

BUSINESS REVIEW

fighting for your business

A publication of the American Chamber of Commerce in Moldova

I-st Edition
2011

AmCham in dialogue with
H.E. György Varga, Ambassador,
Embassy of Hungary to the Republic of Moldova

Interview with Gregory Winstead,
Political-Economic Section Chief,
US Embassy

The impact of emigration
on Moldova's Economy



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WELCOME TO AMCHAM NEWEST MEMBER



MICROINVEST

MICROINVEST is a microfinance organization launched in April 2003 with the purpose to provide competitive financial solutions to small business (micro, small, medium (MSMEs) and cooperatives) and individuals in order to develop entrepreneurship, create new jobs and raise the life standard of citizens while providing satisfactory returns to shareholders. MICROINVEST provides loans to MSMEs as follows: Simplus – 70 000 lei; Start – 300 000 lei; Forte – 800 000 lei.

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Perfect Tour

Perfect Tour Chisinau is part of Perfect Tour Group, a Romanian Travel Management Company, one of the Top 3 travel companies in Romania.

Perfect Tour provides customized travel management services helping major companies with their travel management needs: measures cost saving performance, assists and monitors travel policy with local and international guidelines, negotiates corporate discounts, best possible availability and flexibility for companies' requests.

Perfect Tour provides complete travel services starting with airline and train tickets, accommodation worldwide, transfers, rent-a-car, team buildings, events and incentive programs. Our customers receive consistent and professional services wherever they travel.

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Total Leasing

ICS "Total Leasing" SA is an internationally based financing company established in Moldova in 2006. The company's shareholders are worldwide known financial institutions (25 % owned by FMO and 75 % by "EELF" BV), with a good reputation proven by the highly qualitative and diversified products and services offered for their customers. A partnership with ICS "Total Leasing" SA will ensure for all existing and potential clients stability proven by the solid presence of the shareholders, speed and professionalism in all transactions performed, all these correlated with a range of financing products for short and long term, which are individually approached and adapted to the needs of each client.

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in Moldova
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2010

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in Moldova
by Capital Strength
2010

Finance Central Europe
The Best Bank
in Moldova
2010

Trofeele anului 2010



Moldova Agroindbank
Puterea stă în noi

Two new Committees are launched!

We are excited to announce the launching of 2 new committees within AmCham:
Financial Services Committee and **Healthcare Committee**

AmCham Financial Services Committee held its first organizational meeting on December 28

Primary topics for discussions consisted in:

- Description of the way AmCham Committee works (including experience of other Committees). Analysis of the way how Committee on Financial Services may work (specifically for companies working in microfinance, leasing, consulting and banking industries)
- Companies' expectations and opinions on the development directions of the Committee
- Familiarization with Committee operational framework. Introduction of certain amendments if necessary
- Short brainstorming on activities for upcoming year

The meeting was attended by representatives of microfinance companies (i.e. *Corporatia de Finantare Rurala, Credit Rapid, Invest Credit, Microinvest, Prime Capital*), leasing companies (i.e. *BT Leasing, Express Leasing, Raiffeisen Leasing, Total Leasing*), banks and consulting companies.

First organizational meeting has lasted almost 2 hours, being attended by more than 15 participants. The meeting has been organized further to a series of group / separate discussions with leasing and microfinance organizations. Participants shared their expectations and mentioned certain aspects to be specifically targeted in the future (e.g. establishing fruitful dialogue with state authorities regulating financial services activities, clarifying VAT and other tax and accounting matters, etc.)

Beginning with the next meeting, Committee members will start elaboration of a list of strategic / conceptual matters for the upcoming year. These matters will be afterwards discussed with representatives of National Commission of Financial Market, National Bank of Moldova, Ministry of Finance and other authorities.



Healthcare Committee



AmCham Healthcare Committee has held its first organizational meeting where has been approved Committee Strategy and elected Committee Chair. We are pleased to inform that the Committee Founders are: *Elisei Gonța*, **GlaxoSmithKline** who was nominated as Chair of the Committee, *Elena Armașu*, **Bayer Healthcare**, and *Laura Taraban*, **Abbott Moldova**.

The mission of the Committee is to share and identify common interests and to serve as a forum for national healthcare issues, as well as to act as a representative body and unified voice of innovative, multinational pharmaceutical companies in the dialogue with policy and decision-makers for the development of a non-discriminatory, transparent, and investment friendly market for pharmaceuticals, medical equipment and healthcare services in Moldova.

Committee Principles:

- Fair competition- no anti-trust violations; no insider-trading
- Avoiding conflicts between corporate and private interests - no corruption
- Cooperating with authorities while defending our rights
- Compliance with the law of nations and international law
- Fairness and respect - no discrimination
- Protection of intellectual property rights
- Occupational, plant and products safety
- Protection of the environment
- Commitment to research

Long-term Objectives:

- Promote ethical & transparent behavior of pharmaceutical market players in accordance with Global good practice manner
- Promote further drug safety surveillance for the continuous benefit of the patients
- Continuously monitor the development of the healthcare market
- Enhance the exchange of information among committee members - the most important players of the market
- Establish an open and constructive dialogue with Moldovan policy makers to identify critical issues and to bring valuable recommendations to Moldovan healthcare legislation, certification regulations, customs code, and IPR protections.

For any additional information or more details on the Committee activity, please contact Mila Malairau at milamalairau@amcham.md.

Advocacy on the Go

AmCham works on review of the draft Law on misuse of unfair terms in contracts signed with consumers

The document was elaborated by the Ministry of Economy and comes to transpose European Directive 93/13/CEE as of 05.04.1993. Some of the AmCham members are interested in this specific subject and will participate in offering their recommendations. Should you be interested in joining this working group, please don't hesitate to contact us.

The new Law on copyright and related rights entered into force on January 1st, 2011. The Law was approved by the Parliament in July 2010, without proper prior consultations of the private entities - subjects of the Law. As a result, the Law contains some burdensome and unreasonable provisions, with a severe impact on several categories of business entities (importers of printers, scanners, copy machines, cable operators, etc), which, while transposed from European Directive did not take into account the present stage of economic and social development of the country. AmCham has raised its deepest concerns in front of the State Agency on Intellectual Property on all the negative consequences this Law may produce and is currently working on draft amendments to it.

AmCham works on review of Law on copyright and related rights

Everybody who is interested to join AmCham effort in this respect is highly encouraged to contact Mila Malairau at milamalairau@amcham.md or at 211 781.

AmCham met IMF delegation on February, 10

AmCham representatives had a meeting with IMF delegation in Moldova, in order to discuss current economic situation and business climate, tax and regulatory issues and other aspects related to entrepreneurial activity in Moldova.

The initiative to organize this meeting belongs to Tax & Legal Committee that found it important to know IMF position on many tax and legal matters. The meeting represented a session of consultations with private sector, where problems and solutions for improving the investment climate were examined.

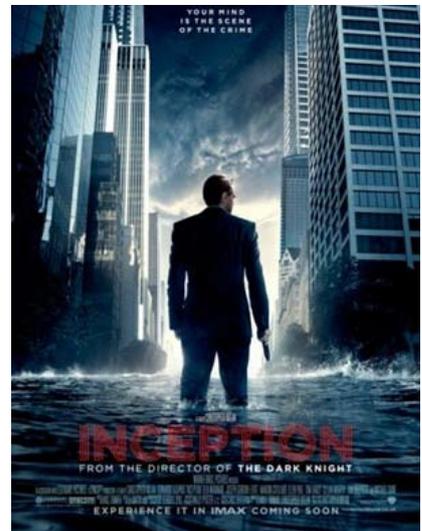
Some of the tax matters raised by AmCham are: VAT refund for Chisinau and Balti, reopening of tax inspections, reintroduction of corporate income tax, excessive fines for repetitive tax infringements, fines for currency non-repatriation, etc. Further to discussions held, it seems that no significant changes in tax rates will occur, however IMF will not support implementation of new tax incentives.

Considered all, representatives of the IMF delegation were open for dialogue and expressed their understanding of the topics raised.

English Language Movie Night

We are delighted to announce the launch of **AmCham Social Networking Project "English Language Movie Night"**. The project is designed for AmCham members and partners, as well as for the whole English speaking community in Moldova and aims to promote American values and culture, while bringing fun and excitement to everybody. Within the project, AmCham will be showing movies in original English version. **Movie Nights will be delivered on the second Tuesday of each month, at 19:00, no fee being charged for the entrance.** Information about the upcoming movies will be regularly posted on AmCham web-site.

This event was opened with the number one blockbuster movie of 2010 - «Inception». Almost 200 people were in attendance and enjoyed the entertainment and company of friends.



The partner of the initiative is Patria – Riscani Cinema located at the premises of Lukoil Entertainment Center on 7/5 Studentilor Str. The generous sponsor of the event is Sun Communications Company



AmCham in dialogue with Corina Pacuraru, General Director Perfect-Tour



Team

The Perfect Tour team is made up of highly skilled, professional and dedicated staff that is focused on delivering superior service to our clients. Our experienced professionals have a spectrum of specialist expertise, that means we've got your needs covered, whatever the size or complexity.

We have over 150 employees across 14 locations led by a strong management team. And we are continuously investing in our people: whether it is about periodically training for the sales team or different destinations that are visited by our people in info trips. By investing in our own people and products we can control the service delivery better and more importantly, we can provide the best services on the market.

Our team works tirelessly to help each client receive service tailored to their needs, gain added value from their travel program and to minimize the total costs of travel.

Global Presence (partners Worldwide)

Perfect Tour Chisinau is part of Perfect Tour group, one of the leading travel companies in Romania founded in 2004. Perfect Tour is also a Global Star partner for the Romanian market, a worldwide travel management company with presence in over 75 major markets and 3393 office locations. Through our partners we can provide services for our clients in all regions of the world: ASPAC, EMEA, GSNA, LA. As future investments and strategy, Perfect Tour is planning to open new locations in other markets.



Industry Leadership

Perfect Tour has risen to the challenge and sets the highest standards in the delivery of customer service. We innovate changes, whilst remaining true and loyal to our traditional service values, to make the whole process of travel safe, efficient and comfortable as possible for our customers. Perfect Tour ensures that its customers enjoy a level of service on a level far beyond industry standards. We strive to provide best value for money whilst maintaining the highest level of service and flexibility.

Travel often represents one of the most significant cost commitments for a company, regardless of its size or sector. At Perfect Tour we don't just book tickets: we work in partnership with the companies to understand their business needs, analyzing each request to offer the most appropriate, cost-effective options.

Some special things we didn't know about Perfect Tour

Perfect Tour has 2 divisions: 50% leisure business and 50% corporate travel business. We have over 150 000 individual clients and work with over 150 companies. We deliver customized services for some of the most important companies on the market and we have a number of qualities that differentiate us: we can service your business anywhere in the world; we have access to innumerable special fares around the world, ensuring you get the best fares every time. We lead the market with our technology and our investment in this key area, we provide 24h / 365 days services through our Helpdesk and Toll Free and we have one of the most efficient customers loyalty program.

We provide full travel services such as airline and train tickets, accommodation worldwide, transfers, private jets, rent-a-car. For our corporate clients we also provide travel management services, incentives programs through our Gift Card, teambuilding, events, meetings.

Special services with Perfect Tour



1. What new trends have you witnessed? What do you think is driving these changes?

Regarding to our corporate clients, we can say that most of the companies put an even greater emphasis on saving costs and also on delivering added value services and innovative solutions. Due to economical situation, companies have understood the importance of working with a travel management company that helps reducing costs and manages the companies travel needs more efficiently.

If we talk about our leisure clients, the new trend is to find the best deal. Our clients travel more than the last years, but the travelling pattern has changed. Clients look for Early Booking discounts, they plan in advance their holiday and generally, they search for promotional offers, last minutes.

One of the most important key is to plan in advance your holiday or your business trip. This helps you find the best rates and availabilities. Then, talk to a professional travel consultant who will recommend the best accommodation or flight and also will inform you about passport and visas requirements.

2. What are the keys in organizing a travel?

3. What are the biggest challenges of working in a travel company?

The biggest challenge is our strive to continuously satisfy our customers through: new products on the market, innovative technology for front and back office, customer loyalty programs and added value services. We must be innovative and deliver new programs and customer experiences, because our clients needs have changed. The needs of our customers can differ greatly. The service they require may be a traditional "one-stop shop", using an online booking tool, or a combination of both. Having identified areas that enhance service levels, deliver efficiencies and cost savings, Perfect Tour works closely with its customers to achieve agreed objectives.

This is a very wide subject. When it comes to destinations, we are the perfect consultant. We can say that at Perfect Tour you will find best offers for different types of holidays: cruises on Mediterranean Sea or Caribic, Pacific or Indian Ocean, or cruises around the world in 101 days. For those who prefer luxury holidays we recommend exotic destinations: Africa, Thailand, Mauritius, Maldives, Cuba or Lapland for Christmas time. You can choose from safari in Kenya, swimming with the dolphins in Cuba or diving in enchanted waters in Seychelles. You can stay in the heart of Serengeti Park, Tanzania and admire the African beauty directly from your balcony from Bilila Lodge Kapminski Hotel 5*.

For cultural tours we prefer Japan, China, Hong Kong, Jordan, Israel. If you want to be pampered, you should definitely stay in Plaza Hotel New York, a hotel with iPads in all rooms, or MSC Yacht Club where you will have your personal valet and spa. Among less visited destinations by our customers, but which we highly recommend are India- Goa, ski resorts in America, for example Aspen.

Most of our customers love city breaks in many European cities, and our offers are unbeatable: Prague from 170 euro for 3 nights and transport included, Budapest from 165 euro for 3 nights everything included, Rome, London, Amsterdam.

4. What are your favorite destinations?

What should a traveler not miss?

5. What is the best business advice someone gave you and the best advice you can give for doing business in Moldova?

Compared to Romania, doing business in Moldova is not fundamentally different. I would say the main differences are regarding mentalities and experience of the people and know how. So the best advice is to understand the mentality and to adapt the strategy according to the local patterns.

AmCham in dialogue with H.E. György Varga, Ambassador, Embassy of Hungary to the Republic of Moldova



1. Hungary holds the presidency of the Council of the European Union since January 2011. What are the Hungary's priorities for the presidency?

The priorities of the Hungarian presidency are partly predetermined by two factors: Hungary's membership of the Spanish-Belgian-Hungarian trio presidency and the global economic crisis.

The Presidency Programme is built on four main priorities. The first one is growth, jobs and social inclusion for promoting the European social model. The key elements of the enhanced economic co-ordination are the launching of the European semester, the strengthening of fiscal discipline and the creation of a macroeconomic surveillance mechanism. The adoption of the Single Market Act is of high importance too.

In 2011 our task is to start the implementation both at national and European levels of the Europe 2020 Strategy which is the common tool to boost employment, enhance competitiveness and social inclusion. In the framework of the European platform against poverty, the Hungarian Presidency will focus on child poverty and the social integration of the Roma population. Due attention will also be paid to the demographic trends and the social and family policy measures.

The second priority is: stronger Europe – building on the foundations and saving the future. The future of the EU will be defined by its most important common policies. The review of the CAP and the cohesion policy and the creation of a truly common energy policy have to be thoroughly discussed. The Hungarian Presidency plans to launch preparatory discussions of strategic importance in this context.

The creation of an efficient common energy policy is a new priority for the Union. The Hungarian Presidency plans to hold political discussion at an informal Energy Council dedicated to the preparation of a low-carbon energy roadmap for 2050. A special attention will be given to water policy: in the context of climate change, we intend to focus on the integrated and sustainable management of extreme water related events. The adoption and the implementation of the European Danube Region Strategy is also a priority. The third point is a Union close to its citizens. In this respect, we will continue to deliver concrete results of the cooperation in the field of justice and home affairs. The Hungarian Presidency supports the accession of Romania and Bulgaria to the Schengen area in the first semester of 2011 provided that they meet the necessary requirements. The preservation of the European cultural heritage is high on our agenda as well.

The enlarging responsibly and engaging globally is the fourth priority. The Hungarian Presidency will promote the continuation of the enlargement process. Europe has to remain open towards those countries that fulfil the criteria: are ready and willing to strengthen the rule of law, democracy and human rights, to adopt and implement the acquis.

The Hungarian Presidency will do its utmost to help Croatia meet the accession criteria and to close negotiations under its term. We also believe that the integration process of the Western Balkans has to be continued.

The renewal of the EU's neighbourhood policy is of utmost importance. Based on its geographical location, the Hungarian Presidency can bring added value to the EU's policy towards its Eastern neighbours. I would like to point out that Budapest will host the second Eastern Partnership Summit in May 2011 with a view to strengthening the relations between the Union and the six Eastern Partners.

In the case of Hungary a significant role was played by the Association Agreement signed in December 1991, which ensured further assets for the development of financial, legal and political co-operation. It is important to state that in the case of EU integration the level of preparedness and conformity of the candidate country has to be proved, and because of accession conditions, the whole of the national economy has to be brought into harmony with the structures of the Union. For Hungary this implied special and deep-rooted social and economic transformation measures, efforts and tasks.

Hungary submitted its application for EU membership on 1st April 1994. The direction and development strategies of national economic policy were defined in keeping with the objective of accession.

It is also important to prepare the society and economy to meet the membership requirements of the European Union, and to make the country actually ready for membership in the European Union. The EU accession is a long process in terms of time, and requires preparation, adjustments and efforts on both sides. This dynamic adaptation represents a special challenge not only in terms of its political and economic -financial impact but also in its human aspects.

2. What are the lessons that Moldova has to learn from Hungary regarding the accession to the EU?

3. In your opinion what are the greatest challenges Moldova is facing in the process of joining EU?

I believe there are two challenges: visa liberalization and the Free Trade Agreement. The dynamics of the full visa liberalization depends on how rapidly Moldova fulfills its tasks in this respect. On 12 January 2010 in Chisinau, the European Union and Moldova launched officially negotiations on a new Association Agreement. Today the process is in development and we cannot estimate the time of signing because it depends on Moldova. There are almost 30 fields in which negotiations are being held and talks ended on about 22 fields as the negotiators achieved very good results. The Association Agreement requirements will help Moldova to develop; implementing it Moldova's economy will be more attractive for foreigners. It will be a very good background to invest. Also the political stability is a must, the permanent elections show an instable environment and the investors are waiting for a stable Moldova. The advantage of Moldova comparatively with other European countries is its small size and population. With relatively small financial support and political assistance, Moldova can get earlier achievements than a country ten times bigger will.

It is a very comprehensive issue. The EU deciding on a full visa free regime takes into account a lot of things: the political situation in the country, the level of democracy, etc. There are political and legislative criteria. Moldovan state agencies should be prepared for the European acquis. There are a lot of requirements like biometric passports, fighting with corruption, personal data protection, safety at the borders, etc. We also hope that together with the implementation of the Action Plan, Moldova with the assistance of the EU and other international actors can reach a new level of negotiations on the Transnistrian conflict resolution. It is possible that the visa liberalization regime will make Moldova attractive for the Transnistrian population. At the given moment we can help Moldovans to travel abroad only by providing assistance and making the process of lodging a visa application easier. That was the purpose of creation of the Common Application Center that today issues visas on the behalf of 14 Schengen countries and Croatia. The center receives more than 20.000 applications per year.

4. There are many discussions on visa liberalization for Moldovan citizens. Do you think it may become a reality soon?

5. You are living in Moldova for several years. What are the values of Moldovan people you appreciate the most?

In my opinion Moldovans are similar to Hungarians in many respects. They are hospitable, hard-working. The level of education is also high. It is interesting that practically every Moldovan knows 2-3 languages that he/she can easily use. Moldovans also try to preserve the family and national traditions which is certainly positive.

My thanks to H.E. György Varga for taking the time out of its busy schedule to be interviewed by Business Review.

Interview with Gregory Winstead

Political-Economic Section Chief, US Embassy

1. How would you describe the current business environment in Moldova?

The United States believes in the potential of Moldova's economy to bring the benefits of prosperity to its citizens. A business-friendly environment is vital for economic growth and we believe that the current government is making substantial efforts to improve it. The U.S. has also made substantial efforts to help Moldova improve its business and investment climate, in order to make it easier for individuals and firms to conduct their business. As you know, the Millennium Challenge Corporation Compact program will provide \$262 million to Moldova to revitalize Moldova's transportation infrastructure and to assist in the transition to high value agricultural products through irrigation sector modernization. We hope that the result will be more domestic and foreign investment. In addition, we are working to develop the potential of several key economic sectors including: agriculture, wine, textiles, and IT.

It is an important time now for Moldova to consolidate its path towards a European future, a future that provides prospects for greater economic growth and prosperity. We look forward to seeing Moldova's political leadership work together in the best interests of the people of Moldova. The U.S. will continue working with the citizens of Moldova and their political leaders on expanding democratic and economic reforms.

2. How would you assess the political situation in Moldova after elections?

3. In your opinion, which would be the area or sectors Moldova should make essential changes?

There remain deep-rooted problems of corruption, lack of transparency, and insufficient rule of law that must be resolved before Moldova's economy and democracy can truly stand on their own. But the U.S. believes that the political and societal will is there, and that progress will be made toward a successful resolution of these problems.

It is very important for Moldova's government to continue to implement significant economic reforms. It appears that many of the reform initiatives undertaken last year have directly contributed to Moldova's GDP growth in 2010. As Moldova's economy continues to grow and develop, it is vital that the Moldovan government continue to remove existing barriers that make it difficult to attract new businesses and investment to Moldova. A renewed commitment to making Moldova a friendlier place to do business should be a priority for the Moldovan government and the U.S. is committed to providing the necessary assistance to help make this happen.

4. Which are, in your opinion, the most important principles that should govern Moldovan economy?

5. Can we expect progress on the Transnistrian issues in the next years?

The Transnistrian situation is an issue that affects Moldova's economic and democratic development. The U.S. fully supports finding a peaceful solution to the Transnistrian issue through talks brokered by the Organization for Security and Cooperation in Europe in the 5+2 format. The continued efforts of the confidence-building working groups assist in achieving progress towards a solution. But more still needs to be done. We hope that recent informal 5+2 talks will lead to the resumption of formal 5+2 talks. The United States seeks a peaceful outcome that respects Moldova's sovereignty, territorial integrity and independence – a stance that we believe all members of the international community share.

The Impact of Emigration on Moldova's Economy



John Buchwalder and Martin Wyss
International Organization for
Migration (IOM/OIM)

Since the collapse of the Soviet Union in 1990 and after the Russian financial crisis in 1998, out-migration from Moldova has been increasing gradually. Although the way how emigrants are counted is still disputed, a rough estimate indicates that the number grew from fewer than 100,000 in 1999 to more than 356,000 by the end of 2009.

But these are just figures and do not mean much unless one studies a specific sector – such as the Health Sector - individually and unless one takes the ongoing demographic collapse of Moldova generally with all its possible consequences into consideration.

The impact of emigration on Moldova's development is both economic and social. Emigration has created significant financial and social benefits through migrant remittances, but as widely acknowledged it has also had negative impacts on families – in particular by disrupting the “family life” of Moldovans.

Remittances in Moldova have been an important – maybe the most important factor for economic growth since 2000, fuelling a strong and persistent increase in household consumption. These monetary transfers made by Moldovan emigrants out of solidarity to their families are much underappreciated gestures of sacrifice for the Moldovan loved-ones at home. They reached a peak of 1.8 billion USD in 2008; compared with the official GDP, this amounted to more than 30 per cent of the same. Such a high level of remittance income has a number of effects. In 2009, remittances on average constituted 17 per cent of the household income, spent mainly for consumption such as clothing and food along with investments in education, health and housing. But if we look at the 30% of the households receiving remittances then the amount of the household budget support by money from abroad averages 40%.

By boosting domestic consumption, remittances have contributed significantly to decreasing poverty and fuelling economic growth. However, they have also led to an increase of imports thus worsening Moldova's trade balance deficit which some believe has adversely affected productivity in industry and agriculture. Another effect of remittances has been to stimulate inflation which further suggests that Moldova's economic growth has been highly dependent on external factors. But what would have been the alternative?

What impact had remittances on economic development?

What impact had remittances on entrepreneurship?

Looking at the connection between migration, entrepreneurship and remittances, we can say that remittances have boosted saving levels in Moldova. But what happens to these savings? Are there enough safe investment opportunities? It is no exaggeration to claim that the safest investment choice for many average Moldovans has been emigration. It produces the highest and safest returns and in certain cases it guarantees better life chances for the emigrants and their family in the future. We do not say this lightly, but the known facts have to be analyzed and interpreted. Many Moldovan emigrants have made attempts to invest in the past and a big part of them failed for a variety of reasons. Moldova is a difficult environment both in terms of market and additional risks. Often emigrants are criticized for not investing enough into “productive ventures” given that they have significant savings, but it is easy to tell somebody to invest if one doesn't having the experience of having invested oneself....

It is time that Moldovan emigrants are offered safe investment opportunities and help – such as tax breaks, so that they have good reasons to invest and to come back. One of the most interesting experiments in this regard is the PARE 1+1 which consists in matching the migrant's savings – up to 12'500 euros - with an equal amount offered by the State. IOM plans to highlight such forward looking initiatives in order to multiply the opportunities and assist in restoring faith in the economic environment.

What impact had migration on social development?

Now turning to the effect of migration on social development, a very common discourse in Moldova is that emigration has led to a massive loss of human capital, and sometimes to a breakdown of family life, including abandonment of children as their parents emigrate to work abroad. Emigration also contributed to an “emigration culture” amongst the young, which is and will be a huge handicap for the national economy. Emigration from Moldova doesn’t just happen due to uncompetitive wages, poor employment prospects and bad working conditions at home, but also because of a weak personnel management and training culture. We predict massive problems on the labour market which will have to be addressed for the economy to live up to its full potential. According to one scenario, Moldova will have to import specialists and construction workers – it will have to open its doors to support and fuel an economy where consumption and demand may weaken very fast simply due to a lack of clients, customers, people.

This is a very big question indeed: the short answer is that migration needs to become a two-way street, as so far it is just limited to e-migration. As a result Moldova’s economy, the country as a whole may continue to weaken and shrink. Emigration has to be coupled with immigration of other nationals along with the return of Moldovans.

Every economy needs people as producers, as investors, as consumers, as academics, workers, etc. In cases where e-migration cannot be reversed into return-immigration, we have to do all in our possibilities to remember our compatriots so that they remember us at home so that they are at least not lost as guests, and maybe future investors.

Remittances are not forever, the steep curves typical for the early emigration years tend to flatten after a while – links to relatives fade away, while others may die, and those Moldovans abroad may become ex-Moldovans and invest their savings in the new host country instead of investing it in their country of birth. This is natural and this is how the USA was built, so we do not imply criticism, but we remind all living in Moldova of the losses we already faced and which we may still have to face for the economy and the country as a whole.

It is time to reckon with the facts. Procrastination vis-à-vis the continued loss of our skills and brains will come at a huge price: our population may continue to shrink and so we’ll shrink as a nation, our villages may become empty and our prosperity will depend on the benevolence of others. Moldova stands at a crossroad. At a moment in which Moldova has more friends in Europe than ever in its history before, it is the best moment to start the walk towards a truly open economy – towards full integration with the quickly globalizing world around us – and to become a real alternative for investors in this part of Europe.

What could be done to optimize the impact of migration on development?

The shortlisted projects for ERSTE Foundation Award for Social Integration 2011



BCR Chisinau, member of Erste Group represents one of the most important providers of financial services from Central and Eastern Europe. Erste Foundation is the main shareholder of Erste Group bank and represents the successor “Erste oesterreichische Spar-Casse” that is the first Austrian savings bank. The Foundation has two missions: ensures the future of Erste Group, as an independent company, and reinvest profit in activities for the public good.

The competition for the ERSTE Foundation Award for Social Integration 2011 was fiercer than ever, with 12 countries competing and with over 1850 projects submitted during the three and a half months of the call. Very tough and thorough process of evaluation by 24 members of the Screening Committee resulted into 133 finalists from all 12 countries (Bosnia and Herzegovina, Croatia, Czech Republic, Hungary, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovak Republic and Slovenia).

Below is the numbers of shortlisted projects per country*:

- Bosnia and Herzegovina: 7 organisation
- Croatia: 12 organisations
- Czech Republic: 25 organisations
- Hungary: 20 organisations
- Kosovo: 5 organisations
- Macedonia: 7 organisations
- Moldova: 8 organisations
- Montenegro: 4 organisations
- Romania: 20 organisations
- Serbia: 10 organisations
- Slovak Republic: 9 organisations
- Slovenia: 6 organisations

“The selection process is always difficult for us, as we receive so many good projects dealing with social integration topics. In times of crisis, non-profit organisations had to reinvent themselves, to find alternative ways of financing, all in order to be able to continue helping and integrating those on the margins of societies. In these hard times, organizations have to be innovative and with different, creative approach to the same issues, in order to achieve their goals”, Dejan Petrovic, Project Manager of the ERSTE Foundation Award for Social Integration.

A team of ERSTE Foundation experts will travel during 15 March – 30 April through the 12 countries, visiting the shortlisted projects for the further evaluation of the finalist projects. With the addition of the field findings, all 133 projects will be presented to an international Jury that will select the 30 winners that will be awarded during a Ceremony to take place in Prague, on 20 June 2011.

The 30 winners will share 610.000 EUR money prizes, while all shortlisted organisations will also receive benefits such as: media relations support provided by professional PR consultants, financed by ERSTE Foundation for a 2-year period, participation in capacity building workshops (on topics such as: developing social businesses as an alternative way of financing, building media relations capabilities, acquiring social media skills), presence on the ERSTE Foundation’s Social Integration Network website: www.social-integration.org/network.

For more details about the ERSTE Foundation Award for Social Integration, please follow this link: www.integrationaward.org.

How to clean Moldova (a country) in one day?



The IDEA:

It happened in the tiny country of Estonia in the autumn of 2007. The idea was born in a conversation between few friends who realized that the roots of the massive illegal dumping habit, lie in the lack of responsibility on every level. There and then the “one day, one country” concept was born. Instead of dividing the efforts over an extended period of time, it was time to act now and together! Co-operation throughout the whole society - involving the state, NGO-s, private enterprises and vast number of active citizens, united the nation and on 3rd of May 2008 more than 50 000 people and hundreds of organizations together cleaned more than 10 000 tons of illegal garbage from the territory of Estonia. From there, neighboring countries Latvia and Lithuania decided to join in and since then, more and more brave and inspired people from different countries have decided to make it happen for themselves and their people. The ecological fever reached Moldova in October of 2010 when a group of people organized a modest meeting in the city hall, to put the foundation of what we know today as the “Hai, Moldova!” project.

The MISSION:

It’s really not only about cleaning thousands of tons of garbage from forests, parks and illegal dumpsites. That’s only the first stage. What’s more important is the hope we give to people, that once we are united into that kind of action the vibe would spread and the hope will arise. Hope that government and industries will follow and contribute to a healthier environment.



The FACTS:

It is contagious! We have enlisted more than two hundred dedicated volunteers and thousands of people already joined our movement. The government supports the project and the number of companies and private businesses partnering with the project is continuously rising. Thanks to innovative solutions like the Digital Map, published on our website, offered by one of our main partners and with help from our volunteers, we are steps away from having our country’s first digital waste map. Country clean up – we have the model which works, which is simple and does not cost much. It has a great educational value and creates bonds between people. A project worth millions of euro and years of government’s effort to implement, is being done in a day, with an estimated value of 300 000 euro.

What can YOU do?

Social and ecological issues have a history of long talks and disputes in our country. We prefer not to talk a lot and just do it! The number of people and organizations involved will depend directly on everyone’s actions. Bring in new technologies, bring in the new level of co-operation, and make it happen - inviting the people you know, private enterprises or NGO-s to work together for the same positive goal - a clean Moldova. 12 countries did it! On 16th of April let’s prove that we can do it, that we deserve a clean Moldova, for its citizens and visitors.

In CONCLUSION:

The story continues, it is happening here and now, the question is: what will be your part in the movement?

Valeriu Istrati, volunteer

december	january	february	march	16th april 2011
the idea – gathers a team	first press conference – the idea is launched to the public thru all press channels, followed by a reception between litter, offered by partners in a Convention Center in Chisinau	mapping – country’s first digital, interactive waste map	the biggest awareness campaign ever done in Moldova	CLEANING DAY – the day hundred thousand citizens and visitors will engage in the country’s biggest ecological movement of all times

For more information visit our website www.hai.md or www.letsdoitworld.org, write us an e-mail at info@hai.md, call us at 022 837 225 or 060 111 229 or visit us on Mesager 11 str., Chisinau, Moldova.

Moldova as Investment Destination

The Republic of Moldova is a country where Summa operates both as general contractor and investor. This remarkable country holds a special importance due to its favorable investment climate, which attracts high interest of the company in construction and investment.

In Moldova Summa constructed a chain of supermarkets and was awarded the construction of the International Airport Terminal of Chisinau, a project financed by European Bank for Reconstruction and Development. Following the opening of the four-star Leograd Hotel in 2002, Summa completed the prestigious "Crown Plaza" Residential Building project.

MallDova Shopping Mall is the first large format retail and entertainment commercial center in Moldova and one of the most attractive buildings and landmarks in Chisinau. This commercial and entertainment center was opened in November 2008 following an investment of 50 million Euros.

Medpark International Hospital is the biggest private hospital in the Republic of Moldova, founded by foreign investors from the United States and Turkey. The 6-floor modern building includes polyclinic, ambulance service, emergency unit, in-patient department, maternity and pharmacy. It offers a wide range of medical services in specialized departments, including the maternity unit, the surgical unit and a room for angioplasty, integrated with two resuscitation departments and intensive therapy.

Exports of goods in December 2010 registered a value of 186,9 mio. US dollars, which is with 8,8% less than in the previous month and with 45,5% more than in December 2009. In 2010 exports summed up 1582,1 mio. USD, more than in 2009 with 22,9%. Imports of goods in December 2010 registered a value of 439,9 mio. US dollars, which is with 8,5% more than in the previous month and with 21,6% than in December 2009. In 2010 imports summed up 3855,3 mio. USD, more than in 2009 with 17,6%.

External trade activity of the Republic of Moldova in 2010

Investments in fixed capital in the Republic of Moldova in January-December 2010

In January-December 2010 enterprises and organizations of all forms of ownerships carried out investments in fixed capital to the amount of 12927,4 mio. lei (current prices) from all financing sources. As compared to January-December 2009 this volume increased with 16,7% (comparable prices).

Producer prices for agricultural products in 2010 compared with 2009 increased with 42,9%. Average selling prices for plant products increased with 57,8%, for animal products - with 4,7%.

The evolution of sale prices of agricultural products by agricultural enterprises of the Republic of Moldova in 2010

Evolution of consumer prices in the Republic of Moldova in January 2011

In January 2011 compared to December 2010 the consumer price index (CPI) registered 101,1%, and 106,7% compared to January 2010 (in January 2010 compared to December 2009 CPI registered 102,4% and 102,8% compared to January 2009).

In the IV-th quarter 2010 the economically active population (employed population and unemployed persons) of the Republic of Moldova was 1153,3 thousand persons, less with 42,2 thou. persons compared to the IV-th quarter 2009. Disparities in the number of active persons between women (49,9%) and men (50,1%) have not been registered, the number being almost equal. Employed persons constituted 1067,3 thou. persons, with 54,3 thou. persons less than in the IV-th quarter 2009. Number of unemployed persons, estimated according to the International Labor Office was more than 86 thou., almost unchanged compared to the III-rd quarter 2009 and with 12,1 thou. more than in the IV-th quarter 2010.

Labour force in the Republic of Moldova: employment and unemployment in the IV-th quarter 2010

Money alone won't make Europe innovative

“**Innovation**” is one of the buzzwords of the moment. That makes sense: Post-recession economies need a kick-start, and bright new ideas in science and technology could give them just that. Indeed, compared to labor or monetary policy, innovation's role as an economic driver is probably underappreciated.

But if we think of innovation as just a buzzword, nothing much will change. Simply setting targets for increased research and development (R&D) spending won't achieve results unless they're accompanied by deep structural changes in our economies.

Take the European Union, which lags behind the United States in R&D and is in danger of being overtaken by countries like China, India and Brazil. The EU has set a target of increasing R&D investment to 3% of GDP, and has devised its own innovation strategy, **Innovation Union**. But if Europe is to achieve its innovation goals it will need to take action in areas that people may not typically associate with R&D – the financial sector, labour markets, competition policy and so on.

For example, Europe will need to ensure high-risk capital is available to entrepreneurs. And – if it's to engage significant numbers of scientists and engineers to do all that R&D – it will need to think about its approach to education, training and even migration policy. It will also need to go further achieve a real internal market: The competitive forces that would come with that would strengthen the innovation performance of all EU countries. The size of its internal market – more than 300 million people – is one factor in the US's strong track record in innovation. Another is the fact that much of its research is geographically concentrated. EU countries do, in fact, produce lots of good research, but too much of it is fragmented.



By contrast, in the US, seven states account for nearly half of all R&D performed: California alone conducts 21% of the national total, or about \$77 billion (€57 billion) – more than Germany and about twice as much as the United Kingdom. As a consequence, innovators with good ideas frequently leave Europe for the US where they can perfect their ideas, translate them into innovations and launch their products into that huge, single US market.

Europe already has most of the right elements of a successful innovation system that will drive growth, but these need to be joined-up across the Union. This means accepting that in the short-term some parts of Europe will advance faster as hubs of innovation than others. There may also need to be a greater focus on joint research, which could create economies of scale and scope. Changes such as this need to come quickly – Europe cannot afford to waste any more time. Source: OECD Insights



Top 10 largest economies in 2020

By 2020 there will be a major shift in the global balance of economic power compared to 2010. Euromonitor International assesses the shift and its implications.

Emerging economies will rise in importance and China will have overtaken the USA to lead the list of the world's top ten largest economies by GDP measured in PPP terms. Although in terms of major appliances the average unit price in China is forecast to grow to US\$250, however this is still 250% less than the forecast for the USA. Volume and value gains will be sought through both emerging markets and developed markets over the long term, although it is clear over the medium term value is still going to be driven in developed North American and Western European markets.

Consumer markets, including appliances and electronics, in emerging economies will present enormous opportunities but their rapid growth also poses a challenge to the global environment.

Key points

- The top ten largest economies in 2010 in terms of total GDP measured at purchasing power parity (PPP) are the USA, China, Japan, India, Germany, Russia, the United Kingdom (UK), France, Brazil and Italy. PPP is a method of measuring the relative purchasing power of different countries' currencies over the same types of goods and services, thus allowing a more accurate comparison of living standards;
- Six out of the ten biggest economies in 2010 are advanced countries. With GDP measured at PPP terms accounting for 20.2% of the world total, the USA is the world's largest economy in 2010;
- In 2010, China ranks as the second largest economy in the world, with GDP making up 13.3% of the world total in PPP terms. Other emerging economies in the top ten biggest economies in 2010 are India, Russia and Brazil. Emerging countries have fared better than advanced economies overall during the global economic recession;
- By 2020, there will be major shifts in the world economic order in which emerging economies will become more important. China will overtake the USA to become the largest world economy in 2017 and there will be more emerging economies in the top ten economies by 2020 and beyond;
- The rise in importance of emerging economies will have implications for global consumption, investment and the environment. Large consumer markets in emerging economies will present enormous opportunities for businesses. However, income per capita will remain higher in the advanced world.

Top 10 largest economies by GDP in PPP terms: 2010 and 2020

Rank	Country - 2010	GDP (U\$ million)	Country - 2020	GDP (U\$ million)
1	USA	14,802,081	China	28,124,970
2	China	9,711,244	USA	22,644,910
3	Japan	4,267,492	India	10,225,943
4	India	3,912,911	Japan	6,196,979
5	Germany	2,861,117	Russia	4,326,987
6	Russia	2,221,755	Germany	3,981,033
7	United Kingdom	2,183,277	Brazil	3,868,813
8	France	2,154,399	United Kingdom	3,360,442
9	Brazil	2,138,888	France	3,214,921
10	Italy	1,767,120	Mexico	2,838,722

Euromonitor International from IMF, International Financial Statistics and World Economic Outlook/UN/national statistics

Advanced economies are slowing down

Since the 1990s, advanced economies have experienced much slower growth compared to the developing world due to the rapid rise of emerging economies including China and India. The declining trend of advanced economies has been accelerated by the global financial crisis in 2008-2009:

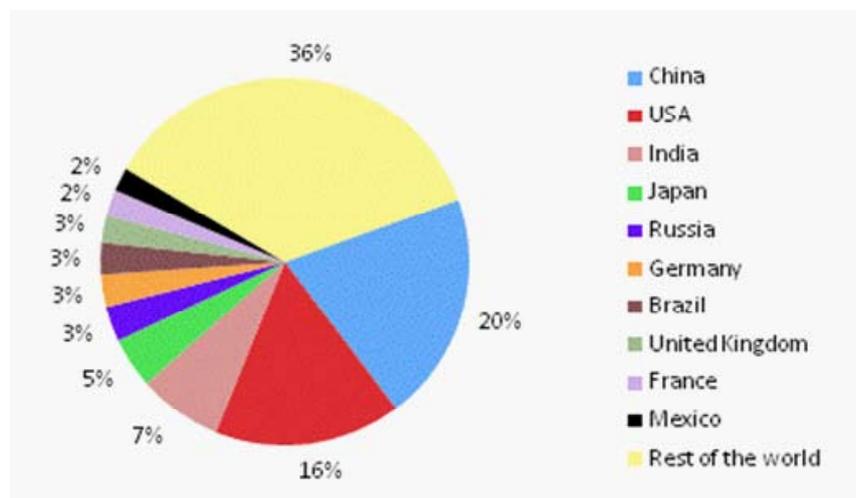
- The USA is the world's largest economy. However, its share in world GDP in PPP terms has declined from 23.7% in 2000 to 20.2% in 2010 due to faster growth of emerging economies as well as the severe impact of the financial crisis in 2008-2009. Real GDP contracted by 2.4% in the USA in 2009. The economy has recovered since early 2010 owing to stimulus measures;
- Japan's economy recovered slightly in the mid-2000s after a prolonged period of stagnation due to inefficient investments and the burst of asset price bubbles. The country has been hit hard by the global economic downturn since 2008 as a result of its over dependence on trade and prolonged deflation. Population ageing has also accelerated Japan's economic slowdown. In 2009, annual real GDP shrank by 5.2%;
- In 2010, the European Union (EU) economies account for 20.6% of world GDP measured at PPP terms, down from 25.1% in 2000. Population ageing and rising unemployment have contributed to their slowdown;
- The IMF forecasts that annual real GDP growth of advanced economies will reach 2.3% in 2010 and 2.4% in 2011 after a contraction of 3.2% in 2009. This is much slower than the 8.7% expected in emerging Asian economies for both 2010 and 2011, which are driving the global economic recovery. Many advanced economies will also face the challenge of reducing public debts and government budget deficits, which will weigh on economic growth potential into the medium term.

Emerging economies are catching up with the advanced world. By 2020, there will be changes in the global balance of economic power:

- China's share in world total GDP in PPP terms has increased from 7.1% in 2000 to 13.3% in 2010. By 2020, it will reach 20.7%. China will overtake the USA to become the world's largest economy as early as 2017;
- India is the fourth largest economy in 2010. By 2012, it will have overtaken Japan to become the world's third largest economy, with GDP accounting for 5.8% of the world total in PPP terms. In the long term, India could grow even faster than China due to its younger and faster growing population;
- By 2020, Russia will rank higher than Germany in the top ten economies in terms of GDP measured at PPP terms and become the fifth largest economy. Brazil, on the other hand, will have overtaken both the UK and France to become the seventh largest economy in 2020. Being amongst the world's major exporters of energy and natural resources, Russian and Brazilian growth potential is promising although Russia's lack of economic diversification may cause problems in the longer term;
- By 2020, Mexico will have overtaken Italy to be the world's 10th largest economy by GDP measured at PPP terms. A growing population and proximity to the USA aid the country's economic development;
- With five emerging countries in the list of top ten largest economies, global power will become more balanced by 2020.

Emerging countries are catching up and will overtake

Top 10 largest economies as a percentage of the world total GDP in PPP terms: 2020



Source: Euromonitor International from IMF, International Financial Statistics and World Economic Outlook/UN/national statistics.

Implications of economic shift towards emerging economies

- With a huge population and rising household incomes, the consumer goods and service markets in emerging economies will provide enormous opportunities for businesses. In 2010, the total population of BRIC countries stood at 2,856 million people, compared to 737 million people in the G7;
- Opportunities in emerging consumer markets will include luxury goods as more people will be able afford them and the middle class continue to expand. In China, the number of households with an annual disposable income above US\$10,000 (in nominal terms) will almost quadruple from 57.1 million in 2010 to 222 million households by 2020;
- Younger consumers will become more important. Despite population ageing in several emerging countries including China, the population in emerging markets is generally younger than in advanced economies. In 2010, the share of population aged less than 25 years old to total population is 39.9% in BRIC countries, compared to 27.6% in the EU. Young consumers represent potential in making large purchases such as cars, houses and household appliances. However, in absolute terms, China and India will continue to have the largest populations aged 65+ in the world in 2020;
- Foreign investment will continue flowing into emerging countries. Yet foreign investors will still face heavy regulations and corruption. Brazil, for example, ranked 129th out of 183 countries in the World Bank's 2010 Ease of Doing Business report due to cumbersome business procedures;
- Emerging countries will also become more important foreign investors, thus enhancing their influence in the global economy. Since the early 2000s, China and India have become major foreign investors in Africa. By accelerating "south-south" investments (investments to other emerging markets), emerging markets are also raising their stakes in terms of Research and Development (R&D);
- The rise in economic importance of emerging countries will lead to a rise in their global political influence. China, for example, has since 2010 become the third largest shareholder in the World Bank;
- The rapid growth of emerging countries, however, may accelerate global warming. China, India and Russia are among the world's biggest polluters. In 2009, Russia's carbon emissions per US\$1.0 of output stood at 1,383 grams, compared to 151 grams in France;
- Since early 2010, the risk of overheating economies has been rising in emerging economies as a result of strong capital inflows and rising property prices. This may lead to inflationary pressures and raise the risk of the formation of asset price bubbles;
- The rapid growth of emerging economies may also lead to rising social unrest due to the unequal distribution of wealth.

- Many emerging economies will resume a high rate of growth from 2010 as the world recovers from the global recession. China, for example, will experience an average annual real GDP growth rate of 9.5% during 2010-2020;
- Compared to 2010, global economic power will be more balanced between developed and developing economies by 2020 with China, USA and India the three largest economies in the world in PPP terms. Euromonitor International forecasts China's GDP to be \$28,125 billion in PPP terms in 2020, accounting for 20.7% of the global total;
- On a per capita basis, however, advanced economies' GDP and spending power will continue to rank above emerging economies. In 2020, annual disposable income per capita is forecast at US\$5,807 in BRIC countries, well below US\$31,050 in the eurozone in US\$ terms;
- Apart from boosting per capita income, the challenge for emerging countries is to improve social security and environmental protection in order to achieve a living standard comparable to that in advanced countries, as well as increasing consumer demand and spending in order to balance global consumption.

Prospects