rural areas in order to migrate to larger towns and cities.

Only the following municipalities saw positive internal migration balances in the past two years: Chişinău (inflows were 7.9 times higher than outflows), Bălţi (3.3 times higher) and Cahul (1.6 times higher).

This phenomenon is caused by the fact that larger municipalities offer better employment opportunities and improved living conditions compared to rural settlements. This characteristic of internal migration is also a driving factor for migration abroad. Official statistics estimate the overall distribution of the population of Moldova to be 60% in rural areas and 40% in urban areas. Relevant literature indicates that rural migrants constitute around 70% of external migration flows, while urban migrants make up the remaining 30%. This suggests a continuing degradation of village life in Moldova, as more migrants are leaving rural areas than urban ones. The result is a depopulation of rural areas.

⁵ *European Training Foundation (ETF). (2007). Migration Patterns and Human resource Development Issues in Moldova. CAISPP CIVIS, p.8.*

Contemporary Migration Flows

Mass-migration processes in the RM began in the late 1990s. Despite being a relatively new phenomenon, by mid-2006, approximately one-quarter of the economically active population of Moldova was working abroad⁶.

Moldovan migrants are an important source of foreign exchange for the country, particularly because of the increasing volume (until July 2008) of remittances they send from abroad. According to World Bank data, 36% of the country's GDP for 2007 was generated by remittance income, placing the RM in the list of countries with the highest level of dependence on remittances.

Statistical data on the number of Moldovan migrants abroad varies by source. An overall lack of complete and reliable statistics regarding the exact number of people working abroad is a problem caused mainly by a lack of data gathering and efficient record keeping in Moldova.

Additionally, adequate monitoring of migration is hampered by the fact that Moldovan authorities have had no executive control over the Transnistrian region (including the eastern

⁶ Lücke, M., Mahmoud, T. O., & Pinger, P. (2007). *Patterns and Trends of Migration and Remittances in Moldova. The CBSAXA Survey 2006. IOM & Sida., p.6*

borders of the country) since 1992⁷. As a direct consequence, the most commonly available data on labour migrants and migration in general refer to the right side of the Nistru River only (i.e. the Republic of Moldova, except Transnistria).

There is large variation between recent migration data carried out by Moldovan public institutions, international organisations and national non-governmental organisations. While current official estimates indicate that more than 600,000 Moldovans are living and working abroad, some sources (particularly media) report that these figures are significantly underestimated; the highest forecasts indicate up to one million Moldovan citizens living abroad.⁸

- The first official estimation on migration dimensions was published by the 'Department of Statistics and Sociology' in February 2003⁹. According to these figures, 234,000 Moldovans were working or seeking employment outside the country, representing 11.4% of the employable population at that time.

⁷ see Endnote 1

⁸ unofficial and hence unproven expert estimations

⁹ Sleptova, E., "Labour migration in Europe: special focus on the Republic of Moldova", IPP, Chisinau, 2003, p.21

- Another study, conducted by the Alliance for Microfinance¹⁰, shows that in 2003, around 265 to 285 thousand Moldovan citizens had left for work abroad.
- According to a census conducted in October 2004, a total of 273,000 people originally residing in Moldova were reported by members of their households to be living abroad. Of this total number, 130,000 people (or 47.7%) were recorded as being abroad for over a year. Most of those migrants had gone temporarily abroad as seasonal workers, or were seeking employment (88.7%)¹¹.
- The National Employment Agency estimates a much higher number of Moldovan migrants: according to this source the migration flow in 2004 constituted 354,000¹² people.
- A study carried out by CBS AXA¹³ in 2004 estimated that 399,000 of Moldovan citizens were working abroad (the migrating

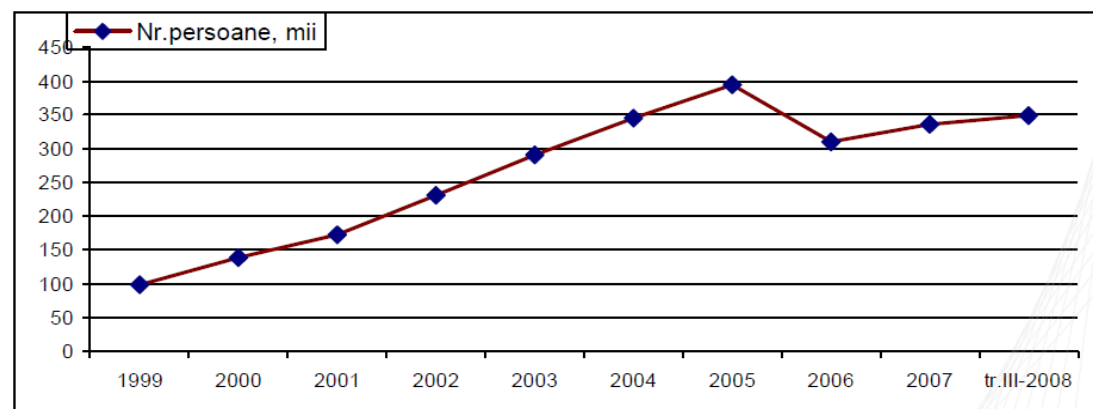
contingent of the country was about 571,000 people and the migrating potential approximately 690,000 people).

- Another major source of information on the number of long-term labour migrants is the result of the Labour Force Survey (LFS) that is collected on a quarterly basis by the National Bureau of Statistics. This data shows that, starting from 1999, the number of Moldovan labour migrants has been

increasing (from 57,000 in 1999 to almost 430,000 in 2005).¹⁴

- Both LFS and CBS AXA estimates show that migration stocks continued to increase in 2006 and 2007. Since the last quarter of 2007 the Moldovans' migration flow seems to have levelled. In the third quarter of 2008, it remained at roughly the same level, after recovering from over three consecutive quarters of decline.¹⁵

Figure 1: Emigration stocks 1999–2008 (thousands people)



Source: Labour Force Surveys, National Bureau of Statistics (2008)

¹⁰ Ghencea, B., Gudumac, I. (2004). Labour Migration and Remittances in the Republic of Moldova. Moldova Microfinance Alliance & Soros Foundation Moldova., p.41

¹¹ National Bureau of Statistics, Informative note on Census data of population in 2004: Migration of Population, nr. 15-06-18. www.statistica.md

¹² Raviv Schwartz, "Exploring the Link between Moldovan Communities Abroad (MCA) and Moldova", Asdi - IOM, 2007, p.11

¹³ IOM. (2004). Migration and Remittances in Moldova. CBS AXA., p.6-7

¹⁴ IOM. (2008). Migration in Moldova: A Country Profile. Siar, S. (Ed.). Geneva., p.8

¹⁵ Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009). Labour Migration and Remittances in Moldova: Is the Boom Over?. IOM, CBSAXA Survey 2006-2008., p.7

These fluctuations are almost entirely due to migration flows to Russia, with the number of migrants in other host countries remaining fairly stable throughout 2006, 2007 and 2008.

Overall, the CBS AXA survey suggests that more than half a million individuals of working age in 2008 have been in migration at some point during their working lives.¹⁶ This is confirmed by data based on bilateral estimates of the World Bank with respect to migration, presented by IOM in the report “Migration in Moldova – A Country Profile” (2008, p.7). According to these estimates, there were 705,533 Moldovan migrants in 2007.

Migration Factors

Migration as a social phenomenon is determined by a series of ‘push’ and ‘pull’ factors. Moldovans are generally *pushed* to go abroad because of their exposure to poverty, a lack of adequate employment opportunities, low salaries and the lack of any adequate level of economic security in general.

The *pull factors* motivating Moldovans to leave the country are primarily the higher income levels of the host countries, better living standards, better opportunities for personal development and other successful migrants with

already established social networks abroad (relatives, acquaintances and close friends).¹⁷

The CBS AXA¹⁸ studies show that push factors have a greater influence on migrants’ decision in choosing the CIS countries, while pull factors seemed to be more dominant in influencing the decision of migrants oriented towards the EU as a destination.

The analysis of the sociological surveys on migration from Moldova over the different periods reveals a gradual change in the main reasons for migration. Initially, one of the main reasons for Moldovans to go abroad was the lack of financial resources and employment opportunities in Moldova¹⁹. However, the study conducted by CBS AXA at the end of 2004 records the lack of financial resources to cover daily consumption needs as the dominating factor for labour migration (i.e. working-poor). One explanation could be that a wider variety of job opportunities were available in Moldova than in previous periods (mainly in the urban settlements and large towns), but the salaries

offered were not sufficient to ensure a decent standard of living. The commercial character of labour migration from Moldova between 1988 and 1999, mentioned earlier also seems to be a factor in this process.

According to the CASE Report²⁰, the return of migrants is determined by government (and other) decision makers’ commitments to ensure more effective governance, adequate employment opportunities, an infrastructure that allows for business development and better quality of public services such as education and health. The same study reveals that a monthly income of no less than 500 Euros would stimulate the return of many Moldovan workers.

Migration has both positive and negative effects for the RM. Consumer spending, financed largely by remittances, have helped facilitate the country’s economic recovery in 2000-2007, with a remarkable growth in GDP ranging from 2.1% to 7.8% per year in the period 2000 to 2005.²¹ The amount remitted by Moldovan migrants working abroad has been growing, reaching its maximum value in 2007 (at 36% of GDP). This exodus of the labour force has reduced

¹⁶ Ibid.

¹⁷ 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

¹⁸ Centre for Sociological Investigations and Marketing, <http://www.cbs-axa.org>

¹⁹ According to the study “Human Trafficking from Moldova for Labour and Sexual Exploitation”, carried out by CIVIS for the International Labour Organization at the end of 2002.

²⁰ 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.22.

²¹ “The quality of economic growth and its impact on human development”, The Republic of Moldova, National Human Development Report, 2006, p.10

unemployment and increased pressure on the necessity of raising salaries.²²

Remittances represent the most substantial and stable currency inputs (compared to foreign direct investments, exports, loans and foreign assistance). They have contributed significantly to poverty reduction²³, the increase of the budget (through VAT, import duties), the development of the banking system and financial intermediation services, and the increase of official reserve assets.²⁴

On the other hand, migration has induced social costs. The phenomenon has a negative influence on local labour force in terms of reducing the economically active part of the population (from 1,682,000 people in 1999 to 1,302,000 in 2008)^{25/26}.

²² Moraru, A. (2009). Remittances and their economic impact on Republic of Moldova (Doctoral dissertation, Technical University of Moldova, 2009).

²³ between 1999 and 2004, 40 percent of the Moldovan population was moved out of poverty, representing the largest reduction in poverty (in percentage terms) in the Europe and Central Asia region over this period (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).

²⁴ Ibid.

²⁵ 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

The literature also indicates that the labour force contraction, brain drain and an aging population may threaten the sustainability of the social security system. Some analysts maintain that the expectation that Moldovan migrants will return with new skills and work experience may not be justified because Moldovan migrants usually carry out activities that do not require high qualifications and do not contribute to their professional growth. In case of the more qualified, such as doctors, teachers, engineers etc., there may actually be a loss of qualification as a result). According to Tatarciuc A., migration can be seen as having a negative impact on the quality of local labour because the training of those who leave is superior to that of those left behind.²⁷

The literature also indicates that Moldovan migrant remittances foster a culture of dependence on easy money that reduces the desire of people (especially youth) to participate in economic activities (i.e. 'moral hazard'). Remittances contribute to increasing income inequality between families that benefit from

Study on migration management in Poland. Centre for Social and Economic Investigations (CASE), p.20

²⁶ Labour force in the Republic of Moldova: employment and unemployment, in 2008. Retrieved from

<http://www.statistica.md/newsview.php?l=ro&idc=168&id=2561>

²⁷ Tatarciuc, A., The influence of migration on the labour market. *Magazine of Public Policies*, 19-23., p.20

external support and households that have no family members abroad, causing greater social disparity. Remittances, representing a source of currency flows, may also stimulate increases in domestic prices and result in higher inflation.

Among other negative impacts, family dissolution, raising children without parents' care, exploitation and poor working conditions abroad and the risk of trafficking in human beings may all result from migration.

Directions of Migration

Labour migration from the Republic of Moldova is mainly oriented towards two regions: a) the Commonwealth of Independent States (CIS) countries, predominantly Russia, and b) to Western Europe, predominantly Italy. The 2004 census data, the CBS-AXA studies, as well as other studies performed show that Russia is the main destination country for Moldovan migrants, absorbing more than a half of the total number (59%)²⁸, followed by Italy with 17% of total migrants (Chart 2).

Orientation of migrant flows mainly to CIS countries is conditioned by several factors. One

²⁸ Lücke, M., Mahmoud, T. O., & Pinger, P. (2007). Patterns and Trends of Migration and Remittances in Moldova. The CBSAXA Survey 2006. IOM & Sida., p. 16.

of them refers to the much lower initial cost, when compared to the EU (according to IOM the cost of migrating to the EU amounted to almost US\$ 3,600 in 2006, vs. around US\$ 100 for CIS countries and around US\$ 880 for other migrants going to Turkey, Romania, and Cyprus²⁹).

Travel to the CIS countries (Russia and Ukraine) is visa-free. As such, migration to these countries is usually legal.³⁰ At the same time, illegal residential status is more widespread in CIS countries (see below). A 'Schengen Visa' is necessary to enter most European Union countries to the west. Limitations (on time, for example³¹) in obtaining visas may contribute to the problem of illegal access or entry to EU countries, as well as increasing informal costs of a journey (they range between EUR 2,500-4,500³²). According to one study, the proportion of illegal migration can be as high as half of the

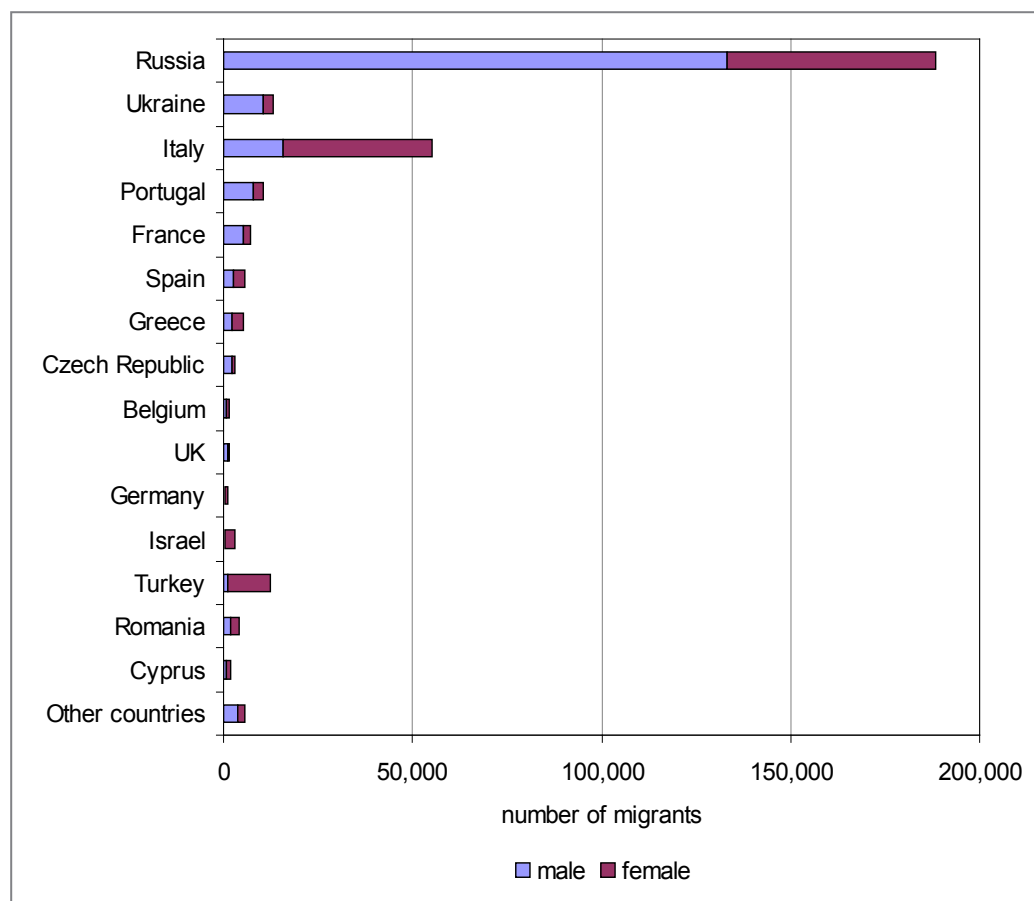
²⁹ Ibid., p.4

³⁰ European Training Foundation (ETF). (2009). Moldova Country Report. Black Sea Labour Market Reviews., p.76

³¹ Visa application procedure, besides requiring some financial resources, is a lengthy procedure. To speed up the issuance of a visa, people often use the services of some intermediaries - individuals or "tourist" companies (some of them without legal license) who specialized in obtaining Schengen visas.

³² 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., p.162

Figure 2: Destination countries of Moldovan labour migrants in 2006 by gender



Source: Lücke Matthias, Toman Omar Mahmoud, and Pia Pinger, *Patterns and Trends of Migration and Remittances in Moldova: The CBS-AXA Survey 2006*, IOM, Chisinau, 2007, p. 16.

total number of migrants going to Western Europe³³ (According to one of the CBS-AXA studies³⁴, in 2006 every 4th migrant to Western Europe went abroad illegally).

According to Luecke, M., Mahmoud, T.O., & Steinmayr, A., approximately one third of Moldovan migrants are residing in their host countries illegally³⁵. Illegal residential status is more widespread in CIS countries. Russia (which absorbs the largest share of Moldovan labour migrants) requires guest workers to register their stay within a specific period of time (usually 3 days). Migrants often fail to register by the deadline because of difficulties encountered in obtaining the necessary residence and work permits. Employers are normally responsible for carrying out this process, but often fail to meet their requirements in getting the necessary permits for the migrants.³⁶

The situation of legal stay and work has improved in the EU and other host countries because of regulations and campaigns for

legalisation (particularly in Italy and Spain³⁷). Migrants who remain in their countries of destination for a longer period (predominantly in the western countries) often succeed in regularising their status. CBS-AXA studies show that among persons who were classified as

migrants both in 2006 and 2008, and which had no stay permits in 2006, 65 percent had received legal stay permits by 2008. As noted by many studies, illegal residence status negatively impacts the character, working conditions, labour remuneration and capacity of migrants'

Figure 3: Preferred cities of destination by Moldovan migrants in 2006

Cities of destination	Countries of Migration	Number of migrants	Share of all migrants (%)
Moscow	Russia	145,388	51.69
Rome	Italy	12,815	4.56
St. Petersburg	Russia	9,084	3.23
Istanbul	Turkey	8,597	3.06
Odessa	Ukraine	7,650	2.72
Lisbon	Portugal	6,294	2.24
Milano	Italy	5,801	2.06
Padua	Italy	4,849	1.72
Paris	France	4,222	1.5
Tiumeni	Russia	3,893	1.38

Source: 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.

³³ European Training Foundation (ETF). (2009). Moldova Country Report. Black Sea Labour Market Reviews., p.76

³⁴ Lücke, M., Mahmoud, T. O., & Pinger, P. (2007). Patterns and Trends of Migration and Remittances in Moldova. The CBSAXA Survey 2006. IOM & Sida., p.4

³⁵ 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

³⁶ Raviv Schwartz, "Exploring the Link between Moldovan Communities Abroad (MCA) and Moldova", Asdi - IOM, 2007, p.28

³⁷ By 2007 over 40,000 Moldovan nationals have been legally working in Italy. During 2005-2007 Italy has issued 10,000 entry permits to Moldovan labor migrants (<http://soderkoping.org.ua/page15503.html>).

remittances³⁸, as well as reducing social and legal protection and social status of the migrant.

Another important factor in the decision to migrate and the choice of destination country is the presence of other Moldovan communities abroad (clustering of migration). According to a CBS-AXA study (2006), once in the host country, Moldovan migrants concentrate primarily in large urban centres, including Moscow and its surroundings - the main destination of migrants, once hosting more than half of Moldovan migrants concentrated in large cities (Figure 3). In Italy, most migrants are clustered in Rome³⁹. The greatest number of Moldovan workers in Italy is registered in northern and central Italy, and in provinces such as Veneto, Lombardy, Emilia Romana, Toscana, and Lazio.⁴⁰

One CBS-AXA study shows that the overwhelming majority of Moldovan migrant stocks are clustered within a few destination regions, with the ten cities hosting jointly about three quarters of all migrants from Moldova.

³⁸ "in EU remittances by regular migrants exceed those from irregular migrants by more than 30 percent" in Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009). Labour Migration and Remittances in Moldova: Is the Boom Over?. IOM, CBSAXA Survey 2006-2008., p.21

³⁹ Raviv Schwartz, "Exploring the Link between Moldovan Communities Abroad (MCA) and Moldova", Asdi - IOM, 2007

⁴⁰ <http://soderkoping.org.ua/page15503.html>

The choice of the destination country is also conditioned by geographic proximity, linguistic peculiarities and similarity in cultural values and mentality; this is particularly true for Russia, Ukraine, Romania, Italy and other countries with Latin linguistic traditions. Gagausians⁴¹ are oriented more towards Russia and Turkey. A study performed by the CASE Foundation for Social and Economic Research⁴² shows that Gagausia is the region most affected by migration; about 34% of the adult population of this region is living or working abroad.

In terms of length of migrants' stay, these two primary destination regions (CIS and EU) differ as well. The literature seems to indicate that CIS countries generally host seasonal migrants, with multiple exits and entries (average stay of about 7 months according to Mosneaga and Drumea⁴³), whereas migrants who chose EU countries leave Moldova for longer periods (14-16 months according to the same source).

⁴¹ Gagauz minority is a community in the southern part of the country who enjoy substantial autonomy and whose language is related to Turkish.

⁴² 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)

⁴³ 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.260. Iasi.

The literature would indicate that because of the large numbers of seasonal workers, migration flows towards destination countries increase during the months of February, March, August and October, and annual returns occur especially during the Christmas and Easter holidays (December and April).

Socio-Economic Characteristics of Migrants

By mid-2006, approximately one-quarter of the economically active population of Moldova (25.4%) was working abroad, 58.4% of whom were male and 41.6% female. Male labour-migrants are engaged primarily in construction, transportation, industry and agriculture. Females tend to work in the service sector: housekeeping, and domestic work. Research also suggests that some Moldovan female migrants also enter the sex-trade industry, given a lack of other employment opportunities.⁴⁴

The main sectors of employment of Moldovans abroad are construction (51.6%), transportation (10.8%), housekeeping and care (7.8%), trade (11.6%), services (21.4%), industry and mining (5.5%), and agriculture (3.9%).⁴⁵ According to Ghencea and Gudumac⁴⁶, as well as to CBS AXA (2006) most Moldovans work in the construction or service sector in the CIS countries and in the EU (Chart 3).

Previous CBS AXA statistics show the same trends. The majority of migrants in Russia (60.2%) and Portugal (40.6%) worked in construction/renovation, while in Italy (52.8%)⁴⁷ and Turkey, social care and housekeeping were the primary sectors for the majority of Moldovan migrants.⁴⁸

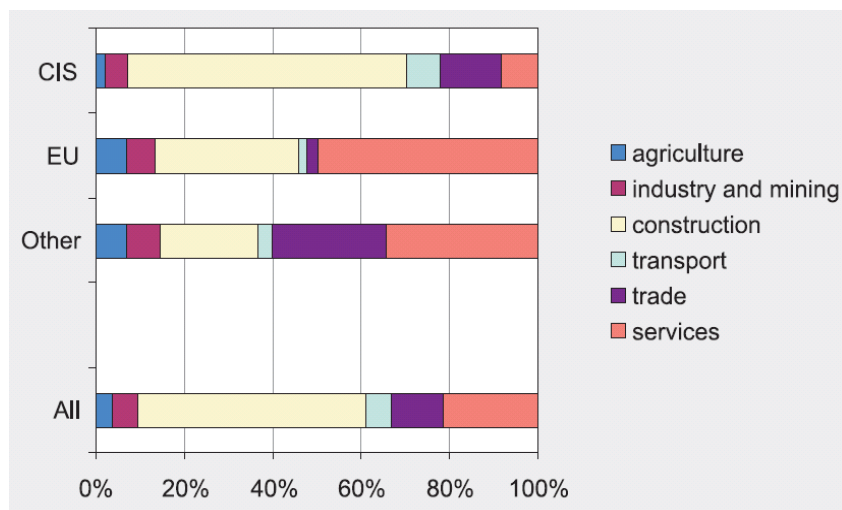
Studies on Moldovan migration show gender differences in choice of destination country.

Male migrants prefer the CIS countries (Russia, Ukraine) and some countries in Western Europe (Portugal, France, the Czech Republic, and the UK.), while female migrants prefer Italy, Belgium, Germany, Israel, and Turkey⁴⁹. This gender difference in country of migration is a result of labour market demands, in addition to the social security systems and the migration policy approaches followed by the host countries.

Russia, for example, is chosen mainly for its seasonal work opportunities in the construction sector, repair manufacturing (i.e. car-repair shops) and agriculture. According to Ghencea and Gudumac,⁵⁰ 76.7% of all migrants working in Russia are men. Moldovan women in Russia are usually employed in the retail trade and work in markets and kiosks.⁵¹

Western countries' employment and income opportunities lie mainly in the service, trade and care sectors. The majority of Moldovans in Italy, for example, are employed in the social care sector (39%), domestic work (25%) and construction (19%). Construction is male dominated, whereas women (representing 64%

Figure 4. Sectors of employment in destination countries (%)



Source: Lücke Matthias, Toman Omar Mahmoud, and Pia Pinger, *Patterns and Trends of Migration and Remittances in Moldova*, IOM, 2007, p.22

⁴⁹ Ibid, p.17

⁵⁰ Ghencea, B., Gudumac, I. (2004). *Labour Migration and Remittances in the Republic of Moldova*. Moldova Microfinance Alliance & Soros Foundation Moldova., p.44

⁵¹ Ratha, D., Shaw, W. (2007). *South-South Migration and Remittances* World Bank Working Paper, 102., p.21

of all Moldovan migrant workers in Italy) account for the majority of workers in the domestic work and health care sectors. All three sectors are comprised mainly of small or private employers, frequently in the informal economy.⁵²

Classifying in terms of employment sector and the country of destination, CBS-AXA (2006) divided the migrants into 4 groups: construction workers in the CIS countries⁵³ (34%), the CIS migrants working in other sectors (24%), migrant workers in the EU⁵⁴ (30%) and all others, including migrants in Turkey, Romania, and Cyprus (12%). Migrants in the construction industry in CIS countries are predominantly male (85%), middle-aged (55% between 30 and 50 years old), married (68%), from rural areas (76%) and low-to-medium skilled (84%).⁵⁵

CIS migrants in other sectors originate mainly from rural areas, but their education levels are considerably higher, and almost half are women.

⁵² Thomas Kring, "Moldovan Migrants in Italy: Remittances and the Role of the Labour Market Partners", Budapest, *International Labour Office*, 2008

⁵³ Russia, Belarus, Ukraine, Kazakhstan, and Azerbaijan.

⁵⁴ Austria, Belgium, the Czech Republic, France, Germany, Greece, Ireland, Italy, Poland, Portugal, Slovenia, Spain, UK and Israel (the last one is added due to broad similarities to the EU countries with regard to working and living conditions)

⁵⁵ Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009). Labour Migration and Remittances in Moldova: Is the Boom Over?. IOM, CBSAXA Survey 2006-2008., p.30

EU migrants have the highest level of educational attainment, more than half are female and the share of urban migrants is relatively high. Other migrants are predominantly women, from urban areas and are the group with the highest share of individuals who have at most primary education.⁵⁶

According to CBS AXA studies, labour migration to the CIS is usually determined by immediate needs and poverty, while migration to EU countries is for higher living standards and greater opportunities for migrants and their families. Migrants going to Western countries tend to originate from families that are economically and socially better off than those leaving for the CIS states⁵⁷. Again, almost 70% of Moldovan migrants come from villages.⁵⁸

Young and middle-aged people make up the majority of labour migrants. The average age of a Moldovan labour migrant is between 35 and

⁵⁶ Lücke, M., Mahmoud, T. O., & Pinger, P. (2007). „Patterns and Trends of Migration and Remittances in Moldova”, *The CBSAXA Survey 2006*. IOM & Sida, p.19

⁵⁷ Pantiru, M.C., Black, R., & Sabates-Wheeler, R. (2007). Migration and Poverty Reduction in Moldova. Sussex Centre for Migration Research, Institute for Development Studies. DFID., p.15 with references to Ghencea and Gudumac (2004)

⁵⁸ 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.20

36. The October 2004 census in Moldova, as well as estimates from CBS AXA (2006), confirm that there are more male than female migrants, with males making up 57.0% (58% respectively) of the total.

As for education level, the census reports that more female migrants have completed higher education (11.6%) and secondary professional education (15.3%) than male migrants. Among male migrants, 7.2% have higher education and 8.0% secondary professional education.

One distinctive feature of migration from Moldova is that a sizeable proportion of those leaving are relatively well educated. According to the Moldovan census, some 76% of international migrants had at least a secondary level of education. This is also confirmed by the sociological study carried out by CBS AXA, which shows that by 2004 a large proportion of migrants had secondary education (41.5%), with the remainder having vocational education (27.9%), higher education (19.6%) or less than secondary education (10.9%).⁵⁹

The studies performed by CBS AXA also reveal that a large proportion of migrants who have a low level of education migrate predominantly to

⁵⁹ According to 2004 Census, the distribution of population aged 15 years and over according to educational attainment: higher education (11.1%), vocational (10.5%), secondary (33.3%), less than secondary (45.1%)

<http://www.statistica.md/pageview.php?l=ro&idc=295&id=2234>

CIS countries, while those working in the EU countries have a higher education level. The largest proportion of migrants to Western Europe, especially Spain, Portugal and Greece, have higher education.

Only 27.3% of Moldovan migrants work according to their qualification prior to migration. The majority (70.0%) perform work that has no relation with their prior occupation or qualification.

The fact that many Moldovan migrants are over-skilled in their countries of migration raises the issue of 'brain-loss'. According to a European Training Foundation study, over 60% of returning migrants in 2008 with a university degree undertook unskilled work in the place of migration.⁶⁰

⁶⁰ European Training Foundation (ETF) (2009) "Moldova Country Report. Black Sea Labour Market Reviews", p.78

Future trends in migration

Recent literature is increasingly focused on shifts in the pattern of Moldovan migration for the future. The expected trend in Moldovan migration is primarily well-educated young people from urban areas looking to move westwards.⁶¹ In addition, an upward trend is projected for the number of permanent migrants from Moldova that will remain abroad with no intention of returning.

First Trend: Increased Labour Migration to Western Europe

Italy, Portugal, Spain, Turkey, and Greece continue to rank amongst the most attractive countries for Moldovan migrants at present and in the future. These countries' economies are characterised by a larger informal sector than in northern Europe.⁶²

Still, a large number of migrants from Moldova continue to migrate to CIS countries, mostly because of the 'ease of access' issues such as visa-free travel, distance, cultural similarities,

⁶¹ Ibid, p.77

⁶² Mosneaga, V. (2006) "Moldavie : migrations de main d'oeuvre en Europe – Flux, tendances, repercussions", *Centre d'Etudes et de Recherches Internationales* (CERI).

language, etc. It is projected that a significant part of this group aims to earn and save money during their short- or mid-term migration to the CIS in order to migrate later to Italy or other European countries.⁶³

This shift in the pattern of migration towards EU countries is largely conditioned by the dense concentration and clustering of Moldovan migrants. Moldovans abroad are often willing to assist other Moldovan migrants, grouping together in their countries of migration and forming small communities. This networking tends to encourage other Moldovans to gravitate towards these areas.

At the same time, business, police and bureaucratic obstacles in the EU continue to present large obstacle for increased labour migration. These types of bureaucratic issues increasingly apply also to the situation in the Russian Federation, the major consumer of Moldovan labour migrants in the former Soviet Union space.

As a result of regular (and expected) amnesty programs and other mechanisms available in the countries of EU, it is reasonable for a migrant to aspire to attaining legal status in the foreseeable future. At the same time, this process in Russia is

⁶³ European Training Foundation (ETF). (2009). Moldova Country Report. Black Sea Labour Market Reviews., p.77

considered much more difficult to complete successfully.⁶⁴

According to the ETF report,⁶⁵ there seems to be some changes in the profile of migrants planning to leave Moldova in the future. People with higher education are increasingly inclined to move abroad. Prospective migrants tend to be female, well educated and from urban areas, and are planning to make their migration permanent.

Second Trend: Permanent Emigration

Permanent emigration is another issue observed in Moldovan migration patterns. The number of Moldovan migrants who decide to settle permanently in their places of migration is growing. According to a recent study, each fifth respondent working in EU countries has no intention to return to his/her home country; most are seeking permanent residency in their host countries (for labour migrants working in

the Russian Federation, this indicator is approximately 50% lower).⁶⁶

The decision to establish permanent residence is further influenced by the possibility of family reunification – another new trend in Moldovan migration, motivated by migrants obtaining a certain status in the country of migration. As the migrants become more secure in the host country, satisfying their immediate financial needs and accumulating a certain level of financial resources, they can then finance the eventual emigration of close relatives. Family members can then leave Moldova to join their spouses, parents, children and significant others abroad.⁶⁷

Another important factor impacting migration processes is the global economic crisis of 2007-2009. Some observers expected an increase in the return of migrants to Moldova as a result of loss of employment and income. According to a recent IOM study, migrants have experienced negative changes in other labour-market related aspects as well: an increase in the cost of living, loss of living place and tougher immigration policies imposed by authorities of the host countries. All of these can be viewed as incentives to promote a growing rate of return.

Nevertheless, and contrary to this expectation, no mass return of Moldovan migrants from abroad has been registered to date. Maddock and Ramguette⁶⁸ explain the resistance to return on the part of Moldovans as being due to: migrants' adherence to the place of migration; substantial bureaucratic and start-up costs associated with migrating, and new immigration regulations imposed by authorities.

In the case of increased return, the rural population will probably be most affected. A potential effect could be an increase in poverty, as it is estimated that the largest share of returnees will be the inhabitants of rural areas (rural areas are the places of origin of most Moldovan migrants).

Another estimate predicts that most returning migrants will be male. This is conditioned by the decrease of male labour demand on foreign markets, as a result of the negative effects of the financial economic crisis. This effect may be most prevalent in Russia, where a significant share of Moldovan male labourers has been working in construction.

Some sources predict that women will be less affected by the financial crisis because the sectors in which their labour force is in demand will be less impacted by the economic

⁶⁴ Mosneaga, V. (2006). *Moldavie : migrations de main d'oeuvre en Europe – Flux, tendances, répercussions*. Centre d'Etudes et de Recherches Internationales (CERI)..

⁶⁵ European Training Foundation (ETF). (2009). *Moldova Country Report. Black Sea Labour Market Reviews.*, p.76

⁶⁶ Institute of Public Policies (Bucharest), IDIS "Viitorul" (Chisinau), International Centre for Policies Studies (Kiev). (2008). *Migration trends and policies in the Black Sea Region: Republic of Moldova, Romania and Ukraine*. Chisinau., p.6

⁶⁷ *Ibid.*, p.7

⁶⁸ Nick Maddock and Lovita Ramguttee "Responding to falling remittances and returning migrants" in *Development and Transition*, Published by the UNDP and the London School of Economics and Political Science, July 13/ 2009, p.15

downturn.⁶⁹ Meanwhile, other analysts feel that people engaged in domestic care and trade sectors (along with the construction sector), will be most affected. These sectors are the primary activity areas of Moldovan migrants abroad.⁷⁰

The share of Moldovans planning to go abroad for work in the near future has declined since 2006. This signals a decline in the growth rate of the total migrant population, perhaps leading to its levelling out.⁷¹

A recent IOM study (2009)⁷² indicates that the global economic crisis has had an impact on planned migration. On the one hand, the number of Moldovans intending to leave for work abroad in the near future has declined, while on the other, the number of Moldovans who remain undecided about their decision to migrate abroad has increased to 30.4%.

Another trend in Moldovan migration patterns refers to a change in the flow of migrants from

rural and urban areas.⁷³ An ILO study (2008) shows that the number of new urban migrants has been more or less stable since 2000, whereas the number of new migrants from rural areas has slightly declined since 2005. According to Maddock and Ramquette, this shift suggests that the qualifications of migrants sought overseas have changed and/or the resources of migrants from rural areas have been exhausted.

⁶⁹ Ibid.

⁷⁰ "Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova Early Findings – Spring 2009", International Organization for Migration, Chisinau, 2009, p.15

⁷¹ Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009) „Labour Migration and Remittances in Moldova: Is the Boom Over?”. IOM, CBSAXA Survey 2006-2008., p.2

⁷² "Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova Early Findings – Spring 2009", International Organization for Migration, Chisinau, 2009, p.16

⁷³ Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009), „Labour Migration and Remittances in Moldova: Is the Boom Over?" IOM, CBSAXA Survey 2006-2008., p.8; Nick Maddock and Lovita Ramguttee "Responding to falling remittances and returning migrants" in *Development and Transition*, Published by the UNDP and the London School of Economics and Political Science, July 13/ 2009, p.15

Financial flows

Remittances trends

Push factors related to migration in and from Moldova include poverty, unemployment, lack of jobs, and the phenomenon of the ‘working poor’ (i.e. incomes that are not sufficient to cover minimum living costs). Migration is one solution to these ongoing problems in Moldova, providing the prospect of higher incomes abroad and the chance to send remittances home in order to alleviate the difficult circumstances of family members remaining in Moldova.

The flow of remittances to Moldova has shown steady growth since 1999. According to the National Bank of Moldova, migration-related remittances from abroad amounted to USD 89.62 million in 1999 and reached USD 1,660.09 million in 2008. (Figure 5)

Despite steady growth, the total value of remittances to Moldova in 2009 dropped slightly from their peak in 2008. However, from year to year the share of money transferred through the MTS (Money Transfer Systems) and banks have increased uniformly. This suggests that recipient households in Moldova are gaining more confidence in the banking system.

In terms of total amount of remittances recorded by the National Bank of Moldova,

money transfers originating from the CIS countries (particularly Russia) have the highest share. According to Moraru⁷⁴, with reference to the NBM, the share received from the CIS increased from 7% in 2000 to 49% in 2008. If initially these countries featured temporary migration, transfers from persons employed abroad for over one year increased in the interim, with the share of remittances from non-residents in 2008 rising to 38% as compared to 16% in 2000. It would seem therefore that the duration of Moldovans’ stay abroad has tended to increase over this timeframe.

The actual remittance inflow is likely underestimated by official calculations because of a high share of informal inflows, which are difficult to measure and are often misreported. However, Moldova currently ranks in the top remittance-dependent countries in the world. According to the World Bank classification of 2008, Moldova was ranked second among the world

Figure 5. Money transfers from abroad by individuals (residents and non-residents) through Moldovan banks and via MTS

Year	Annually overall inflows of transfers (inclusively remittances'), mil USD		
	Overall inflows, mil. USD	Inclusively via MTS, mil. USD	Share of remittances through MTS, % from total
1999	89.62	52.21	60,3%
2000	152.94	101.21	66,2%
2001	211.99	140.08	66,1%
2002	254.12	161.35	63,5%
2003	317.29	175.59	55,3%
2004	422.41	238.42	55,7%
2005	683.24	514.51	72,9%
2006	854.55	666.54	73,6%
2007	1218.12	986.68	81%
2008	1660	1386.17	83,5%
2009	1182.02	982.23	83,1 %
2010 (Q1)	233.35	193.63	82,9%

Source: National Bank of Moldova, 2010

⁷⁴ Moraru, A. (2009) “Remittances and their economic impact on Republic of Moldova”, (Doctoral dissertation, Technical University of Moldova, 2009)., p.60

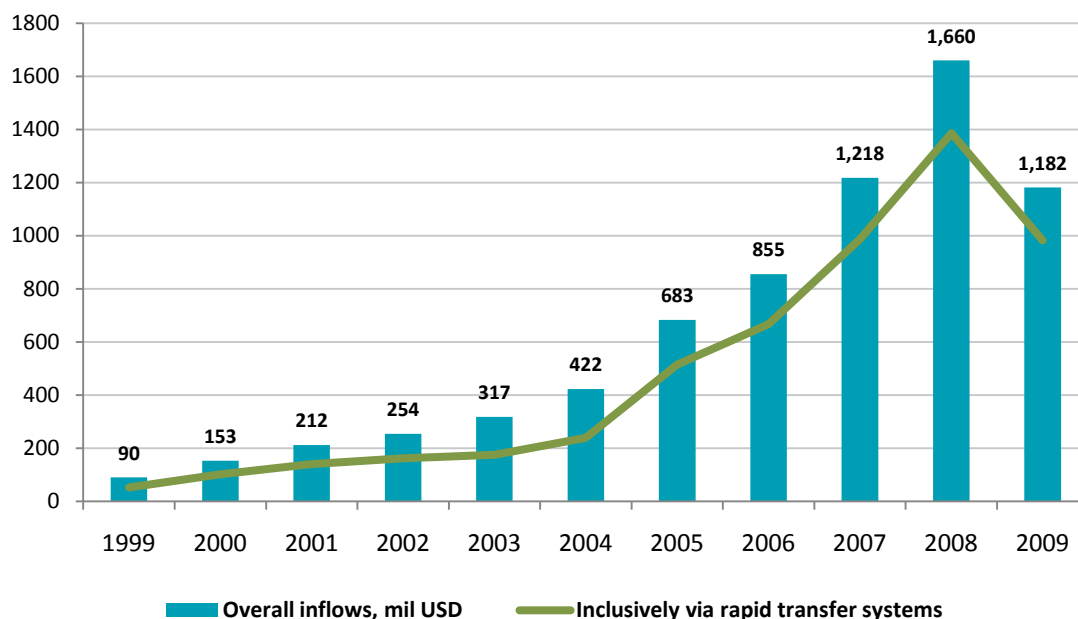
countries; the amount of remittances made up 36% of the total GDP.

Beginning in 2008, remittances have been

have slowed, Moldova has suffered one of the steepest declines in remittances in 2008-2009.

One of the possible reasons for this may be that

Figure 6. Dynamics of the currency transfers (inclusively remittances), annually value mil. USD



Source: NBM 2009 and IASCI/CIVIS calculus

steadily decreasing, mostly because of the economic crisis. According to a BBC report⁷⁵, while remittances to many developing countries

the economic crisis most impacted sectors of work in which many Moldovan migrants were involved.

⁷⁵ 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.

According to the National Bank of Moldova, transfers of money made by individuals through field bank branches fell by almost 30% in the first two months of 2009, demonstrating for the first time a reduction in this type of transfer. This decreasing trend is further confirmed by data obtained by the IOM in its latest study (CBS AXA, 2009).

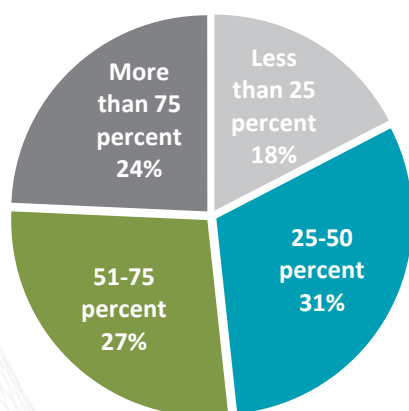
The BBC report highlights the many repercussions of the economic situation in the country on socio-economic aspects. One third of Moldova’s 2007 GDP came from remittance income. Remittances therefore remain an important source of household income and a major source of poverty alleviation.

Remittances represent a stable income for Moldovan households. According to the CASE report⁷⁶ (with reference to the IOM Study, 2008) Moldovans from abroad send money home over a long period of time; over 70% of households received remittances for at least one year, many of them over 5 years and roughly 20% of households had been receiving remittances for more than 6 years.

⁷⁶ 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.24

One in three Moldovan households received remittances in 2008,⁷⁷ a decrease from 2006. Overall, 41% of households received money from abroad (CBS AXA 2006, p.14). Most of these remittances are used for current consumption needs of households. Remittances

Figure 7: Contribution of Remittances to Household Income



Source: Frankfurt School of Finance and Management (with reference to IOM Migration and Remittances Study, 2006)

⁷⁷ IOM (2009) "The Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova - Early Findings", CBSAXA, p.19

have increased not only in absolute terms at the national level, but also in amounts received by individual households.⁷⁸

According to an IOM study, average remittances per migrant increased from USD 1,296 in 2006 to USD 1,848 in 2008⁷⁹. However, according to the 2009 CBS AXA study,⁸⁰ a recent decrease was noted, both in the number of households receiving money and in the amount of money received by households. Research shows that the volume of remittances usually depends on the migrant's destination country. As a rule, remittances from EU migrants tend to exceed those from migrants working in the CIS countries (USD 1,749 compared to USD 1,100, on average)⁸¹.

An analysis performed by the CASE⁸² Moldova foundation reveals an inequity: younger

households with members having a higher level of education, as well as families with better employment situations, receive higher amounts of money from migrants abroad. Households with higher than average incomes also tend to receive more in remittances, despite the fact that lower income families would benefit from more financial inflows. Based on this finding, experts have implied that remittances do not necessarily lessen poverty, but rather deepen social inequity. According to the same source, migrants from several areas in the wealthier north of Moldova send the highest amounts of recorded remittances – around 100,000 MDL (approximately EUR 7,500) per year.

⁷⁸ European Training Foundation (ETF). (2009) "Moldova Country Report", Black Sea Labour Market Reviews., p.80

⁷⁹ 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

⁸⁰ 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

⁸¹ Lücke, M., Mahmoud, T. O., & Pinger, P. (2007), "Patterns and Trends of Migration and Remittances in Moldova" The CBSAXA Survey 2006. IOM & Sida., p.27

⁸² 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).

Transfer mechanisms

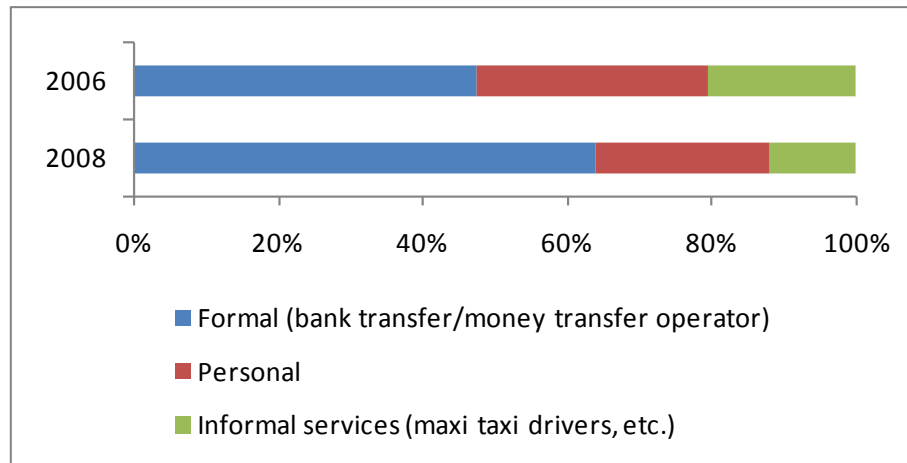
The IOM study performed by CBS AXA in 2006 shows that migrants prefer to transfer remittances through bank services, MTOs or hand carry. The amount done by carry alone (including personal hand carry, transfer through train conductors, taxi/bus and friend hand carry) exceeds 58% of total transfers, climbing to 60% if transfer 'by mail' is included.

Figure 8: Methods to Transfer Remittances (2006)

Category	%
Bank Transfer	30%
Money Transfer Offices (MTO ^s)	25%
Post Offices	5%
Train Conductor	2%
Maxi-taxi/bus conductor	19%
Hand Carry (on visit)	28%
Someone else brings it	9%
By mail	2%
Other	0.4%

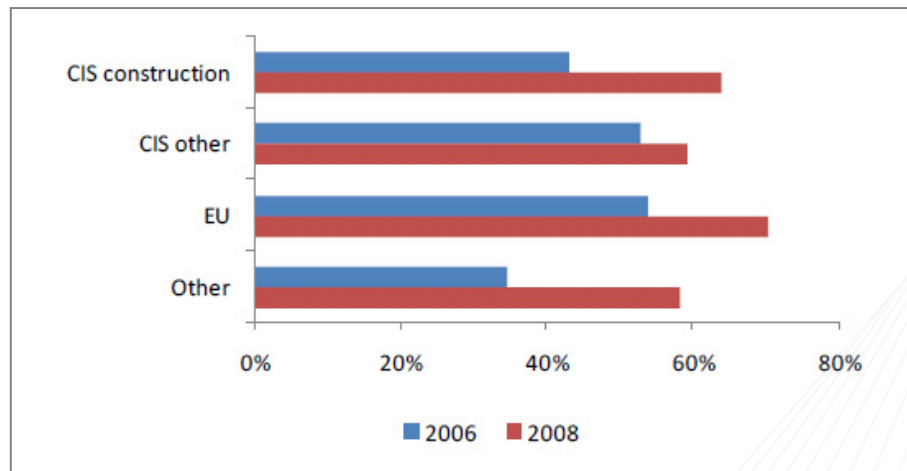
Source: Frankfurt School of Finance and Management (with reference to IOM Migration and Remittances Study, 2006)

Figure 9: Main transfer channel of remittances



Source: IOM Study, 2008

Figure 10: Use of formal transfer channels



Source: IOM Study, 2008

According to CBS AXA studies, Moldova made progress since 2006 regarding formal transfer mechanisms. Formal channels were used by more than 60% of migrants in 2008, up from just under 50% in 2006 (Figure 8, page 21).⁸³

Personal transfers through migrants themselves, friends, relatives and other informal channels are widespread among migrants in CIS and SEE countries. This is mostly because of close proximity to Moldova and frequent home visits by migrants and remittance carriers. The figures above total more than 100% because migrants are not limited to just one form of money transfer; often, migrants combine several different methods. Recently, however, the volume of remittances sent through informal channels has slightly declined (Figure 9, page 21)⁸⁴.

A survey of remittance receivers conducted at a banking institution⁸⁵ showed that 46% were interested in using a more efficient way to receive their money. 20% suggested the use of remittance cards, 19% specified bank deposits and 12% expressed their interest in mobile transfers. Most banks surveyed stated interest in providing such services. Cooperation between

⁸³ Luecke, M., Mahmoud, T.O., & Steinmayr, A. (2009), "Labour Migration and Remittances in Moldova: Is the Boom Over?". IOM, CBSAXA Survey 2006-2008., p.18

⁸⁴ Ibid.

⁸⁵ Orozco, M. (2008). Looking Forward and Including Migration in Development: Remittance Leveraging Opportunities for Moldova. Chisinau: IOM., p.22

banks and governments for the implementation of alternative financial technologies is needed, as it will provide the remittance recipients and the whole population with greater financial access.

Savings, investments and financial literacy

The biggest contribution of remittances is in reducing poverty and improving the living conditions of migrant households. Beyond this, many migrants also have the objective to save. Once basic household expenditures and needs are met, households begin to save. In 2006, nearly 30% of remittance receivers were able to save an estimated USD 500 a year, and those who had been receiving money over an extended period of time were saving even larger amounts.⁸⁶

There are several defining characteristics of Moldovan migrant and migrant household savings behaviours. Women are more inclined to save than men. Households with migrants in EU countries tend to save more than households with migrants in CIS countries. Households receiving remittances are four times more likely to save than households that don't receive remittances. Research also showed that receiving households were almost four times

⁸⁶ Ibid., p.5

more likely to have savings exceeding USD 500 than non-migrant households (29% and 8% respectively).⁸⁷ The majority of savings are invested in durable goods such as refrigerators, TV-sets, computers, etc.

Studies conducted by Orozco Manuel, IOM (CBS AXA) and CASE (2008) reveal a low level of financial literacy for the whole population, but especially for those living in rural areas (at the same time 2/3 of remittance recipients live in villages⁸⁸). A large number of Moldovans who receive money from overseas save their incomes, though most through informal methods. Less than 20% keep their money in bank accounts.⁸⁹ Approximately 23.5% of the rural population saves money, but few use bank accounts (6.2%).⁹⁰

⁸⁷ Lücke, M., Mahmoud, T. O., & Pinger, P. (2007), "Patterns and Trends of Migration and Remittances in Moldova", The CBSAXA Survey 2006. IOM & Sida., p.30

⁸⁸ Remittances represent a non-negligible source of foreign earnings to the banking institutions. Leading the financial institutions towards rural communities as well, could contribute to a more effective use of remittances.

⁸⁹ Orozco, M. (2008) "Planting the seeds of financial inclusion: financial literacy for remittance recipients in Moldova", ILO., p.3

⁹⁰ 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.26

Households receiving remittances tend to use financial services more often than non-receiving households. Bank account ownership was also higher among remittance receivers, a finding that is strongly linked to a propensity to save and invest. Together with the frequent use of financial transfer services, this suggests a higher level of trust in financial institutions among remittance-receiving households than for non-receiving households.

Moreover, remittance transfers are beneficial for banks themselves. Income earned by banks from transfers constitutes over 10% of their net income. However, despite this fact, banks have been quite slow to develop marketing strategies and new instruments to ensure post-transfer use of money⁹¹.

Moldovans are saving over larger periods of time, though mostly through informal methods. In the last 6 months alone, the share of Moldovans keeping savings at home increased from 45.5% in July 2008 to 52.4% in March 2009. This increase can be attributed to insecurity in the financial system triggered by the global economic crisis⁹².

⁹¹ Orozco, M. (2008), "Looking Forward and Including Migration in Development: Remittance Leveraging Opportunities for Moldova", Chisinau: IOM.

⁹² IOM. (2009), "The Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova - Early Findings", CBSAXA., p.27

The latest study of CBS AXA⁹³ shows that low use of banking services is mostly due to lack of money for savings (59.4%) and a lack of confidence in banks (13.8%). Other factors also influence low banking rates, such as: unattractive offers on the monetary market (lower interest rates); inflation; lack of access to bank branches in rural areas; and the perception that opening a bank account is a complicated procedure or that bank requirements are too high. The level of trust in financial institutions is much lower in rural areas than in urban areas. This has also been accompanied by a loss of public confidence in the banking system as a result of the economic crisis.

Remittances to Moldova have generally not been conditioned by investment intentions. The main barriers to investments appear to be the general business climate and economic risk. As noted, repeated studies confirm that the highest share of the money received from abroad is spent on daily expenses.

However, interest in contributing more financial resources towards investments is growing among Moldovans. In recent years, 7% of remittances were used to investment in business activities, usually in small businesses, and 7% of migrants expressed an interest in starting their own business.⁹⁴

⁹³ Ibid., p.26

⁹⁴ European Training Foundation (ETF). (2009), "Moldova Country Report", Black Sea Labour Market Reviews., p.80

On the other hand, the recent study of IOM (performed by CBS AXA, Spring 2009) reveals a sharp drop in the entrepreneurial involvement of migrants, when compared to the previous year. The sudden decrease in the number of migrants who owned a business at the beginning of 2009 (2.4%) was because many migrants had given up their business practices over the preceding six months.

Countries of migration have a clear influence on the use of remittances. EU-based migrants were found to have invested more money in businesses (12.6%) than non-EU-based migrants (3.1%).⁹⁵

In a study conducted by the Development Bank of Austria,⁹⁶ after repayment of debt and repairs/extensions of the house, Moldovans expressed an interest in investing in their properties beyond housing, for example, in more advanced agricultural machinery, plastic tarps for crops and irrigation systems.

All interviewees in national and international offices concurred that reinvested savings and entrepreneurial activities by returning migrants were an important and real benefit from migration. This practice has manifested itself particularly over the past three or four years and has even more potential for the future.

⁹⁵ Ibid.

⁹⁶ Becker, T., Hockenos, P., & Holmes, E. (2009). Remittances from Austria. Frankfurt School of Finance and Management. Vienna., p.66

The report confirmed the IOM findings that compared to 2004, “there is now a small but discernable group of migrants investing in local financial and real assets and running their own businesses”⁹⁷. According to the Development Bank Report, this small group has grown since 2006.

Outside Chisinau, the DBA report interviewed a selection of SME owners, including proprietors of small grocery stores, orchards, auto repair shops, vineyards, crate-making enterprises, green houses, refrigeration services/cold storage, and nut farms. Each of these enterprises had been started within the last five years with a combination of capital earned abroad and small loans, often from internationally backed micro-finance institutions⁹⁸.

The interviewed entrepreneurs appeared to possess a high level of human and social capital, gained directly from their migration experiences. All of the businesses observed were performing well and many of the owners expressed a desire to expand the business and access more credit. None of the interviewees planned to migrate or to have anyone from their family migrate.

⁹⁷ Ibid.

⁹⁸ The walnut farm was started by a young man who had had political asylum in Austria. The money he received from the voluntary repatriation programme helped him buy the farm. He also has savings from work in Austria and he took out a small loan in Moldova.

The DBA report also found that an important aspect of the mini-boom in SMEs with migration background was the micro-credit offered by the Savings and Credit Associations (SCAs) in rural areas. According to the executive director of the Centre for Rural Development, there are over 400 SCAs in Moldova serving 125,000 clients. 54,000 of them have a loan and other 6,700 have savings, totalling 60,000 active members⁹⁹. The DBA research team interviewed several of these institutions and found that the stated needs in rural areas were actually greater than the SCA could provide under the present licensing regime. They were limited to dealing with foreign currency and could only issue credit up to USD 15,000.

The average loan size loan was just USD 3,000, too little for many of the small enterprises looking to expand. In his 2007 report, Orozco estimates that only 50 out of the 400 SCAs are able to offer remittance transfers or tailored financial services to recipients.”¹⁰⁰

⁹⁹ Efim Lupanciuc, Executive Director, Centre for Rural Development, (<http://www.microfinance.md/>)

¹⁰⁰ Becker, T., Hockenos, P., & Holmes, E. (2009). „Remittances from Austria”, Frankfurt School of Finance and Management. Vienna., p.66

Implications of the crisis on savings and investment trends

The IOM study on the effects of the economic crisis in 2009 shows negative influence on the capacity of recipient households to save money, the use of banking services, business activism and migrants’ investment intentions. 48.4% of households in the Republic of Moldova did not use any banking service at the beginning of this year.

The global economic crisis has caused a sudden decrease in confidence in the financial and banking system; compared to half a year earlier the largest reduction of users was noted for banking services directly related to remittances.

The percentage of migrants owning or operating a business at the end of 2008 lowered from about 7% to 2.4% over a period of 6 months¹⁰¹. The negative perceptions of Moldova’s investment opportunities increased to 63% in the first half of this year. Only 5% of migrants expressed an interest in using their financial gains from abroad for investment in business activity.

¹⁰¹ IOM. (2009), “The Socio-Economic Impact of the Economic Crisis on Migration and Remittances in the Republic of Moldova - Early Findings”, CBSAXA.,36

Regulatory, political and environmental issues

Institutional framework

The Republic of Moldova has faced large-scale migration since the late 1990s. This relatively new phenomenon presented a challenge to the Moldovan government, national non-state actors and the international community to manage this mass process. Moldova went through several stages in forming its migration policy and system for migration management.

The 1990-1994 period focused on preserving the ethno-national identity of USSR republics and preventing irregular immigration to Moldova from other former Soviet States. Migration policy was mostly focused on regulating immigration flows, rather than emigration itself.

The 1995-2000 period of migration reform was conditioned by the government's growing awareness of the scale of migration and the increasing volume of remittances coming from migrants abroad. Under EU pressure, the state refocused its concerns towards labour migration.

During the third stage of migration policy development (2001– 2006), the government was concerned with promoting and facilitating the legalisation of migrant workers and the

protection of their rights in foreign countries. For this purpose, specialised government structures with a focus on migration were strengthened and adjusted in order to make them similar to their corresponding agencies in EU countries. For instance, in 2001 the *State Migration Service* was created, and the Government defined its status and functions. This was the first state body to be given enough authority and autonomy to implement an efficient policy in the field of migration. In 2002, the *Service* was transformed into the *Migration Department*, with its status and functions defined by the Parliament.

In 2005, the Department was reorganized and the *National Bureau for Migration* was created. This institutional reform was intended to provide centralised management of migration flows, thus avoiding duplication of activities by different institutions and overcoming insufficient coverage on some aspects of migration.

However, according to many sources, the practical results achieved by the government bodies were rather modest. For instance, the number of labour contracts signed by labour migrants with state assistance was trivial compared to the number of Moldovan labour migrants seeking employment abroad.

The aim of the fourth stage of the migration management system, which started in the

second half of 2006, was to reconsider conceptual approaches to migration policy and institutional reforms. Migration policy was more likely to be interpreted in terms of development policies. The government's key role in regulating migration was to legalise Moldovans' activities abroad.

Even though management of migration-related issues had been centralized, the National Migration Bureau was liquidated on April 6, 2006. This institutional reform was an attempt to more closely resemble the migration management characteristics of the European Union countries.

Moldova changed the content and functions of migration-specialised structures, and in doing so the National Bureau for Migration was divided between the Ministry of Economy and Trade and the Ministry of Interior. According to some sources, the liquidation of the Bureau caused a delay of several months in the implementation of the plans and strategies planned for 2006.

Before the recent parliamentary election, the Ministry of Economy and Trade was responsible for labour market regulation, suggestions regarding state policy on international labour migration, and issuing work permits to foreigners.

In the context of Moldova's political and administrative changes after April's elections (2010), these duties (as well as the National Employment Agency (ANOFM) and the Section for Migration Policies) have been transferred to the Ministry of Labour, Social Protection and Family.

The Ministry exerts the following functions:

- develops and coordinates proposals to improve relevant laws and promotes policies on social and legal protection of migrant workers;
- cooperates with relevant authorities of other states in the field of labour migration;
- participates in the development and implementation of relevant studies, briefs, sociological surveys, analyses and evaluations on migration;
- cooperates and works together with international and national structures to enhance the efficiency of actions aimed at regulating labour migration processes;
- participates in developing and implementing programmes aimed at attracting funds earned abroad for the development of the national economy;
- observes and participates in the actions related to labour migration regulation taken by the International Organization for Migration, the International Labour

Organization, the Council of Europe and UN specialized agencies.¹⁰²

The Ministry of Interior has the primary responsibility of controlling and managing migration processes in the Republic of Moldova (monitoring and coordination of migration processes; granting of immigrant, refugee, and repatriation status; extension of visa validity; and issuance of exit visas from the territory of the Republic of Moldova, etc.). The execution of the functions and achievements of operational and investigative activities are enforced by the *Bureau on Migration and Asylum* (which is likewise under the Ministry of Interior).

The Bureau on Interethnic Relations is responsible for coordinating and strengthening ties with the Moldovan diaspora population.

The regulation of migration processes in Moldova therefore addresses, at present, the objectives of various governmental structures: the President, Parliament, the Ministry of Economy and Trade, the Ministry of Interior, the Ministry of Foreign Affairs and European Integration, Border Guard Service and the National Employment Agency.

¹⁰² <http://www.mec.gov.md/node/192>

Legislative framework

Major laws regulating migration processes in Moldova:

- ***Migration Policy of Moldova***, Decision No.1386-XV of October 11, 2002. This envisages the prior objectives, principles and directions for regulating and developing the migration processes in Moldova. The regulation of migration processes implies the implementation of a number of legal, administrative and socio-economic measures, aimed at stimulating or limiting people's migration within or outside the country, ensuring the observance of migrants' rights, and combating illegal migration and illicit trafficking in human beings. The document also describes the main public authorities responsible for migration management and the tasks and expected results of migration policy.
- ***Law on Migration*** No.1518-XV of December 6, 2002. This includes migration principles and objectives and the powers of the administrative bodies dealing with migration problems, and stipulates the basic rules of migration and immigration.
- ***Law on Labour Migration***, No. 180 of July 10, 2008. This law regulates temporary work carried out by immigrant workers, the conditions for granting, renewal and revocation of labour rights, and the right to

temporary residence for employment purposes and conditions for temporary employment of Moldovan citizens abroad.

- Other important documents for migration management are:
- The 1998 *EU-Moldova Partnership and Cooperation Agreement* set a framework for trade liberalisation, legislative harmonisation, and cooperation in a range of sectors, including migration.
- In 2005 the joint *European Neighbourhood Policy (ENP) –Action Plan* was adopted, which supports Moldova's own programme of democratic and economic reform.
- The *EU–Moldova Action Plan (EUMAP)* establishes strategic cooperation objectives between Moldova and the EU.
- *Mobility Partnership EU – Republic of Moldova* (June 6, 2008) is a set of new pilot community instruments designed to manage migration flows in the interest of EU partner countries and migrants. The RM – EU Mobility Partnership projects are related to the following areas: strengthening Moldovan communities abroad as well as their links to Moldova; creating partnerships between Moldova and the main countries of destination and transit for Moldovan citizens, consolidating the mechanism of voluntary return and reintegration to Moldova; strengthening the national institutional framework on migration management; efficient management and investment of

remittances in the Moldovan economy; border management and documents security; social protection of migrants; and cooperation in preventing and fighting illegal migration and human trafficking. Moldova was selected as a pilot-country for the implementation of the Mobility Partnership¹⁰³.

- National reports on the implementation of the *EU-Moldova Action Plan* showed positive developments in the field of migration management, notably:
- Ratification of *international conventions*:
 - European Convention on the Legal Status of Migrant Workers (2006)
 - International Labour Organization (ILO) Convention on Labour Migration (2006),
 - A National Action Programme on Migration and Asylum adopted (2006);
 - Creation of the Migration Integrated Automated Information System "Migration and Asylum"
 - Moldovan Governmental agencies in partnership with international organisations (such as IOM, ILO, UNHCR) have implemented projects

that are contributing to the strengthening of the migration and asylum system in Moldova;

- New projects to support government efforts on migration issues were drafted by IOM and submitted to the European Commission for funding under the AENEAS 2005 Programme;
- Participation of Moldova in the Pan-European Migration Dialogue;
- Signing of cooperation agreements on labour migration and social protection for migrants.

Additionally, the Republic of Moldova has to date signed agreements with Russia (1993), Ukraine (1994), Belorussia (1994), Italy (2003), Kyrgyzstan (2004), and Azerbaijan (2005) for cooperation on social and labour protection of the Moldovan population.

There is also a Common Statement between the Republic of Moldova and the Kingdom of Belgium regarding cooperation on labour issues (2000); a Memorandum on cooperation on social security and the labour market between the Republic of Moldova and the Republic of Albania (2004), and Republic of Bulgaria (2004); a Protocol on the cooperation between the Republic of Moldova and Hellenic Republic on social security and the labour market (2004); and a Declaration on the intentions of cooperation between the Republic of Moldova

¹⁰³ Ministry of Foreign Affairs and European Integration of Republic of Moldova (MFAEI) European Union – Republic of Moldova Mobility Partnership, house organ, 1st edition.

and the Federal Republic of Germany on labour (2006)¹⁰⁴.

In 2009, the Republic of Moldova signed a social security agreement with Portugal, providing Moldovan citizens working in this country the right to receive social assistance from the Portuguese Government¹⁰⁵.

Additional legislation includes the signing of the *Visa Facilitation and Readmission Agreements* (signed in 2007, in force since 2008). Moldova has readmission agreements in force with Poland, Lithuania, Romania, Ukraine, Italy, Sweden, the Czech Republic, Norway, Macedonia, Hungary and Switzerland.

The signing of the Visa Facilitation and Readmission Agreements enabled a simplified visa regime between Moldova and the European Union. The short-term visa application procedure was simplified (number and time for review of documents).

The visa facilitation agreement states that a visa shall be issued no later than 10 days for all citizens of Moldova, a period that may be extended by 30 days and only two days for urgent cases. A lower fee for visas (€35 instead of €60) was approved. Certain categories of people (students, citizens under 18 years, civil

society representatives, carriers, pensioners, journalists, business people and participants in cultural and sports activities) are allowed to receive free visas, multiple entry visas and longer-term visas (1-5 years).

Certain measures to facilitate a visa regime with Romania and Bulgaria were introduced. Beginning July 11, 2008, Moldovan citizens are able to transit the Romanian territory without a transit visa, during a period not exceeding five days, provided the individual possesses a visa or residence permit for EU countries. Holders of diplomatic passports are no longer required to have visas while travelling in the Schengen area.

Agreement on readmission of persons staying illegally refers not only to citizens of countries that have signed the agreement, but also to citizens of other states or stateless persons.

Beginning January 1, 2007, EU citizens can travel to Moldova without visas¹⁰⁶.

Another relevant step forward has been the opening of the first *Common Application Centre* in 2007. The Centre facilitates the issuance of visas for EU countries that have no embassy in Moldova. The existence of the Centre has had a positive impact on EU countries opening establishing their own embassies in Moldova. To date, the Centre has issued 13,000 short-term Schengen visas (A, B, C) for Austria, Denmark, Estonia, Latvia, Luxembourg, Slovenia, Sweden and Hungary. This visa allows people to travel to

other countries in the Schengen area, although most of the time must be spent in the country for which visa was granted.

There are ongoing negotiations with the Netherlands, Norway, Switzerland, Croatia, and Slovakia.”¹⁰⁷

¹⁰⁴ Siar, S. (Ed.), (2008), “Migration in Moldova: A Country Profile”, IOM Geneva., p.33-35

¹⁰⁵ <http://www.interlic.md/2009-02-12/cetatzenii-moldoveni-ce-muncesc-in-portugalia-vor-beneficia-de-asistentza-sociala-din-partea-statulu-8597.html>

¹⁰⁶ <http://www.mfa.gov.md/noutati/880/>

¹⁰⁷ <http://timpul.md/news/2009/09/30/4321>

Government-specific initiatives in the area of migration and development

Migration brings both benefits and costs. To minimise the negative effects of migration and to strengthen and develop the advantages of migration, the Government of Moldova has been undertaking many initiatives, along with the support of international organisations.¹⁰⁸ Several strategies and action plans have been developed, of which the most important are:

- **Action Plan on fostering return of Moldovan migrant workers from abroad** (approved by GD no. 1133 of 09.10.2008).
- **State Programme on supporting the development of small and medium enterprises for 2009-2011** (GD no. 123 of 10.02.2009), as a follow-up of the Strategy on supporting SMEs for 2006-2008.
- **Action Programme on supporting Moldovan nationals residing abroad** (Moldovan diaspora) for 2006-2009 (approved by Government Decision no.809 on July 10, 2006).

The Development Bank of Austria published a report showing that none of the other countries in the SEE region had such detailed draft policies and strategies concerning migration and development as Moldova¹⁰⁹.

As one of the highest remittance receiving countries in the world, Moldova was motivated to create conditions for the productive use of these financial flows. In April 2007, IOM launched a project titled *"Beyond Poverty Alleviation: Developing a Legal, Regulatory and Institutional Framework for Leveraging Migrant Remittances for Entrepreneurial Growth in Moldova"* aimed at maximising gains from migration and remittances in Moldova. The project is funded by the European Commission and is implemented in partnership with the Ministry of Economy and Trade of the Republic of Moldova and the International Labour Organization (ILO).

This initiative is part of the strategy of the Moldovan Government to create effective mechanisms for regulated migration and a

favourable environment for investment of remittances in Moldova. The project will contribute to improving the normative and regulatory framework for the implementation of policies aiming to maximise economic gains from migrants' remittances for development of small and medium size enterprises (SME) and economic growth.

The initiative deploys a holistic approach to integrated and interrelated components including:

- development of a National Remittances Programme;
- strengthening institutional, infrastructural and human resource capacity of the Ministry of Economy and Trade;
- improving data on remittances;
- developing a better information system for migrants;
- facilitating linkages between remittances and financial services;
- building bridges with the Moldovan diaspora community¹¹⁰.

¹⁰⁸ The Government initiatives are usually advised, assisted and financed by international organizations.

¹⁰⁹ Becker, T., Hockenos, P., & Holmes, E. (2009), „Remittances from Austria. Frankfurt School of Finance and Management”, Vienna., p.60

¹¹⁰ <http://www.iom.md/migration&development.html>

In the context of migration and development, a major role can be played by the mobilisation of the diaspora's resources to develop the country. Within the Beyond Poverty Alleviation Project, in April 2008, a **policy seminar "Diaspora and Homeland Development"** was organized as a joint initiative between the Ministry of Foreign Affairs and European Integration of Moldova and IOM Moldova. The event was meant to support the authorities of the Republic of Moldova in the process of further developing a policy to ensure stronger, multidimensional and longer-term relations between Moldovan migrants and their homeland. The seminar contributed to assisting the Government in encouraging and reinforcing the diaspora's role in the economic development of the Republic of Moldova.

Based on the **Action Programme on supporting Moldovan nationals, residing abroad (Moldovan diaspora) for 2006-2009**, business people born in Moldova and living abroad, as well as representatives of NGOs of the Moldovan diaspora, were encouraged to get involved in the promotion of Moldovan products in their respective countries of residence. Some of the proposed products included wine, canned fruit, vegetables, etc.

Also, part of the Beyond Poverty Alleviation Project, a **Business Start-up Guide "First steps in business"** was developed. This practical self-help guide is designed to provide those interested in starting their own business with an overview of the important issues and information required in the early stages of a start-up.

The guide was developed in close coordination with local partners from the Government, private sector and technical assistance programs partners. It builds on previous initiatives of the same nature, and is reportedly based on existing realities, the current business environment and entrepreneurial culture, legislative frameworks, economic related policies of the country, and specific entrepreneurial needs.¹¹¹

The National Development Strategy (NDS) is the main medium-term strategic planning paper, defining the developmental objectives over the period 2008-2011. The NDS reflects the Government's objective of reducing poverty from a comprehensive development perspective.

One of the NDS's goals refers to addressing Moldova's youth, a segment of the population leaving in massive numbers because of the lack of adequate jobs and business development opportunities in Moldova, particularly in rural areas. In this context, one of the Government's actions is the **Youth Economic Empowerment National Programme for 2008-2010 (PNAET)**. PNAET is part of the Moldovan Government's efforts to create effective mechanisms for the development of a favourable socio-economic environment in Moldova.

The Ministry of Economy and Trade, Ministry of Finance and Ministry of Education and Youth of Moldova are implementing the programme. The major objectives of PNAET are to promote

entrepreneurial spirit among young people and to facilitate access for young entrepreneurs to financial resources needed to start-up and develop their own businesses.

PNAET provides assistance in training and obtaining repayable commercial loans with a grant component to people between 18 and 30 years old, trying to develop their entrepreneurial skills and launch or expand businesses in rural areas. PNAET also helps to fund a large variety of new production equipment and machinery. Loans are granted in the amount of up to MDL 300,000 at a maturity of up to 5 years. The PNAET implementation process includes three components:

1. Entrepreneurial Training and Consultancy;
2. Provision of preferential credits with a maximum amount of up to MDL 300,000 (for 5 years) with a non-refundable grant portion (40%);
3. Post-financing monitoring.

From the beginning of the project in July 2008 until September 2009, a total of 294 sub-projects were approved in the amount of MDL 83,234,000, including a grant in the amount of MDL 33,294,000. This amount covered 113 projects amounting to MDL 31,184,000, of which MDL 12,474,000 was as grant¹¹².

To stimulate the creation and development of SMEs, the Ministry of Economy and Trade

¹¹¹ http://www.iom.md/what_we_know.html

¹¹² Report on implementation of Component II of the PNAET <http://www.minfin.md/ro/program/>

developed the *Strategy on Supporting Small and Medium Enterprises* for 2006-2008. The objectives of the strategy were to encourage entrepreneurs willing to invest in successful projects by eliminating the information vacuum, especially in rural areas, developing entrepreneurial skills and offering solutions to the problems of insufficient financial and human resources.

IOM and ODIMM (the organisation subordinate to the Ministry of Economy and Trade responsible for the development of the SME sector) implemented projects focused on developing the SME sector by providing training and information to former migrants willing to open businesses.

In order to ensure continuity of the Strategy and sustainability of results achieved after its implementation, the *State Programme for supporting the development of small and medium enterprises for 2009-2011* was developed (GD no. 123 of 10.02.2009). The programme serves as a basis for developing and implementing action plans from the central and local public authorities and technical assistance projects aimed at developing the SME sector.

Creation of *labour market information centres* is a joint project of the Ministry of Economy and Trade, National Employment Agency (ANOFM), ILO, International Centre for Migration Policy Development and the European Commission entitled "Elimination of human trafficking in Moldova and Ukraine by labour market measures". Information Centres established in Chisinau, Balti, Cahul provide information on the

domestic labour market, including employment opportunities.

The centres also provide consultancy services regarding best practices for the efficient use of remittances in opening a business. They also provide counselling on obtaining legal means of employment abroad for potential migrants.

The National Employment Agency (ANOFM) and the government portal "Labour Market in Moldova" (www.jobmarket.md) have established websites providing information on the current employment situation and job opportunities.

As a part of a Mobility Partnership between the Republic of Moldova and the European Union, a project on labour and return migration started in February 2009 and will last for three years. "*Strengthening the Moldovan capacity to manage labour and return migration within the framework of the mobility partnership with the EU*" is a project involving the participation of the Republic of Moldova and 12 European Union member states. The Moldovan National Employment Service is the owner of the project. The Swedish Public Employment Service (SPES) is the implementing body. The project is financed by the European Union for EUR 3.2 million (MDL 49.2 million).

The project has 2 main objectives:

- Addressing Moldovan citizens wanting to return home and work in Moldova through reintegration policies and programs specially designed to match their expertise

and experience gained abroad with the national labour market demand.

- Addressing the issue of legal mobility between the EU and Moldova through the creation of a sustainable mobility partnership.

An Action Plan for 2009-2011 has been drafted with the objectives:

- to increase the capacity of ANOFM in providing information and related services and to improve the vacancies bank used both by Moldovans at home and by those working abroad;
- to establish a call centre hot-line to increase the access of jobseekers and employers to the labour market by using the internet (email/Skype) and telephone communication;
- to organise job fairs and entrepreneurial training assistance in the EU for migrants wanting to return home and work in Moldova;
- within already existing Moldovan consular offices, to provide information bureaus for workers residing in the EU zone on various concern issues;
- to achieve mutual validation of studies;
- to provide vocational training to migrants, with the help of existing VET schools in Moldova and with the international assistance of the European Training Foundation;
- to achieve social and economic integration of return migrants through training programs and specific policies / guidelines;

- to provide pre-departure training and technical assistance through the ANOFM;
- to train ANOFM staff in Moldova and abroad by experts from the member states;
- to exchange best practices between the EU and Moldova;
- to raise awareness of migration and development issues through national and international media channels.

In order to ensure correct information and to protect the rights and interests of Moldovan citizens outside the country, the Ministry of Foreign Affairs and European Integration (MFAEI) is finalising the procedure for implementation of the project "*Call Centre*". This will be a public relations tool in the Department of Consular Affairs of the MFAEI. Through this centre, the applicant (any beneficiary, but especially Moldovan citizens living abroad) will receive up-to-date information on consular issues, return migration and opportunities for socio-economic reintegration.

From December 2007 through May 2008, the IOM and ILO collaborated on a *financial literacy project* conducted with Moldovan remittance recipients. The project provided financial education at several banks (Banca de Economii, Eurocredit Bank, Fincombank, Mobiasbank) and Savings and Credit Associations. The pilot involved placing 10 educators in 10 branches at four banks and a liaison educator and coordinator to work with Fincombank, who agreed to use its own staff for the pilot. A little over 7,000 participated in the pilot: 75% received financial education at banking institutions and 25% at selected SCAs.

The financial literacy pilot was part of a move to increase the use of other financial services and products, in particular to encourage savings, since in Moldova savings and investment was shown to have a strong link to account holding and regular savings behaviour¹¹³.

¹¹³ Orozco, M. (2008), "Planting the seeds of financial inclusion: financial literacy for remittance recipients in Moldova", ILO.

Conclusions and Recommendations

Conclusions

Migration is a relatively new phenomenon for the Republic of Moldova, which gained additionally momentum in the late 1990s following the collapse of the USSR. Since then, migration from the Republic of Moldova has been characterised by a mass out migration of the labour force.

Until now there has been no system for overall registration and evaluation of the migration process. The estimated number of migrants varies considerably from one source to another, with the highest estimates reaching 1 million. The results of the Labour Force Survey (LFS), conducted by the National Bureau of Statistics, show that as of January 1, 2008, 335,600 individuals, or slightly more than ¼ of the total working population, were reported as labour migrants.

All sources track a continuing growth of the migration flow since 1999. At the end of 2007, migration flows had slowed and in 2009 they declined even further in the wake of the global financial crisis.

The main push factor for Moldovan migration is the economic: low salaries and lack of employment opportunities at home, making the prospect of working abroad a more attractive

option. Successful individuals in the countries of migration, the flow of remittances and social networks established abroad also encourage further migration.

Migration of the labour force from the Republic of Moldova is directed towards two big regions: CIS and Western Europe. The highest concentration of Moldovan migrants is registered in Russia (59%) and Italy (19%), but also in such countries as Portugal, Ukraine, Turkey, Greece, Spain, France, Romania, Czech Republic, Israel etc. There is a noted concentration of Moldovan migrants in large cities.

Russia absorbs the highest share of Moldovan migrants because of the type of employment opportunities available (construction, agriculture and seasonal activities), socio-cultural proximities to Moldova and low costs of migration.

Choice of destination country varies according to gender, area of origin (rural/urban) and level of education. At the same time, there are some general characteristics of all Moldovan migrants: the share of working-age male migrants is larger than that of female migrants. Male labour migrants are primarily engaged in construction, transportation, industry and agriculture.

Female migrants tend to work in the service sector: housekeeping, trade, elderly care, child care and health care, in addition to some women falling into the sex-trade industry.

Most migrants come from rural areas. In recent years, the share of urban residents in the total migrant population increased. In terms of geographical distribution, Gagausia region is most affected by migration; approximately 34% of the adult population from the region are migrants. Young and middle-aged people participate more actively in labour migration; the average age of the labour migrant is 35-36 years. A sizeable proportion of the migrants living abroad are relatively well educated, although Moldovans migrants are usually involved in activities that do not correspond with their level of qualification. Many work in low or unskilled labour jobs.

The migration of skilled workers from Moldova has had considerable effects on the country's sustainable development. Migration has been positive in terms of inflows of remittances, as well as negative in the sense that migration contributes to the loss of human capital at home.

The impact of the global economic crisis on migration and return migration is still inconclusive. The crisis did not, at least in the first half of the year, trigger the mass return of

Moldovans. At the same time, however, those who have recently returned to Moldova have reported the crisis as their primary reason for returning. Return can also be partly attributed to an increase in the availability of jobs and satisfactory wages in Moldova; some wages are now at least EUR 500 per month.

Transfers of money from abroad are an important source of income both for households and for the state economy. Remittances are, in fact, the main or even sole source of income for many households. Remittances are a key factor in poverty reduction and help to offset major inefficiencies in state policies and capacity. The majority of these flows are used to fund basic household consumption, purchase of consumer durables, housing and debt repayment. Very little is reserved for savings or financing business investments.

Trends in money transfers from abroad showed steady growth between 1999 and 2008, placing Moldova high on the list of the world's most remittance-dependent economies. According to the World Bank, 36% of Moldova's GDP was derived from remittances in 2007. One third of the Moldovan population was members of households that received remittances in 2008.

The volume of remittances usually depends on the migrant's destination country. As a rule, remittances from migrants in EU countries tended to exceed those from migrants working in the CIS countries.

The most frequent ways of formally transferring money are banks and MTOs, but it is assumed that informal transfer methods still prevail.

However, Moldova has made further progress regarding the formal transfer mechanisms (from just under 50% in 2006 up to more than 60% of migrants in 2008).

The Moldovan population is characterised by a low level of financial literacy, especially in rural areas. Few households use banking services other than holding current accounts. An additional problem is limited banking services and MTOs in rural areas.

The latest study conducted by CBS AXA (2009) shows that low usage of banking services is mostly due to lack of money for savings and lack of confidence in banks, as well as other factors such as an unattractive monetary market with low interest rates, inflation, a large number of banks, lack of bank branches in rural areas and the perception that the opening of a bank account is a complicated procedure or that the bank requirements are too high.

The global economic crisis has dramatically reduced the inflow of remittances to Moldova. According to the National Bank of Moldova, transfers of money made by individuals through field bank branches fell almost by 30 percent in the first two months of 2009.

There is a need to develop and encourage more entrepreneurial spirit in Moldova. Some migrants have already invested their earnings from migration into establishing or expanding their own businesses, making them success stories amongst their peers. The economic crisis, however, had a negative impact on migrants' investment intentions and the capacity of recipient households to save money, make use

of banking services and participate in entrepreneurial activism.

The Republic of Moldova has a wide range of employment-related strategies and plans. None of the strategies have yet been monitored or evaluated¹¹⁴. Monitoring is needed to ensure the effectiveness of actions stipulated in these plans, and to ensure promotion of the most efficient and relevant measures in terms of their practical impact on the migration process.

To date, the Government of Moldova has adapted its regulatory framework to fit international standards and continues to work in this regard on migration-related issues. Moldova's migration-development strategy is being implemented in cooperation with the international community representatives. It is recommended to focus on expanding the existing programmes, rather than start new ones.

¹¹⁴ ETF (2009), "Moldova Country Report", *Black Sea Labour Market Reviews*

Recommendations

- Address shortcomings in the completion and reliability of statistics. This will require improvements in the collecting of migration-related data and in the system for overall registration and evaluation of the migration process;
- Enhance cooperation with destination countries in managing the migration process;
- Promote better media coverage of activities of agencies dealing with migration monitoring and evaluation;
- Continue the government's actions to support SMEs, including monitoring and evaluation of government programmes for the productive use of remittances;
- Raise the level of financial literacy among the Moldovan population (both remitters and remittance recipients), including through information campaigns. These measures should be addressed particularly towards women, younger remittance recipients and those living in rural areas;
- Promote the direction of at home cash savings towards the financial and banking system by increasing the people's level of confidence in the system, increasing access to banking services in rural areas and widening the range of services.
- Develop an e-banking system that would allow migrants to personally manage their own financial resources and allow banks to attract such savings;
- Encourage banks to develop marketing strategies and new instruments to ensure more intensive and formal post-transfer use of money;
- Promote entrepreneurial skills among remittance recipients, support entrepreneurial activism and migrants' investment intentions;
- Target remittances towards business activities by supporting new entrepreneurs. Possible strategies may include exemption from income tax, social contributions, preferential crediting terms, provision of subsidies, grant components, etc.;
- Tackle infrastructure problems in rural areas to increase the interest of return migrants willing in making investments in these areas;
- Strengthen contacts with the diaspora population through embassies, migrant organisations, the Internet, informal communities, etc. Inform migrants on investment opportunities in the country of origin;
- Contribute to the legalisation of Moldovans' residence abroad by signing mutual agreements that would ensure the protection of their social and economic rights. Such legalisation facilitates more frequent returns home.
- Extend diplomatic and consular presence in primary destination countries for Moldovan migrants. Currently, because of lack of human and financial resources, consular and diplomatic missions abroad are of little help to Moldovan migrants in need of assistance. Migrants frequently request assistance when they are already in a difficult financial situation.

Endnote (See footnote 1, page 5)

The effort to democratise Soviet policy, undertaken by Mikhail Gorbachev in the late 1980s, led to a movement of national awakening of the republics included in the Soviet bloc and its inevitable subsequent disintegration. In 1989 the revival of the Romanian spiritual values began in the Moldavian SSR; Romanian language was proclaimed the national language, tricolour was adopted as the national flag and more and more Moldovans advocated for unification with Romania. These actions drew protests that showed deeper in the Transnistrian region (Pridnestrovian), where ethnic Slavs (Russians and Ukrainians) were the majority.

Revival of disputes over the Romanian or Slavic origin of the Bessarabian territory (see below) degenerated into an armed conflict, which subsequently turned from an intercultural and ethnic conflict into a geopolitical conflict.

Transnistria proclaimed its independence in 1992. It is organised as a presidential republic with its own government, parliament, military, police, postal system and currency. It is governed by the unrecognised Pridnestrovian Moldavian Republic (PMR), which claims the left bank of the river Dniester and the city of Bender within the former Moldavian SSR.

The modern Republic of Moldova does not recognise the secession and considers territories controlled by the PMR to be a part of Moldova's sovereign territory.

Bessarabia (namely the Republic of Moldova) is historically a Romanian region, which prior to the 19th century comprised the southern area of the territory between the Prut and Nistru Rivers (Bugeac area), a component of the feudal state of Moldova. Since 1812 the entire territory between the Prut and Nistru Rivers was part of the Russian empire and was officially named

Bessarabia and subjected to forced colonization, while the Romanian indigenous population was still a majority.

In 1856 Russia ceded some southern counties to Moldova (Romanian region); while in 1878 it took over these areas once again. In 1917 the Democratic Moldovan Republic (Bessarabia) proclaimed its independence and in 1918 it rejoined Romania. In 1940 Bessarabia was occupied by the USSR and became part of the Moldovan SSR. In 1941-1944 it was governed by Romania. In 1944 it again became a Soviet republic, which existed until 1991, when it declared its independence as a state of the Republic of Moldova.

Source: *Dicționarul enciclopedic ilustrat (Illustrated Encyclopaedic Dictionary, Cartier, Chișinău 1999*

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