



Market Analysis:

IASCI
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CIVIS
Centre of Sociological, Politological and
Psychological Analysis and Investigations

Moldova

Maximising the Development-Impact
of Migration-related Financial Flows
and Investment to Moldova

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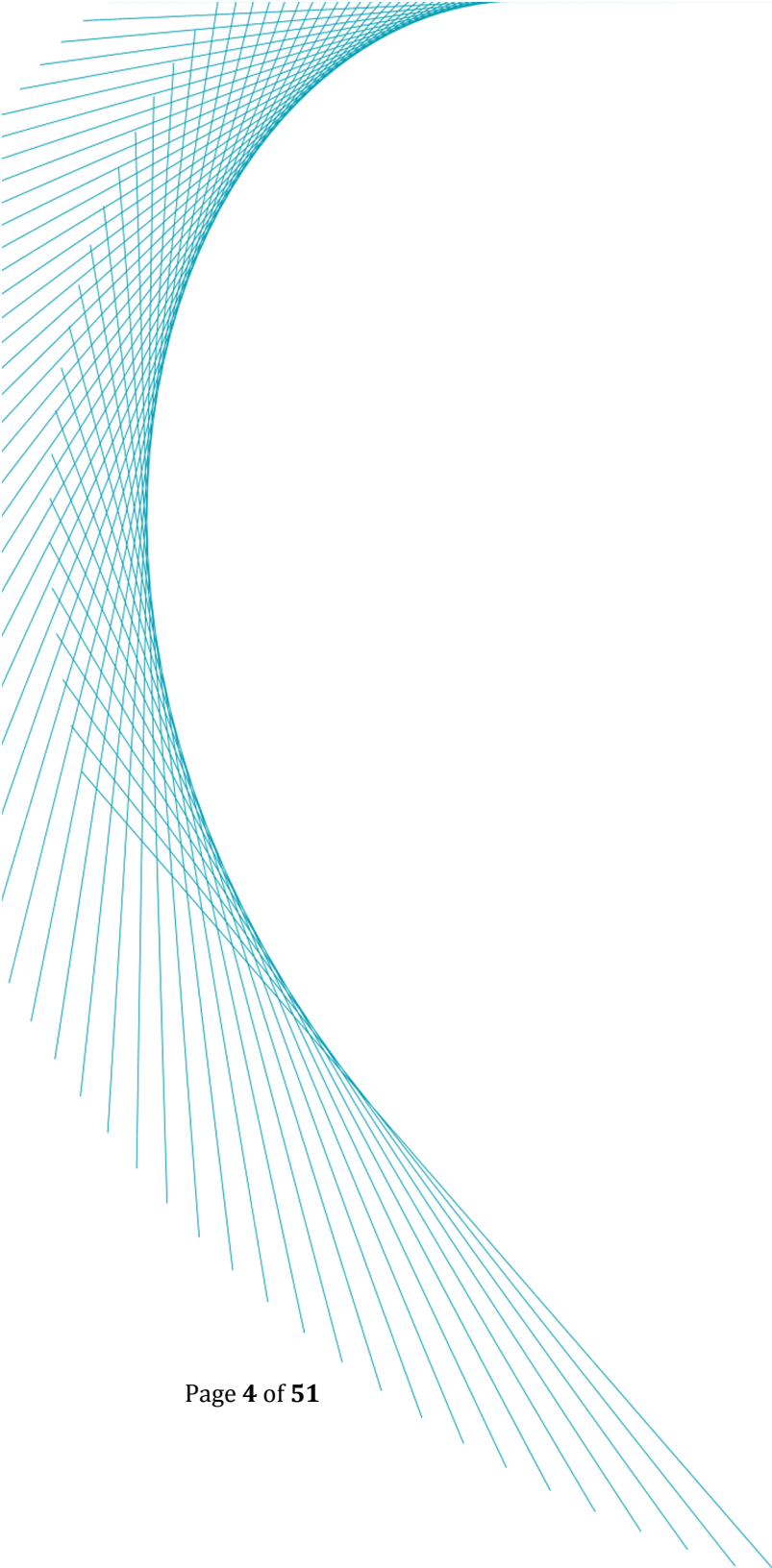
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Executive Summary

The objective of this market analysis is to inform IASCI Moldova project partners and stakeholders with an overview of the completed market research. This document assumes knowledge of the project and is intended to support previous materials distributed, as well as bilateral consultations carried out with consortium members and other stakeholders, and should be read and seen in that context.

The underlying premise: Remittances will undoubtedly continue to be important to recipient countries and households (HHs) alike. Yet it is the accumulation and eventual transfer of wealth that motivates most long-term migrants and that holds the greater promise of being a substantial and sustainable development and market-led opportunity.

This potential is manifestly amplified when their savings are combined with the social and human capital that migrants may wish to invest in order to realize their plans and ideas. Both the return of savings and the return of the migrant are highly dependent on the existence, or the creation of, suitable local return conditions and targeted incentives.

Logically, the primary condition facilitating successful circular migration is to support (rather than hinder, which is often the case today) the migrant in achieving his/her savings objective efficiently. Support efforts in this area are

important in relation to, and should be consistent with, policy priorities in two related areas:

- a) fostering sustainable development in countries of migration, by moving beyond remittance dependent and consumption-led economic models; and
- b) supporting efficient circular migration and ensuring that the benefits and costs are equitably managed.

The model assumes that when working together, public and private sectors, in both country of origin and country of migration, can identify and develop suitable local conditions and migrant/saver-specific incentives to directly support these broadly held ambitions. With these means of support, the benefits – in particular to migrant and home community, but also to country of migration and country of origin - can be more effectively captured.

One key imperative, namely the wish to return and save/invest in the country of origin, is by definition higher in circular migrants (i.e. those with a stated wish to return), than in those practicing permanent migration or seasonal migration. The research therefore examines this

“Ultimately, we migrate to save.”

Migrant (male, 31) Greece

group of ‘trans-national households’¹ in extensive detail in order to determine: (a) their migration objectives and strategies; (b) their incomes, expenditures, savings and investment behaviours and strategies; and (c) their return intentions, among other characteristics.

The foundation of the project, therefore, is the recognition of circular migrants and their beneficiaries as a potentially significant and distinct market segment - one of particular interest not only to governments, but also to the financial intermediation industry.

The project’s practical intent is to support the personal and migration-related objectives of migrants and their trans-national HHs over the term of their migration cycle through the provision of relevant remittance, savings and investment options.

This Moldova-specific study is intended to act in support of these objectives. It is part of a series that to date includes Albania, Bosnia and Herzegovina, Kosovo, and Romania.

¹ Repeated HH and migrant surveys, confirmed by in-depth migrant interviews indicate that most long-term and circular migrants see their HHs/families as divided between country of migration and country of origin; hence the “trans-national household”.

The market analysis is based on mutually reinforcing quantitative and qualitative research procedures. Quantitative procedures included a survey of 2,323 visiting long-term migrants, building on a parallel HH survey of 965 remittance-receiving HHs (with at least one member in long-term migration).

Each procedure was designed to provide a range of information in addition to an ability to verify the results of the other procedures used.

Moreover, the quantitative methodologies used were specifically designed to allow for cross-country and repeated longitudinal applications. This allows for the resulting data to be reliably cross-tabulated over periodic timelines and across various markets. It is also designed to provide, for the first time, a systematic understanding of both the evolving characteristics of Moldovan migration and its overall context, compared to other similar high migration countries.

Basic Characteristics of Moldovan Migration

About 228,000 Moldovans were estimated to be in various forms of migration by 2009, mainly in the EU Region and the Commonwealth of independent States (primarily Russia). Moldovan migration has been motivated by a combination of economic factors and a series of shocks - both internal and external, and remains primarily driven by those factors today.

In general, Moldovan migrants come from all walks of life, demonstrate variable levels of educational attainment, and originate from both

urban and rural areas. Migrants are the most economically active part of the population, predominantly young, and more educated.

Moldovan migration is primarily directed towards the European Union (mainly Italy, Spain and Portugal) and the Commonwealth of Independent States (mainly the Russian Federation). CIS has been favoured primarily because of its large labour market, freedom of movement, reduced migration costs and socio-cultural proximity.

In general, men from poorer, rural areas tend to migrate more towards CIS destinations, while proportionately more women from urban areas tend to migrate to EU countries. This rather unique “gender distribution” can be explained mainly by the demand of the sectors in which long-term migrants are employed. A division of labour exists between the sexes, with males employed predominantly in construction, services, and manufacturing, while women are working primarily in domestic care and services.

Another defining characteristic of Moldovan migration is the high education and professional level of the migrants compared to other countries studied. Migrants residing in the EU region have higher educational levels than those in the CIS region. The relatively young age and high level of education show the high potential of Moldovan migrants compared to other countries studied to date.

A high number of educated and professional people (engineer, doctors, IT specialists, teachers, agronomists, etc) in migration is considered by some as a potential handicap on future growth prospects. At the same time this

process is accompanied by a certain degree of “de-qualification” (loss of skills) as the migration experience itself often results in qualified migrants undertaking unskilled work.

Maturity of the Migration Cycle

Understanding the relative ‘maturity’² of the overall migration cycle is important, as it can provide insight into current and future migration and economic behaviours of migrants - including probable return intentions.

The concept of migration maturity is assessed using similar methodologies and comparable data sets from other countries. By taking a number of migration-related indicators into account, it can be stated that Moldovan migration is at a relatively less mature stage, compared to the other countries studied.

Because of various migration-related factors family reunification rates among Moldovan transnational HHs are much lower than among those from Albania, BiH, Kosovo and Romania.

This is partly because only 67% of Moldovan long-term migrants consider their residency and work status as regularised. Although still high, findings from the other country surveys suggest that this rate is comparatively low. Of particular note is the large difference between those migrants living in the EU region and those living

² Maturity of the migration cycle refers to the overall process of mass migration from a specific country of origin, not the experience of the individual migrant. It is assessed using a number of indicators into account, as introduced in the following pages.

in CIS, as the majority of CIS-based long-term migrants do not consider their status regularised.

Moldovan migrant HHs use banks less regularly in their places of migration than migrants from Albania, BiH, Kosovo, or Romania.

The average size of the Moldovan long-term migrant HH abroad is 1.5 people. Approximately 1.27 people per migrant HH are employed or otherwise generating an income, resulting in very few dependent members in migration.

Reflecting the trans-national nature of the family, on average another 1.9 people belonging to the same family are residing in Moldova.

The children regularly attend school, and the financing of their education is one of the primary savings objectives of the migrant HH.

One characteristic of Moldovan migration is its relatively lower maturity compared to other countries studied. However, overall, long-term Moldovan migrant HHs have gradually improved their socio-economic status in their places of migration.

Social Networking and Communication

Gaining insight into the mutual assistance and available/trusted communication sources of migrants is considered important for understanding migration strategies and developing relevant marketing and awareness-raising tools and initiatives.

Mutual help between migrants, as well as between migrant and home community, plays an

important role in every phase of the Moldovan migration experience. The data shows that informal collaboration takes place starting from pre-departure planning, throughout the migration cycle, and during return and reintegration. Social networks and communication are important in helping migrants manage migration-related risks, while lowering the associated financial costs and maximizing their gains.

Overall, Moldovan migrants maintain strong levels of contact among themselves at their places of employment, public places such as bars and coffee shops, home visits, and by telephone. The most important means of communication among Moldovan migrants is daily social contact at work or by telephone.

Frequently, Moldovan migrants meet in public places and visit each other's homes, and many Moldovan migrants live near each other in places of migration. This high level of social capital is important in order to exchange information and support about economic and social conditions, both in the place of migration and in Moldova.

Simultaneously, Moldovan migrant HHs maintain strong relations with their families, friends and neighbours in Moldova. In general, migrants from Moldova communicate with their families and friends by telephone, Internet, or SMS, as well as access Moldovan media in the places of migration. This is also indicated by their frequency of home visits, noting that nine of 10 migrants make regular (yearly) visits to Moldova.

Upon return, many Moldovan migrants capitalise on the rich social networks they established in their countries of migration. This helps them

develop or maintain commercial and economic relationships with their counterparts in their former host countries.

There is a strong relationship between intensity of communication on one hand, and remittance behaviour, return intentions, and potential investment activities on the other. Communication channels not only serve emotional needs, but also facilitate exchanges of information, ideas and practices, thereby fostering the social and economic development of Moldova.

Of note is that personal communication with family, friends and fellow migrants remains the most trusted source of information.

Though migrant and diaspora associations exist, their role and importance to the migrant community and their families seem to be extremely limited. The survey data shows that less than 4.6% of migrants see such associations as "a trusted source of information."

While a lack of vertical or structural information and resources remains, Moldovan migrants demonstrate high levels of horizontal or social capital. This demonstrates their heavy reliance on social networks, as well as their ability to form connections in their places of migration.

Trends in Return Migration

Considerable return migration to Moldova began only fairly recently. This process is important insofar as sustainable return migration brings with it significant financial, human, and social capital. However, because of the current

economic crisis, rates of return migration to Moldova have been declining.

The data confirms that, for most Moldovan migrants, meeting their personal savings objective is a primary goal before return to Moldova will be considered. External factors beyond the control of the migrant, such as employment opportunities or the business climate in Moldova, are also very important.

Overall, 70% of migrants have a definite intention to return to Moldova. Return intentions are higher for Moldovan migrants than for migrants of other countries studied. Experience shows that family reunification progressively increases as a migration objective, while integration in the country of destination and improvement in socio-economic status decrease return intentions.

Return intentions are even higher among Moldovan migrants currently in CIS than among those residing in EU and other countries. This can be explained by various factors, including the comparatively lower standard of income/living in CIS, the higher number of migrants working in construction and agriculture, and the proximity to Moldova, allowing many return visits and other contacts to be maintained.

Evolving personal objectives influenced by the migration experience itself also motivate return strategies and timing. This study shows that Moldovan migrants often increase their savings goal and ambitions over the period of migration. Such growing ambitions are subject to personal circumstances (age, experience, family composition) as well as changing conditions in Moldova, where property prices and business investment costs fluctuate over time.

According to a recent study by the authors (2010), the extended economic crisis beginning late 2008 and its ongoing transmission from primary host countries to Moldova will directly influence the overall migration cycle. On a personal level, a migrant may be unable to reach his or her savings objective, resulting in a lengthened period of migration. Alternately, a migrant HH may choose to return to Moldova in whole or in part in order to avoid consuming the savings already gained.

A clear indicator of continuing high return intentions, notwithstanding the early stage of the overall migration cycle, is that a large majority of migrants continue to maintain property in Moldova. Property ownership abroad among Moldovan migrants is low, even compared to other countries studied. This combination seems to confirm the higher overall return intentions of Moldovan migrants.

Reinforcing the general urbanisation process in Moldova, nearly one quarter of long-term migrants who return prefer to settle in and around Chisinau rather than return permanently to their places of origin. Return processes, when they occur, will reinforce the general urbanisation trend in Moldova. The main reasons for this preference are greater employment opportunities, increased investment opportunities and better prospects for their children. This finding is confirmed by the investment intentions of many migrants (see below). Consequently, further population pressures on Chisinau can be expected in the future.

Migrants engaged in entrepreneurial activities or self-employment abroad primarily do so in construction (EU) and construction and trade (CIS). Experience from other countries studied show that in future the number of migrants within this category can be expected to increase as the migration-cycle continues to mature.

Looking forward, return intentions are also a critical determining factor in explaining and forecasting savings, remittances and investment behaviours.

Key Financial Issues

Comparing Moldova with other countries in the region with high levels of migration, it is possible to identify some key characteristics of Moldovan migration.

Moldovan migrant HHs have an average net annual income of Euro 14,122, of which Euro 8,256 is saved. This implies a propensity to save (before remittances) of 58.5% of HH income (net, after taxes and other mandatory deductions).

This propensity is very high, even compared to other countries studied. This high savings rate can be explained by the characteristics and dynamics of Moldovan migration, including those factors determining the less mature migration cycle such as low family reunification.

The largest part of their HH savings is maintained in the respective countries of migration. The savings to remittance factor is 1.25:1.

The most important savings objectives identified are to purchase or upgrade a home, to invest in a business, to educate children and to secure a

pension. These objectives are similar, but not identical to other countries studied.

Because of the relatively low maturity of Moldovan migration and the return factors, the propensity to save is higher among Moldovans than of both Albania and BiH. In comparison, the propensity to save among long-term Kosovar migrants is higher than Moldovans, again reflecting the different migration histories and local conditions within these countries.

Moldovan migrant HHs are not high users of banks, although remitters are more likely to use banks than non-migrant HHs. This is reflected by a lower banking rate (14.2%) in Moldova compared to 30.1% of remitters (the banking level in the place of migration remains a moderate 37% for both groups). It is expected that as the migration cycle matures, the use of banks and other financial services will gradually increase.

Remittance Levels - higher than regional averages

At an overall average of Euro 3,678 per annum (26% of net income), Moldovan migrant HHs remit significantly more than migrants from the other countries studied to date.

Moldovan HHs that have achieved family reunification remit, on average, Euro 992, or 24% less than migrants who have not reunified.

As in other countries studied, the maturation level of Moldova's migration cycle can be expected to lead to a lowering of remittance values to Moldova over the medium-term.

This combination of HH income and expenditure results in the **very high propensity to save** among Moldovan HHs of approximately 43% of HH income (as compared to 23 to 32% in the other countries studied).

As well, interviews reveal that Moldovans, like Albanians, make an effort to spend less in the place of migration than other migrant groups in the same socio-economic situation.

Interestingly, the consumption component of remittances (by value) remains relatively consistent across all the countries studied, taking into account family composition and purchasing power parity.

Moldovans retain lower levels of savings in the place of migration and a higher component of savings and investment within current remittances. This reflects lower family reunification and may reflect both predominant sector of employment (leading to lower banking usage in places of migration) and perhaps a high level of mistrust in the financial system in CIS.

Migrant Savings and Investments: the link between migration and development

With a significant number of HHs estimated to be in long term migration (approx 122,000) the total estimated pool of retained savings in 2009 is Euro 559 million.

In parallel, Moldovan migrant HHs remitted Euro 448 million, or an average of 3,678 Euro per HH. Of this amount, 42%, or Euro 188 million was sent to Moldova with the express purpose of being

saved or invested. The balance (Euro 260 million) was used for consumption.

Compared to other countries studied, Moldovan migrant HHs can be considered more likely to have provided finance to a Moldovan business enterprise in the past, with 26% reporting to have done so (investing or lending).

The primary sectors of investment included retail, trade, agriculture, and real estate. Investing in Moldova is traditionally carried out at the micro-level, usually alone or together with close family members.

Remittances Disaggregated

Migrants and their remittance behaviours are far from homogenous; important insights can be gained by examining their savings/ investment intentions in more detail.

Substantial group of non-remitters: At the time of the survey, 16% of current migrant HHs did not remit at all. Non-remitters are characterised by a high level of family reunification (41.1%), compared to 17.4% of remitting HHs. They also demonstrate a lower rate of marriage, often meaning that they do not have a spouse in Moldova to remit to. Overall, 63% of non-remitters are in migration without their spouse, compared to 75% in HHs that do remit.

In part, this reflects the lower maturity of the Moldovan migration experience. Yet it also reinforces the portrait that most Moldovan migrants do not migrate to remit, but rather to save.

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

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

The second group is comprised of migrants that include some level of savings as a priority component of their remittances. The value of annual remittances for this group in 2009 was Euro 6,630, on average. When comparing group to group, this value is twice the amount remitted by Albanian migrants.

Part of these savings is deposited in the Moldovan banking system and represents a main source of liquidity in the system as a whole.

The third (and smallest) group includes migrants that send monies specifically for investment purposes as a priority part of their 2009 remittances. The average remittance value of this

group is significantly higher, at Euro 13,260 (compared to Euro 7,000 in the case of Albania).

Although the largest group of Moldovan migrants are those who send money for consumption needs, it is these last two groups of migrants that account for the largest part of the Euro 448 million in remittances sent to Moldova in 2009.

In addition, and according to the literature, as the aforesaid forecasted decrease in remittances takes place, long-term migrant HHs will increase their retained savings.

Moldova’s relatively **less mature migration cycle**, combined with a large migrant population in CIS (54%), results in a low average migrant HH income: on average Euro 1,176. This places Moldovan migrant HHs in the low end of the overall income range.

A second key finding is that irrespective of the amount remitted, the amount actually dedicated to consumption does not vary significantly between the recipient HHs in Moldova. Most variations can largely be explained by differences in saving or investment intentions.

Interestingly, similar levels of remittance for consumption purposes can be found in the other countries surveyed. Cross-country analyses show differences in remittance values can be attributed largely to the factors involved in the

maturity of the migration process as well as savings and investment levels.

Thirdly, current savings and investment behaviours on one hand and return intentions on the other are inextricably linked: the higher the return interest of migrants, the higher the savings and investment component of their current remittances.

In addition to the above, and contrary to expectations, remittance-receiving HHs surveyed revealed that they also saved more than the expected portion of their HH income, that is, in parallel to the amounts stated above.

In conclusion, Moldovan long-term migration results in considerable savings and investment potential. The key determining factors relate to the availability of suitable local conditions and migrant/saver-specific incentives.

Given their numbers, long-term migrants and their HHs in Moldova comprise a significant human and financial resource and a substantial market segment for interested and imaginative actors in the financial sector - on both sides of the financial intermediation calculation.

Experience shows that, to date, these important findings remain largely unexplored by financial intermediaries and governments alike.

Introduction

This market analysis was carried out using concepts and methodologies developed by the International Agency for Source Country Information Migration (IASCI). The IASCI Moldova Project was implemented in partnership with the Centre for Sociological, Psychological and Politological Analysis and Investigations (CIVIS), and with the support of the Centre for Economic and Social Studies (CESS). The project was financed by the EC-UN Joint Migration and Development Initiative.

The objective of this market analysis is to inform IASCI project partners with the totality of the market research carried out to date. This document is intended to support previous materials distributed, as well as bilateral consultations carried out with consortium members and other stakeholders within the context of the project, and should be read and seen in that context.

Financial flows from migrants to their home communities are at the core of the relationship between migration and development. Most research, policy development, and financial industry attention to date has focused on migrants' remittances, and there is little doubt that these remittances are large and important at both HH and national levels.

In contrast, this project, of which this market analysis is an important part, is based on the premise that financial, human and social wealth

accumulated by migrants abroad are interlinked, and that this accumulated wealth has the potential to substantially impact the economic and social development of Moldova.

As Dilip Ratha of the World Bank summarises (2010): "Remittances tap the *incomes* of migrants, but the greater challenge is to mobilize the *wealth* of diasporas." This illustrates the increasing recognition among researchers, policy makers and finance industry experts that remittances represent only a fraction of the potential private financial and other flows originating from migration processes.

Yet, as international experience shows, a prerequisite for mobilizing this wealth is the creation of social, market and institutional environments that allow migrants to efficiently invest their accumulated human and financial wealth in their country of origin.

The role of the financial intermediation sector is one key element in this process.

The following pages build on matching research carried out by the authors in Albania, Kosovo, Bosnia-Herzegovina (BiH), and Romania. The aim is to gain an in-depth understanding of the actual migration objectives and savings behaviours of long-term migrants from the region. This previous research clearly indicates that the "accumulated wealth" among long-term migrants is indeed considerably greater than the

value of remittances transferred over the same period³.

The foundation of the project, therefore, is the recognition of migrants and their beneficiaries as a potentially significant and distinct market segment, one of particular interest to the Moldovan government, as well as the financial intermediation industry, development professionals, interested stakeholders, and of course, migrants themselves.

The project's practical intent is to directly support the personal and migration-related objectives of migrants and their trans-national HHs over the term of their migration cycle through the development and market testing of relevant remittance, savings and investment options.

In making the overall migration experience more successful, incomes, remittances, migrant transfers, and sustainability of return will all be positively impacted.

³ de Zwager N., Gedeshi I., Germenji E., Nikas Ch., Competing for Remittances, IOM, 2005

Simultaneously, the project encourages the broadening and deepening of financial intermediation, thereby facilitating entrepreneurship and employment opportunities in Moldova. By these means, the project directly links migration, remittances, and financial intermediation with sustainable development.

In summary, the project encompasses three linked phases:

Phase I: In order to guide the later phases, Phase I is designed to assess market demand for and identify products and services of relevance to migrants. The assessment (and possible intervention points) intends to cover the entire circle of migration (pre-departure, period of migration, and return), leading to (a) a comprehensive market analysis of migrant communities; and (b) a specialist workshop of partners and government counterparts.

Phase II: Develop innovative products and services of relevance to migrants on the basis of the market analysis, in collaboration with consortium partners and government counterparts.

Phase III: Market-test and systematically monitor selected products and services and evaluate their impact, using the results to develop a business model, as well as to offer recommendations to governments where relevant.

This market analysis is organized into five main sections, followed by two major annexes.

The first outlines the methodologies and different procedures used in the research, encompassing a Moldova-specific household (HH) survey, a migrant survey and a review of the relevant literature. The findings are systematically compared with data obtained from recent research in other countries in SEE.

The second section summarizes the process of Moldovan migration and describes the socio-demographic characteristics of Moldovan migrants and their HHs.

The third section introduces the analytical framework and provides supporting data related to the “Maturity of the Migration Cycle”, “Return Migration” and “Social Networks and Communication”.

In the fourth section – at the core of the market analysis – the report provides insight into the key financial characteristics of long-term migrants from Moldova. This includes a detailed examination of incomes, expenditure, savings, investment and remittance behaviours, and their forecast trends. The section also includes a short analysis on the current effects of the global economic crisis on the above issues. Recognising that migrants are not a homogeneous group, this section introduces separate profiles of primary migrant groups in order to examine variations in their financial behaviours.

The report closes with a brief financial overview intended to allow cross-tabulation of Moldova data with key financial data sets of other country studies, as well as a summary of aspects relevant for the financial intermediation sector in Moldova.

Two annexes provide a detailed summary of the HH survey data, as well as a desktop research summary based on a comprehensive bibliography.

Methodology

This market analysis is based on the study of both primary and secondary data. It includes a review of the existing bibliography, quantitative, and qualitative procedures (cross-referenced). The quantitative procedures include a survey of 2,323 Moldovan long-term migrants, and a survey of 965 HHs in Moldova.

In order to allow for cross-tabulation, very similar questionnaires were used in both migrant and HH surveys.

The same methodology has also been used in different countries within the SEE region, including Albania (2005, 2009, 2010), Bosnia and Herzegovina (2009, 2010), Kosovo (2009), and Romania (2010).

This repeated application of the methodology allows the data to be efficiently compared in order to provide for a better understanding of the characteristics of Moldovan migration within its national, regional, and development contexts.

The following procedures were designed to provide a broad range of information, as well as the ability to validate the results of the other procedures used:

Literature Review

This study is based on a review of a large pool of migration and Moldova-related materials. A preliminary desk-top review took place in the early stages of the project, and informed both

the quantitative and qualitative procedures. (see Annex 2).

Coordination and Peer-Review

Questionnaires and methodologies related to both migrant and HH surveys were developed in close consultation with experts from participating financial institutions, government at national and regional levels, central banks, intergovernmental and regional organizations (World Bank IMF, UNDP, EC Delegation, OSCE, ILO, IOM), academia and other stakeholders.

The resulting data and draft analyses were presented to these partners at a series of regional workshops and bilateral consultations. Feedback received at these events was integrated into this market analysis.

Qualitative Interviews

Early in the research process, semi-structured interviews⁴ were carried out with financial, marketing and product-development experts in (a) four leading government institutions, (b) five international organisations based in Moldova (see above), (c) nine Moldova-based commercial banks, and (d) two national micro-credit providers. The interviews were designed to

⁴ Interview transcripts are available upon request.

allow for broader, more open-ended discussion, and a comprehensive and in-depth understanding of the key issues addressed by this study.

Socio-Economic Survey of Households

965 HHs were surveyed in order to gain insight into the impact of migration on Moldovan HHs, including their trans-national character. As with the following migrant survey, key financial characteristics (remittances received, HH budgets, savings levels, etc.) and return expectations were examined.

The HH survey took place during October 2009, and was carried out in all twelve regions with a total of 123 sampling points in order to acquire a representative sampling of the country.

Selection of sampling points was made to ensure the representation of: (a) all country regions and topographies, (b) urban, semi-urban and rural populations, (c) varying degrees of socio-economic development, particularly since the start of the transition period, (d) different types of economies and industries, and (e) large-scale social processes, such as international and internal migration.

Within each research district, HHs with and without long-term migrants were selected for an interview, with every fifth interview conducted

with a non-migrant HH (i.e. representing a control group of 20% of all HHs).

Based on this survey and on the 2004 census (source: National Bureau of Statistics), the number and location of 'long-term migrants'⁵ (as defined below) was estimated. These estimates were used to design the migrant survey.

The sampling error of the survey is +/- 3.2%

Socio-Economic Survey of Migrants

A large-scale survey of 2,323 Moldovan long-term migrants was carried out in December 2009 - January 2010. This period was selected in order to capture a representative sampling among the high number of migrants returning to Moldova over the traditional holiday season. Migrants were interviewed at seven main ports of entry to Moldova, covering all means of transportation including personal vehicles, trains, buses, and airplanes, thereby providing a range of different socio-economic profiles. Interviews at Chisinau Airport served to further diversify the sample.

Respondents were selected on the basis of certain criteria. The migrant survey specifically targeted long-term migrants, defined as persons (a) with more than one-year of migration experience, (b) more than 18 years of age, and

(c) in migration for the purpose of employment (rather than education or other purpose).

The sample was designed on quotas based on the results of the previous random HH survey. Migrant interviews took place in the customs areas of the ports of entry. The method of the survey was face-to-face. The enumerators interviewed the migrants as they were waiting to enter the border-processing and customs areas. The survey questionnaire took an average of 21 minutes to complete. The interviewers were advised and trained to preserve gender and age equilibriums.

The migrant questionnaires had 84 questions and, in parallel with the HH survey, provided quantitative data concerning socio-demographic characteristics of the migrants, their primary financial characteristics (including incomes, expenditures, savings, remittances and investment intentions), types of social networks and communication practices with Moldova and among migrants, as well as return intentions.

Data Limitations

The focus of this research was to examine the migration, remittance, savings and investment behaviours of long-term migrants (as a category of "cyclical migrants"), and thereby to analyse some trends in the link between migration and development. Both HH and migrant surveys purposely excluded short-term and seasonal migrants, irregular migrants, and migrants that have effectively not maintained their contacts with Moldova (i.e. emigrants and diaspora

members). No direct effort was made to capture the migrant population outside our target group.

For a detailed description of the methodology and data limitations please refer to www.iasci.info and www.civis.md.

⁵ Long-term migrants are defined as Moldovan nationals 18 years or older that are in migration for one year or longer with the intention to work

Key Characteristics of Moldovan Migration

Mass international migration from Moldova began in 1998 and continued at a high intensity until at least 2007, primarily a result of a combination of economic factors and a series of shocks, both internal and external. As in other countries of the former Soviet Union and Eastern Europe, transition aiming at macro-economic stabilization, liberalization, privatization, and restructuring of the economy resulted in a severe and extended economic crisis, including a steep drop in GDP, high unemployment and underemployment, and inflation, along with de-industrialization.

Following the dislocation caused by the loss of the Soviet market and necessary inputs, the first shock was related to the Transnistrian conflict of 1992⁶. This resulted in the further disruption of nearly all important economic and political systems. The second shock originated in the financial and economic crisis experienced by the Russian Federation in 1998. As a result, in 1998-1999, industrial production in Moldova fell by a further 25%, agricultural production by 20%, and exports by 50%.⁷

In general, long-term Moldovan migrants come from all walks of life and originate from both urban (25%) and rural areas (75%).⁸ Moldovan migration is primarily geared towards two regions: the European Union (EU, mainly Italy, Spain and Portugal) and the Commonwealth of Independent States (CIS, mainly Moscow and St. Petersburg in the Russian Federation, and to a lesser degree, Ukraine).⁹ Moldovan migrants choosing Russia do so primarily because of its large labour market, freedom of movement, reduced migration costs, and socio-cultural proximity.

In general, men from poorer, rural areas tend to migrate more towards CIS destinations, while proportionately more women from urban areas tend to migrate to EU countries. This rather unique “gender distribution” can be largely explained by the demand of the sectors in which long-term migrants are employed. For example, the construction sector in Russia and Ukraine, as well as Portugal, attracts men, while women are more attracted to the service sector, such as catering, housekeeping, and hospitality, in Italy.

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

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

In Moldova, the prevalence of “potential migration”, defined as “the overall ambition to migrate in the future”, is considered high. A previous 2007 study shows that 44.2% of the population, often the young and educated between the ages of 18 and 40, had a stated ambition to migrate, primarily to the EU region.¹⁰

⁶ See Annex 2, Literature Review

⁷ Pantiru M C., Black R., Sabates-Wheeler R., Migration and Poverty Reduction in Moldova, Working Paper, C 10, Development Research Centre on Migration, Globalisation and Poverty, February 2007

⁸ Overall migration including short-term and seasonal workers is 32.5% urban and 67.5% rural. Source: National Bureau of Statistics, *Migration of Labour Force*, 2008.

⁹ For a detailed breakdown of countries of destination, see Annex I.

¹⁰ European Training Foundation. *The contribution of Human Resource Development to Migration Policy in Moldova*, 2008

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

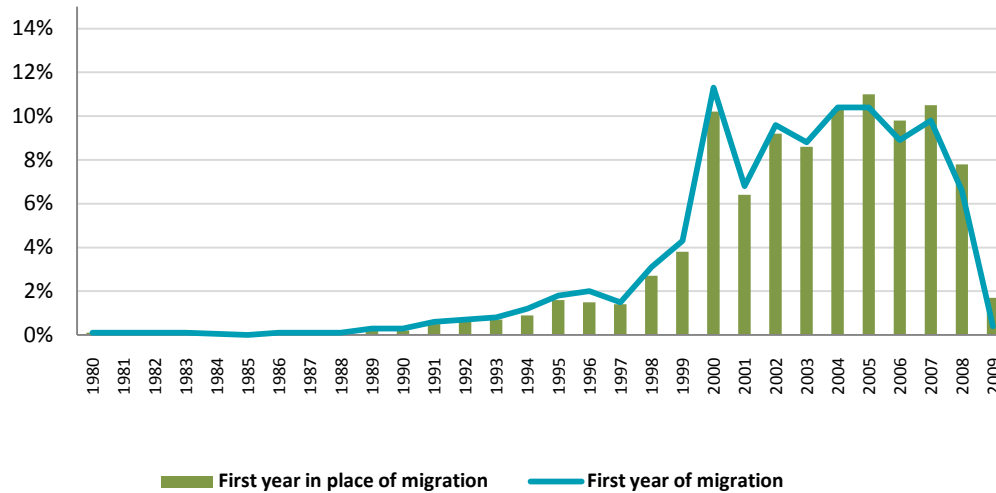


Figure 1: “When did you migrate for the first time?” and “From which year are you in your current country of migration?”

Migration Drivers

In Moldova, mass migration has been primarily economically driven as a coping mechanism to alleviate poverty. A recent study shows that economic factors such as poverty, unemployment and low salaries (working poor) represent more than 72% of migration push factors.¹¹ At the end of the 1990s the level of GDP in Moldova was 34% of that of a decade

earlier. According to data from the National Bureau of Statistics, the unemployment rate was 8.5% in 2000, 7.3% in 2001 and 2002, while large groups of the employed were on extended leave.¹² Nominal salaries were very low, while the real ones dropped because of high inflation rates. As a result, poverty was widespread; a World Bank study evaluated that in 1999, approximately 80% of the Moldovan population

was below the official poverty line,¹³ with 20% of the population living in extreme poverty.¹⁴

¹¹ European Training Foundation. The contribution of Human Resource Development to Migration Policy in Moldova, 2008

¹² Pyshkina T. V., Economic Consequences of the Migration of Labour from the Republic of Moldova/ UN World Institute for Development and Economic Research, Helsinki, 2002

¹³ UNDP, Good Governance and Human Development. Moldova Human Development Report 2003

¹⁴ REPUBLIC OF MOLDOVA, Interim Poverty Reduction Strategy Paper, November 15, 2000

Socio-Economic Characteristics

Moldovan migration is composed of the economically active part of the population

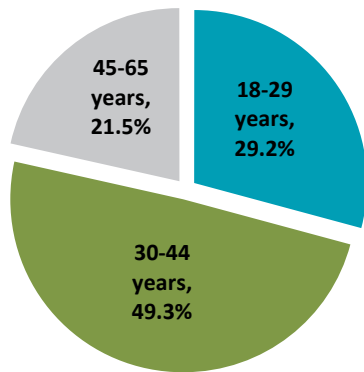


Figure 2: Age groups of migrants

A characteristic of Moldovan migrants is their relative youth, with an average age at the time of departure of 29.7 years that had climbed to 36.1 years by time of interview. There is no notable age difference by destination regions or countries. The majority of migrants (79%) are between 18-44 years. Males predominate in the age group 18-29 years, while more women are likely to be in the 45-65 year group.

Migrants, on average, reflect similar education levels to the overall population of Moldova

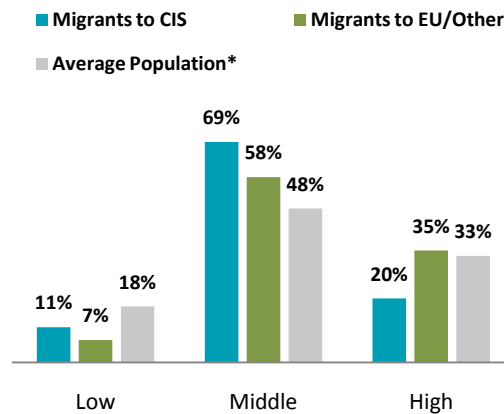


Figure 3: "What level of education did you complete prior to migration?"

Source: National Bureau of Statistics (2009) Total population of age 25-64.

One of the defining characteristics of Moldovan migrants is their high level of education and professional experience, a profile that in general reflects that of the overall population. Data shows that 28% of all migrants have completed university-level education, and 63% completed high school or professional / vocational education.

Migrants residing in the EU region generally have higher educational levels than those in the CIS region. Their relatively young age and high level of education show the high potential of Moldovan migrants when compared to other countries studied to date.

This high number of educated and professional people (engineers, doctors, IT specialists, teachers, agronomists, etc.) in migration has contributed to a reported shortage of necessary skilled workers in Moldova, especially in sectors like education and health. Some analysts consider this a potential handicap for future growth prospects. At the same time, this process is accompanied by a certain degree of 'de-qualification' (loss of skills), as the migration process often results in qualified migrants undertaking low-skilled work.

Migrants are predominantly employed in

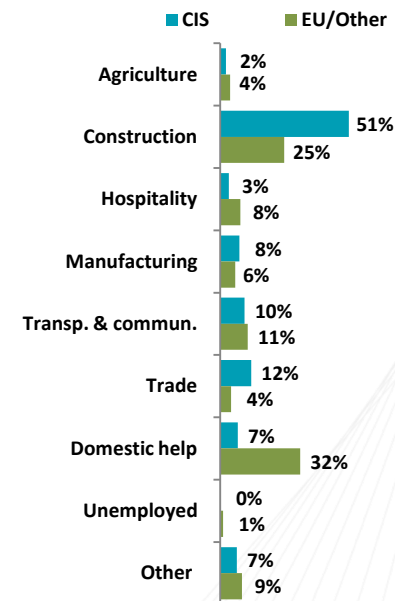


Figure 4: „What was your primary sector of employment in (country of migration) during 2009?"

The three main sectors of Moldovan migrant employment are construction, domestic help, and services. A clear division can be found when looking at the two primary regions of migration, CIS (Russia, and to a much smaller degree, Ukraine) and EU countries. Comparing sectors of employment between these regions, it can be observed that Moldovan migrants working in CIS are mainly engaged in construction and trade, while in the EU countries they are working mainly in domestic care, as well as construction.

Another distinction is identified when examining the division of labour between men and women. Males are employed predominantly in construction and transport/communication, while women are employed mainly in domestic care, and also in trade and services. Young women are less likely to be working as domestic help, while construction remains the sector of preference for many young Moldovan males. Construction work is also more prevalent among migrants that are from rural Moldovan areas, as well as those with low and middle levels of education.

This distinction between the regions of migration can be explained by the structure of their economies. For example, CIS (mainly Russia) has a higher demand for less-qualified labour in construction and trade.

Migrants in CIS are more likely to be engaged as ‘unqualified workers’ when compared to EU/other destination countries

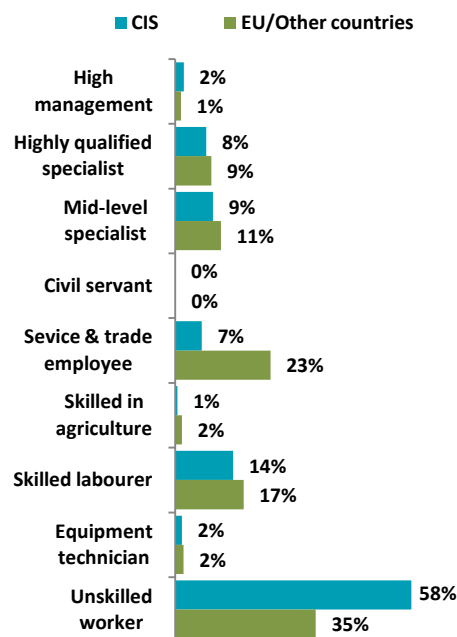


Figure 5: “Specify your current level of employment in your place of migration”

Previous studies have shown that migrants often move from less to more qualified work in line with their education/qualification and integration over a period of years. This trend seems to be less apparent in the case of Moldova. This can be explained by the shorter period of mass migration (i.e. 10 years as compared to 20 or more for other countries studied), as well as the overall migration profile

(i.e. single women working in domestic care and single men working in construction). As a result, the comparison between the levels of employment with those of education shows that under-employment and a process of ‘de-qualification’ characterizes Moldovan migration.

These findings support the assumption of a lower level of integration on the part of Moldovan migrants and a relatively less mature migration cycle (see below) compared to the other countries.

Regularisation is reflected in the level of formal employment in the respective regions of destination

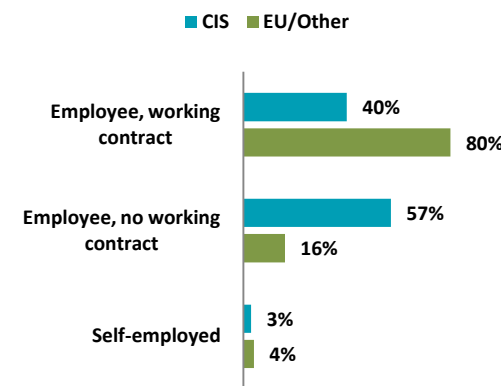


Figure 6: “What is your main source of income?”

In the EU region, Moldovan migrants have achieved a high level of regularisation, with 80% working on a contractual basis and only 16% employed without contract. By contrast, only a small percentage of migrants work on contract

basis in the CIS region, particularly in Russia. This may be explained by the large number of migrants employed in the construction sector, the lack of visa requirements, and the lack of labour legislation enforcement, which has led to a large informal sector. These issues are further explored below.

As would be expected from their respective predominant sectors of employment, there is a significant disparity of income levels between working men and women

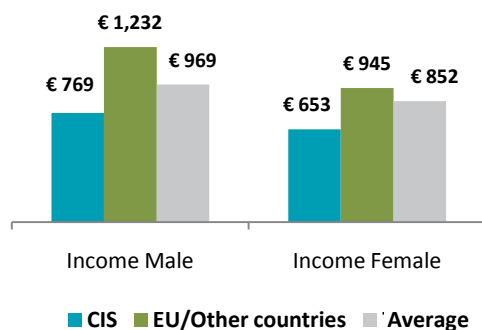


Figure 7: "What is your personal (not of your HH) net monthly average income from all sources in your place of migration? - cross tabulated by gender"

This gender-based income disparity is higher in the EU region (30%) than in CIS (18%). This can be explained, in part, by the higher participation of women in domestic care, which is the lowest paying sector (together with agriculture) in both EU and CIS.

Comparing employment within the same sector, women still earn significantly less than men. The sectors with the largest discrepancies are manufacturing, transportation, services and trade. This is despite the fact that migrant women are generally more educated than men. This discrepancy is maintained even when males and females have the same level of employment.

A large proportion of Moldovan migrants are married

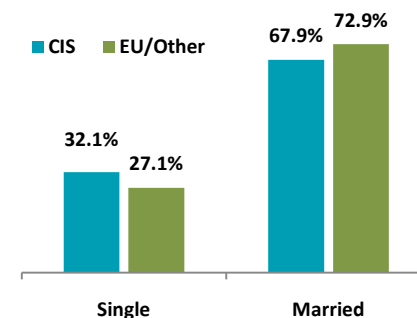


Figure 8: "What is your marital status?" and "Country of current migration"

Overall, 71% of Moldovan migrants are married, but as discussed below, family reunification rates in their places of migration remain significantly lower than for other countries studied. This often results in the personal, family and social tensions observers frequently note about the Moldovan migration experience.

Maturity of the Migration Cycle

Understanding the relative maturity of the overall migration cycle is important for a number of reasons. It can provide significant insight into current and future migration behaviours of migrants, including probable return intentions. It is also a factor that can be used to explain and forecast overall savings, remittance, and investment behaviours.

One characteristic of Moldovan migration is its relatively lower maturity when compared to other countries studied. Using a number of quantitative and qualitative indicators, including level of regularisation of residency in the place of migration, rate of family reunification, knowledge of the local language, and relative integration/prosperity, maturity can be measured. Moreover, these factors and indicators can be directly cross-tabulated with other countries through the collection of comparable data sets.

Regularisation of Residency

Most Moldovan long-term migrants in the EU regularise their residency and working permits

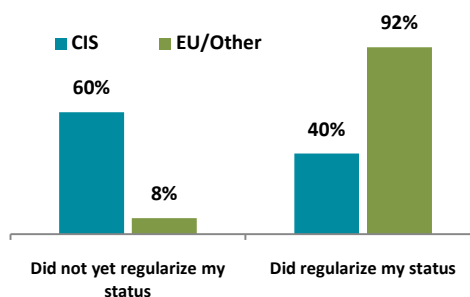


Figure 9: “Status of long-term residency / work permit in country of migration”

The regularisation process is commonly referred to as a key factor determining incomes, savings, remittances and social security/vulnerability. In general, regularisation positively impacts the ability of migrants to reach their migration objectives. With regularisation comes higher incomes and lower vulnerability to labour exploitation and other negative effects. In general, the higher the percentage of migrants with regular status, the more mature the migration cycle is likely to be.

Overall, 67% of Moldovan long-term migrants consider their residency and work status as regularised. Similar findings from other surveys suggest that this rate is relatively low. Of particular note in this context is the large difference between EU Region and CIS, as the majority of CIS-based long-term migrants not consider their own status regularised.

Relative level of regularisation is reflected in the propensity of migrant HHs to hold a bank account

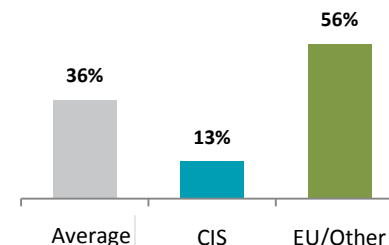


Figure 10: “Do you or another member of your HH have a bank account in (country of migration)?”

Moldovan migrant HHs do not regularly use banks in their places of migration compared to migrants from Albania, Bosnia or Kosovo, despite their level of regularisation (see figure above). This may be explained by their shorter migration experience and the predominant sector of employment. In future, higher levels of banking use can be expected as the migration experience is extended. Nonetheless, this finding, which is discussed in more detail in the financial section below, also confirms the lower level of maturation of the Moldovan migration cycle compared to the other countries studied.

As the survey of HHs with long-term migrants (see Annex 1) shows, only 9% of interviewed people reported that family members in long-term migration “never” return for home visits. This finding seems to confirm that the vast majority of migrants feel confident in travelling back and forth, even in those instances where their status in the CIS is not formalised.

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

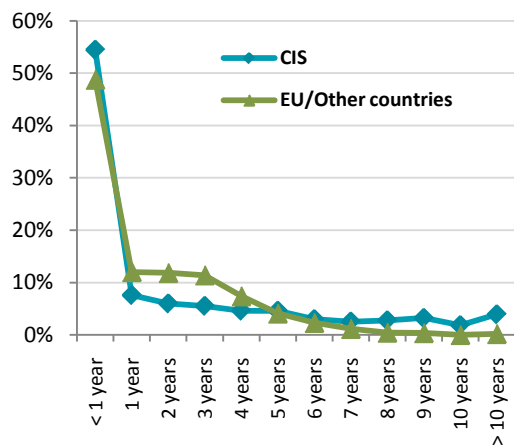


Figure 11: “Number of years without long-term residency/work permit in country of migration”

Sample: 1,558 migrants who regularised residency and working status

The average time to achieve regularisation is 1.5 years in EU/other countries and 2.3 in CIS region. This shows that while many Moldovans may initially migrate in an informal manner, on average, most respondents managed to regularise their status in the place of migration within very few years.

Overall, 61% achieved this status within the first year; 10% in the second or third year. This process resulted in an average regularisation rate of 88% by year four with most of the remaining migrants achieving this status over the following years.

The trend is clearly towards formal migration and earlier regularisation of status

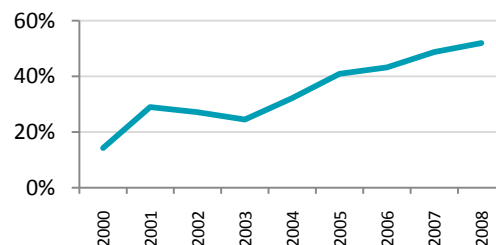


Figure 12: “Dynamic of regularisation within the first year of migration in destination country”

There are an estimated 176,900 long-term (as defined above) Moldovan migrants¹⁵ in CIS and EU/other countries of destination. Based on our HH survey, the majority of these are abroad with regularised status. Unlike other countries studied, the regularisation rates have been consistent over the previous ten years. The absence of peaks in regularisation rates would indicate that the process is not simply a function of government campaigns and amnesties.

For the SEE region, Moldova’s model of migration is unique in that it can be both male and female-led, depending largely on region of destination. Family reunification (if it occurs) generally takes place as the migrant-leader becomes regularised and gains a sense of security in the place of migration.

¹⁵ It is recognized that this figure is in the low range of estimated number of migrants, which include seasonal workers and others. For a detailed discourse on the range of estimates related to migration figures, please refer to the Annex II.

Family Reunification

Family reunification among married migrants is very low when compared to other countries studied to date

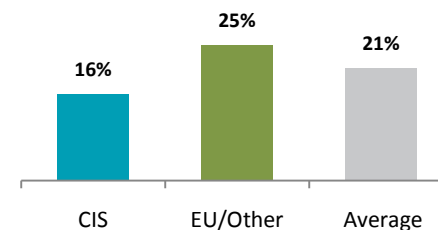


Figure 13: Family reunification rates in countries of migration

In comparison, family reunification for Albanian migrants stands at an average of 90.5%, with even higher levels for Bosnians and Kosovars. This reflects their respective migration dynamics (for example, Bosnian migrants often migrate as a family), as well as the relative maturity of the migration cycles of these countries, each with a 20-40 year history¹⁶.

The average size of the Moldovan long-term migrant HH abroad is 1.5 people. An average of 1.27 people in every migrant HH is employed or otherwise generating an income, resulting in very few dependent members in migration.

¹⁶ More information on HH size and number of income earners in Albania, BiH, Kosovo, respectively can be found in the Key Financial Overview on page 45 of this report

Reflecting the trans-national nature of the family, on average another 1.9 people belonging to the same family reside in Moldova.

Language

To date, Moldovan migrants have favoured migrating towards those regions and countries with which they share cultural, historical and linguistic similarities.

Russian language is commonly spoken in Moldova given their Soviet history. This facilitates migration and integration within the CIS region.

In relation to primary countries of destination in the EU region, Romanian speakers are often easily able to learn other Latin-based languages, such as Italian, Spanish, Portuguese and French. Many Moldovan migrants learn the language of these countries in a short time compared with other migrants.

Skills

Few migrants have received formal education or on the job training

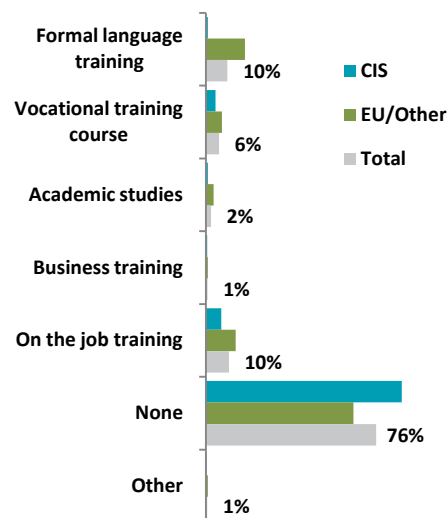


Figure 14: "During your period of migration, have you undertaken any of the following?"

This low rate of skills upgrading during the period of migration is most likely a result of the high incidence of employment in predominantly low-skill sectors and levels of employment (skilled worker, unskilled worker).

Relative economic position

Personal income levels reflect the economic prospects of Moldovan migrants in the two main regions of migration

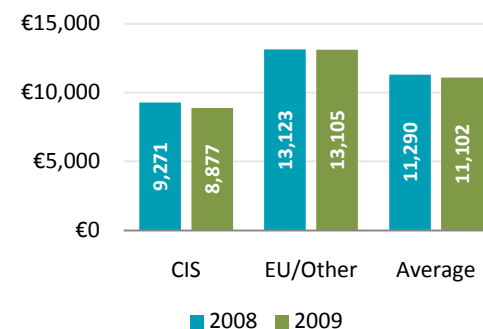


Figure 15: Average personal income from all sources in your place of migration

As a trend, the relative stage of maturity of Moldovan migration is reflected in the regional comparison of annual HH incomes in migration

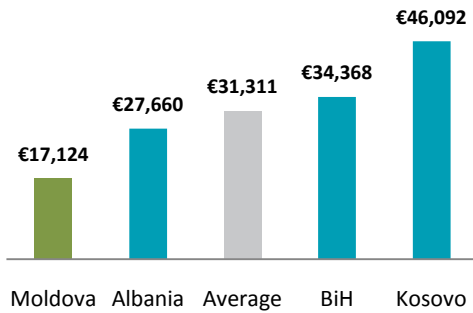


Figure 16: Annual total HH income in migration – regional comparison (only EU region)

Social Networks and Communication

Gaining insight into the mutual assistance and available trusted communication sources of migrants is important to developing relevant marketing and awareness-raising strategies.

In Moldovan migration, social networks and mutual-help between migrants, as well as between migrant and home community, continue to play a vital role in every phase of the migration experience and cycle, including pre-departure planning until eventual return and reintegration. These social networks play a crucial role in assisting Moldovan migrants in managing migration-related risks, lowering associated financial costs, and maximizing their gains.

Most migrants have close family or friends in the place of migration

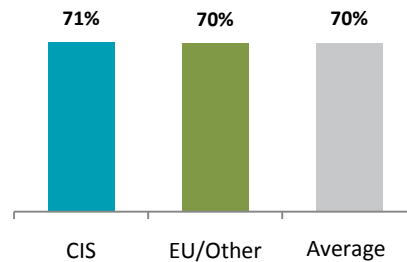


Figure 17: “Did you have family, friends, neighbours, etc. in (country of migration) prior to departure?”

More than four out of five migrants relied on their network to assist them with the migration process

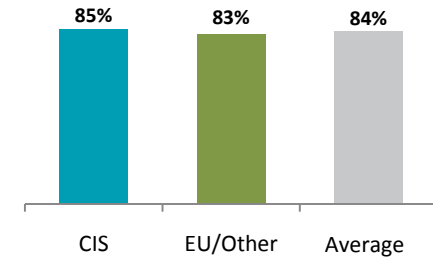


Figure 18: “Did these contacts assist you to migrate and find a job or residence?”

Sample: 1,633 migrants who had family, friend etc. in country of migration prior to departure

The social network is reinforced by proximity in places of residence

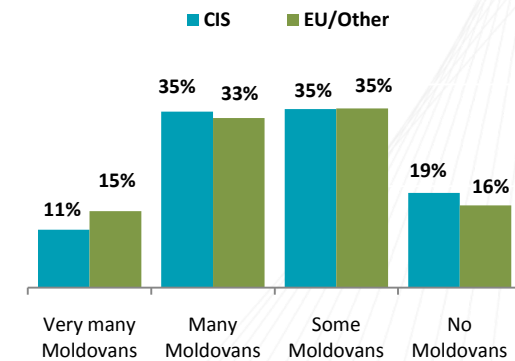


Figure 19: “Are you aware of any people from your place of origin living near you?”

And proximity in places of employment

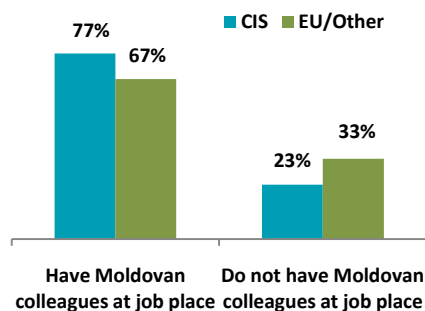


Figure 20: "Are there any people from your place of origin working with you?"

Overall, Moldovan migrants maintain strong levels of contact between themselves at their places of employment, public places such as bars and coffee shops, home visits, and via telephone. The most important means of communication among Moldovan migrants is daily social contact at work (46%) or by telephone (44%).

40% of Moldovan migrants meet in public places on a weekly basis and 66% visit each other's homes in monthly intervals. This high level of social capital is important in order to exchange information and support regarding economic and social conditions, both in the place of migration and in Moldova.

Moldovan migrants also maintain strong links to their home communities

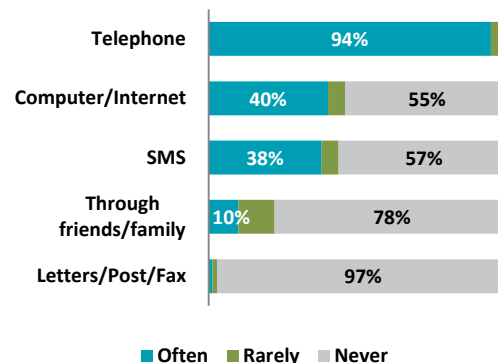


Figure 21: "When in your place of migration, how often do you use the following means of communication with family and friends in Moldova?"

In general, migrants from Moldova communicate with their families and friends in Moldova by telephone (94% weekly), Internet (40% weekly) or SMS (37% weekly). Nine of 10 migrants make regular (yearly) visits to Moldova.

Most home visits take place in April and August (14% each), December and January (12% each). There exist differences between migrants in CIS and EU regions. Those from CIS visit Moldova mainly during April and January, while those from EU region visit mainly in August and December.

Access to Moldovan media in places of migration is relatively high

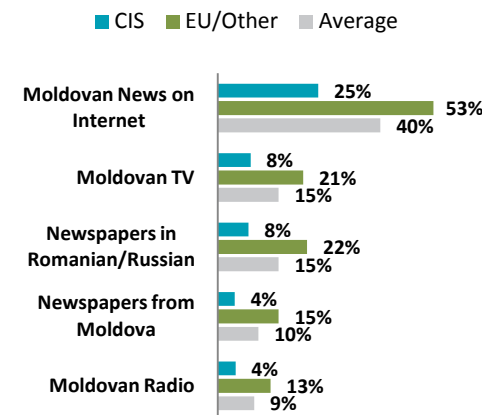


Figure 22: "In your place of migration, do you have regular access to the following media?"

But personal communication with family, friends and fellow migrants is still the most trusted source of information

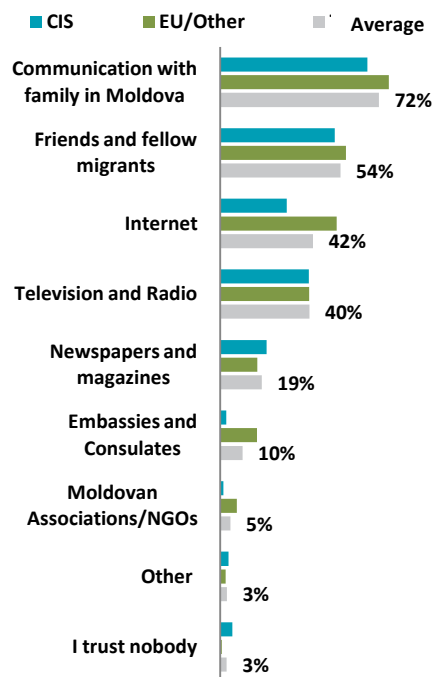


Figure 23: “What are your three most trustworthy sources of information about Moldova?”

Such social capital is strongly supported by channels of communication between migrants and Moldova. Data from our survey shows a strong link between amount of communication on one hand, and remittance behaviours, return intentions and potential investment activities on the other.

These channels therefore serve not only emotional needs, but also facilitate exchanges of information and foster the social and economic development of the country.

Increasing access to affordable modern means of communication, such as the internet, VoIP, cell phones, and access to media through satellite or internet, strengthens these channels and the amount of communication.

While Moldovan migrants are rich in horizontal social capital, they are poor in structural social capital, the latter referring to organizations and formal networks that facilitate joint actions. Though migrant and diaspora associations exist, their role and importance to the migrant community and their families seem to be extremely limited. The survey data show that less than 4.6% of migrants see such associations as “a trusted source of information”.

Many migrants maintain a rich social network in their migration countries after they have returned. Anecdotal evidence suggests that Moldovan returnees have relatives and friends remaining abroad or have friends and colleagues in the host countries.

This form of social capital helps returnees develop or maintain commercial and economic relationship with their former host countries.

Return Migration

Sustainable return and integration is commonly considered the last phase of a circular migration process. The process of return migration is considered important because this implies the possible transfer of accumulated financial capital (retained savings), human capital (experience, skills, knowledge, business practices, idea, etc), and social capital (contacts, networks).

Return intentions and actual behaviours are critical determining factors in explaining and forecasting savings, remittances, and investment trends. As a result, they impact the level of development that can be gained from migration.

On a personal level, the period of circularity can be either long or short-term. Return migration is a relatively recent phenomenon in Moldova. A 2008 study shows that 10% of all returned migrants had done so in 2003, and that there was a trend towards higher returns as a result of improvements in the socio economic and political situation in Moldova.¹⁷

Therefore, it can be considered that prior to the current economic slowdown the return of migrants to Moldova was a dynamic and growing process.

¹⁷ European Training Foundation, *The contribution of Human Resource Development to Migration Policy in Moldova*, 2008

Moldovan migrants have very clear objectives and conditions before they consider returning

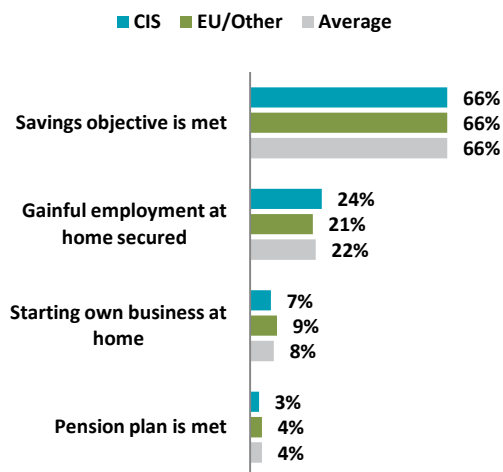


Figure 24: “Which primary condition has to be met before you will consider returning to Moldova on a permanent basis?”

Sample: 1,634 migrants who consider returning to Moldova on a permanent basis.

This finding confirms, as with the other countries studied, that for the most Moldovan migrants, meeting personal savings objectives is the primary goal before return to Moldova will be considered.

A positive assessment of external factors beyond the control of the migrant (i.e. environmental issues), such as employment opportunities and the business climate in Moldova, is also an important factor influencing the decision to return.

In general, the pursuit of sound macroeconomic policies and a regulatory environment that fosters stability, growth and development are self-evident and necessary pre-conditions for increasing the flow of migrant-transfers and channelling them towards productive uses, whether such transfers take place during the period of migration or upon return.

Building on this general point, a framework of policies and measures that directly address the concerns of migrants can only be developed once this environment is understood. Only then will migrants be convinced that they may benefit by transferring, and perhaps investing, a greater portion of their financial resources into savings products or productive investments in Moldova.

Overall, 70 percent of migrants have a definite intention to return to Moldova and a further 13 percent remains undecided

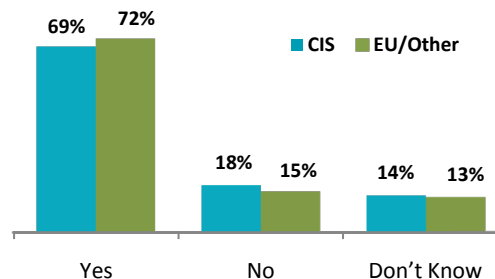


Figure 25: “Do you expect to return to Moldova (for permanent residence) in the future?”

Return intentions are *substantially higher* for Moldovan migrants than in other countries studied. Experience shows that family reunification, progressive increase in the migration objective, integration in the country of destination, and improvement of their socio-economic status all lower the rate of return intentions.¹⁸

As highlighted in figure 24, a related group of factors involves the perception of Moldova itself as an attractive return destination, either as a place of entrepreneurship or employment.

The survey results show that an increased aspiration to return to Moldova is closely correlated with increased age, marital status (those with family in Moldova) and level of savings. Those working in agriculture, construction, domestic care and transport are more likely to return compared with other employment sectors abroad.

¹⁸ By example, and reflecting this process, surveys carried out by the authors in Albania in 2003-2008 show that the desire of migrants to return actually diminished from 64% to 49%. (de Zwager, et al., 2010)

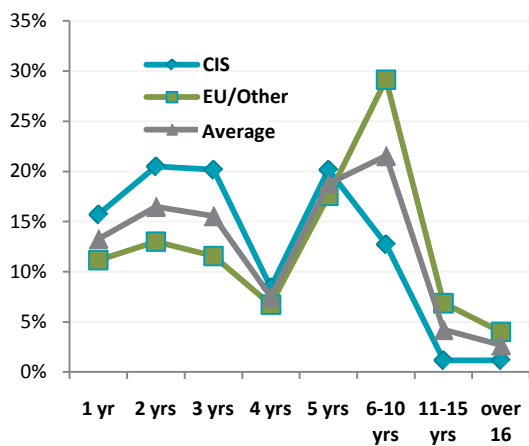


Figure 26: "In how many years do you intend to return permanently to Moldova?"

Moldovan migrants residing in EU countries wish to return after an average of six years, while migrant in the CIS wish to return after four. Research in other countries in the region suggests that this period will lengthen, primarily because of factors mentioned above and reinforced by the migration experience.

In addition, according to a recent survey by the authors¹⁹, the current economic crisis in primary destination countries and its ongoing transmission to Moldova can be expected to influence the overall migration cycle.

On a personal level, a migrant may be frustrated in reaching his or her savings objective, thereby

lengthening the migration period. Alternately, the migrant may choose to return to Moldova in order to avoid consuming the savings already accumulated.

One indicator of return intention is the percentage of property ownership among Moldovan migrant HHs in their place of origin and their country of migration

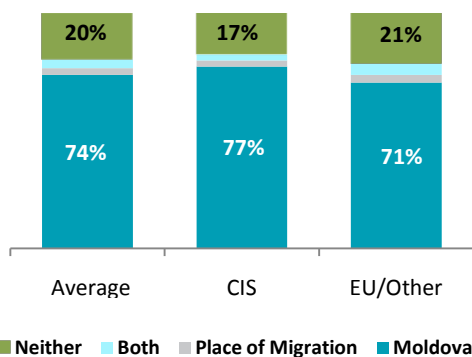


Figure 27: "You currently own property in..."

The above finding of limited property ownership abroad among Moldovan migrants is low, even compared to the other countries studied. At the same time, the vast majority of these HHs continue to maintain property in Moldova. This combination would seem to confirm the higher overall return intentions of Moldovan migrants (Figure 25).

In fact, and demonstrated by Figure 28, accumulating savings for the purchase of real estate (houses and apartments) in Moldova, rather than in the place of migration, is the primary objectives of many Moldovan migrants.

Future property purchase ambitions also provide an insight into migrant HHs' return intention

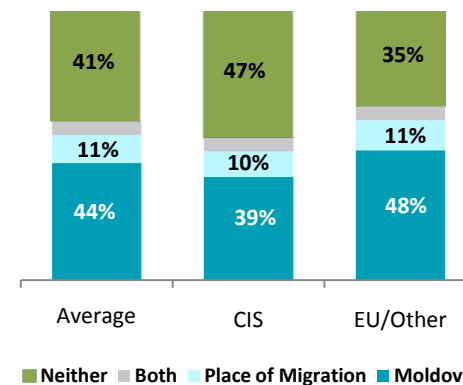
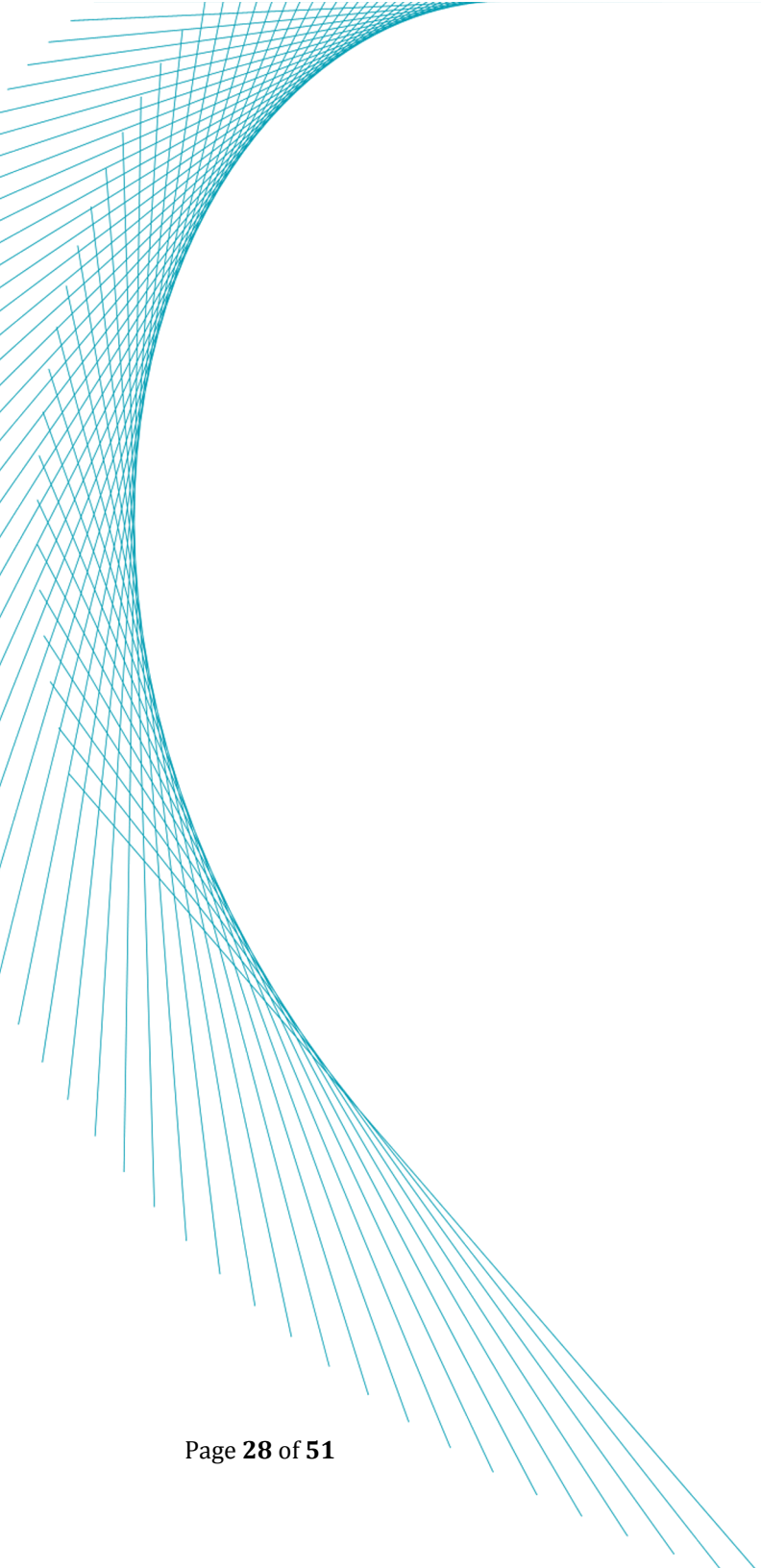


Figure 28: "You intend to purchase property in..."

Return processes, when they occur, will reinforce the general urbanisation trend in Moldova. Data shows that 24% of migrants do not plan to return to their places of origin, preferring rather Chisinau (22%) and the surrounding area (3%).

The main reasons for this preference are greater employment and investment opportunities, as well as better prospects for their children. This finding is confirmed by the investment intentions of many migrants (see below). Consequently, further population pressures on Chisinau can be expected in the future.

¹⁹ 2010 IOM-IASCI Albania study



Key Financial Characteristics

Incomes, Expenditure and Savings

The region of destination influences not only HH Incomes, but also expenditures, and hence savings

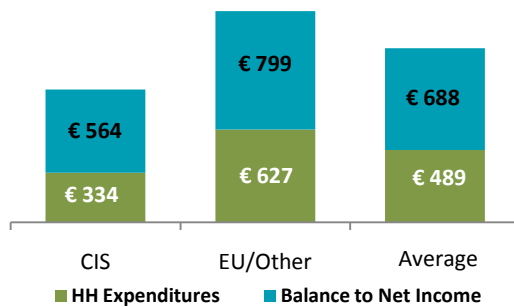


Figure 29: “Can you estimate the total net average of the incomes of all the people you mentioned as part of your HH in migration, including yourself, per month?”; “On average, how much does your HH spend per month in the place of migration?”

Level of income is certainly one important factor in selecting a country of destination. Other factors considered by migrants are the costs and risks of migration, as well as the costs of travel between the two locations (i.e. regulatory

framework and distance, respectively). In the case of Moldova, these types of costs and risks are clearly lower for the CIS region, with established self-help networks, cultural affinities, and visa-free travel all playing major roles in terms of both cost and risk. It is the totality of these factors that influence both destination region and gross savings rate, and it is from these gross savings in the place of migration that remittances and net savings (see below) are gained.

Because of their well-developed social networks and strong communication behaviours, most migrants are keenly aware of the relative potential incomes and expenditures of their various migration options.

This market analysis confirms previous quantitative and qualitative research suggesting that *it is the determination of potential savings capacity, rather than absolute level of income, which commonly determines migration and economic behaviours.*

Shifts from single-person migration to family reunification significantly increases expenses in place of migration, while also lowering remittance values (see below). Other factors, including education level of migrant, length of migration, and changes in migration objectives over time also influence the total expenses.

Moldovan migrants have very clear savings objectives

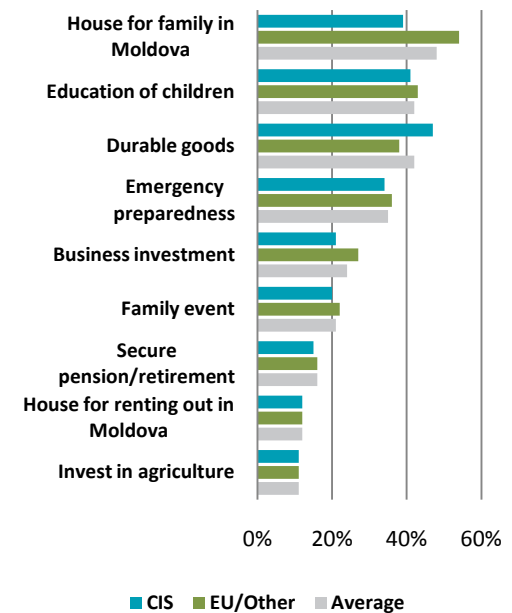


Figure 30: “Please rank the top three savings objectives of your HH to be achieved during your period of migration?”

As well as a clear picture of the amount of money required

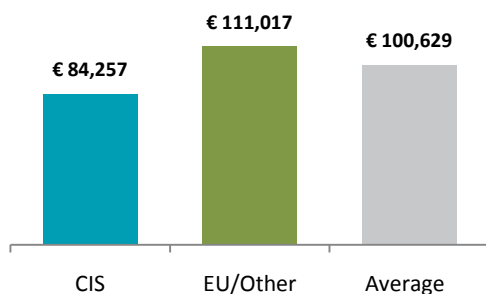


Figure 31: “Can you estimate the total amount of money needed to meet the above savings objectives?”

Moldovan migrant HHs have an average annual income of Euro 14,112, of which Euro 8,256 is saved. This implies a propensity to save (before remittances) 58.5% of HH net income (after taxes and other mandatory deductions).

This propensity is very high, even compared to other countries studied; see Financial Overview Table below for a detailed comparison with long-term migrants from Albania, BiH, Kosovo and Romania. This high rate of savings can be explained by the characteristics and dynamics of Moldovan migration, including those factors determining the less mature migration cycle such as low family reunification.

Relative to other countries studied, Moldovan migrants are somewhat less confident in reaching their savings objectives

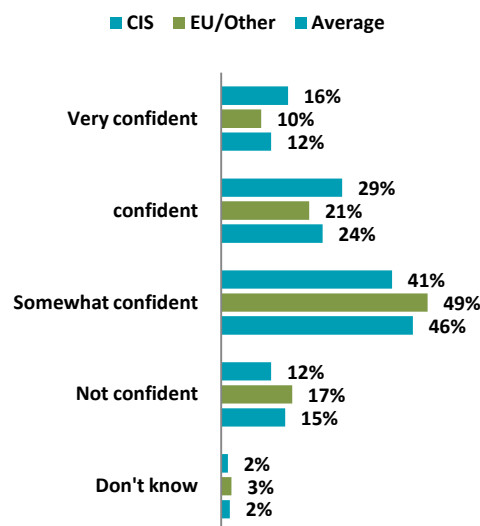


Figure 32: “How confident are you in reaching you savings objectives?”

Remittances

Remittances have undoubtedly had a large and positive impact on the macro-economic stability of Moldova. They help finance the large and increasing trade deficit of the country, aid in fiscal consolidation, and have supported the value of the currency. The remittance value is higher than export earnings, net foreign direct investment and the official development aid received by Moldova combined.

As a percentage of GDP, international economic institutions rank Moldova among the ten leading remittance-receiving countries in the world, and among the top in Eastern Europe and the Former Soviet Union.²⁰ Official estimates of annual remittances, including those sent through formal and informal channels, increased concurrently with the rising number of migrants.

On a private level, remittances have been important in alleviating poverty and supporting consumption. Their current role and future scope in supporting investment and the sustainable development of the country is discussed in more detail below.

20 Ratha, D., Mohapatra, S., Silwal, A., Outlook for Remittance Flows 2009-2011: Remittances expected to fall by 7-10 percent in 2009, Migration and Development Brief 10, Migrant and remittances team, Development Prospects Group, The World Bank

The vast majority of Moldovan HHs in migration (84%) regularly send remittances

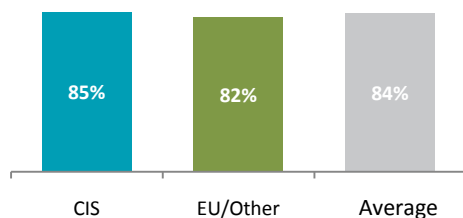


Figure 33: “Have you or a member of your HH in migration transferred money to Moldova in 2009?”

As a function of the factors that influence the maturity of the migration cycle, Moldovan migrant HHs are more likely to remit than HHs from countries such as Albania, Kosovo or BiH, where the rates of non-remitting HHs are higher.

“Supporting spouse and children” and “supporting parents” are the two most important motivating factors for sending remittances

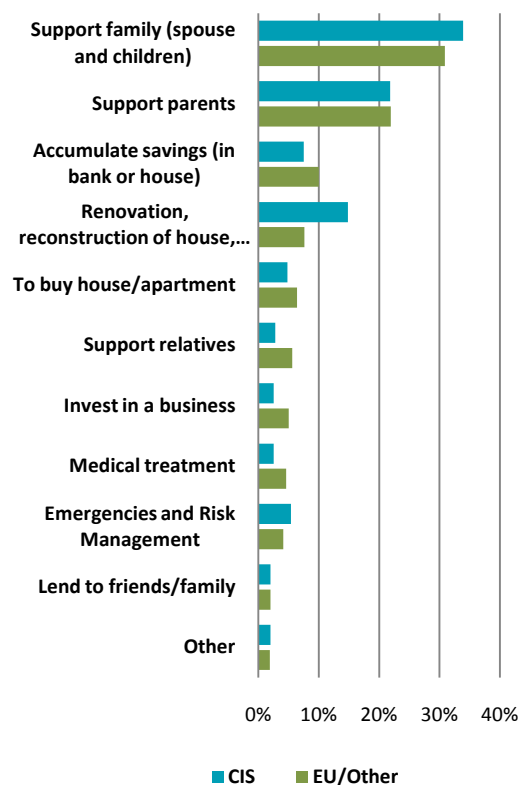


Figure 34: “Can you rank the three most important purposes for transferring money to Moldova?”

Given the early stage of maturity of the migration cycle, the poor economic conditions in Moldova and low rate of family reunification, most migrants remit to their spouse and children, and then to their parents. Therefore, the key benefit of remittance flows relates to the economic survival and poverty alleviation for many Moldovan families.

After interviewing remittance recipients, our HH survey confirms that these funds are mainly used to cope with basic daily needs (food, clothing, etc.) of the family, and then for improving the living conditions (buying furniture and home equipment, etc.), as well as to expand or build a new house (see also Annex I).

Of note is the very high priority placed on the accumulation of savings and investment in a business. This is true within both groups of migrant HHs, i.e. those in the EU region and those in CIS.

In addition, a smaller part of migrant income is also saved by the remittance receiver, sometimes in a bank, but more often saved in cash at home. Another part is used by recipients to invest in economic activities, mainly in SMEs within the service sector.

Consequently, remittances have improved the living conditions of many families in Moldova, and had some role in economic development and job creation.

During 2009, the average 'remitting HH' transferred on average Euro 4,403

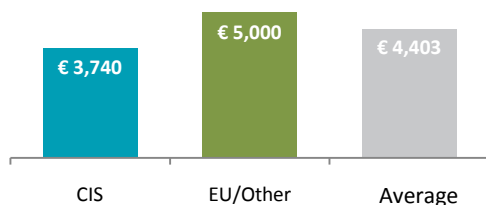


Figure 35: "Can you estimate the total value of transfers to Moldova by you or a HH member in 2009?" (only remittance senders)

Remittance values are influenced by HH incomes, as well as factors influencing gross savings, described in the section above. On average, remittances represent 31% of the total income of remittance-sending HHs in migration and 52% of the overall (gross) savings of remittance-sending HHs.

Factors related to the situation in Moldova that can influence remittance values include the socio-economic situation of the recipient, level of interest in saving and investing in Moldova, and the interest of the sender in returning to Moldova.

On average, remittances represent only 26% of the total income of all Moldovan HHs in migration (including non-remitters) and 44.5% of the overall (gross) HH savings. These rates can be compared to Albania, where remittances amount to 6% of migrant HH income and 16.3% of the overall savings (BiH: 5.5% / 18%; Kosovo: 6.4% / 15%).

Saving and investing represent a surprisingly large share of remittance values to Moldova ...

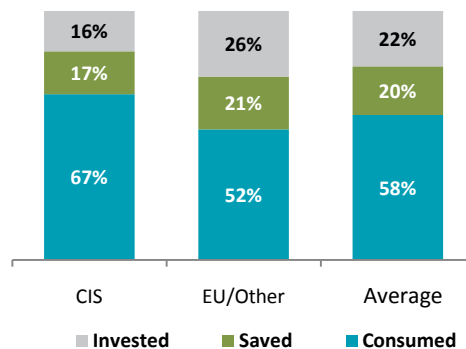


Figure 36: "Of ALL the money transferred by your HH to Moldova in 2009, what percentage do you think was..."

Substantial group of non-remitters: At the time of survey, 16% of current migrant HHs did not remit at all. By comparison, the same figure for Albania is 23%, BiH 35%, and Kosovo 11%).

In part, this reflects the lower maturity of the Moldovan migration experience. On the other hand it also reinforces again the portrait that most Moldovan migrants do not migrate to remit, but rather, to save.

Remittance senders can be loosely divided into three separate groups:

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

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

The second group is comprised of migrants who include some level of savings as a priority component of their remittances. The value of annual remittances for this group in 2009 was Euro 6,630 on average. Comparing group to group, this value is twice the amount remitted by Albanian migrants.

Part of these savings is deposited in the Moldovan banking system and represents a main source of liquidity in the system as a whole.

The third (and smallest) group includes migrants who sent monies specifically for investment purposes as a priority part of their 2009 remittances. The average remittance value of this group is significantly higher at Euro 13,260 than the Euro 7,000 remitted in the case of Albania.

Although the largest group of Moldovan migrants are those who send money for consumption needs, it is these last two groups of migrants that account for the largest part of the Euro 448 million remittance value sent to Moldova in 2009.

An average of 6.4 to 6.8 formal and informal transfers take place each year

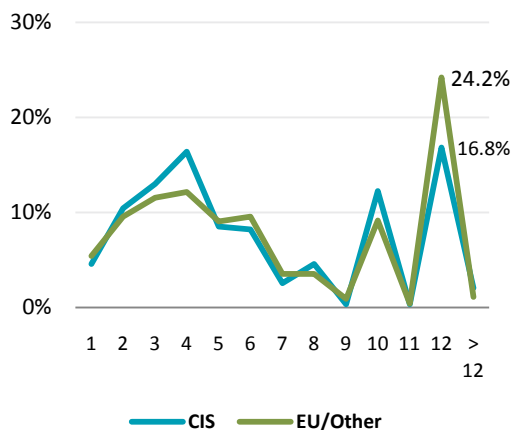


Figure 37: "How many such transfers took place in 2009, including by hand-carry?" (only of remittance senders)

Figure 37 illustrates that around a quarter of migrants send remittances on a monthly basis. This high frequency of transfers seems to be unique to Moldova; for instance, it is twice the rate of transfers compared to Albania. This can be explained because of the specific purpose of supporting dependent family members, usually spouse, children and parent).

Informal channels of transfer continue to be preferred by a large number of remitters

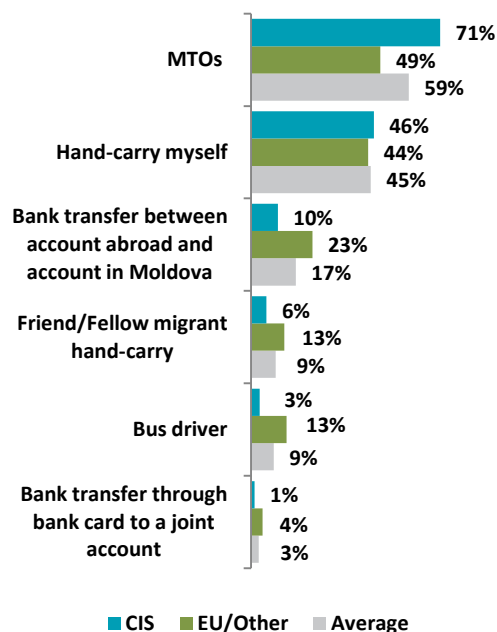


Figure 38: "What is your HHS' favourite means of money transfer to Moldova?"

While the incidence of hand carrying has been decreasing over the years²¹, it continues to be a favoured means of remittance transfer for migrant HHs.

²¹ According to IOM Studies in Moldova (2006 and 2008)

As the HH survey illustrates, recipient HHs mirror this preference

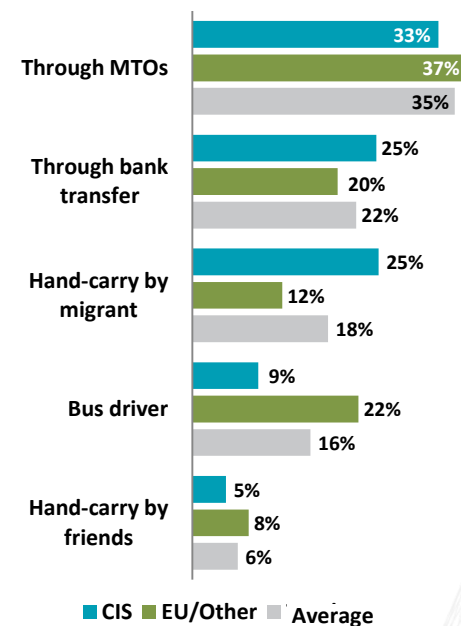


Figure 39: "How did your HH receive transfers from abroad in 2009?" (from HH survey)

But in terms of actual remittance value, the picture looks quite different

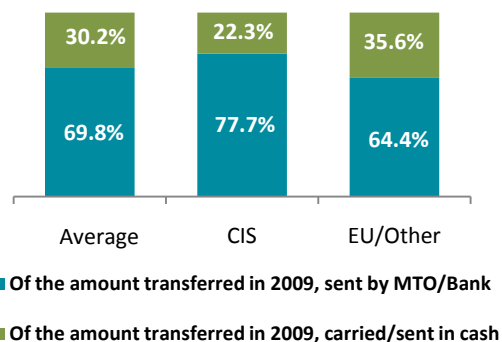


Figure 40: "Of the amount transferred in 2009, what amount was ...?" (% based on average amount sent by channel)

Reflecting the migration dynamic, Moldovan remitters are just as likely to be women as men

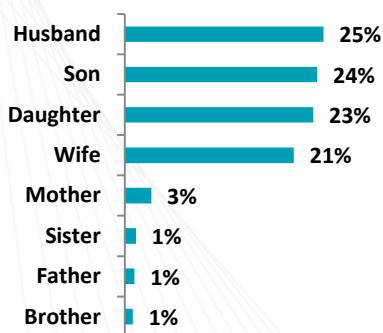


Figure 41: "Can you provide me with some information about all those people that transferred money to your HH in 2009?"

This reflects the unique Moldovan model of both male and female-led migration. The HH survey (Annex I) shows that in 51% of cases, the remitting person is male (in order of frequency: son, brother, husband, father) and 49% female (wife, daughter, mother, sister).

But in term of remittance values, a gender discrepancy is more apparent, with the data showing that women sent Euro 3,638 in remittances, compared to Euro 4,506 for men (in non-family unification situations for both). This difference most likely reflects the lower personal incomes of women senders.

As expected, women in the EU region earn, save, and send more money than those residing in CIS. Both men and women migrants are characterised by an extremely high level of saving, at about an overall average 59% of gross income (i.e. prior to remittance).

From the CIS, there is no notable difference between genders in the percentages of income saved (63%) or remitted (34%).

The Effect of the Global Economic Crisis on Remittances Levels

On average, 31% of migrant respondents sent less money to Moldova in 2009 than in 2008

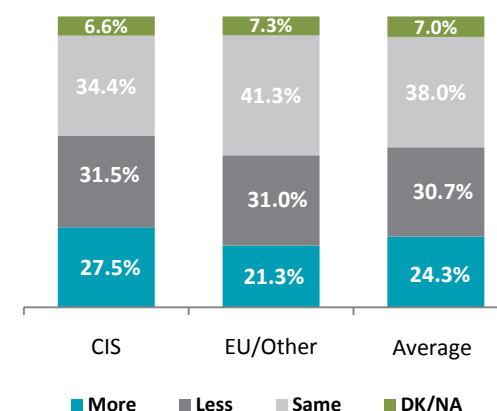


Figure 42: "Do you think more or less money was sent by your HH to Moldova in 2009 than 2008?"

Official estimates evaluate a drop in value of transfers by 29% in 2009, followed by an increase of 4.2% in the first four months of 2010.²² Transfers as a percentage of GDP fell

²² Transfers are defined as 'money sent from abroad by physical people, both residents and non-residents, through the national banking system, including through international money transfer systems', National Bank of Moldova, 2010

from 27.4% in 2008 to 21.9% in 2009.²³ As a result of these decreases in remittance amounts, as well as other factors during 2009, the overall GDP in Moldova fell by 6.5%.²⁴

The migrant survey shows that 31% of remittance-sending migrant HHs sent less in remittances to Moldova in 2009 than in 2008; while from the HH survey 47% of receiving HHs reported receiving less money than the previous year.

A relatively high level of insecurity is common among migrants interviewed, when examining their expected remittance values for 2010....

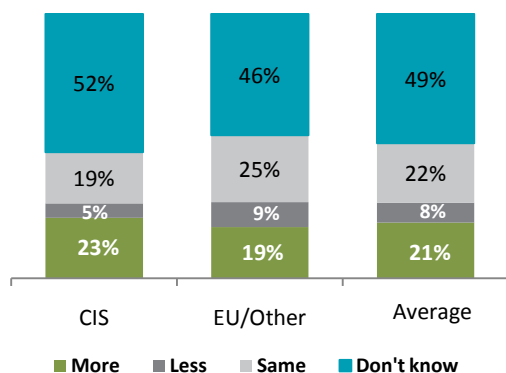


Figure 43: "Do you expect your HH to transfer more or less money to Moldova in 2010, when compared to 2009?"

And this level of insecurity is reflected at the receiving HH level

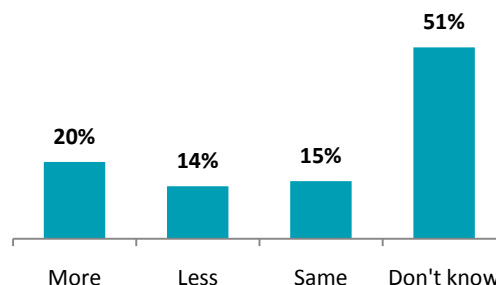


Figure 44: "Do you expect to receive more or less money from abroad in 2010, in comparison to 2009?"

Trends in Remittances

Moldovan HHs that have achieved family reunification remit, on average, Euro 992, or 24% less than migrants that have not reunified.

As in other countries studied, the maturation level of Moldova's migration cycle - assuming the stock of migrants remains steady and discounting any shift from CIS to EU regions - can be expected to lead to a lowering of remittance values to Moldova over the medium-term.

As a result, it is expected that the level of remittances to Moldova will remain constant in the near future, or increase only in situations where migrants are motivated by appropriate conditions in Moldova to increase their investments and savings there.

Investment

Compared to other countries studied, Moldovan migrant HHs were more likely to have provided finance to a Moldovan business enterprise in the past, with 26% reporting to have done so (whether investing or lending). Migrants in CIS region have been more active in this area (31.5%) compared to those in the EU region (20%). These numbers can be compared to Bosnia, where on average only 6% of migrant HHs have provided such finance, or Albania, where this percentage ranges between 9 and 17%, depending on the country of migration.

The primary sectors of investment in Moldova have been in agriculture, retail, trade, restaurants, and construction or real estate. As in other countries, investments in Moldova are often at a small or micro-level and usually carried out individually or together with close family members. Concurrently, about 17% of Moldovan migrant HHs have already or plan to invest or provide credit to a business in their country of migration.

²³ In current prices, National Bureau of Statistics, 2010, www.statistica.md

²⁴ Preliminary estimate, National Bureau of Statistics, 2010, ibid

Moldovan migrants have a very strong investment and entrepreneurial spirit

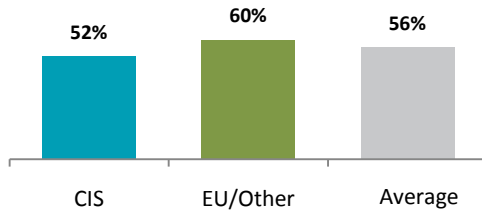


Figure 45: “Do you plan to initiate or expand an investment in a business enterprise in Moldova in the future?”

The desire to initiate or expand investment in a business enterprise in Moldova remains very strong among both CIS and EU groups of migrant HHs, even compared to migrant HHs in the other countries studied.

HHs in the EU region have higher investment interests (at a very sizeable 60%), than those in the CIS region (a still impressive 52%). As would be expected, there is a continuing connection between return intention and investment behaviours.

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

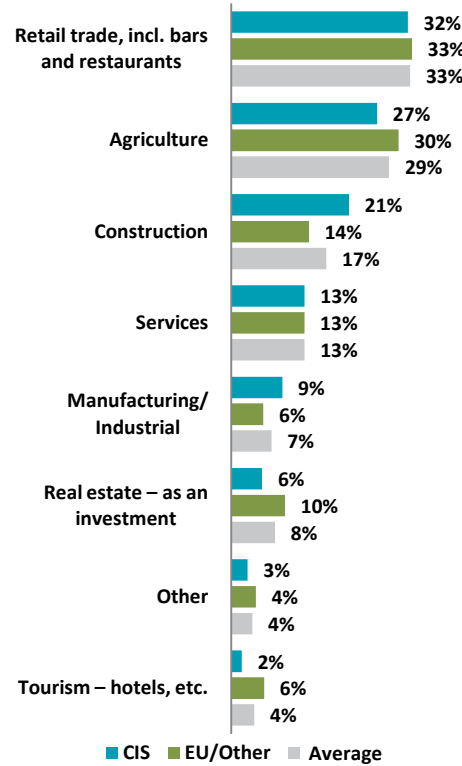


Figure 46: “If yes, in which sectors do you plan to invest?”

Sample: 1,305 respondents who plan to invest

There is a change in investment intentions between sectors when compared to the past

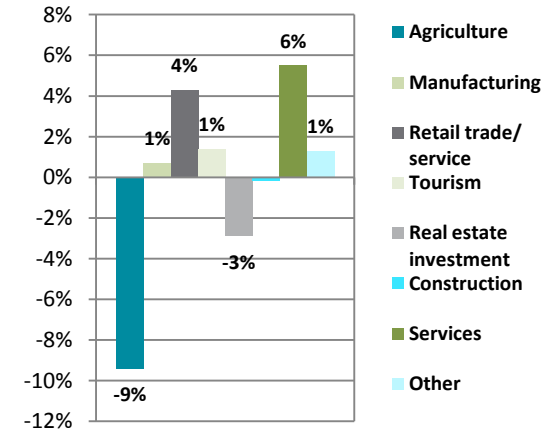


Figure 47: Sectors of investment interest in Moldova- % change in past and future

Yet the pattern of investing alone or with family remains largely the same

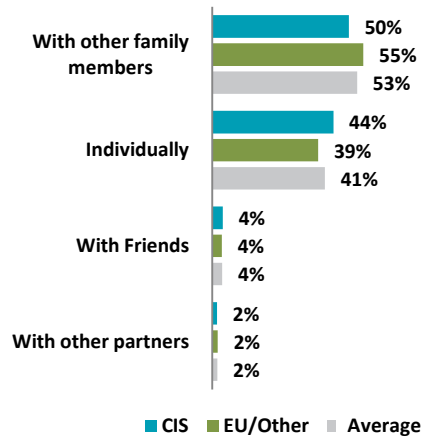


Figure 48: "How do you plan to invest in your business?"

This pattern of investing primarily in partnership with family members or individually is expected to remain constant in the foreseeable future. This in turn indicates the limited size, complexity and sophistication of the intended start-up, and gives the business a 'family character'. This behaviour also confirms the relatively low-level of structural social capital among Moldovans in general, as well as within the migrant population.

The migration experience itself influences investment intentions

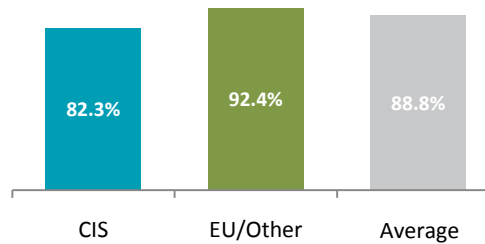


Figure 49: "Have the skills and experience you have obtained during your migration influenced your investment interest?"

Sample: 598 respondents who invested in the past in Moldova

Investment intentions show a bias in favour of urban areas

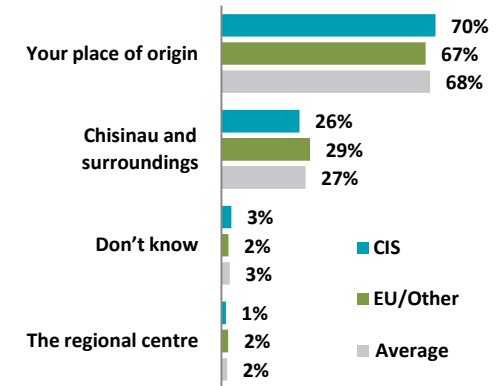


Figure 50: "In Moldova, do you plan to invest in..."

Sample: 1305 respondents who plan to invest

More than 27% of potential investors wish to do so in the capital Chisinau and its surroundings. Migrants based in the EU are more likely to invest in Chisinau, probably as they are more likely to originate from an urban area. This finding is consistent with internal migration trends towards urban centres and away from relatively undeveloped agricultural and rural areas, as well as with the decreased interest in investing in the agricultural sector.

Migrant Household Profile

In order to highlight the pluralistic nature of the migration experience and provide the IASCI Moldova project partners and stakeholders with greater insight into potential future client bases, the migrant population has been divided into some key groups.

Groups A and B (Remittance Senders) is composed of the 84% of HHs in migration that remitted in 2008 for different purposes.

Group A includes those remittance-senders who indicated that a certain percentage of their money was transferred to Moldova with the **express purpose of being invested or saved**. This group was further divided in four subgroups, A1 to A4, according to their saving and investment levels.

Group B includes all remitters who indicated **100% consumption rate** of their remittances, meaning that none was sent with the purpose of being saved or invested.

Group C (Non-senders) is composed of those 16% of HHs that **did not remit at all** in 2008.

As discussed below, this analytical division is not meant to imply that members of Groups B and C do not have an interest in remitting, saving or investing in Moldova in the future.

Group A1 Profile – Highest Level of Saver/ Investor

Members of this group represent 4% of all long-term migrants and have been in migration for an average of seven years. Three-quarters of this group are living in the EU region. They are employed in higher income sectors such as construction and transport, and 80% are male. Both their levels of HH income and expenditure in places of migration are higher.

This can most likely be explained by a higher level of family reunification in the place of migration (30%, which is twice or more the average of other groups), resulting in multiple incomes. Their propensity to return is high and is expected to take place after an average of 7 years, for a total migration cycle of 14 years.

The purpose of remitting to support family is the lowest among all the groups, at 35%. Their migration objectives are primarily related to reaching their savings objective with the purpose of starting a business and for purchase of a home for residence. Considerations related to return are highly dependent on the achievement of the savings objective.

Members of this group are most likely to wish to invest in a business in Moldova, have done so in the past and plan to do so in the future. Compared to the other groups in the A-category, they are less likely to prefer agriculture and are more inclined towards services, manufacturing and tourism.

Group A2 Profile – High Level of Saver/Investor

Members of this group represent 8% of all long-term migrants, and have been in migration for an average of almost eight years. Two-thirds of this group are living in the EU region. 70% work in construction and domestic care, and a significant number are women. HH incomes are 45% lower than group A1, while expenditures are more in line with the groups below. 85% have a stated wish to return after six years, implying a total migration period of 13 years.

The purpose of remitting to support family is much higher than Group A1, at 60%. Other important reasons for remitting include the purchase of a home, investment, and savings (about 10% each). Compared to the other A-category groups, this group has the highest interest in acquiring gainful employment and securing a pension prior to return. Confidence in starting a business is important for 12%, while reaching their savings objective remains the number one priority for the majority.

Members of this group are most likely to have provided finance to a Moldovan enterprise in the past (55%), and are in line with future investment intentions of all A-Category Groups (about 78% on average).

Group A3 Profile – Lower Level of Saver/ Investor

Members of this group represent 11% of all long-term migrants, and have been in migration for an average of almost seven years. About two-thirds are living in the EU region. This group has the strongest return intentions, at an average of 89%, and plan to do so within the shortest time frame (six years), implying a total migration period of 13 years, on average. 32% work in construction, 26% in domestic care and 16% in transport. The purpose of remitting to support family is much higher the other groups, at 66%.

Other important reasons for remitting include the purchase of a home, investment, and savings (around 5% each). Securing their saving objective remains the number one priority for most migrants, while 10% wish to be “confident in starting their own business” prior to return.

Group A4 Profile – Lowest Level of Saver/Investor

Members of this group represent 14% of all long-term migrants, and have been in migration for an average of 6.5 years. A little more than half reside in the CIS region. As a result, they have the lowest levels of income, expenditure and saving of these four groups. 77% have a stated wish to return after an average of six years - implying a total migration period of 12 years. 36% work in construction, 23% in domestic care and 12% in transport.

The 2,313 respondents of the migrant survey 2009/2010 were divided into primary groups...

Grp #	Group-Description	Sub-Freq	Sub-%	Freq	%
Total Respondent Groups (N)				2,313	100%
A	Declaring Savings/ Investment as part of Remittances		100%	851	37%
A1	Saver/Investor - highest level	86	10%		4%
A2	Saver/Investor - high level	184	22%		8%
A3	Saver/Investor - lower level	254	30%		11%
A4	Saver/Investor - lowest level	327	38%		14%
B	Declaring 100% Consumption of Remittances			1,090	47%
C	Non remitters			372	16%

Figure 51: Sub-division of migrant respondents into three primary groups, depending on their level and purpose of sending remittances to Moldova

The purpose of remitting to support family is high, at 58%. Other reasons for remitting include the purchase of a home, investment, and savings (less than 5% each). Securing their savings objective remains a priority for 65% of the group members, i.e. prior to return being considered as an option. A still significant 8% consider “confidence in starting my own business” as key criteria prior to permanent return.

Members of this group are the least likely to have provided finance to a Moldovan enterprise in the past (yet still a significant 32.4%) and they are in line with future investment intentions of all A-Category Groups (about 70%)

Investment and consumption clearly move in tandem

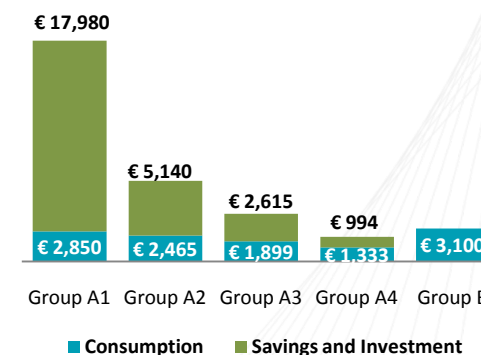


Figure 52: “Of all the money transferred by your HH to Moldova in 2009, what percentage do you think was: (consumed, saved, invested); cross tabulated with “Financial overview 2009”

The level of HH consumption supported by remittances is very dissimilar between the different groups, with the rate of consumption more than doubling between groups A4 and A1.

This is different to the findings from other countries studied, where this amount was more or less the same over the different groups.

Group B Profile – Remitters with 100% Consumption Rate

This group represents 47% of all Moldovan migrants, and, thereby, the largest of the three categories (with non-remitters at 16% and the A-Group at 37%). This group remits Euro 3,100 annually, all of which is intended for the purpose of consumption. This group is in the ‘middle range’ of incomes, expenditures, and savings in their place of migration, and more than half of them are residing in the CIS.

At 68% return intention, they are less likely to return than the A-Group, but more likely to return than the non-remitters.

For those considering return, the overall expected period of migration is shorter than that of the A-group, at 11.6 years. While the number of years in migration is comparable at 7.2, the return expectation is significantly shorter, at 4.4 years average. Achieving their savings objective prior to consideration of return is important for the largest number of respondents of all remitters (68%), while the wish to secure gainful employment in Moldova is in line with most of the other categories (about 21%).

	Group A1 (4% of N)	Group A2 (8% of N)	Group A3 (11% of N)	Group A4 (14% of N)	Group B (47% of N)	Group C (16% of N)	Average (A, excl. Group B,C)	Average (Total N)
A. Income Value	€ 2,280	€ 1,270	€ 1,116	€ 958	€ 1,153	€ 1,221	€ 1,206	€ 1,183
B. Expenditure Level	€ 692	€ 421	€ 400	€ 378	€ 496	€ 618	€ 426	€ 490
C. Balance A-B (Gross Savings Potential)	€ 1,588	€ 849	€ 716	€ 580	€ 657	€ 603	€ 780	€ 693
D. Annual Gross Savings Potential(Cx12)	€ 19,056	€ 10,188	€ 8,568	€ 6,948	€ 7,884	€ 7,236	€ 9,360	€ 8,316
E. Remittances Value	€ 20,830	€ 7,605	€ 4,514	€ 2,327	€ 3,100	€ 0	€ 5,991	€ 3,678
F. Gross Savings Potential minus Remittances (Net Savings Potential) (D-E)	-€ 1,774*	€ 2,583	€ 4,054	€ 4,621	€ 4,784	€ 7,236	€ 3,369	€ 4,638
G. Savings/Investment Component of Remittances (Euro)	€ 17,980	€ 5,140	€ 2,615	€ 994	€ 0	€ 0	€ 4,091	€ 1,540
H. Savings/Investment Component of Remittances (% of E)	86.3%	67.6%	57.9%	42.7%	0.0%	0.0%	68.3%	
I. Net Savings Potential plus Savings/Investment Component (F+G)	€ 16,206	€ 7,723	€ 6,669	€ 5,615	€ 4,784	€ 7,236	€ 7,460	€ 6,178

Figure 53: Financial Overview by Savings/Investment Groups

*Negative balance is due to savings from previous years, supplementing remittance value for 2009 for investment and savings purposes

Remittance senders and non-senders have basically the same savings objectives....

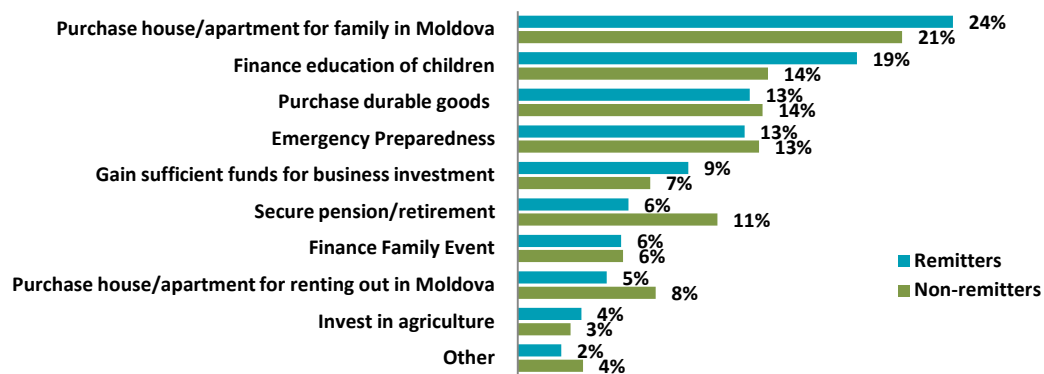


Figure 54: "Please rank the top three savings objectives of your HH to be achieved during your period of migration."

This group has invested the least in the past (17%) compared to A1 through A4, and is also the least likely to do so in the future. But with 47% signalling a positive investment intention, their potential remains considerable, even more so when the size of the group is considered.

Group C - Non-remitting Households

Non-remitting HHs represent 16% of all migrant HHs.

Income levels, education, and communication behaviours are more or less the same between remitters (Groups A and B) and non-remitters.

Non-remitters are characterised by the following:

- Extremely high level of family reunification (41.1%), compared to 17.4% of remitting HHs;
- A higher percentage of non-remitters can be found in 'EU/Other' countries (58.3%), compared to 51.5% of remitting HHs;
- Relative youth (about 2 years younger than the average remitter);
- A lower rate of marriage (63.2%); compared to 71.8% among remitters.
- Lower banking rate (14.2%) in Moldova, compared to 30.1% of remitters (the banking level in the place of migration remains moderate for both groups, i.e. around 37%).
- Lower return intentions (see below)

Return intentions and propensity to remit are strongly related

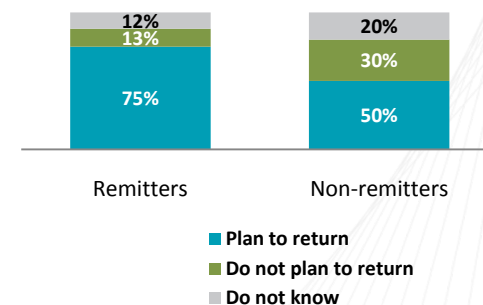


Figure 55: "Do you expect to return to Moldova (for permanent residence) in the future?"

While they may have been non-remitters in 2009, many HHs may choose to remit in the future, including for investment purposes

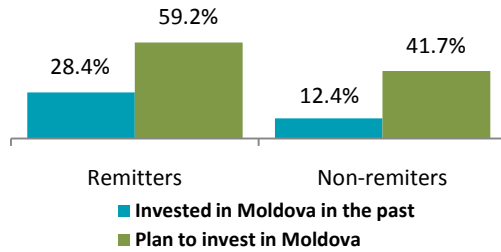


Figure 56: "Have you invested in a business enterprise in Moldova in the past?" and "Do you plan to initiate or expand an investment in a business enterprise in Moldova and in the future?"

Comparing 'Region of Migration' with category of remitters

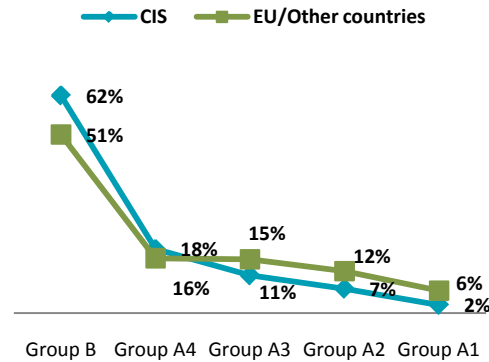


Figure 57: "What is your region of current migration?" – Cross-tabulated with remittance levels (A4-A1)

A positive relationship exists between region of migration and remitting for the purpose of saving and investing. Migrants in the EU region are much more likely to include various levels of savings and investment values in their current remittances. As a corollary to this, they are less likely to be found within group B (i.e. remitters for 100% consumption).

The lower the importance of "supporting family members" in Moldova, the higher the savings/investment component of remittances

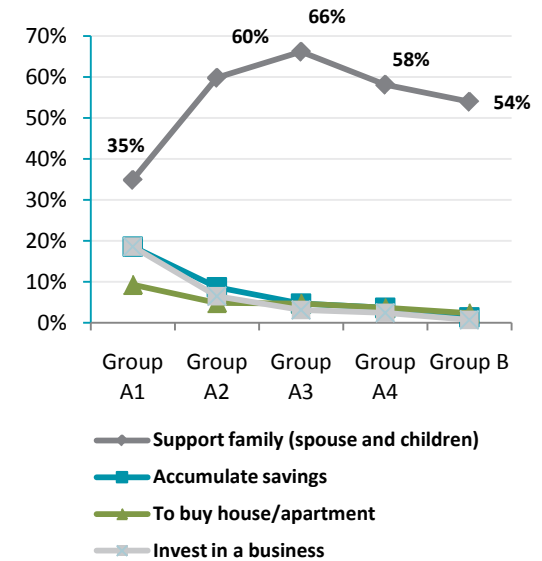
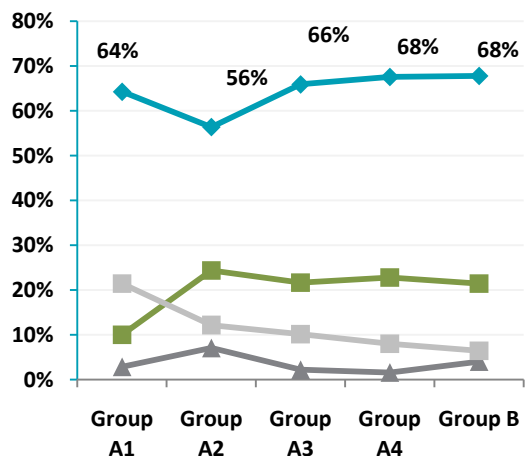


Figure 58: Can you rank the most important purposes for transferring money to Moldova? – Cross-tabulated with remittance levels (A4-A1)

While the levels of education and employment are similar between the different groups of remittance senders, the employment within various economic sectors differs among the groups.

Meeting the savings objective is consistently the most important precondition for return



- ◆ My savings objective is met
- I secured gainful employment in Moldova
- ▲ I secured my pension plan
- I am confident in starting my own business in Moldova

Figure 59: “Which PRIMARY condition has to be met before you will consider returning to Moldova on a permanent basis?” – Cross-tabulated with remittance levels (A4-A1)

Level of past and future investment in Moldova are not necessary correlated

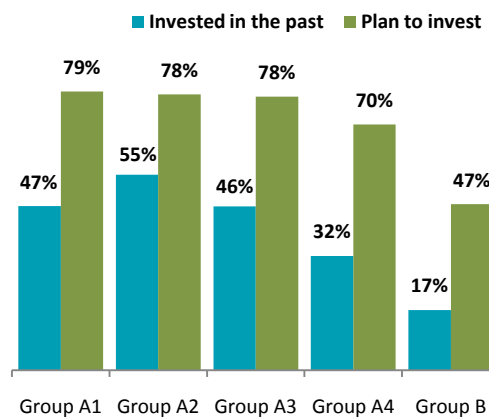
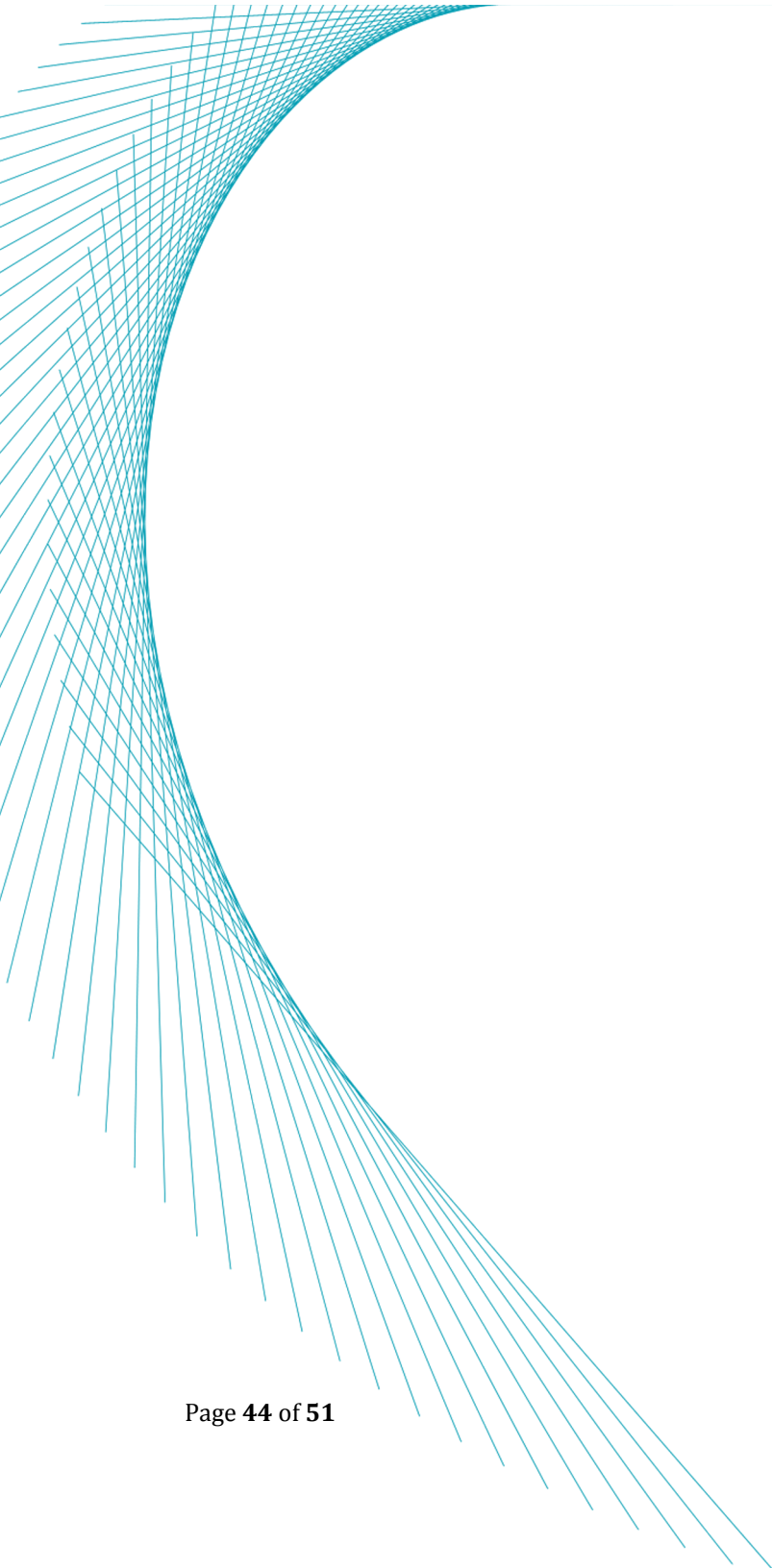


Figure 60: Did you invest or do you plan to initiate or expand an investment in a business enterprise in Moldova in the future? – Cross-tabulated with remittance levels (A4-A1 and B)

In general, long-term Moldovan migrants have a high interest in investing in a business in their country. This includes migrants in Group B who in 2009 remitted exclusively for consumption.



Financial Overview

In line with other countries researched, Moldovan migration carries within it the potential to substantially impact the socio-economic development of the country.

	Albania Total	Bosnia Total	Kosovo Total	Moldova EU/Other	Moldova CIS	Moldova Total	Romania Total
	2008	2009	2008	2009	2009	2009	2010
HH Income Monthly (Euro)	2,305	2,864	3,841	1,427	898	1,176	1,896
Number of Incomes per HH	1.87	2	2.03	1.33	1.21	1.27	1.48
HH Expenditures Monthly	1,457	1,999	2,210	627	334	489	965
HH Savings Monthly	848	865	1631	799	564	688	931
HH Income Annually	27,660	34,368	46,092	17,124	10,776	14,112	22,752
Annual GROSS HH Savings	10,180	10,383	19,572	9,588	6,768	8,256	11,172
Annual Remittance Values	1,673	1,874	2,946	4,103	3,189	3,678	2,157
<i>of which Saved and Invested (S+I)</i>	-19%	-29%	-29%	-47.5%	-33.5%	-41.9%	-29%
<i>Consumption in Euro</i>	1,363	1,325	2,092	2,152	2,122	2,138	1,531
Annual HH Savings Abroad	8,507	8,508	16,310	5,485	3,579	4,578	9,015
<i>S+I Component of Remittances</i>	309	549	854	1,951	1,067	1,540	626
<i>Total Savings/Invest (Abroad + Home)</i>	8,816	9,057	17,164	7,436	4,646	6,118	9,641
Annual HH NET % of Income Saved Abroad	31%	25%	35%	32.0%	33.2%	32.4%	40%
Annual HH NET % Saved Abroad + Home	32%	26%	37%	43.4%	43.1%	43.4%	42%
ANNUAL SAVINGS ABROAD	3,437	4,660	2,535	352	207	559	11,981
TOTAL	million	million	million	million	million	million	million
ANNUAL REMITTANCES	676	1,033	456	263	184	448	2,867
TOTAL	million	million	million	million	million	million	million
SAVINGS TO REMITTANCE FACTOR	5.1	4.5	5.5	1.34	1.12	1.25	4.2
Non-remitting HHs	23%	35%	11%	17.8%	14.1%	16.1%	40%

Figure 61: Key Financial Characteristics

When comparing Moldova to other countries in the region with high intensities of migration, it is possible to identify some **key characteristics** with some shared and some unique.

Moldova's relatively **less mature migration cycle**, combined with a large migrant population in CIS (54%), results in a low average migrant HH income - on average, Euro 1,176. This places Moldovan migrant HHs in the **low end of the overall income range**.

By removing the 54% of Moldovan long-term migrants HHs that reside in the CIS from the income calculation, it is possible to more accurately compare the experience of Moldovan HHs in the EU region with similar figures from BiH, Albania and Kosovo. But with an average monthly HH income of Euro 1,427, EU-based Moldovan migrant HHs are still at the **bottom of the average income range**.

This finding can be explained by:

- the primary destination countries within Europe, as Moldovan migrants primarily reside in lower income countries such as Italy, Portugal and Spain, while migrants from BiH and Kosovo tend towards higher income countries in northern Europe (Germany, Switzerland, Austria, Nordics, etc.);
- the number of HH members generating incomes, which in the case of Moldova is 1.27, compared to an average of 1.94 for the other countries;
- the sector of employment, which for Moldovan (and Albanian) women is more commonly in areas such as domestic care,

while women from BiH and Kosovo are more often engaged in manufacturing, services and the professions;

- a lower level of employment, which remains despite higher educational levels;
- the length of the mass migration cycle, which in the case of Moldova is significantly shorter than for the other countries. Albanian mass migration started in 1991, while Kosovo and BiH migration has a longer history, reaching back into the 1960s and 1970s.

While incomes are lower compared to other migrants and in the EU region, the expense levels of Moldovan migrant HHs are significantly lower than those of their Albanian, BiH, and Kosovo counterparts. This is due to:

- a geographic focus in relatively low-cost countries;
- a lower number of HH members in migration (including dependents);

As well, interviews show that Moldovans, like Albanians, make an effort to spend less in the place of migration when compared to other migrant groups in the same socio-economic situation.

This combination of HH income and expenditure results in a **very high propensity to save** among Moldovan HHs of approximately 58% of HH income (compared to 30 to 49% in the other countries studied).

Comparing remittance values, at Euro 3,678 per year, **Moldovan HHs remit significantly**

more than migrants from the other countries studied to date. This can be explained by:

- lower family reunification: Moldovans remit primarily to support their spouse and children whose expenditures are higher than the expenses of recipients (primarily parents) in other countries;
- a lower level of savings being retained in the place of migration resulting in a higher component of savings and investment within current remittances (42%, against 19-29%);
- the higher level of poverty in Moldova resulting in more demand for remittances.

It is interesting to note that when the respective 'savings and investment component' of remittances is deducted for each country researched, the **actual consumption component of remittances becomes more similar**.

Remaining consumption differences may have to do with the family composition and cultural values in countries of origin (i.e. number and relation of dependents), as well as **relative purchasing-power parity considerations** between these countries.

In addition, it is important to note that 16% of Moldovan migrant HH did not remit at all. This is considered in the **low range of non-remitters in the region**. Again, this feature can be explained on the one hand by the lower maturation of the migration cycle (especially low level of family reunification), matched by a higher level of return intentions.

Low income levels, combined with high remittance values, are clearly reflected in a **Low Remittance to Savings Factor** of 1.25 (compared to an average of 4.7 for the other countries). The total estimated pool of retained savings among **122,000** Moldovan long-term migrant HHs in 2009²⁵ is therefore **Euro 559 million, in addition to the 448 million remitted.**

²⁵ The results of the HH Survey determined the estimated number of long-term migrants in migration (122,000). The migrant survey provided the number of members per migrant HH (1.45). As mentioned in the data limitations, our definition of long-term migrants and population of study excludes seasonal workers and other potentially important categories of migrants. This was done by design. Interviews and literature review indicates that there may be up to 600,000 Moldovan migrants of all categories, with 40% in long-term migration and the rest in short or seasonal migration.

Financial Intermediation in Moldova

In summary, Moldovan migrant HHs are characterized by their very high propensity to save (58.4% of net income) compared to other migrants studied to date. The largest part of their **HH savings** - Euro **4,578/HH** on average, or **559 million** in total - is retained in the respective countries of migration.

Concurrently, Moldovan migrants **remitted Euro 448 million**, an average of **Euro 3,678/HH**. Of this amount an estimated 42%, or about Euro 180 million, was saved or invested in Moldova, and the balance - Euro 268 million - was used for consumption. The savings to remittance factor is **1.25:1**.

In line with the underlying hypothesis of this project, *Moldovan migrant HHs are significant savers, both in the country of migration and the country of origin.*

Although long-term migrants represent an estimated 5.2% of the overall population of Moldova and continue to keep the bulk of their savings abroad they are nonetheless one of the primary sources of liquidity in the country.

In addition, Moldovan migrants are characterized by a very high rate of entrepreneurial behaviour and ambition compared to other countries studied. Many have invested in businesses in the past, both in country of migration and at home, and for many,

the objective of migration is to accumulate a specific amount of capital in order to initiate or expand a business venture in Moldova.

Moldovan migrants therefore represent both sides of the financial intermediation calculation and a significant potential market for the financial sector.

The most important savings objectives for Moldovan long-term migrant HHs are purchase of home, educating children, purchase of durable goods, emergency preparedness and investing in a business.

Migrant HHs have substantial savings objectives

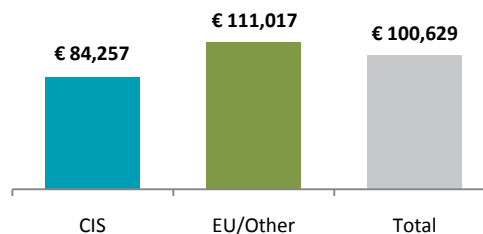


Figure 62: "Can you estimate the total amount of money needed to meet your savings objectives?"

The above savings objectives are modest in terms of value compared to other countries studied. This can be expected to increase as the migration cycle matures and as the current shift in migration destinations from CIS toward EU continues.

Experience shows that shifts in qualitative objectives can also be expected (for example

away from durable goods and emergencies and towards investment).

Migrants keep the largest share of their savings abroad

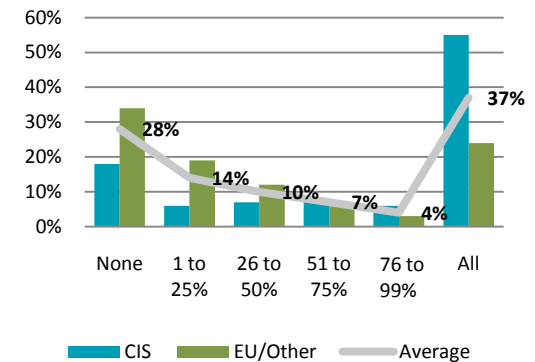


Figure 63: "Can you estimate the share of HH savings is kept in Moldova?"

Migrants in the EU region are much more likely to keep all or a large part of their savings abroad compared to those in the CIS region.

Migrants in the EU are very familiar with banking practices, where 55% of HHs maintains banking relationships. Concurrently, 35% of these same HHs continue to maintain a banking relationship in Moldova. From the HH survey (Annex I) we see that 29% of HHs with a remittance-sending migrant hold a bank account in Moldova, while 18% of the control group (i.e. without a migrant) do.

Considerable parts of the remitted savings are not intermediated....

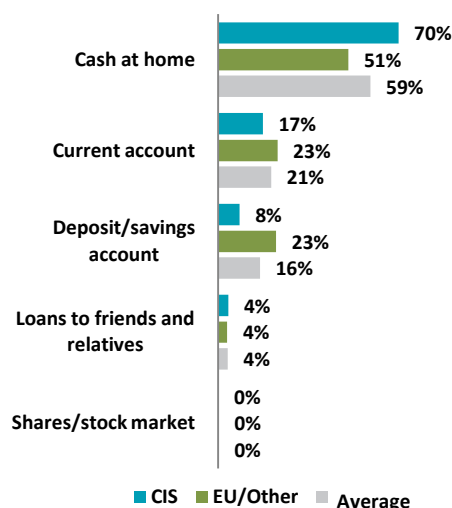


Figure 64: "In Moldova, where do you keep your savings?"

Sample: 1,247 Migrants who keep savings in Moldova

Perceptions of trust and cost continue to be important factors....

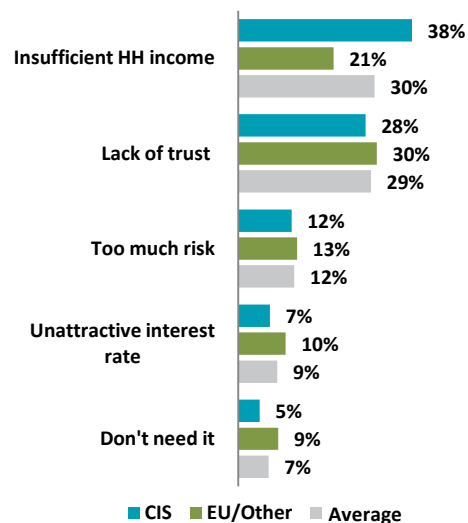


Figure 65: "If you don't have a bank account in Moldova, why not? (rank top three reasons)"

Although the financial intermediation industry in Moldova is considered to be well developed and regulated, migrants and their HHs clearly maintain a careful and conservative position with regard to their savings. Concerns with trust, risk and cost issues remain.

Migrants take many factors into account when considering which bank to work with....

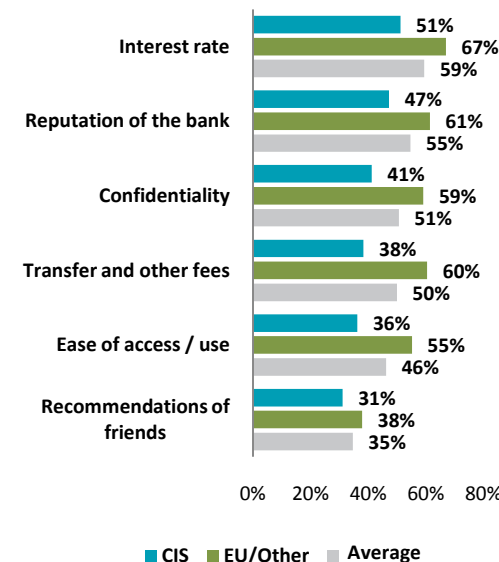


Figure 66: "Can you rate by importance the following factors that may influence your decision to work with a bank in Moldova?" (only 'very important' listed)

While Moldovan banks have largely relied on interest rates as the main means of attracting migrant deposits and clients – often increasing interest rates during peak visit periods (July-August, December-January) the migrants themselves seem to take a more nuanced approach to their banking relationship.

Interest in the following retail products among long-term migrants exists, but more modestly than other countries in the region

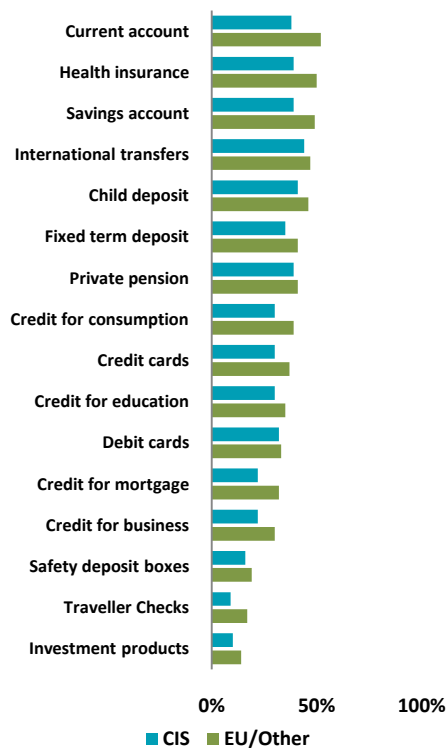


Figure 67: "If made available, would you consider purchasing the following products in Moldova?"

Interest in the above products is generally stronger among migrants in the EU region than in the CIS. Many of the more popular products reflect the concerns of migrants and their migration experience.

In addition, many migrant HHs have an interest in investing in Moldova

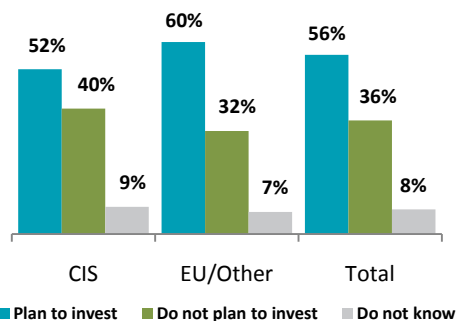


Figure 68: "Do you plan to initiate or expand an investment in a business enterprise in Moldova in the future?"

Although investment in a business may not be the primary goal of migration for many, Moldovan migrants can be considered extremely entrepreneurial.

Even compared to the high levels of entrepreneurial ambition found in other countries studied, Moldovans have a strong inclination towards initiating or expanding an investment in Moldova. This interest holds true for both CIS and EU based migrant HHs and is positively related to their communication and financial management behaviours, remittance values and return intentions.

Migrant entrepreneurs have a strong interest to borrow from Moldovan financial institution

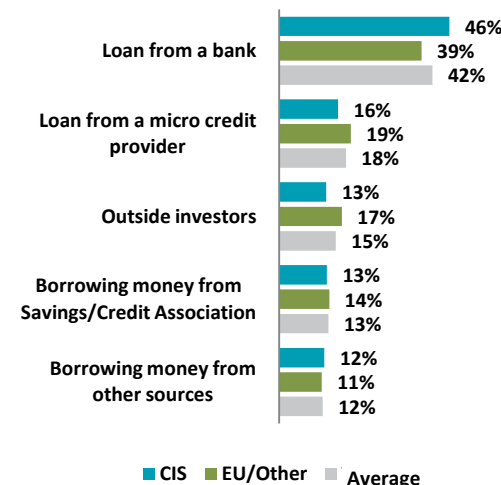


Figure 69: Do you plan to supplement the above investment(s) through other means, such as..."

Sample: Migrants who plan to invest in Moldova

Almost half of all migrant HHs with an investment interest wish to supplement their investment through credit from a bank.

Significant numbers intend to approach micro credit providers and SCAs. As noted previously, most migrant-entrepreneurs wish to invest in a SME, either individually or with family members, and they wish to do so in retail trade or services.

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