



# Fostering *the* Financial Inclusion of Forcibly Displaced Persons from Ukraine in Moldova

## IFC Market Study

With the commencement of the Russian invasion of Ukraine in February 2022, Europe underwent its most significant forced displacement crisis in decades. 11.2 million Ukrainians, a quarter of the country's population, were compelled to abandon their homes, including 6.2 million who had to search for refuge in safer areas outside of Ukraine. Due to its proximity to Ukraine, Moldova emerged as a notable destination for a considerable number of displaced individuals.

***"Data matters. Collecting and sharing data on forcibly displaced populations is key to convince the private sector that these individuals are important economic actors worth engaging with."***

**MICHEL BOTZUNG  
IFC-UNHCR JOINT INITIATIVE**

# 1

## Overview

Since 24 February 2022, 871,279<sup>1</sup> Forcibly Displaced Persons (FDPs) have entered the Republic of Moldova. At the time of the writing (May 2023) **100,905 FDPs from Ukraine are present in the country.** Among this group, 74 percent are adults and 83 percent are women, primarily mothers with children as well as pensioners. These groups are particularly vulnerable during armed conflicts.<sup>2</sup> The majority of these FDPs arrived from bordering regions: Odesa and Mykolaiv (57 percent).<sup>3</sup> The primary catalyst that led to their influx was the **proximity to the Ukrainian border**, which facilitated regular back-and-forth crossings for many individuals. This refugee influx has heavily impacted Moldova which normally sustains a population of only 2.6 million inhabitants. This has resulted in one of **the highest concentrations of refugees per capita** (four percent of the population) compared to other EU and EU-neighboring countries.<sup>4</sup> **The FDP population in Moldova is notably heterogeneous.** This observation has been derived from quantitative data analysis, which identified **four distinct segments.** These segments **vary in terms of age, household type, employment, income level, and reasons for staying in Moldova.** They also exhibit a diverse range of evolving needs, including various financial requirements primarily dependent on their access to the labor market, i.e. employment in the host country. Non-financial needs are similar across all segments.

<sup>1</sup> UNHCR Refugee Coordination Forum - Republic of Moldova Daily trends

<sup>2</sup> UNHCR daily situation in Ukraine

<sup>3</sup> Quantitative FDP Survey Conducted March-April 2023

<sup>4</sup> UNDP

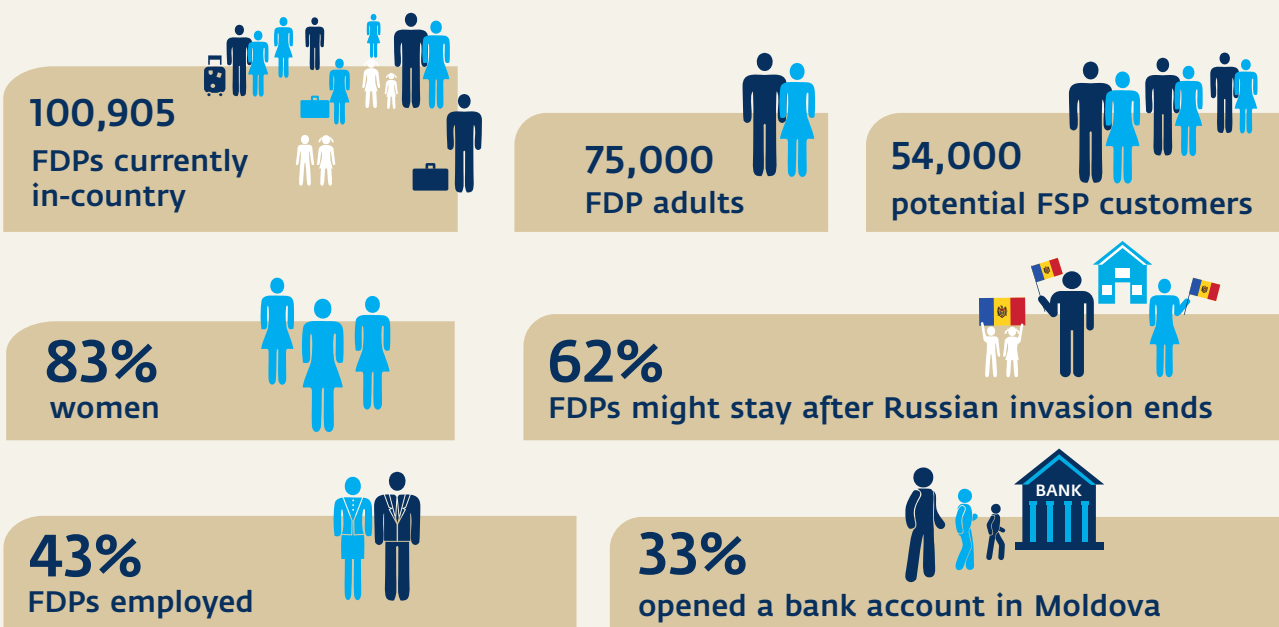
Our findings indicate that the current population of FDPs from Ukraine is partially equipped to respond to the challenges of the Moldovan labor market.

**Most FDPs are well-qualified to work and have already secured employment**, with a small caveat that the full **potential of highly skilled individuals has not been reached**. The inclination to remain in Moldova remains moderate for FDPs, with 53 percent of those surveyed claiming they might stay after the Russian invasion ends and 9 percent will remain in Moldova.<sup>5</sup>

In terms of the regulatory response, Moldova's approach towards FDPs differed from the EU position as Moldova did not implement the Temporary Protection Program or System from the beginning. Instead, an interim solution was put in place which was later replaced by a more permanent one which led to confusion for FDPs while deciding on their legal status. A certain degree of diversity emerged in the choice of legal stay options. This had, however, a limited impact on their overall success in securing employment and exercising social rights. The banking sector, which is rather consolidated, and which had a

major player taking an important part in the coordinated national humanitarian action, created opportunities to further leverage the service level and be at the forefront of financial inclusion. Despite this fact, there are still many laggard participants in the market who struggle to establish a comprehensive range of offerings for FDPs.

This report presents the results of a comprehensive analysis of the economic and financial inclusion of FDPs within Moldova. These findings identify potential opportunities for FDPs to access financial and non-financial services, as well as employment and entrepreneurship opportunities. The research's primary focus has been on individuals (consumers), as well as sole entrepreneurs and legal entities aiming to move their businesses to Moldova or establish new enterprises. The scope of the report has evaluated the legal framework within the host country and analyzed the approach taken by local Financial Service Providers (FSPs). As a result, the report provides recommendations on how the financial sector can better serve FDPs all while generating tangible value.



<sup>5</sup> Quantitative FDP Survey Conducted March-April 2023

## Methodology

We have analyzed and created recommendations for both Financial Service Providers (FSPs), considering the following categories:

- **Supply Side:** Assessment of Enablers and Barriers for FSPs and Supply Gap.
- **Demand Side:** Segment Analysis and Market Potential of FDPs from Ukraine. Needs and Pain Points described through personas and customer journeys.
- **Enabling Environment:** Regulatory and Policy Frameworks within Moldova.
- **Business Opportunity:** Recommendations for FSPs to capitalize on the opportunities.

To address these aspects comprehensively, we employed a combination of research methods and data sources to analyze and devise recommendations for both FSPs:

- **Quantitative surveys** (228 respondents, including 190 women and 38 men) focusing on profession, income level and sources, utilization of financial services in Ukraine and Moldova and financial as well as non-financial needs.
- **Qualitative semi-structured interviews** (15 respondents) aimed at understanding the financial and professional situation of FDPs in Moldova. The results informed the exploration of FDP characteristics, behaviors, and perceptions towards financial services in the host country.

The sudden influx of FDPs from Ukraine prompted the need for substantial changes to the existing system and regulatory framework in Moldova. This entailed the coordination of legislative measures concerning laws protecting refugees, and the establishment of a comprehensive framework to ensure their integration into the system.

- **Interviews with leading FSPs in Moldova** (three institutions) to identify incentives and key areas of interest for FSPs to cater to FDPs while also uncovering barriers that hinder FSPs from serving FDPs effectively.
- **Interview with the United Nations High Commissioner for Refugees (UNHCR) in Moldova** to gain insights into the aid support system in Moldova.

The integration of both secondary and primary research data was applied within a **market sizing framework** which ultimately quantified the potential market opportunities.

- **Total Available Market (TAM):** Total aggregate number of adult FDPs within the host country.
- **Serviceable Addressable Market (SAM):** The total number of adult FDPs within the host country that are economically active or economically inactive, still having a continuous income source.

Further analysis of obtained primary data considered customer segmentation based on a latent class analysis (LCA), a statistical method to identify and assign groups within a larger dataset. This involved clustering FDPs into groups based on correlations derived from analysis of sociodemographic characteristics. To deliver **impactful and user-oriented recommendations to FSPs**, the approach was guided by human-centered design principles, following the Double Diamond<sup>6</sup> model for design thinking.

<sup>6</sup> The Double Diamond model is a design process of four phases: discover, define, develop, and deliver. It is a guide for understanding design problems and communicating solutions.

## Governmental System Response

**The Moldovan Government swiftly instigated immediate and ad hoc regulatory changes. In February 2022, the Republic of Moldova declared a State of Emergency, a move coordinated by the Governmental Commission for Emergency Situations in Moldova.** This legal measure served to legitimize both the regulatory response and initial aid efforts. The State of Emergency Act regulated the duration of stay for FDPs, allowing them to be recognized as registered persons with legal status in Moldova until 6 April 2023.

By enacting the State of Emergency Act, Moldova introduced an interim solution that led to a degree of confusion among FDPs when it came to deciding on their legal status. Some even considered themselves as “not registered yet.” Although this legal framework granted FDPs essential rights such as employment, access to healthcare, and education, it also prompted many to consider alternative legal statuses (e.g. residence permit or asylum). Despite the confusion with different statuses, it's important to note that all of them grant access to financial services. However, it's worth mentioning that banks typically require an IDNP (Moldovan Identification Number) for account opening procedures.

**Every FDP from Ukraine who entered Moldova during the State of Emergency period could request a Moldovan Identification Number (IDNP). This grants access to healthcare, education, employment applications, the ability to open bank accounts, and start businesses.**

As of 1 March 2023, Temporary Protection Status (TPS) was officially introduced replacing the stay based on the State of Emergency Act. By May 2023, 20 percent of FDPs had already registered for TPS.

Furthermore, 24 percent of FDPs from Ukraine have opted for Asylum Seeker Status, which provides

protection to individuals who are unable to return to Ukraine.<sup>7</sup> Asylum status prevents deportation to their country of origin, although it does not grant automatic access to employment. Employers of asylum seekers must register their employment through the National Employment Agency (ANOFM).<sup>8</sup> A third possible type of stay is a Temporary Residence Permit, which is issued to visitors who need to stay in Moldova for longer than 90 days. This permit is granted for various reasons, such as family matters or employment, and applicants must provide extensive documentation. Only a few respondents have registered under this status. The state's response has been complemented by international organizations such as the European Union and the World Bank, which are providing financial and humanitarian aid. Intergovernmental organizations (IGOs) and non-governmental organizations (NGOs) such as the International Committee of the Red Cross (ICRC), Oxfam and UNICEF have also supported government agencies by assisting with temporary allocation, legal assistance, providing information and counseling services to refugees in refugee shelters.

**99 percent of the humanitarian aid has been provided through funding from international donors.**

The United Nations High Commissioner for Refugees (UNHCR) collaborated with a local Financial Service Provider – maib, to introduce prepaid cards. These cards were specifically designed to facilitate the distribution of the monthly UNHCR aid allowance, which amounted to approximately 105 EUR. These prepaid cards can be used without charge for cashless transactions in stores and cash withdrawals at ATMs across Moldova.<sup>9</sup> An adapted regulatory framework that grants legal resident status and access to civil rights, should be a baseline factor for the integration of FDPs into the economic and financial system. The line of response of Financial Service Providers should reflect that.

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<sup>7</sup> Quantitative FDP Survey Conducted March-April 2023

<sup>8</sup> UNHCR: How to apply for asylum

<sup>9</sup> Moldovan government website, Dopomoha.md, UNHCR annual report

## Financial Service Providers Response

The Moldovan banking sector exhibits a high level of consolidation, featuring a dominant market leader that further leveraged its direct involvement and provision of services during the coordinated national humanitarian response at the onset of the conflict. This has paved the way to enhance service levels and be at the forefront of the financial inclusion of FDPs. However, there remain many laggards in the market that struggle to construct suitable offerings for FDPs.

### Promoting financial inclusion

In general, Moldovan banks had limited outreach efforts to reach the FDPs from Ukraine. Maib bank was a notable exception as it maintained communication with the Ukrainian community on a regular basis throughout 2022. Banks' engagement on Facebook aimed at FDPs from Ukraine was concentrated in February and early March. Again, maib bank exhibited more frequent coverage of the topic. Some banks facilitated donations to Ukraine through their mobile apps, while others made direct contributions to operating NGOs. Additional content shared by the banks in open communication channels included information on simplified access to banking products, Hryvnia exchange rates, and money transfers to Ukraine.<sup>10</sup> Although no specific products were developed specially tailored to FDPs, communication was facilitated by the common use of the Russian language.

### Offering

The response of FSPs to the sudden influx of refugees was primarily focused on introducing a basic offering designed to meet their needs and was undertaken only by a few market leaders. This included a free current bank account with a debit card featuring simplified requirements for opening the account. The provision of the IDNP number was a crucial prerequisite to adhere to Know Your Customer (KYC) procedures. FDPs were also

provided with free access to mobile and internet banking. Some banks offered unlimited and commission-free cash withdrawals, as well as exchange of cash in hryvnia in chosen branches, including those at the border. Few Moldovan FSPs have extended their services to Ukrainian entrepreneurs. This is contingent on their companies being registered in Moldova. None of the banks interviewed provides non-banking products (such as insurance) or services to FDPs.

### Service offering to FDP

**Simplified conditions for a bank account**  
(branch visit with the identity card)

**Money management services**  
(debit card, currency exchange, free money transfers)

**Information accessibility**  
(access to website, chatbot, hotline...)

***At the moment, Moldovan Financial Service Providers do not perceive FDPs as either a distinct or profitable segment. FSPs say that there is no demand for more advanced, risk-based banking products, such as consumer loans. Banks perceive FDPs as a segment that primarily seeks basic banking products. Data collected by IFC provide a valid basis for re-assessing the potential of this segment.***

### Key challenges in serving FDP needs

According to the FSPs, the primary obstacle to strengthening the financial inclusion of FDPs is linked to their classification as customers with a higher risk profile. As a result, banks have implemented their own monitoring procedures to comply with Anti Money Laundering (AML) standards, which leads to increased bureaucracy and the requirement for numerous documents that FDPs may not always possess. In Moldova, the electronic Know Your Customer (e-KYC) process is still in its early stages of development, which means that there is no digital onboarding available

<sup>10</sup> Facebook – publicly available information

for FDPs from Ukraine. These findings were reinforced by the qualitative research outcomes, where the lack of transparency surrounding bank procedures is frequently cited as a major concern among FDPs. For instance, some banks may require rental or employment contracts or even the approval of a bank manager to open a bank account. An obligatory requirement to access credit is a minimum of six months of employment in Moldova. Additionally, the limited sharing of data limits the possibility of extending credit due to low awareness among banks about the availability of credit bureau data for Ukrainians, including their credit histories.<sup>11</sup>

## FDP Profile Characteristics in Moldova

In contrast to the perceptions held by Financial Service Providers (FSPs),<sup>12</sup> the FDP community in Moldova is diverse. The research has identified four distinct segments: employed mothers (14 percent), women engaged in freelance work (52 percent), young unemployed individuals (22 percent), and elderly individuals (12 percent).

### FDP behavior and professional profile

In terms of behavior, FDPs demonstrate a high level of digital literacy and maintain constant communication through various social media and communication platforms (Telegram, Viber, and Facebook). They use these channels to explore and navigate their new environment within the host country. Additionally, FDPs rely on community centers and social circles to adapt and integrate into their new surroundings, as well as to find employment opportunities. The popularity of the Russian language in Moldova likely facilitates FDP employment prospects in the host country.

Regarding professional and educational background, the adult FDP population in Moldova is highly skilled, motivated to work, and open to changing professions within their skill sets. Approximately 54 percent of FDPs were able to find employment in Moldova regardless of their skill levels. Among the economically active, 73 percent found new roles that matched their previous skill levels, even if their professions changed. Around a third of the surveyed FDPs were able to secure jobs in their specialized fields. However, some highly skilled FDPs in specialized fields, such as doctors and architects, faced challenges in finding well-paid employment due to difficulties in certifying their qualifications.

Highly skilled FDPs are satisfying the demand in the market in professions such as teaching, accountancy, and IT. Leading sectors of employment for FDPs in Moldova include beauty, retail, and cleaning services.

***Around 40 percent of the economically active labor force among FDPs is actively seeking new job opportunities.***

Overall, FDPs in Moldova possess valuable skills and a strong desire to contribute to the local economy and society. This eases their integration into the host country's labor market, despite certain challenges faced by some specialized professions.

## Economic Situation of FDP in Moldova

A substantial portion (55 percent) of FDPs perceive their economic situation as merely sufficient to cover bare essentials and living expenses. This perception is substantiated by the fact that most FDPs report incomes below the average salary in Moldova (581 EUR<sup>13</sup>) – between 150-300 EUR or 300-600 EUR.

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<sup>11</sup> IFC: Ukraine "Digital Data Corridor"

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<sup>12</sup> Supply side research – Interviews with Moldovan FSP

<sup>13</sup> Statistica Moldovei

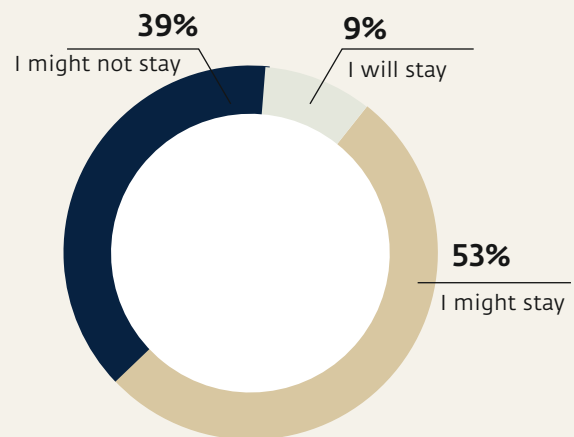
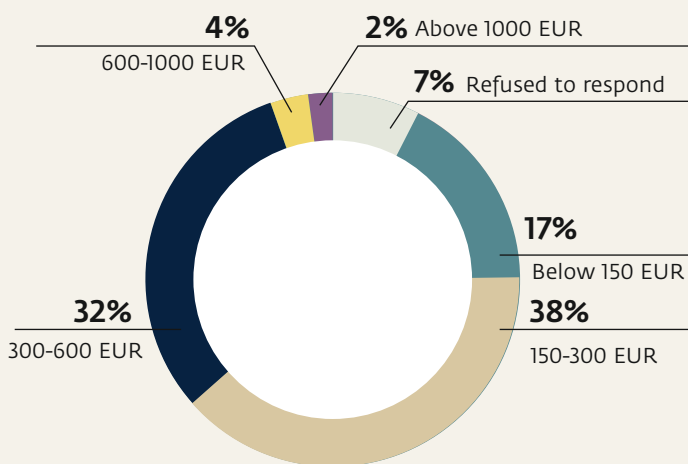
## Type of legal stay and its impact on inclusion and willingness to stay in the host country

Within the employed segment, 21 percent of respondents claim to be "not registered yet" and working in a variety of professions. It is plausible that many FDPs might be legally working in Moldova based on the previous State of Emergency Act or may be working in informal, cash-based occupations within the grey economy. We posit that the economically active group registered under the TPS is likely to increase and there will be a reduction in the category of "not registered yet" FDPs.<sup>14</sup>

The registration status of FDPs under Temporary Protection also serves as an indicator of their inclination to stay in Moldova, which tends to be moderate. For some, the loss of their homes in Ukraine has influenced their decision to seek a new place of residence. Those who are currently employed in positions that align with their skill levels may be inclined to consider staying in Moldova. FDPs who have children enrolled in local schools and have established a stable routine may display a greater willingness to establish a long-term presence. Moreover, FDPs with sons who have reached the age of military conscription may express heightened motivation to remain abroad.

**Figure 1: Distribution of income of FDPs in Moldova**

**Figure 2: Intention to stay in Moldova**



## Financial behavior of FDPs

FDPs are financially literate with 84 percent of FDPs from Ukraine in Moldova holding a bank account in Ukraine linked to a debit card.<sup>15</sup> In comparison, only 64 percent of Moldovans over 14 years old have or had a bank account. Certain

individuals rely exclusively on their Ukrainian accounts, withdrawing cash and using their Ukrainian payment card as their primary method for financial transactions. Some choose to send cash to Ukraine through family members who can deposit it into their Ukraine account.<sup>16</sup> Others regularly use their Ukrainian account to fulfill

<sup>14</sup> Quantitative FDP Survey Conducted March-April 2023

<sup>15</sup> Quantitative FDP Survey Conducted March-April 2023

<sup>16</sup> Moldova: Percent people with bank accounts



financial obligations such as utility bills and other essentials in Ukraine. 67 percent of FDPs have not opened a bank account in Moldova, citing financial constraints or a lack of necessity. They often rely on prepaid maib bank cards. **Out of the FDPs who do not currently have a bank account in Moldova, 15 percent attempted to open one but were denied because of incorrect or insufficient documentation.**

Among the **33 percent of FDPs who have opened a bank account in the host country, some have struggled with non-transparent bank procedures and rules. These include** different documentation requirements such as employment or rental contracts, alongside requirements for additional approval from bank managers. Users of Moldovan financial services have expressed a rather critical perspective on the quality of financial services, often highlighting issues such as poor customer experience in digital channels, and language accessibility challenges in branches and helplines. **FDPs who have opened bank accounts in Moldova use them for a variety of purposes, including daily transactions, receipt of wages and aid payments as well as facilitating cash withdrawals.**

A more detailed view of the behaviors featured by FDPs, as per the identified segments, is presented in the following table, highlighting the correlation between financial inclusion and economic activity. The employed and self-employed are more inclined to open bank accounts and demand a diverse range of financial services. They are also more inclined to stay in Moldova.

It is of paramount importance to emphasize that individuals who are currently unemployed possess a strong willingness to work.

## Overview of the identified FDP customer segments and their key behaviors

Employed mothers	Self-employed from bordering region	Unemployed and willing to stay	Older people
<p>Women working at the same skill level</p>	<p>Majority women, who are self-employed</p>	<p>Majority women, relying on aid and family</p>	<p>The only segment in Moldova with a significantly higher share of men</p>
<p>Maintain a Ukrainian bank account for cashless transactions, bill payments and to receive remittances. It is accessed via a banking app</p>	<p>They receive UN aid on a maib bank card</p>	<p>Are looking for a job and need advice on labor-related issues</p>	<p>The segment is also characterized by a high pensioner rate</p>
<p>The majority opened a bank account in Moldova because of employment</p>	<p>They have a bank account in Ukraine and use it to transfer money and to add to savings</p>	<p>They have a bank account in Ukraine which is used to withdraw money and pay bills</p>	<p>They are looking for a job</p>
<p>Financial needs cover: remittances, credit cards, short term loans</p>	<p>They have opened a bank account in Moldova to receive payments from customers and make transfers</p>	<p>They are unlikely to have opened a Moldovan bank account</p>	<p>They have a bank account in Ukraine to receive pension and for cashless transactions</p>
<p>Non-financial needs cover: healthcare, education, housing</p>	<p>Financial needs cover: remittances, credit cards, short term loans</p>	<p>Financial needs cover: remittances, credit cards, short term loans</p>	<p>They have not opened a Moldovan bank account</p>
<p>Inclined to stay due to a) uncertainty when the Russian invasion ends, b) employment in Moldova or c) children who are enrolled in the local education system</p>	<p>Non-financial needs cover: healthcare, education, housing</p>	<p>Non-financial needs cover: healthcare, consultations on labor issues, housing</p>	<p>Financial needs cover: remittances, credit cards</p>
	<p>Might stay due to a) uncertainty when the Russian invasion ends, b) employment in Moldova or c) improve their economic situation</p>	<p>Could stay in Moldova due to a) uncertainty when the Russian invasion ends or b) have family and friends in the country</p>	<p>Non-financial needs cover: healthcare, consultations on legal issues</p>
	<p>12 percent of the segment declared themselves as business owners</p>		<p>Not likely to stay, but some do not have a home to return to – their house in Ukraine is destroyed</p>
			

## Financial and non-financial Service Priorities of FDPs from Ukraine in Moldova

Drawing on market sizing calculations through both secondary FDP market data, as well as primary demand assessment,<sup>17</sup> the total available market within the FDP population in Moldova is estimated at around 75,000 adults. Within this figure, an estimated 54,000 individuals can be identified as prospective customers for FSPs.

### Financial Services Demand

Given the widespread use of maib bank's prepaid cards, the adoption rate of core banking services among FDPs is moderate. **As of May 2023**, approximately **18,827** (25 percent) FDPs are actively using bank accounts linked to debit cards, while an additional **8,026** (11 percent) FDPs are projected to use these services in the future. The highest current and potential demand is evident in **remittance services**.

**24,429** (33 percent) of FDPs have been using remittance services operated by banks or money transfer providers, while an estimated **15,704** (21 percent) of FDPs are additionally expected to use such services in the future. In contrast, the demand for interest-bearing services is relatively low. A third (33 percent) of FDPs have expressed no demand for financial products beyond core banking services. Only a minority (11 percent of FDPs), have shown an interest in credit cards - which at the same time emerged as the most preferred option among the available choices.

The demand for other interest-bearing products is demonstrated by the following figures:

- **Credit card** – An estimated **8,297 (11 percent)** of FDPs have expressed a need for this product.
- **Short-term loan/cash loan** – An estimated

**6,815 (9 percent)** of FDPs have stated their requirement for this service.

- **Mortgage** – Around **5,926 (9 percent)**<sup>18</sup> of FDPs have indicated the need for this type of product.

**Table 1: Market sizing results - TAM, SAM**

	TOTAL
<b>TAM</b>	<b>74,669</b>
<b>SAM</b>	<b>53,959</b>
With debit card linked	<b>18,827</b>
With need for insurance	<b>5,037</b>
With need for credit card	<b>8,297</b>
With need for short-term loan	<b>6,815</b>
With need for mortgage	<b>5,926</b>
With need for remittance transfer service	<b>15,704</b>

The low demand stems from the perception of FDPs that they are not eligible for such products in Moldova, due to their status as 'refugees without a resident permit'. Although the demand for credit is low or not explicitly stated, insights from qualitative research show that **FDPs share a need for loans or credit cards, for sudden, unprecedented expenses like car repairs or medical emergencies**.<sup>19</sup> On the contrary, entrepreneurs exhibit a pronounced inclination towards self-reliance and the use of grants, while still retaining interest in credit cards.

We project that as FDPs spend more time in the host country and as uncertainties about the Russian invasion persist, their needs will gradually evolve towards a more robust demand.

### Non-banking products demand

Both quantitative and qualitative research underscored healthcare as the most frequently mentioned non-banking need among FDPs. We anticipate that as many as **34,568** FDPs will use

<sup>17</sup> The numerical calculations have been derived through the application of the TAM (**Total available market**) / SAM (**Serviceable addressable market**) market sizing methodology, utilizing the quantification of demand insights obtained from Quantitative FDP survey Conducted March – April 2023

<sup>18</sup> The percentage is given out of the TAM number

<sup>19</sup> Qualitative FDP interviews Conducted April-May 2023

healthcare services in Moldova. Additionally, **5,037 FDPs are interested in other forms of insurance such as life or car insurance in Moldova.**

## Non-financial services demand

FDPs are also interested in **consultations on legal and taxation issues. They would also appreciate** access to educational services (upskilling courses), language courses, housing, and consultations on labor-related issues.

Entrepreneurs specifically demonstrate their interest in support on how to open and manage a business.

## FDP perception of Moldovan FSPs

Findings from the qualitative research provided a wide range of insights about FDP perceptions and interactions with local FSPs. Some individuals encountered fewer obstacles when dealing with local FSPs, primarily because employers facilitated the process by providing the necessary documentation and indicating which FSP to approach. Other individuals reported ongoing difficulties in communicating with banks, not feeling welcome, or being confused by documentation requirements. The absence of tailored attention to the evolving needs of FDPs has left many feeling defensive, leading to uncertainty about their eligibility and a limited grasp of the value proposition presented by the financial offering provided by Moldovan FSPs.

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## Conclusions and Key Recommendations for FSPs

Addressing the needs of FDPs requires comprehensive and specialized approaches, and financial institutions have a vital role to play in supporting their financial well-being.

The biggest observed gap is the failure of Financial Service Providers to recognize FDPs as a distinct segment with a demand for more advanced products and services and facing segment specific barriers. This results in static, basic product offerings and limited financial inclusion capabilities.

FSPs have the opportunity to undertake a well-defined set of actions that directly address the primary needs of FDPs while potentially expanding their own scope and improving the quality of their services:

## **Recognize FDPs as a separate segment, create a clear value proposition and raise awareness around financial services**

FDPs as a separate segment have distinct needs and segment-specific barriers accessing financial services. Simplified bank procedures would be a first, and crucial step towards the financial inclusion of FDPs in Moldova. To transform FDPs into economically viable customers, FSPs should create and communicate a clear value proposition that enables having a bank account in the host country along with convenient and reliable remittance services. Raising financial awareness should be done through well-targeted, language-customized campaigns that inform about available bank offerings.

## **Clearly communicate documentation requirements before opening a bank account, and ensure internal policies and procedures are complied with by branches and customer-facing staff**

Effective, clear and consistent communication on documentation requirements, policies, and procedures is crucial in attracting and retaining the FDP segment. Given the digital literacy of FDPs, the messaging should be introduced through digital and social media channels. This enables them to research and captures their attention for upcoming initiatives. To eliminate situations where FSP's staff violate internal policies and procedures relating to serving the FDPs from Ukraine, compliance control, internal communication and training are of paramount importance.

## **Implement and foster awareness of interest-bearing services to FDPs**

FDP's needs evolve over time from basic financial services to a wider range, including interest-bearing and other high value products. By looking at the FDP segment from this perspective, FSPs will be positioned

to provide profitable services. FSPs should look for ways to overcome challenges associated with serving the FDPs, e.g. establish base assumptions for the provision of credit services, by developing access to FDP credit history. This has already been started by a bilateral agreement between the credit history bureaus in Moldova and Ukraine. It is recommended that FSPs actively communicate the availability of interest-bearing products to FDPs. This should be done through well-targeted and language-customized campaigns. Many FDPs are highly skilled, employed/willing to work in Moldova, and have constantly evolving needs, including risk-based products.

## **Improve the customer experience and introduce digital experiences**

FDPs from Ukraine demonstrate high levels of financial and digital literacy. This could be a significant market-shaping factor for Moldovan FSPs. **Extending and improving digital experiences** – introducing e-KYC and accessible, user-friendly experiences in digital channels can also be beneficial for Moldovan customers and can lead to increased customer satisfaction.

## **Introduce non-banking products targeted at FDPs as part of FSP offering**

In serving the FDP segment from Ukraine, FSPs should look beyond banking products. Recognizing that there is a demand for non-banking products such as health and car insurance, responding to them can serve as an entry point, which opens the way towards increased financial inclusion. Partnerships with insurance providers could increase the up-selling strategy for FSPs by transforming non-banking product customers into a profitable segment, and at the same time leveraging that as a key competitive advantage.

## Launch non-financial services targeted at Ukrainian entrepreneurs

A notable percentage of FDPs from Ukraine in Moldova are self-employed or run their own businesses. The provision of non-financial services such as advisory assistance on company/ business activity registration, regulatory compliance, tax and accounting nuances in Moldova, could greatly help them to orientate themselves within the market. Although Ukrainian entrepreneurs largely rely on bootstrapping and grants, such business advisory services can empower them to be bolder in their decisions and eventually evolve into viable potential customers - ones that would seek credit products in the future.

A comprehensive understanding of FDP needs could lead to future profits. Improving current customer experience and developing financial and non-financial offerings promoted through well-targeted, native-language-adapted campaigns could drive higher customer engagement and lifetime value. Early identification of untapped demand for interest-bearing products, which is likely to grow over time, can give banks a competitive advantage.

This study has provided valuable insights and a comprehensive understanding of the paths undertaken by FDPs on their arrival in Moldova. Despite the diverse range of experiences shared, a common thread has emerged: the majority of FDPs possess valuable qualifications, have already secured

employment, and a significant portion of them want to build their future in Moldova, contingent upon favorable life circumstances.

As time passes and uncertainty surrounding the Russian invasion persists, we anticipate that as FDPs spend more time in the host country, there will be an inevitable increase in demand for financial products and services.

This growing demand for financial products and services has the potential to reshape the FDP segment into a profitable market in the future. It is imperative that FSPs pay attention to this trend and act accordingly. It is both economically viable and socially responsible action to take.

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## About IFC

IFC – a member of the World Bank Group – is the largest global development institution focused on the private sector in emerging markets. We work in more than 100 countries, using our capital, expertise, and influence to create markets and opportunities in developing countries. In fiscal year 2024, IFC committed a record \$56 billion to private companies and financial institutions in developing countries, leveraging private sector solutions and mobilizing private capital to create a world free of poverty on a livable planet. For more information, visit [www.ifc.org](http://www.ifc.org)

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