

Options for harnessing emigrants' remittances and savings for the development of the Republic of Moldova

FINAL VERSION

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Option 11. Popularization of the use of credit cards to make payments **Ошибка! Закладка не определена.**

■ Introduction

Emigration has a fundamental role in modeling the economic, social, and political developments in the Republic of Moldova. Actually, no other phenomenon has influenced the Republic of Moldova and Moldovans over the last two decades to the extent in which emigration did. Even under the hypothesis of some very positive social-economic scenarios for the near future, it is reasonable to assume that emigration will persist – a fact proved by other European countries, where the once-started emigration lasted for decades or even centuries. Need-based emigration can become over the time emigration for better chances and opportunities.

Although there is no national source that would monitor continuously Moldovan emigrants' earnings sent back to the country, the dynamics of some indicators for the Balance of Payments suggest that starting in the mid-90s, these incomes have increased on continuous basis, achieving a maximum pick in 2008, just before the break out of the global financial crisis. After the drop registered in 2009, remittances have followed starting in 2010 a new smooth ascending trend, and in 2014 - 2015 the maximum achieved in 2008 will be exceeded. In future, a huger impact is expected from the emigrants' savings as compared to their remittances. Together with the emigrants' eventual return to the country of origin, their savings will be repatriated in the country.

In spite of its major impact on development, it cannot be stated that emigration and its consequences were seriously tackled by the Government of the Republic of Moldova. Only one single program has been implemented in relation to remittances' investment (PARE 1+1), but the country lacks a systematic and comprehensive approach to this phenomenon. (Moreover, notwithstanding the positive impact the PARE 1+1 Program might have on emigrants and the businesses launched by them or their relatives, such interventions may be qualified as socially unjust, as they discriminate the non-emigrants in relation to the emigrants). A new strategic vision was defined for the development of the country - „Moldova 2020” – which provides for getting away from the economic growth model based on remittances-fed consumption and building a new model based on investments, exports, and innovations. Nevertheless the „Moldova 2020” is not sufficiently clear about the way in which emigration and emigrants' incomes will be harnessed, the way in which their positive impact on development may be increased and the negative impact – decreased.

This survey was carried out within the framework of the UNDP Mainstreaming Migration into Development (MOMID) Project in Moldova, for supporting the efforts of the Republic of Moldova Government to have a more consistent mainstreaming of emigration in the national development policies. The main aims of the study are the following: 1) updating the data on emigration and emigrants' incomes, 2) exploring the feasible options for maximizing the impact of emigrants' incomes on country's development, and 3) providing recommendations for concrete tools which might be used.

The document is structured into four chapters. The first chapter makes an overview of the defining elements of the labor emigration from the Republic of Moldova. This section was necessary because the strategies dealing with harnessing the development potential of emigrants' incomes should be based on citizens' motivations and intentions to emigrate and emigrants' motivations and intentions to return.

The second chapter provides radiography of the dynamics and current situations related to the emigrants' incomes and their economic impact. A note to be mentioned from the very start is the fact that the study aims to analyze the emigrants' **incomes** composed of emigrants' **remittances** and **savings**. **Remittances** represent the incomes sent by emigrants on continuous or occasional basis so as to ensure mainly the financing of the current consumption needs of the family members. Remittances are sent back home as long as social links are kept between the emigrant and his/her family / relatives / friends. The flow of remittances may get suddenly narrow whenever the families will get reunited abroad, families' disintegration as a result of spouses' separation, children's alienation from parents, etc. The national data refer, mainly, to remittances, therefore the second chapter is inevitably focused on remittances as well. But, as some sources suggest, namely the savings accumulated by the emigrants and not their remittances are the ones to have the highest potential to influence the development of the country on long term. **Savings** represent accumulations of

monetary means made by the emigrant either abroad or in the Republic of Moldova, which have another purpose than that to finance current consumption. The destination of such savings may be investments in the future own business, financing the future consumption, etc.

The third chapter comes with a short presentation of the best international practices (both: public policies and private projects) aiming to better leverage the development potential of the emigrants' incomes. In general, policy interventions for maximizing the development impact of the incomes originating from emigration may be classified in those of **horizontal nature**— focusing on improving the regulatory and general investment environments, improvements benefiting all the citizens, including the emigrants –and those of **vertical nature**, which target on preferential basis the emigrants and their incomes. The chapter starts from the idea that before targeting the emigrants' incomes, a rational and well-intentioned government should be sure it has implemented all the necessary measures to protect the emigrants, and to preserve or strengthen the links between the emigrants and the country. It is important to mention in this context that in the Republic of Moldova the horizontal tools – such as training entrepreneurial skills, strengthening financial culture and confidence for banks, building a more enabling regulatory framework for business, with a focus on SMEs – could secure a much higher impact of emigrants' incomes on development than the vertical tools – those which target directly the emigrants and their incomes. In a long-term perspective, namely the improvements made with the help of the horizontal-impact-based tools will be able to reduce the emigrational motivations. Clarifying this important aspect, the study focuses nevertheless on the vertical tools, as the horizontal ones have been tackled already by numerous other surveys.

The fourth chapter identifies the options which could be used in the Republic of Moldova to maximize the impact of emigrants' incomes on country's development. It refers strictly to the tools applicable at the microeconomic level and to the macroeconomic policy tools, which also have an important role in maximizing the positive impact and minimizing the negative consequences. Some of these tools, such as direct targeting of inflation, are already adequately applied in the Republic of Moldova.

The study is based especially on the secondary analysis of documents and economic interpretation of the data on emigration and emigrants' incomes, existing at the national and international levels. The authors have benefited from the information and suggestions provided by a number of experts in the area: Valentina Ungureanu (Ministry of Labor, Social Protection and Family), Raisa Dogaru (National Employment Agency), Igor Munteanu and Larisa Isacov (National Bank of Moldova), Veaceslav Ioniță (Chair of the Parliamentary Committee for Economy, Budget and Finance), Vladimir Ganța and Elena Vâtcărău (National Bureau of Statistics), Liubomir Chiriac (Institute for Development and Social Initiative „Viitorul”), Ruslan Șintov (Center of Sociological, Politological, and Psychological Analyses and Investigations CIVIS), Iulia Iabanji (Organization for SME Sector Development), Oxana Lipcanu (International Labor Organization), Tokhir Mirzoev (International Monetary Fund), Valeriu Sainsus (Academy of Economic Studies from the Republic of Moldova), Diana Cheianu-Andrei (State University from the Republic of Moldova), Leonid Cerescu (National Employers' Confederation from the Republic of Moldova), Oleg Budza and Petru Chiriac (Trade-unions' Confederation from the Republic of Moldova), Natalia Vozian and Liuba Valcov (Bureau for Relations with Diaspora), and Ala Nemerenco (WHO Office in the Republic of Moldova).

The authors are grateful to all the above-mentioned experts for the provided time and valuable advice. At the same time, the opinions expressed in this document are not necessarily shared by the interviewed experts and represent the only and full responsibility of the authors.

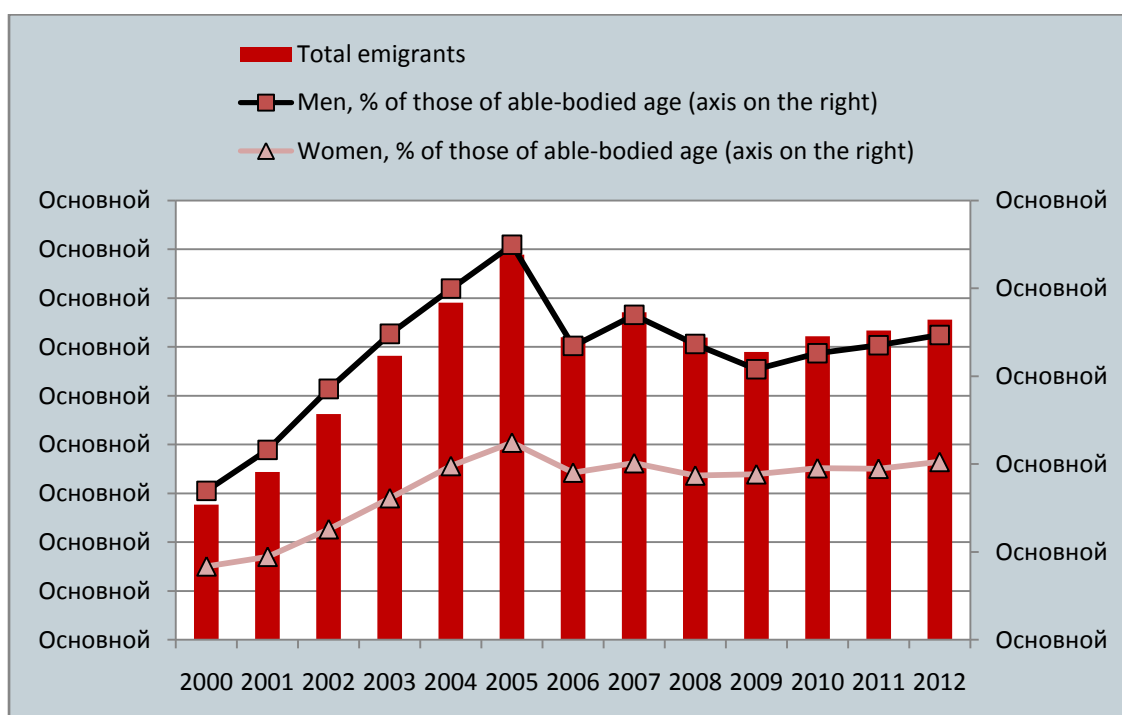
■ Labor emigration from the Republic of Moldova: major evolutions

Remittances are indissolubly linked to the labor emigration phenomenon. To develop optimal strategies for remittances' use, the emigration short- and long-term trends should be assessed and the emigrants' intentions should be clarified in relation to their return to the home-country and family reintegration.

Evolution of emigrants' number

Labor emigration from the Republic of Moldova was triggered and amplified by a number of economic shocks. Although this phenomenon was a defining factor for the country's evolution during the last two decades, it was not yet study sufficiently and consistently. The only source that collected permanently data on emigrants (and more precisely data on the number of persons aged 15 years old and over who are looking for a job or work abroad) is the National Bureau of Statistics (NBS). According to this source – which is actually the most conservative one – emigration started with several dozens of thousand citizens who have emigrated by the end of the '90s and reached the level of 394.5 thousand in 2005. In 2006, as a result of some problems identified in relation to the sample, the methodology of the Labor Force Survey was reviewed and the values from the following period of time became incomparable with the earlier data (although the majority of the structural indicators are comparable). Talking about the recent trends, the most important wave would be the one between 2009 and 2012, when according to the NBS, the number of the persons aged 15 years old and over who are looking for a job or work abroad has increased from 294.9 thousand up to 328.3 thousand persons (Figure1). Nevertheless, the drop by 16% registered for the number of emigrants in the fourth quarter of 2012 as compared to the fourth quarter of 2011, represents a curious evolution, which is rather difficult to be explained from the economic point of view.

Figure1. Total number of emigrants, thousand persons, and share of male / female emigrants in the able-bodied male / female population, %, years 2000-2012



Note: variables expressed in absolute values for the period up to 2005, inclusively are not comparable to those from the subsequent period, due to the methodological modifications;

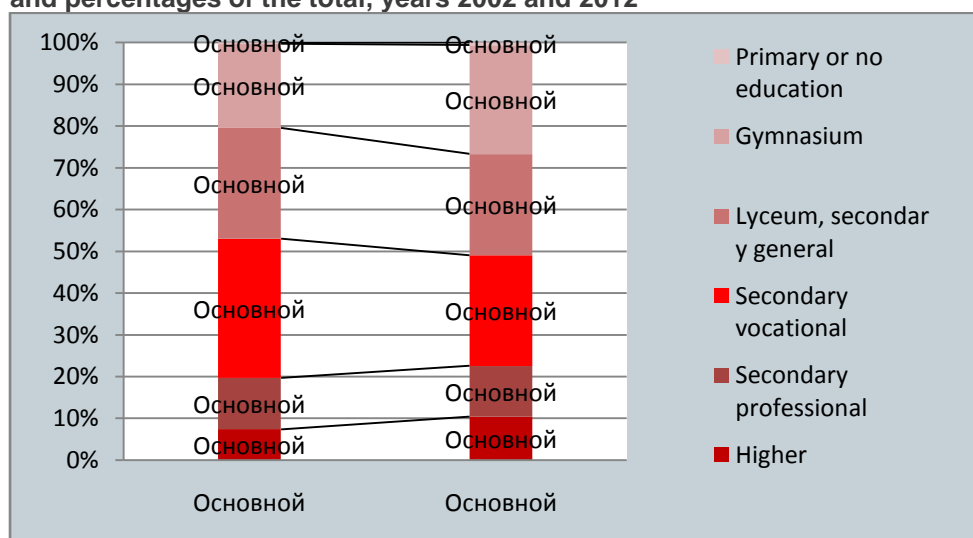
Sources: National Bureau of Statistics;

As it was mentioned above, the official NBS data are the most conservative in comparison with other sources. Hence, Lueck and others (2009), based on the survey carried out by IOM and CBS-AXA shows that in 2008 over half a million of Moldovan citizens had some emigration experience during their economically active life period. Some external sources also suggest a higher incidence of emigration than the official one. For instance, if in 2010, NBS was estimating a number of 58.6 Moldovans working in Italy, the Italian sources were providing a double figure of Moldovans residing in Italy during the same period of time (Ministero del Lavoro e delle Politiche Sociali del Italia, 2012). In spite of the existing differences, including the ones induced by the different definitions which are used, as well as by the extraordinary mobility of emigrants, it is clear that labor emigration from the Republic of Moldova (when reported to the number of labor force) amounted to very high levels. Thus, based on the most careful estimates (NBS), it was calculated that about 17% of able-bodied men and 10% of able-bodied women were looking for a job or working abroad in 2012. It is obvious that such a high-scale emigration phenomenon has significant impacts on development. Unfortunately, this phenomenon was not sufficiently studied from the multidimensional (economic, social, cultural, electoral, etc.) impact point of view. A clear answer was not yet found for the following question: is the current level of labor emigration from the Republic of Moldova the most optimal?

Who are the emigrants?

Moldovan emigrants have a rather advanced educational profile and this fact simplifies their integration in the society of the host country. According to the data published by the NBS¹, in 2012 the following distribution for the emigrants' educational level was registered: 10.4% had higher education, 12.1% - specialized secondary education, 26.4% - vocational secondary education, about 24.3% - lyceum education, 26.0% - gymnasium education and 0.7% - primary or no education. Comparing these figures with the situation registered a decade ago, it may be noted a visible increase for the share of emigrants at the educational level extremes (+3 percentage points for those with higher education and +8.6 percentage points for those with gymnasium and primary education, Figure 2). Some differences are registered in relation to the preferred destinations: the emigrants with more advanced education are slightly more inclined to emigrate mainly towards the European countries, and their educational profile is somewhat more advanced than that of the "typical immigrant" in Europe, as illustrated by EUROSTAT (2011). The emigrants with less advanced education prefer to go to the CIS countries. Nevertheless, in both cases, Moldovans' integration and naturalization is rather easily produced, including due to their knowledge or very quick learning of the language spoken in the country of destination.

Figure 2. Distribution of emigrants by levels of education, number (thousand people) and percentages of the total, years 2002 and 2012



Source: NBS;

¹ Calculation of authors made based on the data available on <http://statbank.statistica.md/pxweb/database/RO/03%20MUN/MUN07/MUN07.asp>

The average age of the typical emigrant has increased significantly, from 30.5-31.0 years old during 2000-2002 up to 35-36 years old during 2010-2012 (thus, the statistical data contradict the general opinion shared that the Moldovan emigrant got younger in the last ten years). This practically corresponds to the average age of the general population of the country. At the same time, the emigrant from the Republic of Moldova is rather young as compared to the global age median of about 39 years old (Henning, 2012) – Moldovan emigrants are 5-6 years younger, being 33-34 years old. Meanwhile, the “ageing” of the emigrants’ group, which occurred over the last decade, does not eliminate the risk of a “re-rejuvenation” alongside the eventual mass emigration of the emigrants’ children or family reunification abroad. An important aspect should be mentioned – the average age of 35-36 years old registered for the emigrants suggests that in case of the emigrants with children, the majority of the kids are still under-aged. This fact has major implication on the way in which the money sent by the emigrants is used: more for the current consumption and education and less for business investment, as just a few of the households members left behind have any skills or the necessary time to manage a business.

According to the NBS data, men dominate the group of emigrants, accounting for about 67.6% of the total number registered in 2012. Based on the statistical data, it may be concluded that the previous trend (which achieved in 2009 a share of about 37% of the total) for women’s share increase has actually reversed during 2010-2012. At the same time, other sources (CIVIS/IASCI, 2010) show that the gender distribution in the group of the long-term emigrants is more balanced and this actually corresponds to the situation registered at the global level as well (Henning, 2012).

From the point of view of the emigrants’ area of residence, it may be noted that emigrants coming from rural area dominate – about 70% of the total. Although this high share is explained by the initially high share of rural population in the total population of the country, the share of rural emigrants has increased a lot as compared to the early emigration period: in 2000-2001, the share of rural population registered 60% of the total². Taking into account the fact that this increase occurred in the context of a visible economic growth in the Republic of Moldova, it is clear that villages remain further on to be the main source for feeding emigration, both: circular and long-term emigration.

According to one of the surveys carried out by CIVIS/IASCI (2010), 71% of the Moldovan emigrants are married, but the level of their families’ reintegration in the countries of destination is still rather low (21% of the total), as compared to the emigrants from other countries; for instance the family reintegration rate for Albanian emigrants is over 90% (idem). These two indicators point out that preconditions exist for a mass reunification process of a number of families abroad.

Why do Moldovans emigrate?

The first waves of emigrants were triggered by the massive poverty associated with economic restructuring, liquidation of enterprises and places of work. The major goal of the emigrants from the ‘90s was to get out of poverty. Meanwhile, when a relative maturation of the emigration phenomenon was achieved – legalization of residence, family reunification, learning of the host country’s language, launch of own business – the emigration-determining factors became much more diverse (CIVIS/IASCI, 2010).

Hence, poverty-determined emigration is gradually shifting to an emigration guided by the possibilities to harness economic opportunities and to get a better self-affirmation, which are offered by other countries. The good knowledge of foreign languages, the better level of education obtained by the young Moldovans as compared to the emigrants from other countries ending up in the European countries or Commonwealth of Independent States, growing use of Internet – all these factors catalyze the opportunities-based emigration and reduce the share of emigrants wishing to return to the Republic of Moldova. All these factors are especially important for the emigrants’ children, who find out from their parents about the opportunities offered by other countries and do not want to “waste their lives” in the Republic of Moldova. The emigrants’ discovery of the opportunities offered by emigration means a major thing: this phenomenon cannot be

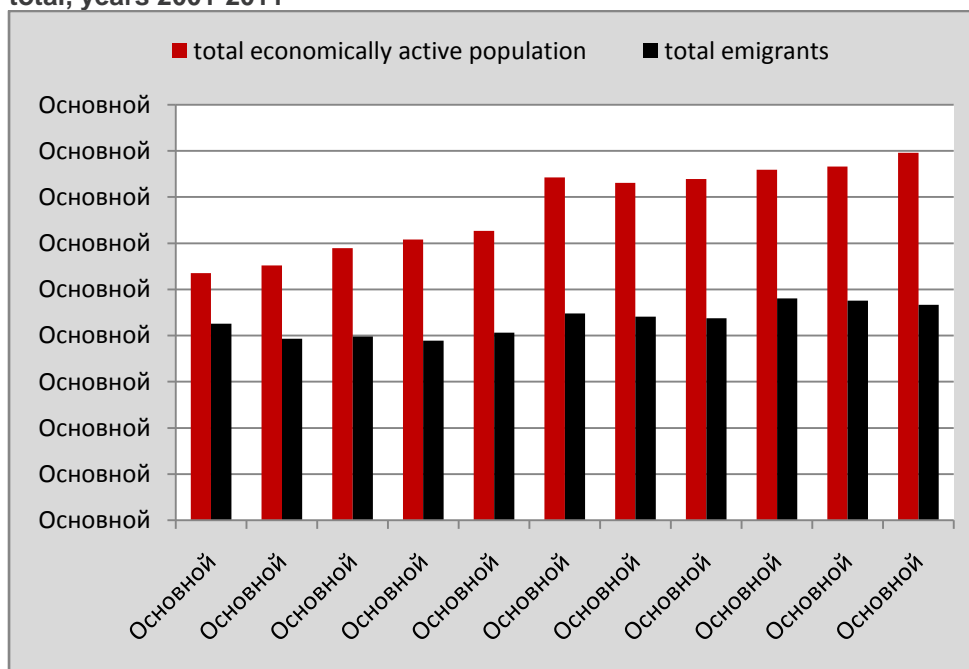
² Idem

stopped anymore, especially in the case of the young people, as long as the self-affirmation opportunities offered by the Republic of Moldova are incomparably lower than those offered by Europe and Russia.

Emigration – brain drain or brain waste?

The brain drain phenomenon means a definite or long-term emigration of the persons with a more advanced level of qualification.- (Global Migration Group, 2010) This aspect of emigration was not yet fully studied in the Republic of Moldova. The available statistical data suggest that currently the brain drain phenomenon is not very stringent at the aggregated level, as the emigrants' group is characterized by a less advanced educational profile than the economically-active population remaining in the country. For instance, the share of the persons with higher and secondary specialized studies accounts for 23.3% of the total number of emigrants, as compared to 39.8% of the total economically active population, and this gap has increased over the time (Figure3). At the same time, in case of some separate sectors – health³, education, scientific research, local public administration, and information technology – the brain waste phenomenon is rather pronounced. The majority of specialists who abandon these sectors end up in unqualified works abroad, jobs that are well below their level of education and qualification. According to a survey undertaken in 2009, 58% of the emigrants in CIS and 35% of those from EU were working as unqualified workers (CIVIS/IASCI, 2010). The Moldovan diaspora mapping exercises, which were recently implemented, show that the specific knowledge and skills of the Moldovan emigrants are not needed or recognized on the foreign labor market (Cheianu-Andrei, 2012). Hence, the Republic of Moldova is dealing with brain waste phenomenon rather than brain drain (idem). This situation has major implications on the long-term development perspectives, as the return of the emigrants into the country could be accompanied by no massive import of exceptionally high professional skills.

Figure3. Share of persons with higher and specialized secondary education of the total economically-active population and of the total number of emigrants, % of the total, years 2001-2011



Note: in spite of the methodological modifications adopted in 2006 by the NBS, the structural indicators are comparable with the earlier periods; Source: NBS;

³ According to the Ministry of Health of the Republic of Moldova, Andrei Usatii, over the last decades, about 40% of the medical workers have left the country for good. See details: http://adevarul.ro/moldova/social/peste-an-medicii-moldoveni-putea-beneficia-platforma-legala-migratie-profesionala-uniunea-europeana-1_50ad79267c42d5a66395d381/index.html.

Destinations, occupations, and status of Moldovan emigrants

The geographical destinations chosen by the international emigrants depend on an amalgam of geographical, cultural, and economical factors. The economic and social realities in which they work shape, at their turn, the emigrants' attitudes towards an eventual return to the home country, determining the level of savings and professional skills they obtain. A general characteristic for all the destination countries of Moldovan emigrants is the fact that men and women get jobs that request a low or medium level of qualification - (Luecke and others, 2007). Moreover, the majority of emigrants work abroad in totally other sectors than the ones in which they were recruited while being employed in the Republic of Moldova.

Two thirds of emigrants prefer going to Russia due to lack of linguistic barriers, high demand for labor force of low and medium qualification, Moldovans' adaptability to difficult work and living conditions, and relatively low costs of emigration. In line with the data from 2009, two thirds of the emigrants residing in Russia do not legalize their stay and don't hold work permits. Currently, the situation is changing for the better, including thanks to the less repressive policies of the Russian Federation for the immigrant workers. While in 2005-2008 there was an increasing trend for the European countries as destination for Moldovan emigrants, in 2010-2012, because of the crisis in EU, the number and percentage of the emigrants to Russia has increased again⁴. They are represented by 77% of men aged under 40 years old, from rural area and a lower level of education and incomes as compared to the emigrants opting for the European countries. The professional skills and competences acquired by the emigrants from the respective group were not studied sufficiently, but the majority of experts conclude that such skills and competences are not very advanced. The main occupations remain to be in constructions (especially, indoor reparations) and less in trade. There are almost no businesses launched by Moldovans in the Russian Federation⁵. Emigration to the Russian Federation remains to be a seasonal phenomenon (April – November), nevertheless Moldovan emigrants' assimilation and naturalization is observed more and more. According to some expert estimates, up to 90% of Moldovan emigrants wish or intend to settle in Russia, and not only to work there⁶. Although this figure is in contradiction with the results of the surveys carried out in relation to Moldovan emigrants in 2009 (CIVIS/IASCI, 2010), it is clear that the number of those who do not perceive Republic of Moldova as a place to live in is rather high and probably growing.

Even though the relative majority (42%) of women emigrate to Russia, another 40% emigrate to the European countries. Women dominate the groups of Moldovan emigrants in several countries, including Italy, Greece, Israel, and Turkey, the majority being employed in the area of individual care services⁷. These occupations offer certain possibilities for accumulating savings, but not so much knowledge, skills, and innovations.

At the early emigration stages, emigration was predominating as an irregular phenomenon in the countries of destination, both: in the CIS and Western Europe. Emigrants were using false passports, counterfeit visas, were entering illegally the countries of residence, etc., and all these just to find some work. According to the experts' appreciations, the current situation is totally different, the majority of emigrants prefer to legalize their statute in the countries of residence, either by obtaining work permits *per se*, or via indirect but legal ways, such as acquiring citizenships of other countries, marriage, family reintegration mechanisms, etc. (Mosneaga, 2012). These changes could also mean that Moldovan emigrants' intentions to return to the home-country become weaker and weaker.

⁴ Authors' calculation based on <http://statbank.statistica.md/pxweb/database/RO/03%20MUN/MUN07/MUN07.asp>.

⁵ Nalbandean Liana "What the Moldovans do to stay in Moscow?", 06 April 2012 , <http://sobesednik.ru/incident/20120406-na-cto-idut-moldavane-chtoby-ostatsya-v-moskve>

⁶ Idem.

⁷ Authors' calculation based on <http://statbank.statistica.md/pxweb/database/RO/03%20MUN/MUN07/MUN07.asp>.

Return intentions

The impact of remittances and savings accumulated abroad on the development of the country of origin depends to a big extent on the emigrants' return intentions. All these aspects are again not so much studied in case of Moldovan emigrants. According to the most recent source (CIVIS/IASCI, 2010), about 70% of the long-term emigrants from the Republic of Moldova would like to return to the Republic of Moldova. At the same time, the majority of them intended to return in 4-6 years. The accumulation of the savings they wanted to get represented the main determinant for the return in case of over 2/3 of them (on average, the emigrants to any country, declare that the overall amount of money necessary to achieve their objectives would be around 100 thousand EUR (idem)). While for other 20%, the main precondition for their return is the appearance of jobs in the Republic of Moldova would be a precondition for returning back home.

There are some categories of emigrants who won't return home for sure and who stop sending money to the Republic of Moldova. The first category would be the emigrants who left abroad together with their families or those who brought their families abroad. Most of them do not link their future with the Republic of Moldova. Russia, Ukraine, USA, Germany, Israel, Belarus, and Canada are the main destinations for those Moldovans who prefer emigrating for good. According to the State Register of Population, at the beginning of 2013 there were 98 thousand Moldovan citizens who have left abroad for permanent residence. According to another source (CIVIS/IASCI, 2010), the rate of family reunification in case of the long-term emigrants accounts for about 20%, with big chances to go up along the consolidation of the social-economic situation and integration of emigrants' children in the countries of destination. For instance, according to some recent information, (the Ministry of Labor and Social Policies, 2012) about 23 thousand Moldovan children study in Italian schools (the fourth category (by number) of foreign children in Italian schools). It is really hard to believe that the parents of these children will take the difficult decision to bring them back to the Republic of Moldova.

Another interesting category would be the emigrants with high qualifications who managed to get a job abroad according to their specialty or in related areas. Their return could give a major boost to the economic development. But the interviewed experts are skeptical in relation to the mass return of "brains". The enormous investments made by the highly qualified emigrants to leave to, get professionally recognized and socially integrated into the countries of destinations make their return highly unlikely.

At the same time, the financial and economic crisis from 2008-2009 tested how credible the return intentions of the Moldovan emigrants are. Even though there is a certain number of emigrants who returned home, this was a rather episodic evolution, meaning probably a transition from one country to another. Emigrants consider that the crisis in Europe is a transitory phenomenon, while the crisis in the Republic of Moldova is a permanent one. That is why the emigrants make all their best to remain abroad as long as possible (Mosneaga, 2012).

Nevertheless, the fact that the majority of emigrants work in occupations of much lower qualification than they have could mean that many of them will prefer in a long run to come back home. This conclusion is based, *inter alia*, on the results of a study regarding the return intentions of the Estonian emigrants working in Finland, which showed that the main educational factor determining the emigrants' intention to return is not the level of education, but the level of over-qualification correlated to the job they have in the host country (Pungas and others, 2012).

For how long would labor emigration and remittances last?

In future, the labor emigration from the Republic of Moldova and the incomes sent by the emigrants will depend on the complex interaction of four categories of basic factors: 1) the "internal" right to emigration; 2) openness from the countries of destination; 3) factors of emigrants' external attraction, and 4) factors of emigration internal catalysis.

In spite of all the vicissitudes of the Moldovan democratic system, it is anticipated that in the foreseeable future, Moldovans' internal right to emigration will not be hindered by internal regulations. Judging by the policies promoted over the last two decades, the Moldovan Government is interested, at least, to harness the fiscal resources generated by the remittances-fed consumption. Thus, it may be ascertained that the "internal" door for emigration will stay opened in future.

In the light of the cultural factors, geographical proximity, established social capital and economic realities, we cannot anticipate dramatic changes neither in the external openness, not in the main emigration directions of Moldovan citizens. The European countries and Russia will continue to have demographic problems, which will weaken a lot the labor force markets and the national pension systems, hence determining the respective countries to favor immigration, especially for the immigrants who can be easily assimilated from cultural, religious, and linguistic points of view. In Russia, for instance, a feature attributed to Moldovan emigrants is their capacity to melt into the background („сливаться с местностью”⁸). The Russian immigration policy will reorient more and more from favoring immigration for labor purposes to permanent assimilation, social integration, and naturalization of the new-comers. In another important destination for Moldovan emigrants, Italy, in 2012 the Minister for International Cooperation and Integration launched the initiative for Italy to recognize the right for the babies born on the territory of the country to acquire Italian citizenship, even if their parents do not have Italian citizenship⁹. Thus, it may be noted that at least the main two countries of destination for Moldovan emigrants remain to be interested in admission and even naturalization of labor force. At the same time, besides these traditional destinations for Moldovan emigrants, new countries of destination emerge, especially for the emigrants with high qualifications, such as Canada – a country characterized by a very encouraging immigration policy and guided by its objective to triple the number of population up to 100 million¹⁰.

The main factors of external attraction are the individual and economic opportunities offered by the countries of destination for Moldovan emigrants. In Russia, the demand for labor force in construction area will remain to be high, taking into account the major projects of infrastructure, reconstruction, and capitalization in its less developed regions, as well as the dynamic economic life in the main urban centers which attract Moldovans (Moscow, Sankt-Petersburg, and more recently, Soci). In the EU countries, in spite of the economic crisis they go through, the demand for services employing Moldovan emigrants remains to be high and rather inextensible to the variation of income level. At the same time, some emigrants who were employed in the EU constructions sector gradually reorient towards other destinations, including Russia. The fact that Moldovan diaspora and networks were created in the main countries of destination over the last two decades represents an important factor of external attraction for other emigrants. It fosters especially the labor migration of emigrants' children. Emigration also offers the chance to many Moldovans to follow their individual projects, which they could not implement at home. According to experts' notes, only Italy reports over 3500 Moldovan emigrants who have started their own businesses there with success - as well as individual entrepreneurs (Ministry of Labor and Social Policies).

At the level of pull factors, rural poverty remains to be the main risk factor for short and medium term. While in the urban area, poverty indicated steady decreasing trends during 2006-2011 (from 25% to 7.4%), in rural area – the trend was more ambiguous, increasing from 31% up to 36.3% in 2009, decreasing down to 30.3% in 2010 and 25% in 2011), this decrease is a result of a better targeting of social assistance policies and higher revenues from agricultural and non-agricultural activities, of wages, but in particular remittances (Ministry of Economy of the Republic of Moldova, 2012). In case of urban area, the main pull factor is lack of decent jobs, which impacts mainly the young people. Even though salaries have increased, they still remain to be very small as compared to the ones received by emigrants, and it seems that this gap will not reduce substantially in the near future. Corruption, administrative barriers, lack of honest competition represent

⁸Nalbandean Liana "What the Moldovans do to stay in Moscow?", 06 April 2012, <http://sobesednik.ru/incident/20120406-na-cto-idut-moldavane-ctoby-ostatsya-v-moskve>

⁹<http://migratie.md/news/2012/06/19>

¹⁰Doug Saunders, „What would a Canada of 100 million feel like? More comfortable, better served, better defended”, <http://www.theglobeandmail.com/news/national/time-to-lead/what-would-a-canada-of-100-million-feel-like-more-comfortable-better-served-better-defended/article4186906/?page=all>;

some other key constraints which have determined a number of emigrants who have returned into the home-country to start new businesses, to stop them and to leave again¹¹.

Thus, it may be assumed that in the near future, the emigrants will enjoy external and internal rights to emigrate. The countries of destination will encourage not so much immigration but rather their settlement for good and naturalization. On the other hand, Republic of Moldova will not succeed to have a visible economic convergence with the standards from the countries of destination and this fact will maintain the citizens' interest, especially in case of the young persons, to take their chances in other countries. It can be surely affirmed that emigration will be an important phenomenon for at least several decades more. At the same time, the eventual major economic, political, and geopolitical shocks could trigger new mass emigration from the Republic of Moldova. The recent data published by Gallup show that 34% of Moldovan citizens would leave the country for good, if they have this chance¹².

The perspectives for maintaining emigration do not secure the maintaining of a permanent flow of remittances. In general, there are a lot of factors that determine remittances' extent and persistence in time: starting with those determined by pure altruism up to those determined by pure selfishness. Some studies (for example, Haas, 2007) show that after a certain period of time, remittances start to decrease, because all these factors become less intense (the case of Egypt, Morocco, and Portugal). The reunification of families abroad or the disintegration of families as a result of prolonged emigration and intermittent contacts are the main causes which may lead in a long run to decrease of the remittances flow sent back home.

¹¹Interview with the expert Diana Cheianu-Andrei, MSU.

¹² Gallup World, „Desire to Leave FSU Ranges Widely Across Countries”, April 4, 2013, <http://www.gallup.com/poll/161591/desire-leave-fsu-ranges-widely-across-countries.aspx>;

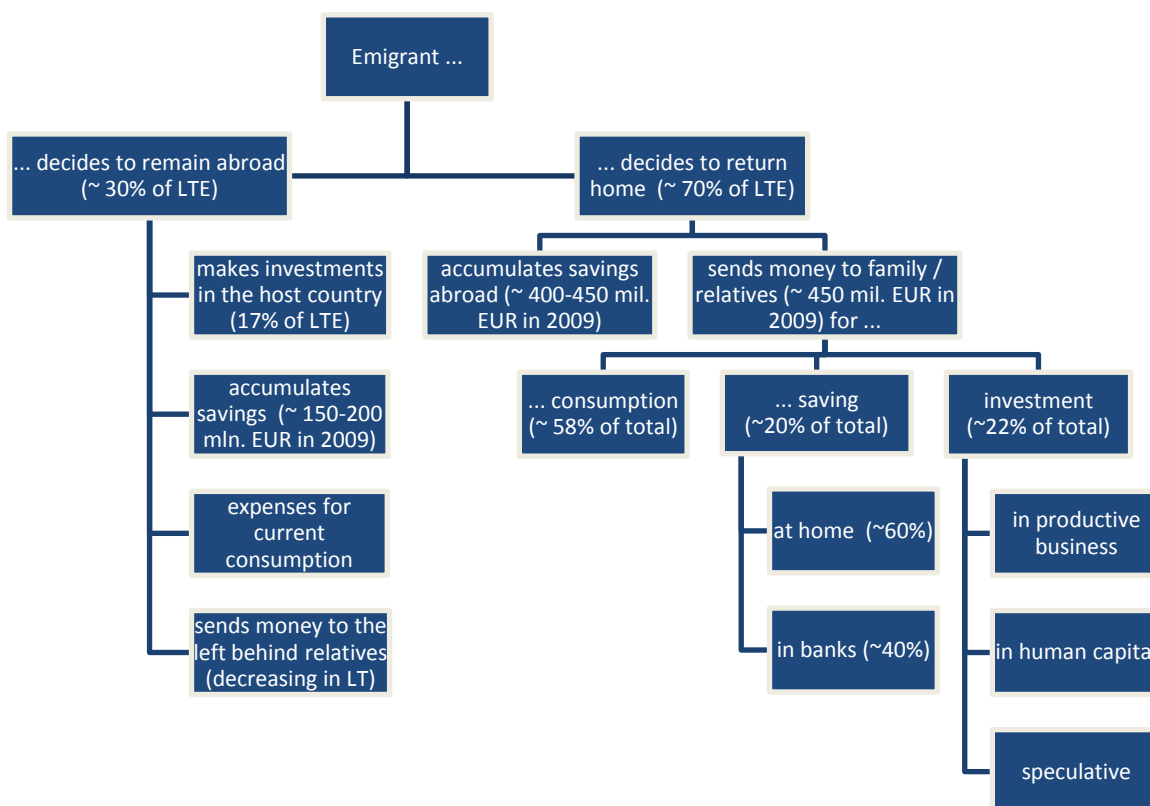
■ Emigrants' incomes and their economic impact in the Republic of Moldova

This chapter starts with a clarification of the emigrants' incomes structure and destination. Afterwards the chapter analyzes the main trends in the emigrants' incomes evolution. In the limit of available statistical data, it tries to quantify the remittances' impact on the main economic aggregates and to show that, even with no direct interventions from authorities, the emigrants' incomes have a cardinal role in the development of the country.

What do the emigrants' incomes include and how are they used?

The policy debates from the Republic of Moldova on the use of the incomes sent by the emigrants frequently focus on clichés and stereotypes (such as “transformation of remittances in investments”) and overlooks the fact that emigrants' incomes are integrated in a decision-making framework which is more complex than it seems at the first sight. Figure 4 illustrates schematically how the incomes obtained by Moldovan emigrants are allocated for different destinations. Naturally, the allocation of the incomes for different purposes depends on the crucial decision to return home in the near or far-away future, to the alternative being the decision to get settled down for good abroad.

Figure 4. Use of incomes accumulated by Moldovan emigrants



Note: LTE – long-term emigrants, meaning for a stay period of over 12 months; LT – long term;

Source: CIVIS/IASCI, 2010 and authors' estimations;

Hence, not all the emigrants send money back home to their relatives / families, as many of them practically do not see their future in the Republic of Moldova or if they send some remittances, these would be some small, sporadic, and decreasing amounts. Nevertheless, the majority of emigrants (about 70%) aspire to come back home, but the CIVIS/IASCI source (2010) shows that they set for themselves a certain objective for the savings they want to accumulate before returning. According to our estimations, based on the cited

source, the long-term emigrants aspiring to come back home accumulate annually about 400-450 million EUR in the form of savings, which are held abroad. Taking into account that the long-term emigrants have a "seniority" of at least 5-6 years, it may be concluded that their savings represent an immense amount, which could contribute exceptionally to the long-term development of the country if it would be, at least, partially repatriated and invested. Besides, a part of the generated earnings is sent back home to the left-behind families (450 million EUR annually, source CIVIS/IASCI, 2010). About 58% of this money are used for current consumption, 20% are saved both at home and in banks, and the remaining 22% are invested in human capital, productive business, and speculative opportunities.

Hence, the total volume of the resources generated by the Moldovan emigrants working abroad and which could be attracted in the development processes is much larger than the volume of the remittances, which are traditionally discussed. When talking about the conversion of emigrants' incomes into investments, the money to be targeted should be in particular the savings accumulated abroad, and not the remittances, whose main destination is consumption. They cannot be just simply expropriated so as to change their destination. But emigrants will return and will bring with them their savings so as to invest them only when they will be more confident in the perspectives offered by the Republic of Moldova and no direct interventions will actually convince them to do so. Nevertheless, due to missing statistical data so as to follow emigrants' savings abroad over the time, the below analysis is mainly focused on remittances, and all these alongside the elucidation of some problems which refer to the statistical record keeping on remittances.

Problems related to remittances' records

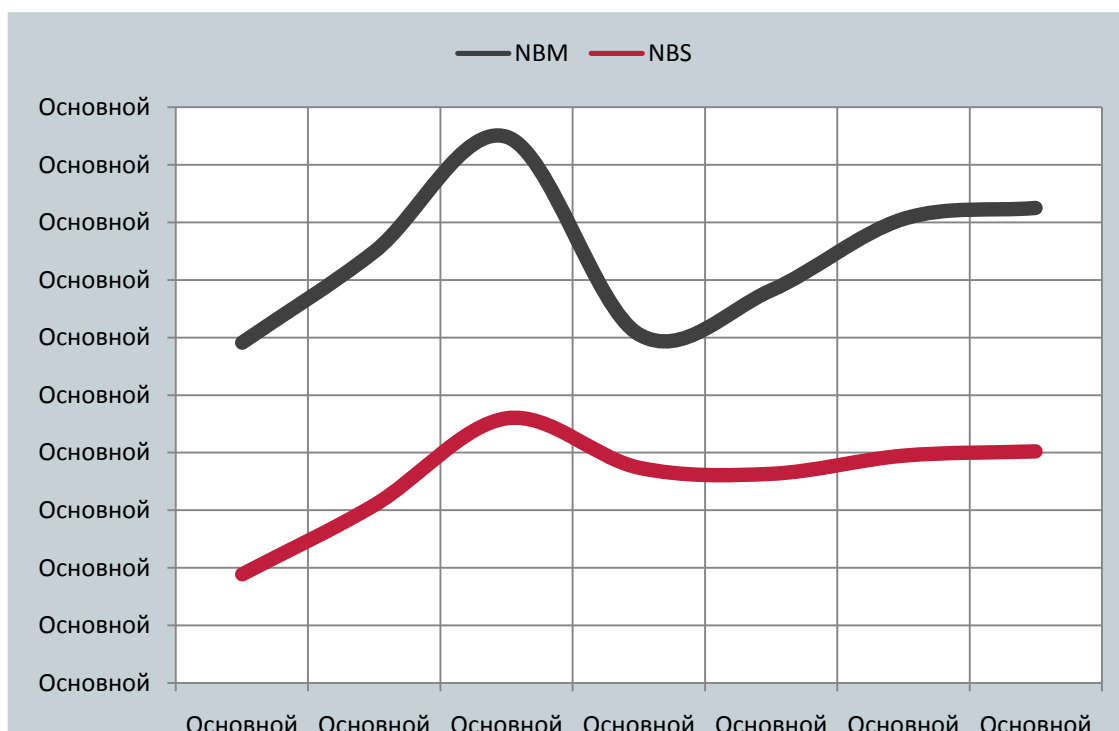
The term of money remittance from abroad may be defined as a transfer of financial resources from a person staying abroad to another person staying in the country and receiving the money, without making any account entry. Nevertheless, the exact accounting of these transfers is practically impossible. The surveys carried out in relation to emigration phenomenon and incomes of the emigrants from the Republic of Moldova over the recent years have constantly produced important inclusion and exclusion errors.

On one hand, the majority of sources calculate the inflow of remittances as an amount of 3 components from the Balance of Payment compiled by the National Bank of Moldova (NBM): (i) compensation for work; (ii) personal transfers; (iii) emigrants' transfers. The problem is that a significant part of these transfers does not actually represent emigrants' transfers, but rather payments for the services provided to the non-residents by individuals residing in the Republic of Moldova, investments made by the non-residents on the real estate market of the Republic of Moldova and payments for other destinations. NBM does not have any concluding estimations so as to establish the share of real remittances in the total transfers of money.

On the other hand, many emigrants send money through unofficial channels, amounts which are not captured by the official sources. Part of the same exclusion errors is the problem of the extremely difficult recording of the non-monetary remittances. These could include the parcels with goods for current consumption or certain durable goods (e.g. domestic appliances, cars). The value of non-monetary remittances should not be underestimated. According to a study (Luecke and Stoehr, 2012), the share of non-monetary remittances represents about 10% of the total remittances.

A source to be used so as to estimate the value of remittances is the Household Budget Survey, implemented by the National Bureau of Statistics. The comparison of the data regarding the remittances' volume calculated based on NBS and NBM data, suggests that the figures reported by the households are lower compared to those recorded in the Balance of Payments, even though they represent a similar dynamics (Figure 5).

Figure 5. Estimation of remittances' flows based on the data provided by the Household Budget Survey of NBS and the data provided in the Balance of Payments compiled by the NBM, million USD



Source: Authors' calculations based on NBS and NBM data;

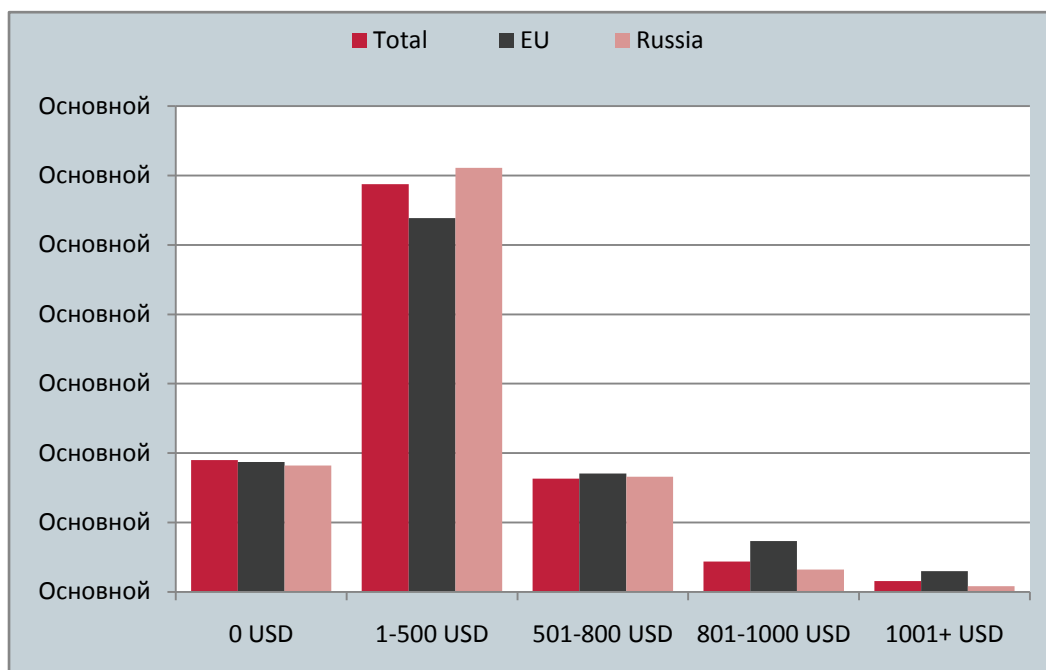
Apparently, the first source provides too conservative figures, as respondents tend to under-report the volume of incomes, while the second source provides too optimistic figures about the inflows of remittances, due to the difficulty to separate the remittances of the emigrants from the cash transfers from other sources and those meant for other purposes. Nevertheless, the NBS data tend to be closer to reality, taking into account the fact that they coincide also with the data from a recent study carried out for this purpose. Hence, Luecke and Stoehr (2012), based on a representative survey, have estimated that emigrants transfer an average of about 27.000 lei per year, while the NBS estimates suggest a figure of about 29.000 lei per year. At the same time, the NBS estimates are correlated also with the CIVIS/IASCI (2010) results.

Hence, it is necessary to study more thoroughly the remittances' phenomenon and to carry out an independent estimation and monitoring of remittances. It is nevertheless clear that in spite of all the errors and drawbacks related to remittances' record, they play a central economic role in the Republic of Moldova. As there are no other data of better quality, this study will use the data provided by the Balance of Payments compiled by the NBM as a source of data for remittances, including all those three components reflected above.

Who, how and how much money remits to the Republic of Moldova? Major implications for the remittances' harnessing programs

During 2000-2012, the net volume of remittances increased over 9 times, from 178.6 mil. USD up to 1699 mil. USD in 2012. According to the NBS data, in average, the majority of emigrants (58.7%) send relatively small amounts of money on monthly basis (1-500 USD) – a fact observed especially in case of those who have left for Russia. Those from the EU countries tend to send larger amounts of money due to the good work and payroll conditions (Figure 6). In average, men tend to transfer larger amounts of money than women (23% of men-emigrants transfer amounts larger than 500 USD, as compared to 21% of women-emigrants).

Figure6. Distribution of emigrants by the average monthly amounts sent to the family and the regions to which they have emigrated, 2011, %



Source: NBS;

A part (about 35%-40%) of remittances is transferred through informal ways and this fact suggests the need to popularize the official methods of transferring the money. In this respect, opportunities should be examined to extend the infrastructure of money rapid transfers by applying the mobile telephony services, , and by allowing the Savings and Credit Associations, by observing all prudential norms and rigors, to provide money transfer services in partnership with the international specialized companies. Simultaneously, in order to facilitate the popularization of formal methods/approaches of money transfer, the legal framework must encourage the cooperation between territorial post offices and commercial banks, especially in rural areas. In this respect, as favorable back-up, is the adoption of Law regarding electronic payment for services, which will come into force in September 2013. Special attention shall be paid to the promotion of distance banking services systems (internet banking, mobile-banking, ATM-banking, etc.).

Although the total flow of remittances is huge both: as volume and as share of GDP, it is actually composed of small transfers of money – about 60% of emigrants monthly send home an average amount of up to 500 USD. Hence, the role of the financial institutions which would accumulate these resources and would channel them subsequently into economy as credits and investments is very crucial. In this context, it is necessary to ensure a wider penetration of these institutions in rural localities – from which an important number of emigrants originate.

One of the main emigration reason for the majority of Moldovans is the need to finance the consumption of basic or durable products, thus the largest part of remittances is focused namely on these needs. That's why their direct investment potential should not be over-estimated – the beneficiaries of remittances cannot be forced to deposit them in the bank system, to invest them directly or to use them in any other way considered to be a “correct” way by the Government.

The inflows of remittances are quite concentrated by countries, the majority originating from Russia and Italy where the Moldovan Diaspora is the most numerous and best organized. Thus, the initiatives related to issuing obligations meant for Diaspora or any other actions involving the interaction with these organizations should target on priority basis the Moldovan emigrants namely from these two countries.

The majority of emigrants do not contribute to the public pension fund from the Republic of Moldova and thus will be entitled to a minimum pension from the State. This fact points out the major role of the private pension

funds, which could play an important role from economic point of view, offering the migrants an additional tool for savings and the money obtained from the funds could be invested in long-term credits, but also from social point of view – ensuring a higher level of income during the retirement period.

Financial education of the migrants and beneficiaries of remittances is rather low. Thus, the State in partnership with the financial institutions developing products meant for these categories of clients should organize training seminars about possibilities for investing savings. Such seminars may be organized through the representatives of the Moldovan diaspora abroad. At the same time, it is important to take into account the fact that financial education is much lower among non-emigrants, than among the emigrants

Mixed macroeconomic impact of remittances

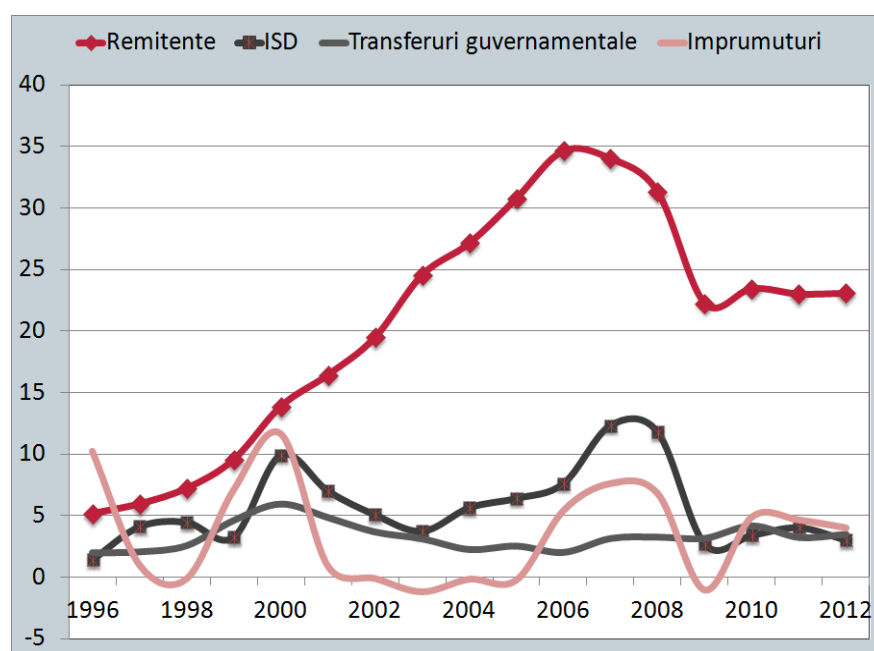
Empiric evidence suggests that remittances have a mixed impact on economy. The main positive effect induced by remittances refers to increase of population disposable income and respectively decrease of poverty rate. In this context, it may be ascertained that remittances already had an enormous economic impact, reducing substantially the poverty rate in the Republic of Moldova. Hence in 2010 as well as in 2011, the remittance reduced poverty incidence by 1.65times in average(Ministry of Economy of the Republic of Moldova, 2012). In its turn, a lower level of poverty implies a larger turnover for enterprises and bigger accumulation from taxes and fees to the state and local budgets. Other positive effects refer to financing the current account, meaning that remittances, as a rule, represent stable inflows of foreign currency and very frequently these are counter-cyclic, tending to compensate the decrease earnings of the population during the recession. Last but not least, the inflows of remittances feed the demand for banking services, contributing to their modernization, and the deposits opened by emigrants or their relatives are converted into credits, and respectively into investments.

Nevertheless, these benefits also imply some costs for the national economy. Hence, the massive inflows of foreign currency from remittances may become a real problem for the uncompetitive and poorly diversified economies. The local producers' external competitiveness erodes as a result of the appreciation of the real effective rate of the national currency – a phenomenon known as “Dutch disease”. Another problem refers to feeding the inflationist pressures, taking into account the fact that the majority of remittances are automatically used for consumption, without any immediate and significant effects on factors' productivity. At the same time, the country's excessive dependency on these financial inflows creates more moral hazard situations both at the level of the Government (manifested through reticence in implementing some reforms, which would consolidate fiscal sustainability), as well as the level of remittances' beneficiaries (manifested through increase of salary pretensions towards the local employers and respectively, the decrease of the labor force offer).

Remittances, consumptions and economic growth

During the entire transition period, remittances' importance for the economic growth of Moldova increased rapidly, accounting for one third of the GDP in 2006. Over the last years, the Republic of Moldova is among the top countries with the highest remittances' contribution to the economic growth. Remittances' importance is also confirmed by the fact that the period during which they have rapidly increased (2000-2008) has coincided with the period of Moldovan economy robust growth. Currently, they ensure about one fourth of the GDP, but continue to remain the most important financing source for the current account, visibly exceeding the direct foreign investments, governmental transfers, and loans (Figure7). Thus, remittances contribute essentially to maintaining the sustainability of Moldova's external debt and the stability of the national currency.

Figure7. Inflows of remittances, direct foreign investments, governmental transfers, and loans, % of the GDP



Source: Authors' calculation based on the NBM data;

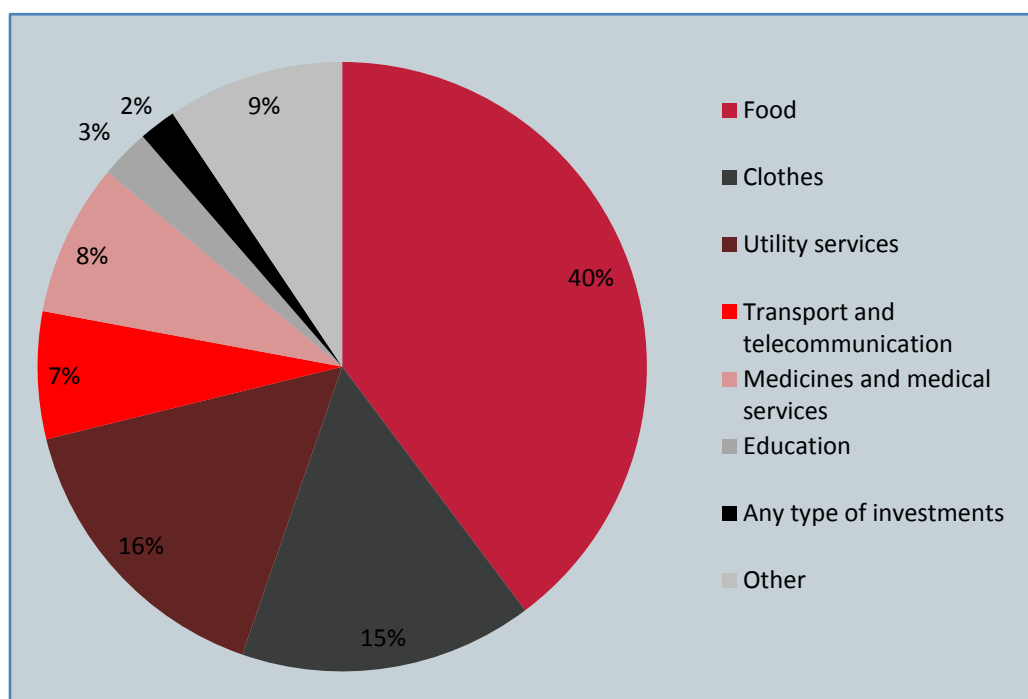
According to the NBS, in 2011, remittances accounted for 15.3% of the households' incomes, while in the first three quarters of 2012, they accounted for 15.5%, being one of the main income sources, following the salaries and the social protection payments¹³. The respective share could be underestimated by the official statistics, which are based on the declared incomes (Poulain and others, 2011). The analysis of the incomes' structure in case of the households, where at least one of the members has left abroad to work, reveals the crucial importance of remittances for maintaining these families. Luecke and other (2009) shows that in case of 44.5% of households – remittances represent the main income source, with a share of over 50% in the total incomes. At the same time, about one fifth of households are totally based on the financial support from their family members working abroad.

All these figures suggest that remittances are like a coin with two facets. On one part, emigration served during the transition period as a viable and relatively safe strategy for escaping poverty and this strategy is relatively accessible for the population from all the categories of incomes (this statement does not ignore the fact that there are ultra-poor households, which do not have even the minimum of resources to finance the emigration of a household member). Nevertheless, according to the households' survey carried out in 2011, the poorest quintile of the population receives about 12% of its disposable incomes in the form of remittances, increasing gradually and accounting for over 17.6% in case of the richest quintile. Moreover, in case of the households with emigrants – the remittances contribute with 45% to the disposable income for the poorest decile and with 64% for the richest decile. It may be noted that remittances have contributed positively to the population wellbeing, and the families with emigrants tend to be better insured from the material point of view as compared to those without emigrants.

On the other hand, many households depend excessively on remittances. Frequently, they would be sent by one single member of the family, so the other members of the family are automatically exposed to more risks associated with the emigrant's salary decrease or job loss. The respective risks become even more persistent taking into account the fact that large majority of these remittances (about 90%, according to CBS-AXA, 2010) are used for procuring first-need goods and services (Figure8).

¹³ According to the data of the Household Budget Survey; NBS

Figure8. Structure of the monthly average expenditures in the emigrants' households and those benefiting from remittances, per adult equivalent, 2010



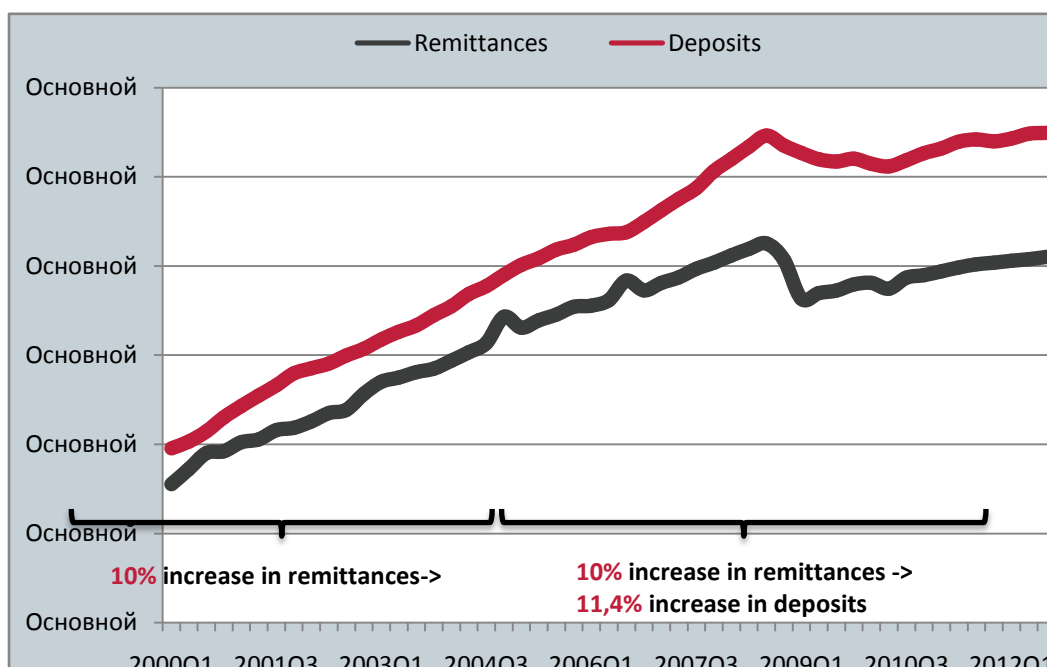
Source: CBS-AXA, 2010;

In the context of the present study, it should be underlined that the use of such an important share of remittances for the current consumption and of such a modest share for investments is based on the high poverty level, which served as an initial reason for emigration. For instance, the CBS-AXA Survey (2004) and the study carried out by Luecke and others (2009) suggest that the main goals of the emigrants were related to the current consumption (e.g.: food products, clothes, utility services) and special consumption (e.g.: car, real estate, reparation of real estate, wedding, etc.). Emigrants' demographic parameters (married, children and elderly parents left-behind), represent major constraints dictating the pattern for remittances' use. In such conditions, the low share of remittances focused on investments is perfectly explainable. Moreover, the fact that the majority of remittances are used for consumption also complies with the international evidence on these flows of incomes (UNCTAD, 2012).

Remittances and development of the financial-banking sector

Although the majority of money transferred by the Moldovan emigrants is used for consumption, remittances have also contributed indirectly to the investment processes occurring in the country. Hence the deep increase of remittances' inflows, starting in 2000, has correlated visibly with the evolution of the stock of the fixed-term deposits opened by individuals (Figure9). At their turn, they have also fostered the crediting activity, meaning that deposits represent the main source for banks' activity in the Republic of Moldova.

Figure9. Correlation between the volume of fixed-term deposits opened by individuals and the volume of remittances from abroad (seasonally adjusted), 2000Q1 – 2012Q3, natural logarithms



Source: Authors' calculations based on the NBM data;

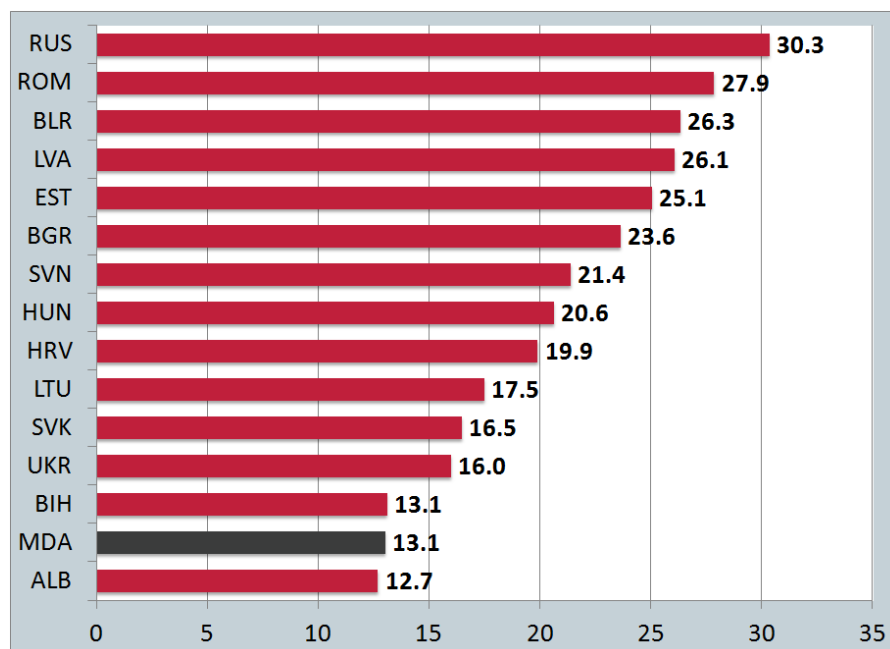
Empiric evidence suggests that in average, an increase of 10% of remittances contributes to an increase by 8.5% of deposits¹⁴. This causal link turns to be significant starting in 2006, when an increase by 10% of remittances has contributed to an increase by 11.4% of individuals' deposits. Prior to 2005, these inflows had a negligible impact on the deposits attracted by banks. Hence, remittances did not start contributing to the banks' crediting activity at once, as the first mass emigration waves were triggered, but only after a certain period of time, when the disposable income of the households with emigrants has increased up to a sufficient level so as to make savings.

Another impact on the development of the financial-banking sector refers to facilitating the access to banking services and increasing the financial literacy level among the population. Hence, the surveys confirm that those who benefit from remittances use more intensively the financial-banking products, as compared to the rest of the population - a fact which can be explained by the higher level of incomes obtained by the households with emigrants. For instance, according to CBS-AXA (2010), the average number of the types of banking services used by the respondents from families with emigrants is 65% higher than that used by the respondents from families without emigrants. Moreover, this number is also 8.2% higher as compared to the respondent with business experience and this fact confirms the remittances' major importance for facilitating population access to banking services. The same survey reveals that 20.5% of households benefiting from remittances prefer to keep their money in the commercial banks, as compared to only 12.4% of households that do not benefit from remittances.

Although remittances have essentially facilitated population's access to financial-banking services, there is still a huge unexplored potential in relation to population familiarization with the given services. The gross saving rate as against the GDP is one of the lowest in the Eastern and Central Europe (Figure10). The insufficient level of "banking" population savings is also confirmed by another survey (CBS-AXA, 2010), according to which about 67% of the households benefiting from remittances prefer to keep their money at home.

¹⁴ Besides the volume of remittances, the regression took into consideration the determinist trend and the binary variable, so as to take into accounts the effects of the economic crisis from 2009. The model was estimated based on the simple squares model.

Figure10. Gross saving rate, % of GDP



Source: World Bank;

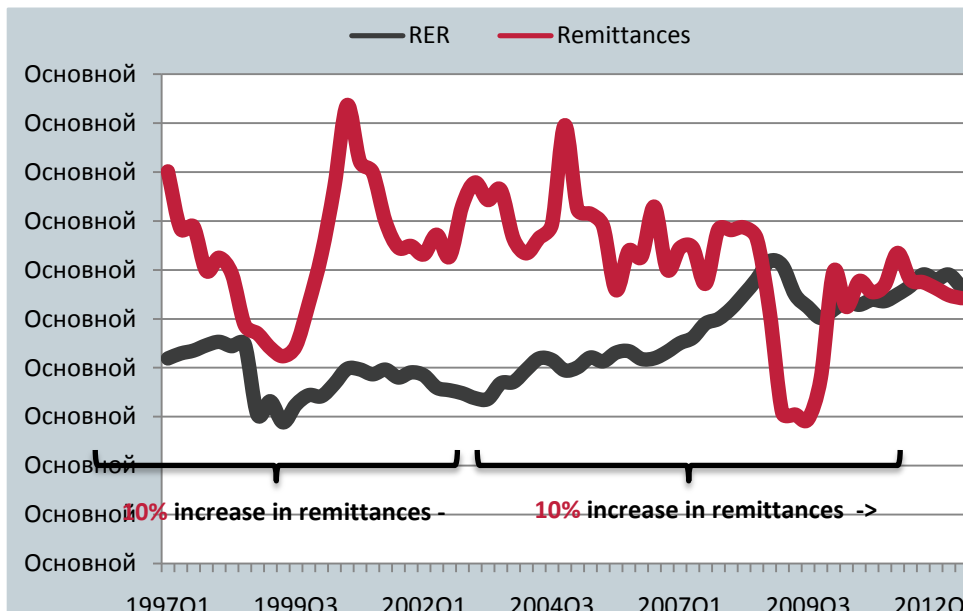
The low level of trust and financial literacy about financial-banking services explains the intense use by emigrants and their families of the informal ways to send money back to the Republic of Moldova. According to the NBS data, in 2011, only 63.6% of the emigrants were transferring the money through bank accounts or money rapid transfer systems (NBS, 2008). The rest prefer sending money through couriers, relatives, or friends and about one fifth of those who have left for Russia bring the money themselves, as they come home rather frequently due to no visa regime. It is important to mention that the majority of emigrants use formal ways in case of bigger transfers: 70% of emigrants who transfer larger amounts than 800 USD use the bank accounts or the money rapid transfer systems. Hence, the rather large share of those who use informal ways for sending remittances is also explained by the low level of population trust for financial-banking system and the small volumes of the transferred money, besides the poor penetration level of such services in rural areas.

What can be the negative effects of remittances?

Remittances can bring with them at least 3 adverse effects for the economy and society in general: (i) appreciation of the national currency and erosion of local producers' competitiveness on the external markets; (ii) feeding of inflationary pressures; (iii) creation of some moral hazards at the households' and public authorities' levels. Let's see how relevant are all these for the Republic of Moldova.

The hypothesis of competitiveness erosion in case of Moldovan exporters is confirmed partially by Figure11. The symptoms of the "Dutch disease" phenomenon were attested for the period of 2004-2012, when the average increase by 10% of remittances was causing a really effective appreciation of the national currency by 0.9%. At the same time, the link is reverse for the period 1997 – 2003, when the inflows of remittances were more modest. Thus, they tend to have an adverse effect on the exporters' competitiveness only during the more robust economic growth period.

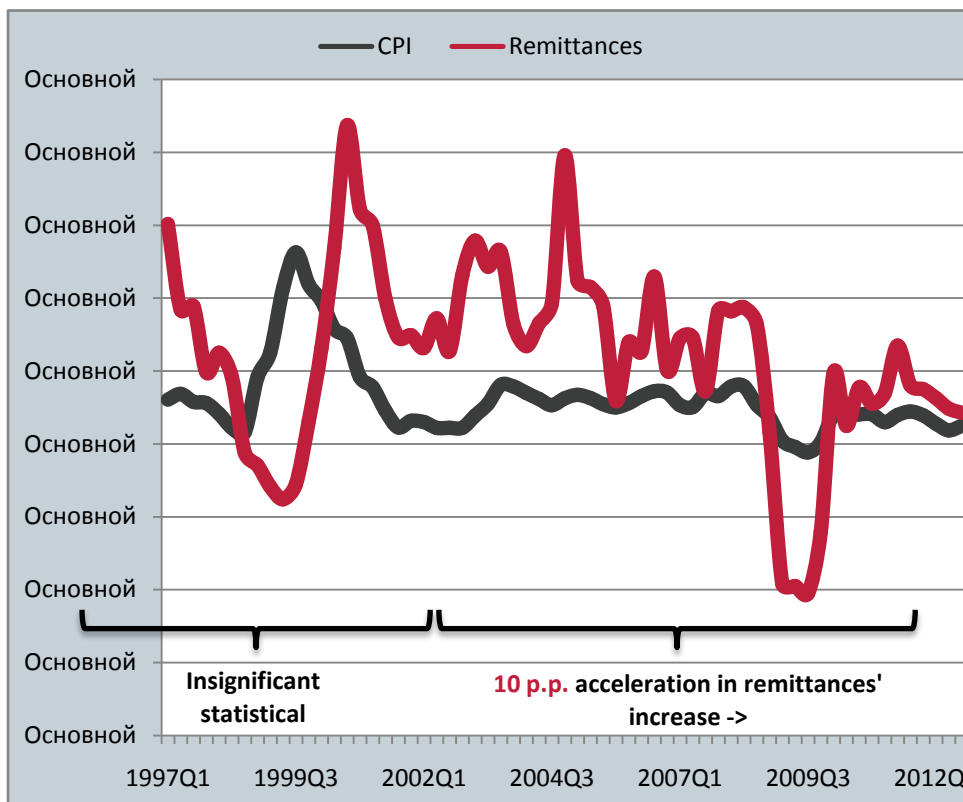
Figure11. Real effective rate of national currency and remittances' increase f-a-p, %



Source: NBM, www.bruegel.org and authors' calculations;

Remittances' impact on the inflationary pressures is also uneven. Hence, during 1997-2003 – they did not have any significant effect on the Consumer Price Index (CPI); while during the period when remittances have increased most rapidly (2004-2012), they have fed the inflationary pressures: acceleration of 10 p.p. in remittances' increase contributes to an average increase of the CPI by 1.6 p.p. (Figure12).

Figure12. Volume of remittances and Consumer Price Index, increase f-a-p, %



Source: NBM, NBS and authors' calculations;

Moral hazards are more difficult to be quantified. Nevertheless, the decrease of the unemployment rate during the period of 2000-2012 (from 8.5% down to 5%) accompanied in a paradoxical way by the decrease of the employment rate (from 54.8% down to 38.5%), seems to have determined the emigration per se, as

well as the increase of the salary expectations. The last ones were mainly fed by the remittances from the family members working abroad and this fact has substantially reduced the labor force offer, hitting again the exporters' competitiveness.

The moral hazards existing at the decision-makers' level are resumed to the insufficient integration of remittances into the national strategic planning programs (Culiuc, 2006). The Economic Growth and Poverty Reduction Strategy for 2004-2006, the National Development Strategy for 2008-2011, as well as the National Development Strategy „Republic of Moldova 2020” have recognized the importance, implications, and especially the risks of the country's economic dependency on remittances. Nevertheless, the respective documents did not offer a clear vision regarding remittances' integration into the country's development programs or diminishing the dependence of public finance on remittances' inflows. Over the last two years, the respective problems started to be more visible on the governmental agenda. Hence, two important initiatives are the “Pare 1+1” Program and the Bureau for Relations with Diaspora.

■ Income of emigrants for development: international best practices

The analysis of the available literature shows that there are multiple tools that are used by the Governments of the countries dependent on emigration and remittances to enhance the positive impact of remittances on development and to minimize the negative impact. This chapter makes a summary of the best international practices aimed at maximizing the positive impact of the income earned by the emigrants on the development of their countries of origin. The chapter begins with the measures that target the emigrants by themselves, followed by the measures focused on remittances and emigrants' savings, measures grouped in several categories.

Emigration regularization instruments and emigrants protection

These instruments and interventions are based on the assumption that the phenomenon of emigration regulation, strengthening the links of the emigrants with the country and cultivation of trust towards the Government will lead to higher incomes of the emigrants and, thus, their positive impact on the development will be boosted. These include the tools and interventions with regard to the following:

- **Ensuring the right to decent work of the emigrants abroad.** The most efficient tool is the bilateral agreements between the countries of origin and main countries of destination of the emigrants (Ecuador/Spain, Mexico/Canada). Under these agreements, the country of origin shall be responsible for the identification of the potential workers interested in the temporary work opportunities in the countries of destination, and their recruitment is taking place in the framework of some joint arrangements, involving the participation of representatives of both parties as well as potential employers. However, the negotiation of such agreements requires many diplomatic skills and competences as well as adequate human resources. At the same time, it implies also the existence of some institutional structures, which would handle the research and projections for medium and long term on the labor markets at regional and global scale.
- **Safeguarding the social rights of emigrants abroad.** Again, it is about the international agreements aimed at securing the social protection and ensuring the transferability and portability of pensions. Ensuring these rights improves considerably the chances of emigrants to return. At the same time, the transferability and portability of pensions is a very difficult political topic, avoided by the European countries facing nowadays major financial crises (Italy, Spain). Alternatively to the international agreements on social protection, national social insurance mechanisms for emigrants can be established. For example, the Social Security System of the Philippines offers two programs of voluntary insurance to the emigrants through 15 offices established in the main countries of destination for Filipino emigrants and hosted by the Philippine embassies and consulates.
- **Ensuring the exercise of the political rights of the emigrants.** For example, the active promotion of the participation of emigrants in elections in the country of origin may be an effective tool through which the emigrants shall assume a greater responsibility and interest in the country's developments. In this respect, Estonia has one of the best practices at the international level, by implementing an electronic voting system that allows Estonians to exercise their right to vote online, regardless of the geographical area where they are.
- **Ensuring the recognition of qualifications and diplomas in countries of destination.** This is one of those support measures adopted by the Governments that may have a major impact on the situation on the labor market and the welfare of emigrants and their families. The recognition of competencies can be accomplished through bilateral agreements. At the moment, there are many positive practices in this regard: Australia-China, Netherlands-Portugal, Cabo-Verdi-Portugal. These agreements provide for not only the fields and types of diplomas, qualifications and skills recognized, but provide for also for the obligation to provide opportunities for validation and strengthening the skills of emigrants in the country of destination, including through the right to attend vocational and professional schools. The Republic of Moldova has signed agreements for the recognition of diplomas and qualifications with a number of countries (Russia, Ukraine, Romania), and in 2012, the decision to initiate the negotiations with other important countries of destination for Moldovan emigrants (Italy, Spain, etc.) was made. It is important that these efforts continue to be supported.

Instruments with direct impact on emigrants' income

The effects of the emigrants' savings and remittances are not just limited to the increase of the standard of living of families with emigrants, fuelling consumption and accumulation of a higher income to the budget at the expense of indirect taxes. Most of the countries, where the remittances play an important role in economic growth, have implemented various policies aiming at broader harnessing of the potential of these broader financial resources. Thus, these may facilitate the access of the emigrants and their families to more favorable loans, insurance products, pensions or business opportunities. In this way, the implementation of some well-targeted policies aiming at the harnessing the remittances potential may have a substantial impact on the development of communities and even the countries of origin. Henceforth, we will identify some of the most important initiatives of this kind, grouped by area of intervention.

Popularization of official/formal channels of revenue remittance

The international practices suggest that the first step towards the transformation of remittances into investments must be the formalization of these transfers. The popularization of formal channels of sending money from abroad, most often is facilitated by lowering the costs of these services as a result of the liberalization of the market of rapid money transfers and intensified competition. Other important factors in this regard refer to the extension in the localities of the infrastructure necessary to transfer money quickly and implementation of information technologies. A few relevant examples can be:

- Low-cost ATMs network and rural kiosks with internet access and specialized in money transfers from the emigrants. At the same time, the customers get the opportunity to access various saving products, investments, and insurance based on the amounts of money transferred (India, 2004).
- The money transfer system from one account to another account (account-to-account) via an extensive network of ATMs and branches of the money transfer company. The clients receive debit cards that can be used for various financial operations (Mexico, 1995; El Salvador, 2003).
- Money transfers from person to person (person-to-person) via mobile phones. Each client has a "mobile wallet", where the money is transferred that can be converted into cash or deposited on a certain account. At the same time, the "mobile wallet" can be used to pay for various services (Philippines, 2004).
- Rapid money transfer systems via mobile banking, very popular in Kenya, Uganda, Malaysia and the Philippines.
- The infrastructure of rapid money transfer is much extended particularly in the rural area in Nigeria, Benin, India or South Africa.

One interesting measure whereby the institutions specializing in rapid money transfer can be determined to reduce the cost of services is a public operator entering the market and compete with the private ones. An example in this regard is the payment system established in 2003 by the Central Banks of Mexico and the U.S.A., which offer low-cost services of rapid money transfer. However, it is important to acknowledge that the price offered by the public institutions should ensure a reasonable margin of profit to avoid the elimination of private participants on the market.

Popularization of saving instruments among emigrants

In parallel with the expansion of access to formal mechanisms of money transfer, in many states the emigrants and their families are encouraged to open bank accounts and bank deposits. In this way, the customers of money transfer services become bank customers and are motivated to keep savings in the bank and contribute to the development of the countries' lending activity. The main stimuli, in doing so, are

the possibility to obtain an interest for the deposited money, a higher level of security compared with keeping the money in cash and the possibility to obtain a loan on terms that are more favorable.

Often, the financial institutions develop complex products to motivate emigrants to remit larger amounts of money that subsequently are used for investments. Thus, often, the institutions that provide money transfer services offer the opportunity of automatic depositing of an amount in a deposit account with an attractive interest. At the same time, the greater the amount of money remitted is, the higher is the interest rate. In this way, the financial institution shall obtain access to a stable flow of resources that are subsequently channeled into the economy through lending, and the emigrant and his/her family get a particular interest on the amount saved. The products of this type are found in Ecuador, Guatemala and Mexico.

At the same time, in many cases, the financial institutions shall draw up savings instruments designed for the emigrants and their families under which the money deposited are directed only to mortgage loans or investment financing in SMEs. Some examples of banking products offered to customers of rapid money transfers are as follows:

- A range of additional products that include credit lines, mortgages and insurance products (Ecuador, 2002).
- Automatic depositing of a part of the money transferred from abroad in a bank account in exchange for attractive interest rates and increased security (Kenya, 2006).
- A savings plan with the opportunity to further finance the education of children (Guatemala, Dominican Republic).

The aim of the respective measures is, in the last instance, to channel the emigrants' resources towards the facilitation of the lending activity, because certain under-developed financial markets are among the most important constraints in most of the countries of origin of the emigrants.

A more special tool that provides the possibility of emigrants to contribute to the development of their country of origin is the bonds issued for Diaspora (Diaspora Bonds). These are issued and placed into circulation in the countries, where the emigrants work and the money obtained from the purchase of these financial instruments are used exclusively for financing the investment programs in the country or community of origin of the emigrants. The main incentives for the emigrants are both economic (e.g.: interests generated by these bonds, which may be higher in comparison with those in the countries where they work at the moment) and psychological (e.g.: the possibility to contribute to the development of their community/country of origin and where their relatives and friends live). The international experience suggests that the main conditions guaranteeing the success of this financial instrument are as follows: (i) the numerous and well organized diaspora; (ii) ensure the compliance with the contractual provisions and, in particular, the rights of the bond holders; (iii) the lack of civil unrest, and (iv) the presence of a Central Bank and other financial institutions in the country issuing the bonds in question. This financial instrument is used successfully in Israel, where the state issued bonds for the diaspora from all over the world, a fact that allowed the Israelites emigrants to maintain the relationship with their country of origin. The experience in issuing bonds for diaspora is characteristic also for some less developed countries than Israel, including Ethiopia and India.

Loans and other investment facilities offered to emigrants and their families

A logical continuation of the formalization of money transfer procedures from abroad and popularization of the saving instruments connected to those resources is the development of favorable credit lines for emigrants and their families. In circumstances where the person holds certain evidence of the income remitted during the last period and has a savings account, the bank may grant a loan at a lower interest rate, and the conditions with regard to the pledge may be less demanding. In many cases, this category of clients benefits of loans without the need to pledge certain goods, the inflows of remittances in the last period being a sufficient guarantee for the bank. A few good examples in this regard are as follows:

- Clients may borrow from the bank up to 80% of the amount of money remitted in their favor over the last 6 months. Beforehand, they must open an account in the bank, where payments will be transferred and based on which the flows are recorded (El Salvador, 2003).
- Loans connected to remittances, which can be used for the purchase or construction of an apartment/house. The main condition is for the customer to benefit from remittances on a regular basis and be able to demonstrate this (Peru, Bolivia, El Salvador).
- Loans connected to remittances, which are used to finance SMEs (Guatemala, El Salvador).

Many countries resort to granting some facilities to the emigrants initiating a business in their countries of origin. These relate to tax holidays, lower taxes, and access to property and land plots at affordable prices. For example, in India and China, where the investments from emigrants are well-represented in the economies of the countries, there are areas specialized in processing goods for export, on which territories the emigrants have priority in business development. However, such tools are frequently subject to criticism for the effects of social injustice and discrimination they may generate.

An interesting financial tool implemented by the banks in many countries in Africa consists in the provision of large and long-term loans, and the anticipated flows of remittances are accepted as collateral. Such credits can be used for major investment programs, which increase their importance for the development of the country of origin. The main requirement is to ensure a steady and sufficient flow as an amount of money transferred from abroad in the last period, which serves for the elaboration of basic assumptions about potential flows. These tools are successfully used in Ghana, Nigeria and Ethiopia.

The countries, whose emigrants form well organized diaspora abroad, develop support programs for investment of remittances in infrastructural programs (e.g.: sewage systems, water supply, local roads, electrification, schools, etc.) in the localities of origin of the emigrants. Perhaps the most vivid example in this regard is the "Trespor Uno" in Mexico¹⁵. According to this, every dollar invested by the community of emigrants is supported by an additional dollar (expressed in national currency) from the local administration, one dollar from the Government to the federal subject and one from the central Government. In this way, the emigrants' investments are tripled, thus fuelling their motivation to invest in the community and boosting the benefits of these initiatives. Such programmes have been implemented in El Salvador, the Philippines, Peru, Colombia and Ecuador. At the same time, some empiric quantitative analyses which were carried out recently and had a positive impact on local development, show that the programs as "Trespor Uno" may become victims of corrupted political arrangements (Meseguer and Aparicio, undated).

Insurance products for emigrants and their families

The remittances transferred from abroad may facilitate the access of emigrants and their families to various insurance products: life insurance, health insurance, insurance against accidents or against risks associated with the operational activity of the SMEs. A part of remittances can be used to pay the premiums for these types of insurance. In most European countries, there are private pension funds that offer the opportunity to benefit of a pension to the emigrants secured in their country of origin upon reaching the retirement age. This product is important in view of the fact that, in many countries, the emigrants cannot claim state pension because they did not contribute to the public pension fund in the country of origin. Some examples of good practice are as follows:

- Pension funds and life and health insurance provided under favorable conditions for the emigrants and their families (Guatemala);
- Payment of insurance premiums from the money remitted (Dominican Republic);
- Insurance products connected to the credits provided to the emigrants or their families. The insurance concerns, firstly, the risks associated with the activity of enterprises initiated by those who received the remittances (e.g.: ensuring goods, health insurance for the employees, insurance against bankruptcy);

¹⁵ Migration News, "Mexico: Migrants, Remittances, 3x1", October 2009, Volume 16, Number 4, http://migration.ucdavis.edu/mn/more.php?id=3548_0_2_0.

- The possibility to contribute to the private pension funds exist in most states in Europe, including in Central and Eastern Europe (Romania, Poland, the Czech Republic, Slovakia, Hungary etc.); It offers alternative tools of self-insurance to emigrants and reinforce their ties with their country of origin.

Income of emigrants for development: feasible options for the Republic of Moldova

In this chapter, the study makes a presentation of options to better harness the potential of the income of Moldovan emigrants. Out of the multitude of positive international practices, there were identified those that are feasible in the case of the Republic of Moldova, taking into account the national economic, political and social context, human resources available in the public and private sectors for the implementation of these options and the potential impact expected of these options.

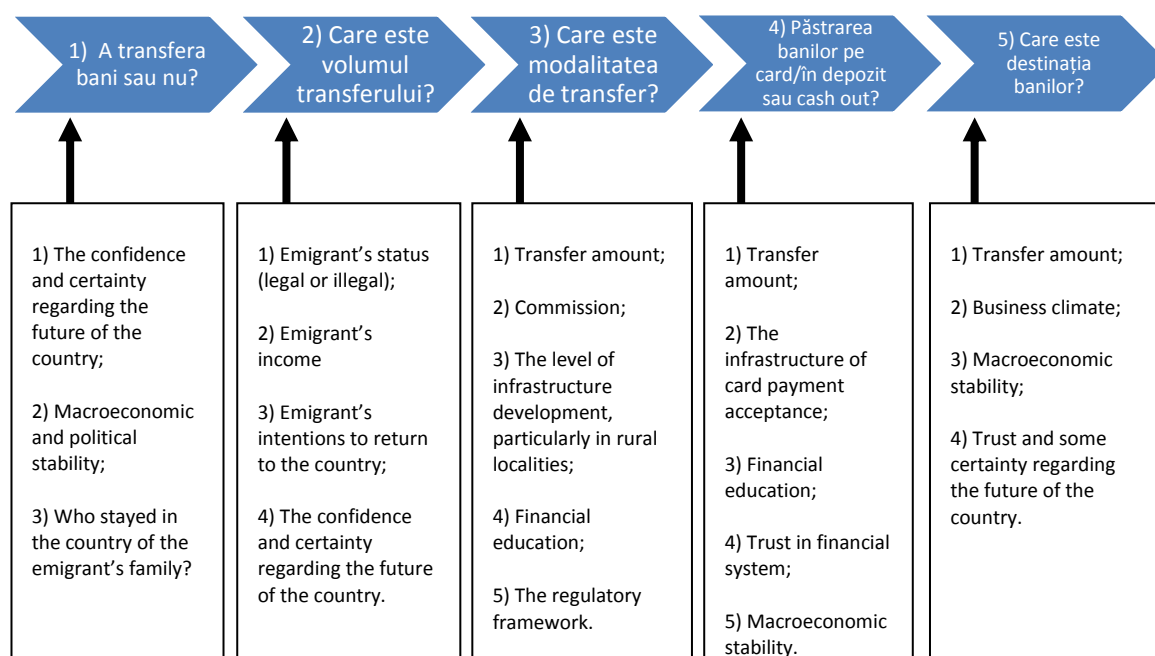
Objectives for remittances harnessing

As illustrated in Figure 4, the emigrants' income ends up being used for various destinations. The decision-making process regarding their use is quite complex and envisages the consideration by the emigrant of a variety of factors and constraints. Based on the findings of the preceding chapters, we will further present a set of tools aimed at directing remittances towards the development recommended for implementation in the Republic of Moldova.

In the process of remitting the money, the emigrant together with his/her family or money transfer beneficiary pass five major decision-making stages: (i) the need and desirability of the transfer; (ii) the amount of the transfer; (iii) the method of transfer (formal versus informal); (iv) immediate cash withdrawal after receiving the transfer versus depositing it into a current or deposit account; (v) use of funds for consumption, investment projects, donations etc.

The way in which the emigrants and their families take these decisions determines also their contribution to the development of the country. For example, if emigrants decide to transfer small amounts of money through the informal routes (e.g., minibus driver), after which, their families use the money directly for the current consumption, most of which takes place in the informal economy, the implications of remittances for the country's development will be limited. However, if the emigrant decides to transfer larger amounts of money through the rapid money transfer systems, the beneficiary of remittances will deposit a part of the money in a deposit account, the other part in a card account with which will subsequently make payments for goods and services, and besides consumer goods, at a certain moment, they will launch a business, when the contribution of emigrants' incomes to the general development process becomes a more significant one.

Figure 13. Major stages of the decision-making process of the emigrants and their families and influence factors



The policy interventions to enhance the role of remittances and emigrants' savings to the development of the country should target, to the extent possible, every stage of the decision-making process. Next, we have identified a number of major objectives in relation to the factors influencing the decisions of emigrants and beneficiaries of remittances. These are as follows:

- Maintenance of emigrants' interest towards the evolution and the development processes of the country;
- Recognition of the skills of the returned emigrants;
- Increasing the access to formal money transfer ways from abroad;
- Diversification of the savings instruments and an increase of the intermediation rate;
- Diversification of credit products for emigrants;
- Improving the information about business opportunities for emigrants from the Republic of Moldova;
- Promoting the spending of remittances in the official economy;

The feasible instruments for the Republic of Moldova related to a more active integration of the remittances into the development of the country will target these specific objectives.

Objective 1: Maintenance of emigrants' interest in the country development

The long term development of a country that is poor in natural resources is only possible by developing the potential of its human resources. The emigration can result both in the loss of human resources (in quantitative expression), as well as in gains related to the quality of human capital. If the links between the emigrants and the country weaken over time, the negative impact will prevail over the positive one. For this reason, it is important to secure the essential preconditions for emigrants to "remain responsible" for the country, even though he/she emigrated for a certain period of time. One of the most effective, albeit costly, in this sense, is the development of a mechanism enabling the on-line pursuit of the right to participate in elections. Such a mechanism will allow them to remain active part of the political process in the country, irrespective of their geographical location.

Option 1. Implementation of on-line voting mechanism

<i>Description and feasibility</i>	At first glance, the on-line vote seems to be an option that can be adopted only by the very rich countries. Although, indeed, the on-line voting technologies are particularly common for the economically advanced countries (France, Canada, Switzerland, Norway), these were adopted also in the less wealthy countries (Estonia) or in developing countries (India, Gujarat). The Republic of Moldova has already accumulated a significant experience in the field of e-governance, which constitutes a solid basis to build an on-line voting mechanism. The options that can be considered are voting in a controlled environment (using computers equipped with special card readers/identity cards with electronic chips) or uncontrolled environment (which may be exercised from any computer). In order to ensure the participation of emigrants in the voting, it is necessary to follow the second approach, which does not imply the procurement, installation and use of special equipment.
<i>Field of intervention</i>	1) Amendment of electoral legislation in order to provide for the legality of the on-line voting; 2) Development of the tool for on-line identification and authentication of the voter; 3) Ensuring secure channels for votes transmission and calculation; 4) Active public awareness about on-line voting;
<i>Expected impact</i>	1) Increase the emigrants' presence at voting; 2) Strengthening the links between the diaspora and the country; 3) Enhancing the motivation of the emigrants to return back home;

<i>Risks</i>	1) Low level of public trust, including of the emigrants towards on-line voting, including due to the complexity and issues related to transparency; 2) Risks related to the secret and free vote; 3) High costs to ensure the safety of the system.
<i>Risk management strategy</i>	1) Very clear definition of the roles belonging to the actors involved in the development of the on-line voting mechanism; 2) Studying the positive practices in the relevant countries that have adopted the online voting mechanism in non-controlled environment; 3) Co-opting some companies with international experience in the development of e-Governance instruments. 4) Public campaign to explain and promote the new instrument;
<i>Institutions involved</i>	Ministry of Information Technology and Communications, for the launch of the new public policy; E-Governance Centre, for the establishment of the platform for electronic voting; Central Election Commission, for drawing up proposals for legislative amendments; Office for Relations with Diaspora, for the promotion of the new tool among emigrants and their organizations;

Objective 2: Recognition of the skills of the returned emigrants

A strategy of better harnessing of the remittances shall inevitably be based on the recognition of the qualifications and skills of Moldovan emigrants returned home. Many of them come back with new professional skills, even though not necessarily very advanced that they have gained informally, on the job. In this regard, the Government should seek to ensure recognition for the skills obtained by the emigrants.

Option 2. Ensuring a mechanism for the recognition of formal and informal qualifications of emigrants

<i>Description and feasibility</i>	The competences and informal skills that were acquired by the emigrants abroad, most often, directly on the job, can be a valuable source of human capital development in the Republic of Moldova. The "official" recognition of these competencies and skills will allow emigrants that return to get better paid jobs. The mechanism of recognition does not imply the creation of new institutions, but the adjustment of regulations of the existing public institutions, as well as a more intense cooperation and communication between the state institutions and professional associations. This mechanism involves the following: i) identification and documentation of holders of informal qualifications; ii) identification and documentation of informal knowledge and skills; iii) validation of informal skills and qualifications; iv) certification of knowledge and informal qualifications. At the pilot phase, it is advisable to ensure the mechanism of informal qualifications in a single sector, for example, in construction.
<i>Field of intervention</i>	1) The reading of the expression in paragraph 6, sub- paragraph d) of Government Decision no. 329 of 23/04/2009 "on approval of the Regulation on the technical-professional attestation of specialists with construction activities" in the next reading "d) the copy of the labor book or labor contract, including, if any, copy of the work contracts concluded abroad" and completing paragraph 9 with the following sentence "Specialists who have graduated specialized professional training programmes abroad or in the country and who prove that their knowledge is sufficient for professional attestation, are exempted of the compulsory courses". 2) "The National Employment Agency should ensure that the professional training courses are attended also by the emigrants who, even if they have not completed secondary school, high school or other studies required for the course concerned can prove that they have acquired the necessary practical knowledge abroad in order to receive free vocational training courses in the chosen specialty. 3) Amendment of the Regulation regarding the recognition, comparability and authentication of the studies documents and qualifications used by the Service for Qualifications Information and Recognition/validation under the Ministry of Education, in order to ensure procedures for the validation of non-formal and informal learning and adaptation of the regulations of the Specialized Professional Training Commissions;

<i>Expected impact</i>	1) Reduction in the cost of formal training; 2) More productive harnessing of human capital; 3) Ensuring visibility and better remuneration of the stock of human capital; 4) Social recognition of the role emigrants have in developing the country;
<i>Risks</i>	1) Costs may exceed benefits; 2) Recognition of qualifications may not necessarily result in their harnessing in the labor market; 3) Recognition procedures are vulnerable to the honesty of the information provided by the emigrant that returned home.
<i>Risk management strategy</i>	1) Careful examination of the costs associated with the implementation of new procedures for recognition; 2) Focus on the types of skills and competences that are sought after and valued in the labor market; 3) Ensuring informational support to emigrants before their departure and after their return;
<i>Institutions involved</i>	Ministry of Labor, Social Protection and Family, by adjusting the institutional mission of the NEA with a view to ensuring the integration of emigrants in the free training courses and amendment of detailed procedures for organizing and conducting the training of the unemployed; Line Ministries (e.g., Ministry of Regional Development and Construction), via initiation of amendments to normative acts concerning the attestation of employees in the supervised areas (including Government Decision no. 329); Ministry of Education, through the amendment of the Regulation on the recognition, comparability and authentication of the studies documents and qualifications.

Objective 3: Increasing the access to formal money remittance ways from abroad

In order to explore the potential of remittances and to facilitate their integration in the development of the country, it is necessary, firstly, to formalize ways via which these are transferred. Obviously, we cannot expect that the third of remittances that are currently carried out through unofficial channels will be fully formalized. However, it is necessary to provide for an easy setting so that more and more Moldovans start preferring formal transfer methods. The fees do not constitute the main factor preventing the Moldovans from seeking money transfer services: the average fee charged is one of the lowest in the region (Mincu and Cantarji, 2012), and the market has more than 20 systems of rapid money transfer (although, we must mention that there are certain competition related deficiencies on the market of money transfer systems in the EU). The key issue is the geographic penetration of these services in rural areas, where most of the emigrants come from. Subsequently, we present the concepts of two interventions that follow to extend the specific infrastructure of these transfers in such localities.

Option 3. Extension of the rapid money transfer systems to the level of the savings and credit associations (SCAs)

<i>Description and feasibility</i>	The viable Savings and Credit Associations will be able to conclude partnership contracts with the firms specializing in rapid money transfers. In early 2013, in Moldova, there were 360 SCAs with a capitalization of around MDL 90 million. As these provide savings and loan services in rural areas, where commercial banks have failed to penetrate, these could serve as a platform for expanding the infrastructure of rapid money transfer from abroad. The volume of transfers made by the SCAs will be relatively small depending on the capital at their disposal and in accordance with the legislation in force ¹⁶ Although many SCA will not be able to cope with the prudential rules set by the NBM, it is important for them, at least de jure, to be entitled to enter this market, observing the conditions imposed by the legislation. The liberalization of the access to the market of money rapid transfers will favor the competition on the market and thus will contribute to maximizing the benefits of the consumers.
<i>Field of intervention</i>	1) Law on savings and credit associations no. 139-XVI of 21.06.2007 follows to be supplemented in Article 7, paragraph (1) with a new sub-paragraph: "6) participation in the international money transfer systems".

¹⁶ Law no. 114 of 18.05.2012 on payment services and electronic money.

	<p>2) Drafting a regulation concerning the activity in question, taking as model the NBM Regulation on the banking activity within the international money transfer systems.</p> <p>3) Completion of law no. 114 of 18.05.2012 regarding the payment services and electronic money, Article 5 "payment service providers" shall include also the Savings and Credit Associations, if these meet the prudential conditions.</p>
<i>Expected impact</i>	<p>1) Popularization of the formal methods of transferring money from abroad among the emigrants and their families.</p> <p>2) Increasing the volume of remittances reflected in official statistics;</p> <p>3) Growing profitability and viability of the Savings and Credit Associations;</p> <p>4) Securing the cash flows from emigrants to their families.</p>
<i>Risks</i>	<p>1) Inability of many SCAs to cope with the demands imposed by the money transfer companies;</p> <p>2) Possibility of some money-laundering schemes and other criminal actions related to the international money transfers;</p> <p>3) Inability of many SCAs to comply with the prudential requirements of the National Bank of Moldova.</p>
<i>Risk management strategy</i>	<p>1) Prudent monitoring and surveillance on behalf of the NBM in partnership with NCFM of the activity of SCAs and observance of prudential requirements necessary to provide money transfer services;</p> <p>2) Organizing information seminars and consultations for the representatives of the SCAs concerning the provision of such services.</p>
<i>Involved institutions</i>	<p>1) When the Law No. 114 dated 18.05.2012 on Payment Services and Electronic Money enters into force, the National Bank of Moldova will regulate, license, and supervise the activity of the payment services' providers (except for the State Treasury, which will be supervised by the Ministry of Finance);</p> <p>2) National Commission for Financial Market, which ensures the regulation of the non-banking financial market, comprising also the SCAs;</p> <p>3) All Savings and Credit Associations, which will directly provide rapid money transfer services.</p>

Option 4. Application of rapid money transfer instruments via mobile phones

<i>Description and feasibility</i>	<p>The families of emigrants will be able to receive the money sent from abroad via mobile phone according to the model of "M-Pesa" project from Kenya. In order to withdraw the money, the family members of the migrants will not be forced to go to a bank that in most small towns are missing. The operational mechanism starts from the person abroad, who deposits the cash at an office of rapid money transfer. These are then transferred to the recipient's mobile phone, who can convert them into cash at the local office of this system (it may even be the post office or grocery store). This measure is feasible mainly due to relatively extensive infrastructure of mobiles: mobile subscription number per capita in the Republic of Moldova in 2011, was greater than in Kenya, where this system is operating successfully. Over time, the product can evolve so that the recipients of transfers may make payments via their mobile phones, or be able to withdraw money from their phones even from special ATM machines. At the same time, users of this system will be able to carry out banking transactions: depositing in an account, transfers to other accounts etc.</p>
<i>Field of intervention</i>	<p>1) Adoption of a regulatory framework that would regulate the activities of money transfer via mobile phones;</p> <p>2) All participants in the process (rapid transfer company, mobile operator and local agents) must comply with the international requirements on the prevention of money laundering and terrorism financing;</p> <p>3) The participants in the system and other institutions concerned, could produce standard contracts that would ensure the effective collaboration between the three components of the system of mobile money transfer.</p>
<i>Expected impact</i>	<p>1) Growing penetration of mobile telephony services in rural localities;</p> <p>2) Popularization of the formal methods of money transfer in rural areas, where banking infrastructure is not developed;</p> <p>3) Improving the track-record of flows of money sent from abroad;</p> <p>4) Diversification of the revenues of mobile operators and improvement of their services;</p> <p>5) Increasing competition in the segment of rapid money transfers.</p>

<i>Risks</i>	1) Insufficient familiarity of the users with the money transfer via mobile phones; 2) Development of some fraudulent mechanisms of money laundering or fraud; 3) Insufficient training of mobile operators to qualitatively develop this product; 4) The rural population's reluctance to use such innovations.
<i>Risk management strategy</i>	1) Organization of seminars and training, both for the main institutions to be involved in the provision of such services, as well as for the potential users of these services; 2) Vigilant monitoring and surveillance of the mobile operators by the National Bank of Moldova;
<i>Involved institutions</i>	The efficient operation of the system requires a close collaboration between 4 key institutions: 1) Mobile operator providing the infrastructure and necessary coverage in localities, especially in the small ones; 2) International Money Transfer Company (ex: Western Union, Money Gram), which collects the amount to be transferred to the country from the person located abroad; 3) Local Agents that ensure the conversion of the amounts received on your mobile phone into cash (e.g., postal offices, grocery store, etc.); 4) Taking into account the fact that in compliance with the Law No. 419, dated 22.12.2006 on Public Debt, State Guarantees and State Re-crediting, the Ministry of Finance is authorized to issue state securities for placing them on the external market and to administrate the state debt.

Objective 4: Diversification of saving instruments and higher intermediation share

The fact that remittances are mostly used for the purchase of consumer goods is a normal phenomenon, considering the low level of income that was, in the end of the day, the main reason for emigration for most Moldovans. However, another factor, which determines the low rate of saving, especially for those that have been established for some time abroad and have managed to improve the critical financial situation of the family remaining in the country, is insufficiency of flexible financial instruments, which would specifically target this category of persons. To this end, we have identified three tools that could be feasible in the Republic of Moldova. We must mention that although these are intended primarily for emigrants and their families, the non-emigrants will be also able to take advantage of the instruments in question. At the same time, the increase of the intermediation share cannot occur without stimulating the saving rate, which in the Republic of Moldova is one of the lowest in the whole region (figure 10). Hence, the vertical measures, mentioned below, will not achieve the expected effect without a series of horizontal measures. These should include mainly: (i) improving the business environment for creating new jobs and respectively (ii) increasing the incomes of the population, (iii) promoting the saving culture within different information campaigns, (iv) maintaining the price stability, and last but not least, (v) maintaining the macroeconomic stability and the general political stability. The respective measures should result from a considerable effort undertaken by the main line institutions, and their main effect should be the increase of emigrants' level of confidence for the country and the future of the country.

Option 5. Deposit account filled from a particular portion of the income remitted from abroad through formal methods

<i>Description and feasibility</i>	This financial tool implies that from every transaction made through formal measures of money remittances from abroad, a portion is allocated automatically or at the discretion of the recipient in a time deposit account opened. The main advantages for users of this tool are: (i) the possibility to obtain an interest on the savings made; (ii) greater discipline in planning expenditures; (iii) enhanced safety of money saved; (iv) the possibility to obtain a credit in best conditions, taking into account the relationships already established with the respective Bank. The respective instrument aims at targeting the emigrants established for some time abroad and send amounts of money initially larger (>USD 500 monthly) than the average. At the same time, the banks are expected to carry out periodically seminars on financial information and education for the beneficiaries of the transfers from abroad in order to familiarize them with the savings opportunities.
<i>Field of intervention</i>	1) Currently, the regulatory framework is suitable for the development of such instruments, considering that the banks work closely with the rapid money transfer companies, and the

	fiscal legislation encourages bank deposits (interest obtained on the deposits is not subject to taxation). 2) The main difference of this type of deposit compared to the "ordinary" ones is the possibility to fill it periodically. Therefore, the bank is expected to allow this option. 3) The development of such products must not become an objective of some administrative regulations, but should normally derive from private initiative and motivations of commercial banks.
<i>Expected impact</i>	1) Increase in the number and volume of deposits opened by the emigrants and their families; 2) Increase in the share of deposits on longer terms opened in the commercial banks; 3) Facilitation of the loans provided for longer periods of time; 4) Enhancing the financial education of emigrants and their families; 5) Increase in the saving rate among the emigrants and their families.
<i>Risks</i>	1) Abundance of liquidity in the banking system might not sufficiently motivate the banks to develop such saving tools; 2) The high level of fragmentation of remittances may not allow for allocation of sufficient volumes of money for deposit replenishment; 3) The low level of confidence in the banking system might affect the popularity of this saving instrument.
<i>Risk management strategy</i>	Strengthening the confidence in the banking system through the dissemination of information about banking services and periodical organization of seminars on financial training and education for the customers or potential customers of the banks;
<i>Involved institutions</i>	1) The commercial banks, where the deposits are to be opened; 2) Rapid money transfer companies, which will form partnerships with the banks, where these are to be deposited; 3) Mobile telephony operators (for money transfer services through mobile phones) which will ensure the required receipt of remittances and platform to carry out the transfers in a bank deposit account. 4) National Bank of Moldova, as a regulatory authority.

Option 6. Bonds designed for Moldovan Diaspora in the main countries of destination (Diaspora Bonds)

<i>Description and feasibility</i>	The emigrants can contribute to the development of the country of origin also by other means than sending money earned overseas. In view of the large number of emigrants, 80% of which are concentrated in only two countries (Russia and Italy), the issuance of so-called bonds designed for the diaspora (Diaspora Bonds) could be quite feasible. The basic principle used for the operation of this tool is the following: the Government issues and places on the market, through some banks from the respective countries, bonds intended for members of the diaspora of Moldovans working abroad, and the money obtained is invested in important infrastructural projects in the Republic of Moldova (for example: expanding the sewerage and water supply networks in rural areas, development of alternative energy sources, etc.). According to the international experience, the maturity of those bonds could be from 5 to 10 years, with an interest rate paid monthly or quarterly in a value of 1.0-1.5 p. p. + LIBOR ¹⁷ . Obviously, the Government will have to undertake considerable efforts to promote the instrument. In this regard, the seminars and information campaigns will be organized. The main benefits for the emigrants, as a result of investing in these bonds, will be as follows: (i) obtaining an income from the financial resources saved; (ii) the possibility to keep their savings safe in view of the fact that the Government will guarantee the investment against the risk of bankruptcy; (iii) the possibility for the emigrant to contribute directly to the development of the country, because the money will be passed transparently to finance concrete projects of infrastructure; (iv) the bonds may be pledged to the Bank for a loan or sold on the secondary market.
<i>Field of intervention</i>	The Government will establish cooperation agreements with several banks in Italy and Russia, as local partners in the countries where the bonds in question will be placed. However, besides the technical actions, other 2 aspects are more important. First of all, the competent authorities should initiate in a transparent way some credible and reliable projects, which would offer some financial advantages, such as more attractive interest

¹⁷ LIBOR – London Interbank Offered Rate is a reference interest rate for the banks to be able to receive loans from other banks on London banking market. LIBOR rate is established daily by the British Bankers Association. LIBOR is mostly used reference rate for calculating the interest for the short-term loans.

	<p>rates as compared to those which are offered to emigrants in their host-countries. Secondly, a fundamental condition for ensuring the success of such financial tools would be the normal functioning of the economy that would inspire confidence in the bonds among those emigrants. The international studies have demonstrated that the main preconditions for the success of this type of bonds are the social and political stability (e.g., absence of social tensions and the risk of civil war), respect for the rights of creditors and the proper functioning of the legislation and judiciary system. Although the wording seems to be general, the manner how the emigrants perceive the state of affairs in the country in these regard is crucial in the process of issuing such bonds. The last but not the least, it is necessary to undertake feasibility studies, which will determine the demand level for these instruments, the market segment, an approximate estimation of the volume that could be capitalized, etc. so that initiation of such a project could be justified.</p>
<i>Expected impact</i>	<p>According to the latest official statistics, by the end of 2011, 58,000 of Moldovan emigrants were in Italy and 195,000 in Russia. The data provided by the Russian and Italian authorities indicate a higher number of emigrants. If we admit the conservative assumption that the bonds will be purchased only by the emigrants in those countries where the organizations of emigrants are better organized and where these will be directed towards the main marketing efforts and only 10% of them will invest 500-700 euros each, the Government will be able to attract from EUR 12.6 to 17.8 million in the form of long-term loans at relatively favorable rates. When the emigrants will trust more this tool, the respective amounts could increase considerably</p>
<i>Risks</i>	<p>The insufficient level of financial information and education of the emigrants could fuel their unwillingness in relation to the financial instrument in question. This reluctance may be due to the high level of corruption, lack of transparency within the processes of public procurement and poor functioning of the judicial system in the country.</p>
<i>Risk management strategy</i>	<ol style="list-style-type: none"> 1) Ensuring the macroeconomic and political stability; 2) More effective fight against corruption; 3) Transparency of the decision-making process within the state institutions; 4) Ensuring sustainable economic development and growth; 5) Improve business climate.
<i>Involved institutions</i>	<ol style="list-style-type: none"> 1) Government of the Republic of Moldova, which will guarantee the risks of migrants who will invest in bonds; 2) Ministry of Finance, which will manage the entire process of issuance and redemption of the bonds; 3) Bureau for Relations with Diaspora, which will ensure the communication between the NBM, the Government and organizations of Moldovans abroad, and will facilitate the information and popularization of this financial instrument among the migrants; 4) Organizations of Moldovans abroad, which will work as partners of the State in this process.

Option 7. Voluntary private pensions

<i>Description and feasibility</i>	<p>This tool implies the development of the system of voluntary private pensions, among the main beneficiaries of which could be the emigrants. Because most of them do not contribute to the public pension fund, and, respectively, will not be able to demonstrate the minimum contribution period to qualify for a full pension, the emigrants could be interested in the private pension system. It works according to the cumulative principle: each month, the recipient contributes to a private pension fund with a certain amount, which is subsequently invested in safe financial instruments on the basis of a predetermined plan and agreed with the fund manager. The contribution to the economic development of this saving instrument lies in the channeling of the long term liquidities into the financial system, which later can be turned into credits or investment loans.</p>
<i>Field of intervention</i>	<p>Establishing some favorable conditions for the development of private pension system. This involves ensuring the normal operation of the new law on private pensions, vigilant monitoring and surveillance by the NCFM and the NBM, as well as providing a fiscal treatment for the contributions to private pension funds equivalent to those in the public pension fund.</p>
<i>Expected impact</i>	<ol style="list-style-type: none"> 1) Development of pillar no.3 of the pension system; 2) Increase in the trend to invest of the emigrants, and not only; 3) Capital market development; 4) Decrease in the interest rates, where the State borrows domestically through the state

	securities; 5) Increase in the volume of credits and loans provided for the development of some investment projects over longer periods of time.
<i>Risks</i>	1) Limited confidence of emigrants in the financial system; 2) Deficient administration of the investment portfolio of the pension fund; 3) Limited spectrum of instruments via which the administrators could invest the contributors ' assets in private pension funds.
<i>Risk management strategy</i>	1) Vigilant monitoring and surveillance by the NCFM, in close cooperation with the NBM; 2) Ensuring the development of the domestic market; 3) Organization of training seminars for the potential customers of the private pensions.
<i>Involved institutions</i>	1) NCFM, as the main institution that regulates and supervises the activities of the funds, but also the insurance companies that may become managers of those funds; 2) Ministry of Finance, which issues the state securities where a large part of the resources of the private pension funds is to be invested; 3) NBM, as the main institution that regulates and supervises the work of many of the banks who will become the administrators of the private pension funds; 4) Commercial banks and other financial institutions that will be able to become managers of the private pension funds.

Objective 5: Diversification of lending products for emigrants

On the credit market, the competition between banks is far more intense in comparison with the deposit market. Therefore, the banks would be much more interested in developing innovative lending products that would explore further the economic potential of families receiving remittances. In particular, these are to solve the problem of informational asymmetry that, often, is critical in the lender-borrower relationship, through the development of complex credit products for the loyal customers of the bank. Two examples in this regard will be presented below. Nevertheless, the effects of these specific actions could be maximized through a series of measures, which do not relate necessarily to the financial system: (i) eliminating the barriers existing in companies' activity development, especially in case of SME; (ii) reforming the judicial system and strengthening the confidence of the business environment and bank for judges; (iii) simplifying the procedures related to insolvency and execution of collateral; and (iv) maintaining the macroeconomic and political stability.

Option 8. Guaranteeing the loans provided on the basis of anticipated transfers flow

<i>Description and feasibility</i>	These tools are based on the fact that banks together with the international money transfer companies shall ensure the record keeping of the amounts of money remitted on behalf of each beneficiary. On the basis of the information concerned, the money transfer beneficiary will be able to apply for a loan in a given proportion (70%-80%) of the amount transferred during the last 6-12 months. In such a way, the revenues remitted through the formal channels will be used to determine the payment capacity by the bank when assessing the credit applications thus, helping to reduce the information asymmetry between the lender and borrower. This will result in lower risk premiums included in the interest rate on the bank loans, which will allow offering more advantageous crediting terms for the recipients of rapid money transfer services. The beneficiary's interest will be to maintain a stable inflow of money from abroad through formal ways in order to further get a credit under more favorable conditions. The Bank's interest is to reduce the information asymmetry and improve the customer portfolio. This instrument is feasible in the context in which the majority of the commercial banks have been collaborating with various systems of international money transfer.
<i>Field of intervention</i>	The main area of intervention is the strengthening of creditors ' rights. In this respect, the amendment of Law no. 449 of 30.07.2001 on the pledge is required in order to simplify the pledge enforcement procedures, expedite the disputes settlement between the borrower and the lender, the possibility to settle the disputes through extra-judicial measures. At the same time, the efficient implementation of reforms in the justice sector is critical, since the improvement of the judiciary system functioning will diminish essentially the reluctance of the banks with regard to their lending activity.

<i>Expected impact</i>	<ol style="list-style-type: none"> 1) Increase the volume of remittances through the formal channels; 2) Increase in the volume of loans contracted by the beneficiaries of remittances for starting up SMEs; 3) Increase in the number of SMEs launched by the emigrants and their families.
<i>Risks</i>	<ol style="list-style-type: none"> 1) Remittances flows are not stable over time and their reduction could affect the ability of the recipient to pay off the credit. 2) Banks could be reluctant also in granting credits to beneficiaries of remittances because of their high volatility, but also because of the banks' risk aversion; 3) The bankruptcy of some enterprises launched by the emigrants or their families as a result of insufficient information and skills, as well as any shortcomings in the business climate.
<i>Risk management strategy</i>	<ol style="list-style-type: none"> 1) Recording and thorough assessment of the transfers from abroad that the credit applicant benefited of in the last period; 2) Prudent assessment of the applicant's credit risk profile; 3) Adoption of a flexible approach in relation to the terms and conditions of such loans.
<i>Involved institutions</i>	<ol style="list-style-type: none"> 1) National Bank of Moldova, as the main institution that regulates and supervises the banks; 2) Commercial banks, which will develop and promote these instruments; 3) International money transfer firms, which will enter into partnerships with banks and will facilitate the entry of emigrants' transfers.

Option 9. Credits granted based on the previously replenished deposits

<i>Description and feasibility</i>	<p>The principle of the respective product is similar to the previous one. Thus, the bank offers the possibility to open a deposit, which can be replenished on a regular basis, and after a certain period (1-2 years), the applicant can receive a credit proportional to the deposit accumulated and granted under more favorable conditions. The main benefits are related to a lower interest rate due to the fact that during the cooperation, the bank better understands the financial capacity of the beneficiary. At the same time, it will be possible to make the requirements regarding the pledge more relaxed, taking into account the deposit itself, but also the lower risk profile of this category of clients. The product in question could be combined with the services of money transfer and adapted in this way to the requirements of the emigrants. In particular, the banks could develop deposits to be replenished from the income remitted from abroad, and the recipients can obtain a credit under more favorable conditions, depending on the accumulated deposit.</p>
<i>Field of intervention</i>	<p>The main area of intervention is strengthening the creditors' rights. In this respect, the adjustment of law no. 449 of 30.07.2001 on pledge is required in order to simplify the pledge enforcement procedures, expedite the disputes settlement between the borrower and the lender, the possibility to settle the disputes through extra-judiciary measures. At the same time, it is important to carry out the reform of the justice sector, as the improvement of the judiciary system functioning will diminish essentially the reluctance of the banks with regard to their lending activity.</p>
<i>Expected impact</i>	<ol style="list-style-type: none"> 1) Increase in the volume of loans contracted by the beneficiaries of remittances to launch SMEs; 2) Increase in the number of SMEs launched by the emigrants or their families; 3) Increase in the saving rates among the population in general and among emigrants in particular.
<i>Risks</i>	<p>1) Deposits accumulated so far, as well as the income remitted from abroad, do not guarantee the ability of loan repayment by the beneficiary. This could lead to the accumulation of non-performing loans in the banks' portfolios.</p>
<i>Risk management strategy</i>	<ol style="list-style-type: none"> 1) Prudent assessment of the loan applicant's risk; 2) Adoption of a flexible approach in relation to the terms and conditions of such loans.
<i>Involved institutions</i>	<ol style="list-style-type: none"> 1) National Bank of Moldova, as the main institution that regulates and supervises the banks; 2) Commercial banks, which will develop and promote these instruments.

Objective 6: Improving the information about business opportunities for emigrants from the Republic of Moldova

A significant part of the long-term emigrants have lost the link with the realities of the country. Even if they would like to launch a business, often they do not have the knowledge needed to launch it, they don't know where they can get the support and what are the procedures to be followed. Additionally, often, the favorable decision on launching a new business is made if the emigrant knows about the positive examples and successes of other emigrants. It is very important for the Government and its specialized structures to cover this gap of information and to provide relevant and up-to-date information needed by the emigrants.

Option 10. Dissemination abroad of the information about business opportunities in the Republic of Moldova

<i>Description and feasibility</i>	Most of the emigrants, who have left the country a long period of time ago, do not know what are the new state policies and programs regarding the support of the small and family business. Additionally, they often are no longer up to date with the regulations concerning the opening of a business, fiscal policies applied, etc. It is important for this information to be brought to their knowledge, both individually and through their associations. It is also important for the emigrants to be informed about the success cases of other emigrants, who have launched successful businesses in the Republic of Moldova. The most convenient methods of information dissemination would be within the bureaus opened abroad during the general elections and permanently, through consular offices, embassies and diaspora associations. At the same time, it is possible to establish a permanent information service /a liaison within the Office for Diaspora Relations.
<i>Field of intervention</i>	It is necessary for the Organization for Small and Medium-sized Enterprises Development to cooperate with the Central Electoral Commission, the Ministry of Foreign Affairs and European Integration and Office for Relations with Diaspora in order to ensure the dissemination of information about: 1) The opportunities for the entrepreneurship development in the Republic of Moldova (which are the state programmes, donors and NGOs programs in support of business activities); 2) The most important regulations and business facilities (how to launch a business in the Republic of Moldova, how long will it take, how much it costs, what are the taxes that must be paid); 3) Dissemination of good practices and successful cases of emigrants who have returned home and were able to start a new business.
<i>Expected impact</i>	1) Strengthening the ties between the emigrants and the Republic of Moldova; 2) Improvement of the emigrants information about the business opportunities in the country; 3) Increase in the number of emigrants returning to the country and starting small and family businesses;
<i>Risks</i>	1) Emigrants will not have confidence in the fact that the opportunities offered by the Republic of Moldova are comparable to those available in the host countries; 2) Information provided might be insufficiently compelling to make the emigrants return home to initiate new business;
<i>Risk management strategy</i>	1) Continuation of the business regulatory reform, with a focus on simplifying the rules for the small enterprises and family businesses; 2) Information campaigns with credible communicators, including through the organizations of the Diaspora.
<i>Involved institutions</i>	ODIMM/OSMED, as an institution that implements state business support programmes; CEC, as the institution responsible for organizing the elections abroad; Ministry of Foreign Affairs and European Integration, as the authority responsible for the foreign policy, through the embassies and consular offices; ORD, as the authority responsible for the relationship with the diaspora; Diaspora's organizations, as representatives of the interests of emigrants;

Objective 7: Promotion of spending remittances in the formal economy

The largest part of remittances sent by the emigrants is spent to satisfy some current needs. This state of affairs will not change, as long as these basic needs are still not satisfied, no matter how much the Government would like to channel the resources to more productive activities. However, the fact that remittances are spent to meet the consumption needs, anyway, has a positive impact on the economy, including through the multiplier effect on investments, and taxes and fees collected in the budget. However, it is essential for the Government and other authorities to ensure the necessary conditions for the remittances to be spent as much as possible in the formal sector of the economy and as less as possible in the informal one. The promotion of the electronic payment instruments is an instrument with an essential and sustainable impact that will create motivations for spending remittances and other income in the formal sector of the economy.

Option 11. Popularization of the use of credit cards to make payments

<i>Description and feasibility</i>	Most of the remittances are used for current consumption. This is, in fact, the most important contribution of emigrants to the economy of the country, because the increase in consumption ensures higher profits for companies that can increase wages and invest more, and increase the revenues of the state budget allowing it to finance public social and economic projects. But the benefits of the consumption become insignificant or even may turn into disadvantages when a significant part of the goods and services are consumed in the informal economy. As a reliable measure of "bleaching" the private consumption is the popularization of the use of credit cards to make payments. In this respect, the inter-departmental working group (NBM, Ministry of Finance, State Tax Inspectorate, Ministry of Labor, Social Protection and Family) has developed a project for amendment/improvement of several laws. The amendments are based on best international practices in the field and, as major objective, are designed to fight against tax dodging by promoting electronic payments and reducing the cash flow. It is necessary to facilitate the implementation of these provisions, as well as to develop the infrastructure for the acceptance of these cards, so that those willing to pay by credit card in most cases have the possibility to do so. Moreover, the firms that motivate in different ways the payment in cash (e.g.: some discounts or promotions which are valid only upon the payment in cash) must be penalized.
<i>Field of intervention</i>	Carrying out of periodical inspections by the NBM so as to verify the observation of the provisions set forth in the Law on Entrepreneurship and Enterprises No. 845-XII dated 03.01.92 (art. 7 ¹) on the obligation to install POS-terminals by the economic units.
<i>Expected impact</i>	1) Increase the sales volumes paid with the card and reduce the cash in circulation; 2) Reduce the informal economy and increase collections to the state budget;
<i>Risks</i>	1) Increase in the number of frauds through bank cards; 2) Many businesses intentionally will not use the card payment terminals to continue avoiding paying taxes/fees.
<i>Risk management strategy</i>	1) Monitoring the payment transactions with banking cards; 2) Informing actively the general public about the precautionary measures for the use of bank cards; 3) Periodic verification of the fact if operators maintain the card payment terminals in functional status.
<i>Involved institutions</i>	1) National Bank of Moldova, as the main institution responsible for supervising the payments system in the country ; 2) Ministry of Finance and the Main State Tax Inspectorate, which ensure the collection of taxes, tax administration and detection of tax evasion cases. 3) Businesses that will implement and use the card payment terminals.

Conclusions and Recommendations

The emigrants have an extremely important role in the economic development of the Republic of Moldova, the income remitted by them financing especially the consumption, but also the investments in productive businesses, real estate and human capital, representing a protection cushion against poverty for the families of these emigrants. By comparing the evolution of the labor migration phenomenon and income remitted by Moldovan emigrants with the experience of other countries with emigrational history, we reached the conclusion that emigration will remain the preferred option for a long time by many emigrants looking for better economic opportunities and personal affirmation.

The income remitted by the emigrants is an essential aspect of emigration, having both a positive and a negative impact. As shown in this study, the income remitted by the emigrants was essential in reducing poverty in the Republic of Moldova, in educating a more advanced financial culture, in developing the banking sector and financing the consumption that has fuelled the Moldovan economy engines. At the same time, the income of emigrants has had an impact that cannot be neglected on the inflation and has severely affected the country's international competitiveness, including by increasing the cost of labor factor. Although there have been a number of studies on the subject of remittances and migration, there is still a need for more in-depth study of some important aspects, which should influence the policies focused on a better harnessing of these income. It is necessary, among other to have a:

- More consistent evaluation of the emigrants' income, adoption of some comprehensive definitions of these (not just the remittances, but also savings) and tracing over time the income evolution;
- Determine the net economic impact of migration, by comparing its positive effects with the negative ones, in order to determine which is the optimal level of emigration for the Republic of Moldova;
- Closer study of the exodus of intelligence, its determinant factors and impact of this phenomenon;
- Studying the social remittances, i.e. skills, values and attitudes that the emigrants bring with them;
- Studying the activities, occupations, and training needs of the returned emigrants, including the demographics of SMEs created by them, the main spheres of activity, the implementation of successful models learned abroad, etc.;
- Studying the return intentions of the emigrants;

The study of these sides will allow for the adoption of some better targeted policies. However, until the completion of these studies, there is sufficient evidence to demonstrate that it is possible to maximize the positive impact the emigrants' income has on the development of the country and minimizing the negative consequences. On an international scale, there are enough success stories and best practices that are relevant for the Republic of Moldova. In this study, an emphasis was put on those options that can be used to achieve several major goals, namely:

- Maintenance of emigrants interest with regard to the evolution of the country;
- Recognition of the skills of emigrants returned;
- Increasing the access to formal ways of money remittance from abroad;
- Diversification of the saving instruments and an increase of the intermediation share;
- Diversification of credit products for emigrants;
- Improving the emigrants information about business opportunities in the Republic of Moldova;
- Promotion of the remittances spending in the official economy;

The adoption of these objectives at the policy level will allow for a better targeting not just of the remittances that are currently sent by the emigrants to their families who remained at home, but also of the savings these emigrants have accumulated abroad. The conducted studies (CIVIS/IASCI 2010) suggest that the volume of such savings is far greater than what we see in the balance of payments or in other studies that focus solely on remittances. Thus, the instruments that we recommend as a priority, in order to achieve the above mentioned objectives, also focus on attracting the savings accumulated abroad into the Moldovan economic circuit and are as follows:

- Implementation of the on-line voting mechanism, in order to preserve the links between the emigrants and the country;
- Provide for a mechanism of recognition of formal and informal qualifications of the emigrants, in order to facilitate their social reintegration through a better use of their skills in the labor market;
- Expansion of the systems of rapid money transfers at the level of the Savings and Credit Associations, in order to "push" the remittances into the formal channels for money transfers;
- The development of applications and technical infrastructure for the rapid transfers through the mobile phones, which will serve the same purpose as mentioned above;
- Provision of options to open deposit accounts replenished from the income remitted from abroad through the formal channels;
- A tool that practically will test the level of patriotism of the Moldovan emigrants, but that will also give them the opportunities to make savings, are the bonds, which may be issued in those countries where there is a significant presence of emigrants (Italy and Russia);
- The establishment and more intensive promotion of the voluntary pension funds is a tool that will provide both emigrants and non-emigrants the opportunity of placing savings "with the future in mind";
- A tool that will make it easier to obtain bank credits for emigrants and their families would be securing the loans with the anticipated flows of remittances;
- Another instrument, which has demonstrated its value in other countries, is the granting of bank credits on the basis of deposits previously replenished by the emigrant;
- In anticipation of the return of emigrants, it is important to make sure that they are informed about the business opportunities that exist in the Republic of Moldova and about the successes achieved by other emigrants who have returned home;
- Finally, it is necessary to promote the widest possible use of the electronic payment to restrain the remittances consumption in the informal economy and to "push" this consumption towards the formal economy;

We consider that it is too early to create such programs as the "Trespor Uno" (Mexico), as the community of the Moldovan emigrants abroad is rather weak and amorphous, while such programs are extremely vulnerable to corrupt political arrangements. At the moment, we cannot be sure either about the timeliness of extending the PARE 1+1 Program. The decision to extend or to restrain this program should be taken after carrying out an external independent evaluation of the given program, so as to test its development impact. If the decision will be taken to keep the program, the Government should think seriously to extend the target-group and to eliminate the discriminating elements intrinsic to this program. Especially, it is recommended to adopt the business innovation elements as the main criterion for granting the state support and to give the criterion related to the origin of the investment resources.

Taking into account the multitude of surveys which were carried out in the areas of business climate and investment environment, the present document did not pay attention, by choice, to the **horizontal tools**, which are necessary for maximizing the impact of emigrants' incomes and remittances on development. **We would like to point out that without these measures of horizontal nature, the tools targeting directly the emigrants' incomes could have a negligible economic impact.** These horizontal tools represented the study topic for a number of surveys and refer to:

- reducing the administrative and regulatory pressure in business operation, especially in case of small business;
- simplifying the process of fiscal administration;
- adopting as many as possible IT solutions in provision of state services needed by entrepreneurs;
- reforming the justice system;
- harnessing in a maximum transparent framework the resources disbursed through state programs for business support;
- simplifying the procedures related to insolvency and execution of the collateral;
- maintaining the macroeconomic and political stability.

All these will have possibly a more visible impact on the emigrants' investment plans than any combination of tools, which would target directly the emigrants and their resources. The emigrants probably need not a support from the state, but rather they wish not to be impeded while operating their businesses.

It is very important to stress the fact that, with the emigration "maturing", the impact that this phenomenon will have on the long-term development of the country will largely depend on the opportunities it will create for the country's emigrants. If the emigrants progress, revealing and learning models, practices and new values, and the country will linger in corruption and incompetence, we should not expect a rescue return of emigrants. They are, in a large part, pragmatic people, who have undertaken the enormous risks of emigration, they are able to integrate definitively in the societies that offered them a shelter and are prepared to take with them their families, too. In this sense, the best solutions for harnessing the development potential of the emigrants' income are related to the removal of those particular factors that initially determined Moldovans to leave for other countries.

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