

Annual Report

Economic Council to the Prime Minister

2018



+373 22 250 373

www.consecon.gov.md

consecon@gov.md

We are grateful for the individuals and organizations whose understanding and support make our work possible.



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Message of the Prime Minister of the Republic of Moldova

„I find it extremely satisfying to hear today from the representatives of business community that problems they face every day in their work are heard in the Government.,,

The Economic Council is one of the most effective platforms through which Government interacts with representatives of business community, both domestic and foreign. I am certain of this, since during the last two and a half years with the support and expertise of members of the Economic Council we have been able to develop and implement many reforms that were long-awaited by business. During the time when I had the honor to be chairman of this structure, together with business associations, we showed minimal tolerance towards bureaucracy and unjustified regulation that burdened the development of business environment in the Republic of Moldova.

Along with the business community, we have been the promoters of unprecedented changes in the way we communicate and why not, changes in the attitude in terms of the relationship between state

institutions and business community. Perhaps for the first time, since independence, having the CSOs as an ally, the Government, has more easily promoted ideas and principles that are characteristic of a market economy in which the strengthening of a favorable business environment is the most important thing.

I find it extremely satisfying to hear today from the representatives of business community that problems they face every day in their work are heard in the Government. The most sensitive issues are now discussed - issues that business people previously tried to solve in the most unlikely ways.

The Economic Council, today, is not just a platform through which the voice of business is well heard, but also a tool that has made the Government decision-making process transparent, a facility that involved

the business community in this process. With the expertise and support of business associations, 264 permissive documents have been curtailed and business savings of over USD 12 million have been generated annually, work permits procedures for foreign investors have been facilitated, generating annual savings of over 21 million lei.

Citizens from 100 countries of the world can travel to Moldova without visas, thus creating major opportunities for business development in our country, attracting investments, etc.

But as reforms do not happen overnight, no results are achieved overnight either. Not all state institutions have had enough capabilities to keep up with our visions. But with the support of the Council's experts, the capacity was replenished. Both the

Secretariat of the Economic Council and its members monitor the implementation of a series of reforms that will have a major positive impact in the near future.

Many of these would have been difficult to achieve without the support that the Economic Council enjoys from our development partners - the European Bank for Reconstruction and Development, the UK Government's Good Governance Fund and the Investment Climate Reform of International Finance Corporation of the World Bank Group, financed by Sweden.

I want to reiterate the importance of this support for reforms promoted by the Republic of Moldova, the ultimate goal of which is to increase welfare of citizens.

Pavel Filip

Donors Message



Angela Sax, Head of the European Bank for Reconstruction and Development office in Moldova

Moldova’s work on improving its business environment needs to continue. The Economic Council is providing a well suited platform for public - private engagement, where the needs and impact of various initiatives are discussed through consistent dialogue. In 2018 many welcome improvements were made but some concerns were also noted. Following the recent progress in the banking sector, the authorities should build on the reform momentum and the private sector should continue to actively engage and provide views on the policy-making process. A sound communication -including through the Economic Council – will help make the investment climate more predictable.



Lucy Joyce, Ambassador of the United Kingdom of Great Britain and Northern Ireland to the Republic of Moldova

Anna Lyberg, Ambassador of the Kingdom of Sweden to the Republic of Moldova

Joint Declaration of the Embassy of the United Kingdom of Great Britain to the Republic of Moldova and the Embassy of Sweden in the Republic of Moldova

The Secretariat of the Economic Council has proven itself to be a successful conduit between the government and the business community for several years, leading to enhanced private sector development and an improved regulatory environment in the Republic of Moldova.

Sweden and the UK supports the Economic Council as part of our commitment to Moldovan producers and enterprises to fully benefit from the trade opportunities and integration with the European market that was created through the Deep and Comprehensive Free Trade Agreement (DCFTA) with the European Union. The DCFTA has led to new opportunities for investments, fostered economic growth and new job opportunities for many people in the Republic of Moldova.

It is our sincere hope that after the parliamentary elections, the new elected government will continue the commitment by the present Prime Minister, by engaging fully and energetically with the Economic Council. This would enable the Economic Council to continue to play an active role in the country’s economic development, but also contribute to the country’s democratic processes, as the Economic Council provides an important forum for the state and its citizens to come together in a spirit of partnership and open dialogue.

The International Finance Corporation, World Bank Group

The quality of business environment is one of the key factors considered by investors in their decisions to invest. Oftentimes entire sectors of the economy are hold back in their development by disproportional regulations or by implementation gaps.

For the country to progress, there must be an efficient dialogue between investors of all sizes and the Government, helping identify and unlock such bottlenecks.

It is oftentimes investors who not only point to the problem but can suggest the most effective way for the country to proceed with changes, benefiting both business and society and providing efficiency gains for regulators. We are glad that such dialogue exists in Moldova and the Economic Council has grown into a reputable and popular platform respected by both the Government counterparts and by the private sector.

Acknowledging its achievements, International Finance Corporation supports the Council with knowledge and expertise accumulated in private sector development worldwide. It is important that the Council remains equidistant in the dialogue and continues to facilitate solutions enabling private sector investments. We are confident of the benefits it can bring for the country development in the coming years.



Galina Cicanci, Senior Private Sector Specialist, International Finance Corporation, World Bank Group

Role of the Secretariat in the Economic Council



Roman Laduș economic expert
Diana Levenco economic expert
Sveatoslav Cazac legal expert



Mihaela Iachimovici legal expert
Marina Cojocaru communication expert
Tatiana Pascal administrative assistant

The Secretariat of the Economic Council is the Council's executive.

It currently consists of 7 experts. 3 economists - Roman Laduș, Diana Levenco and myself, Ion Lupan, two lawyers – Sveatoslav Cazac and Mihaela Iachimovici, a communication expert – Marina Cojocaru and an administrative assistant – Tatiana Pascal.

[The purpose of establishing the Economic Council Secretariat

Looking into the past, we will see that the Council was established in 1994. It has always been a tool of the Government, through which the business community could communicate the issues it faces.

But this Council has only become efficient after receiving assistance from international donors in 2014 to strengthen its capacity.



Ion Lupan, Head of the Economic Council Secretariat

Today, the Secretariat of the Economic Council to the Prime Minister is supported by the European Bank for Reconstruction and Development, with the financial support of the UK Government's Good Governance Fund and the World Bank International Finance Corporation's „Reform of the Investment Climate” project, financed by Sweden.

[How experts work

The seven experts, contracted by the European Bank for Reconstruction and Development and the International Finance Corporation, have the mission to bring all parties responsible for solving the problem to the discussion table. If prior to establishing the Secretariat, members of the Economic Council - business associations, donor community, civil society had to hold individual discussions with each state institution, which did not always show openness to the problems addressed by the business, today things are different.

Experts and lawyers of the Secretariat monitor the work of 6 Working Groups in the Council. Through these thematic working groups, business community and state institutions are debating major issues faced by the private sector.

Let's look at a specific example: Council members alerted the Secretariat about certain issues in the area of dual education regulation in Moldova. An expert in the Secretariat took up and analyzed the subject to determine if the issue is a systemic one, and if it really hinders business development. The expert was responsible for consulting all parties involved in this issue.

In case of dual education, the expert discussed with the business association who alerted the Secretariat on the issue, the line ministry, Chamber of Commerce and Industry, the Structural Reform Project in the area of Vocational Education in the Republic of Moldova, implemented with the support of German International Cooperation Agency. In other words with all those who know about the consequences of legal imperfections in the area.

After examining all the views, the expert identified the causes of the problem and organized broad sessions of the Working Group responsible for this topic - Working Group no. 3 „Stimulating and Maintaining

Private Investments” - where the issue and its causes have been discussed.

At this stage, as a rule, lawyers are also involved and based on experts' analysis, complemented by analyzes of the legal framework, they develop clear instructions on behalf of the Prime Minister for responsible public authorities in order to solve the given problem and assign responsibilities and deadlines for execution.

Not only business environment – the one who alerted the issue participates in the debate but also those who can develop and implement solutions - state institutions. The ministry, which delegates a representative to these meetings, puts down all the proposals voiced at the hearing. In some cases, solutions require deeper expertise and the Secretariat makes a call to donors with assistance requests. Subsequently, under the monitoring and with the assistance of the Secretariat expert, the state representatives develop draft additions / amendments to the normative framework and submit them for promotion during the Government meeting.

At this stage, according to a previously agreed mechanism between the State Chancellery and the Secretariat, Secretariat experts are connected to the flow of draft normative acts proposed for promotion in the Government, and have the possibility to intervene with comments and proposals if harmful provisions for the business environment have been identified in the draft.

Accordingly, within just six months of the issue being alerted to the Economic Council, it has been solved due to the support and expertise of the Economic Council, and the ongoing monitoring by the Secretary of the Secretariat. It is worth mentioning that dual education has been partially piloted in Moldova for four years until it has come under regulation.

In cases where issues debated within the Council have been finalized by amendments / additions to laws, the expert-lawyer of the Secretariat of the Economic Council in the Parliament has an important mission as well. When drafts endorsed and promoted by the Economic Council reach the Parliament, the expert provides a better understanding of the content, and importance of the draft by consultants and MPs, including through better communication between parliamentary committee members, who are examining documents with all interested parties, and competent experts. Thus, business community who proposed legislative changes is sure that document will be perceived ad litterate by MPs. In other words, the Secretariat is the link between political decision-makers and the business community. All alerts arriving on the Prime Minister's desk, in his capacity as Chairman of the Economic Council, are sent for review to the Secretariat's experts. Thus, business community requests do not risk being lost or examined endlessly by public authorities, but are promptly addressed by

Secretariat experts. But I want to point out that the Secretariat does not replace ministries, state institutions. The Secretariat is just an intermediary / system integrator and a spokesperson of all members of the Economic Council. The role of the Secretariat is to create all conditions in which stakeholders cooperate, so that the solution to the issue that has been brought before the Economic Council is finally generated. Topics that come to the attention of experts of the Economic Council Secretariat are the most diverse, from visas and residence permits, to education, agriculture and investment. For these reasons, the role of Secretariat expert is crucial in identifying solutions, and it is he/she who has to bring in many specialists from the most diverse institutions, national and international experts in order to solve the problem. It is the Secretariat expert who has to consult all opinions, which are often divergent, with all those involved in the search for solutions.



[Our activity in figures

Let me provide some data. In 2018, the Economic Council platform was joined by 29 members. At the moment, the Council has 100 members.

Of which 41 business associations, 6 representatives of the civil society, 10 representatives of international donor organizations active in the area of business reforms and 43 representatives of public authorities and institutions.

Of the 57 topics in the Operational Plan of the Economic Council in 2018, which was managed by the Secretariat, 28% have been generated by the Prime Minister and government institutions, 26% by business associations, 15% by donor institutions and 31% by the Secretariat. So for us it does not matter who generates the issue, as long as it affects the development of the business environment.



This year, more than ever, the Secretariat of the Economic Council managed to ensure that business community and donor institutions met with the Prime Minister in 14 meetings, twice as many as last year. The year 2018 was very busy with more than 2000 participants in the 70 meetings of the 6 Working Groups.

All our work is transparent. The issues that come before the Council, and then the solutions for them, are communicated to the general public.

We are very pleased that the Secretariat has succeeded in this two-and-a-half years to give great publicity to the Economic Council by promoting reforms with a major positive impact for many entrepreneurs and communicating them appropriately not only among its members but also in the mass -media - radio, TV, print and electronic / online, social media. In 2018 alone, the Economic Council had 175 appearances in the press. We disseminate information both on the official website of the Economic Council - consecon.gov.md - and on social networks Facebook, Twitter, Instagram and Youtube where we have over 7000 subscribers / followers.

All these figures speak of the interest shown by the members of the Economic Council in relation to the topics discussed in our meetings, which are often lively, tense, contradictory, but this ultimately contributes to finding the most suitable solutions that later lie at the core of a reform.



Factory production of automotive electrical wiring „SE/Bordnetze” Orhei, Moldova

Impact of reforms

There are six working groups in the Economic Council: „Eliminating constraints for entrepreneurial activity”, „Facilitating Cross-Border Trade”, „Stimulating and Maintaining Private Investments”, „Reducing informal employment and „Wage in envelope” phenomenon”, „Improving Moldova’s position in international economic rankings”, „Labor market development”.

Each working group is headed by the executive director of a business association, which in turn represents tens or hundreds of businesses operating in Moldova.



Mila Malairău, Executive Director, American Chamber of Commerce in Moldova, Chairwoman of the Working Group „Elimination of Constraints for Entrepreneurial Activity”.

In 2018, the Working Group was able to find solutions to a number of challenges for the business community. Going forward, I would like to review the topics that have greatly evolved in 2018.

[Facilitating farmers’ access to water from lakes for irrigation

Provisions in this respect are contained in the Regulation for the exploitation of accumulation lakes / ponds ammended by the Government Decision no. 810 of August 20, 2018. Prior to these changes, farmers were impeded in using water for irrigation, including from lakes owners. Now the Regulation contains provisions that explicitly lay down the use of water for irrigation.

The identification of solutions to this problem was possible thanks to the experts of the Ministry of Agriculture, Regional Development and Environment, in collaboration with the representatives of the business community, as part of discussions and collaboration within the framework of the Economic Council platform. After approving these changes, the experts also worked on the development of an action plan for 2019, which was approved by the Government and is in the process of being executed. The Secretariat will monitor the proper implementation of these actions and their outcomes, intervening with other proposals and solutions if necessary. Additionally, there is a package of amendments to the Code of Contraventions, drafted within the Council platform. The ministry and the Council Secretariat will work hard to promote those in the new Parliament. If adopted, they will create additional important incentives to facilitate access to water for irrigation.

[**Helping cement manufacturers**
Company Lafarge Moldova

By mid 2018, cement producers in Moldova were about to halt their activity. The problem was an Annex on secondary raw material import from Law 209 on waste which did not contain the tariff position that would allow cement producers to bring bauxite residue to the country - one of the four basic components used in the process of cement production.

Law 209 on waste, which includes the Annex, came into force at the end of 2017. Until then the bauxite residue was imported with the necessary waivers from the regulatory framework. The Ministry of Economy and Infrastructure requested the support of the Economic Council to examine the possibilities for legislative amendment in this respect.

Discussions were held with the participation of representatives of Lafarge and the Ribnita Cement Production Plant, business associations, and officials from the Ministry of Economy and Infrastructure and the Ministry of Agriculture, Regional Development and Environment.



[**Unpackaged food would be allowed to be marketed**
at gas stations

On November 14, 2018, the Government approved amendments on marketing food products in gas stations that came into force in early 2019. The amendments remove the ban on the sale of unpacked food in stores from within gas stations. Moreover, gas stations that will meet all legal requirements will be allowed to prepare food or provide catering services. This is common practice in EU countries (Germany, Austria, Poland, Slovakia), as well as in neighboring countries. Initiation of procedures for the amendment of point 6 of the Health Regulation regarding the protection of health of the population and employees against the risks associated with the functioning of gas stations, approved by the Government Decision no. 606/2015 was requested by the American Chamber of Commerce of the Republic of Moldova - member of the Economic Council to the Prime Minister. The changes were adjusted and promoted by the Ministry of Economy and Infrastructure with the involvement and support of the Prime Minister's Control Body. The purpose of changes was to diversify the activity of economic operators, stimulate the creation of new jobs, increase allocations to the state budget, and meet the needs of consumers and gas station staff.

[**Compensatory fee for copyright and related rights**



This topic has come to our attention in 2017.

At the time, businesses, AGEPI and Collective Management Organizations (CMOs) worked jointly within the Economic Council on proposals for the amendment of Law 139, article 26, which provided that the economic operator producing or importing audio equipment, video recorders, disc drives, sound and / or video media, cassettes, laser discs, compact discs etc. that can be used for reproductions, must pay a minimum of 3 percent (compensatory remuneration) of the proceeds from the sale (resale) of equipment and media.

Businessmen from the industry were concerned by the tax on mobile phones, smartphones, tablets, and laptops - devices not covered by law 139. Business was getting stuck in court proceedings initiated by Collective Management

Organizations that defended their position by the provisions of the law 139. In some cases, the amounts requested from the companies amounted to millions of lei, which could bankrupt the operators in the field. As a result of very heated debates within the Economic Council, a Government Decision was drawn up and proposed to the Government that the copyright fee is reduced to no more than 1% or even less depending on the imported product.

At the same time, the document also provides for the Government's approval of the exhaustive list of products subject to this tax, moreover the list should be consulted with the representatives of the companies in the field. The mechanism for collecting the compensatory fee was also changed.

It provides for the involvement of the Customs Service and AGEPI, while CMO would be responsible for distributing the money to its beneficiaries - the authors of the texts and songs, singers.

The document was approved by the Executive and is now in Parliament.

[**Smaller penalties for businesses making purchases in the area of healthcare**

The size of penalties applied on Companies participating in public procurement for the delay or refusal to deliver goods for the health system was modified. A decision in this regard was made by the Government on June 8, 2018. Prior to this decision, the business was subject to a 50% penalty of the batch cost for the non-delivery of products. If delivery was delayed, the fine would be 1% for each day of delay.

This topic has come to the attention of the working group after members of the American Chamber of Commerce have found that such large state-imposed penalties can lead to higher prices for products delivered to the healthcare system and consequently a reduction in the number of businesses willing to make purchases for medical institutions.

However, after the changes made by the Government based on the expertise of the business community, the penalty for the first 30 calendar days of delay is 0.1% of the amount of undelivered goods for each day of delay. For the following days of delay exceeding the 30 calendar day period, the penalty shall be 0.5% of the amount of undelivered goods for each day of delay but no more than 30% of the amount of goods not delivered for the entire period of delay. The impact? Striking a compromise between companies participating in public procurement for the healthcare system and state-owned institutions. And this has made it possible to avoid endangering the activity of the health care system in Moldova.

[**Co-incineration and incineration of waste will be regulated by law**

The business community advocates for a provision in legislation that would allow the co-incineration of non-recyclable waste by other environmentally friendly ways. The business has asked the relevant Ministry to amend Law no. 209 which later submitted the amendments proposed to the Law no. 209 to the Economic Council and more precisely to Article 17, which today says that incineration and co-incineration of waste of any origin is prohibited, with the exception of waste resulting from medical activity. At present, authorities argue that some economic operators incinerate waste although not allowed, and state institutions lack a tool to regulate the phenomenon. The business community and ecologists present at the debates organized within the platform of the Economic Council supported the idea of amending Art. 17 of Law no. 209. The document is now in Parliament. If the Legislator adopts the amendment of art. 17, then incineration and co-incineration of waste will be allowed and that would reduce its accumulation and enable generation of energy, and of recyclable components from production and household waste.

The results of the Economic Council work make this platform increasingly popular among the business community.

Mila Malairău, Executive Director, American Chamber of Commerce of Moldova

The year 2018 came with an intense agenda for the Second Working Group on Trade Facilitation, which I have the honor to lead.

In order to leverage more the trade process and ensure a practical implementation of Deep and Comprehensive Free Trade Agreement with EU, an impressive number of legal initiatives and amendments were examined on the platform of Trade Facilitation Working Group, out of which a significant number was solved successfully. Some of these initiatives are described in the report.

Mariana Rufa, Executive Director of the European Business Association in Moldova, Chairwoman of the Working Group „Facilitating Cross-Border Trade”.



[**New requirements on production of beer**
National Association of Beer Keepers from Moldova

By the end of 2017, beer producers have found themselves in a deadlock that could bring them enormous financial damage. It was about the provisions of Law 1100 of 30 June 2000, on the production and circulation of ethyl alcohol and alcoholic production. The document contained provisions that would make brewers illegal. According to the law, beer was to be produced according to the rules of producing strong alcoholic beverages with an alcohol content of more than 1.5%. And for that, the legislator obliged the country's beer factories to install a computerized measuring and recording system for ethyl alcohol. The paradox lies in the fact that these appliances are useless in brewing, and their installation at factories would be a waste of money. Another provision of this law would forbid the returnable bottle. I want to mention that across the world, the returnable bottle is allowed up to 6 times, it is even made mandatory. When this law came into force, the Beer Producers Association of Moldova and the Employers'

Association „Alliance of Small Businesses in Moldova” immediately alerted the Economic Council, which discussed this topic. The Secretariat supported the Ministry of Economy in developing and promoting the relevant normative amendments, as well as assuring the consultative process with the representatives of the business community in the field. The biggest impact of this intervention is that, today, beer producers in Moldova, especially small ones, can direct savings to company development, by purchasing high-end equipment, applying modern production methods, increasing wages for employees.

The requirement to purchase and use devices, which are specific to the production of strong drinks, the use of only new bottles, means bankruptcy for many small producers.



Ludmila Andronic, deputy director Efes Vitanta,

[**Subsidizing job creation**

State subsidies for job creation by economic agents risk being compromised by ambiguous provisions of the job creation subsidy regulation. The conditions and the way it was applied generated a number of ambiguities for business and rendered impossible the implementation of the document. Entrepreneurs stated that they were unable to comply with all the requirements for applying subsidies in the extremely limited terms provided by the Regulation. In view of these circumstances, the business community has requested the Government to extend the deadline for submission of grant applications with the subsequent introduction of amendments to the Regulation. The subject was presented by the European Business Association and other business associations and debated within the Economic Council with the participation of all parties involved in this process. During the debates the private sector received answers to a number of unclear provisions regarding the document from the Ministry of Finance and the Ministry of Economy and Infrastructure. Meanwhile, it was decided to extend the deadline for submission of grant applications by an order of the Minister of Finance by a maximum of 31 calendar days. Moreover, additional confusing material from business community was collected by the Secretariat of the Economic Council and sent to the relevant ministries, which subsequently came with additional responses for entrepreneurs on the implementation of the Regulation.



Textile factory, Donduseni, Moldova

incorporation documents, Public Services Agency (PSA), requires investors to provide information about the beneficial owners of the legal person, such as the founders, shareholders or individuals who ultimately manage legal entities. Additionally, legal entities are to inform PSA about the changes that occur to the beneficial owners. This sometimes was impossible for Moldovan companies, which are transnational companies, whose shares are listed on international stock exchanges. Since shares are freely traded on stock exchanges, they often change their owners, and this makes it impossible to keep track of the beneficial owners of the legal entity. Additionally, art. 5, par. 15 of the Law provides that where all possible means of identifying the beneficial owners have been exhausted and provided that there are no grounds for suspicion, the individual acting as administrator shall be deemed to be the beneficial owner. Submission of a statement that the manager is the beneficiary of the company was vehemently rejected by investors as company administrators are not company shareholders but employees and can not assume the responsibility of a beneficial owner in their dealings with national authorities. The topic came to the attention of the Economic Council as a result of the requests of the European Business Association. Procedures prepared for the implementation of Law 308 affected the activity of many foreign investors and could discourage the entry of new investors. In the framework of the Economic Council platform, meetings were held with stakeholders and relevant state institutions, and solutions were jointly identified to change the registration and change procedures for registration documents.

[**Business constraints caused by anti-money laundering legislation**

In the framework of the implementation of Law 308 on preventing and combating money laundering and terrorism financing, which entered into force in February 2018, business operators can no longer register the business or make changes to the founding documents unless they provide information about the beneficial owners of the company. According to the law, when registering economic agents and making changes to the

Thus, if the beneficial owners can not be determined, the organization declares this, and the administrator is considered to be the beneficial owner according to law, without obliging economic operator to declare him or her in that capacity. The solution has been implemented and the impediments have been overcome.

[**List of services provided by ANSA and fees thereof**

Moldovan business community has called for a review of the list of services and tariffs for controls performed by the National Food Safety Agency in the process of border control. The ANSA draft list did not foresee splitting inspection by type of control as provided for in national legislation and EU practices.

The European Business Association, the American Chamber of Commerce in Moldova, as well as other business associations alerted this issue to the Economic Council. A number of debates were organized on this subject attended by representatives of the Prime Minister's Control Body, Ministry of Agriculture, Ministry of Economy and Infrastructure, National Agency for Food Safety and representatives of the business community.

Following public discussions, all parties have shown openness to solve this issue. In conclusion, amendments were proposed to the list of services provided by ANSA and the tariffs for these, which were later approved by the Government. However, authorities are to take further steps to finally settle this issue by amending Government Decision no. 938 of 17.10.2018 regulating the control procedures (document control, identity control, physical control) of the goods under the control of ANSA based on risk assessment.

[**Food tickets**

BC "Moldova Agroindbank" SA (MAIB) highly appreciates the support offered by the Secretariat of the Economic Council in the process of implementing the Law on food tickets. On July 20, 2017, the law entered into force and, in order to be implemented it requires an implementation mechanism. In this regard, the Government requested assistance from the Secretariat of the Economic Council.

At the beginning of 2018, Secretariat experts brokered the process of drafting amendments between the Ministry of Economy and Infrastructure, the Ministry of Finance and the State Tax Service. At the same time, it made sure that these amendments be consulted with representatives of business community, so that the amendments are in line with both the current legislation and the opinion of the business.

As a result of this expertise on March 12, 2018, the Government adopted the legislative amendments that allow the implementation of the Law on food tickets (the Regulation on food tickets operation is approved by Government Decision No. 227 of March 12, 2018).



Serghei Cebotari, Chairman of the Board, BC Moldova Agroindbank SA

The document stipulates that Moldovan employers can give employees food tickets for each day of work.

The nominal deductible value of a food ticket per working day must be between 35 and 45 lei. Employers, distributing food tickets to employees, say they are an indirect subsidy from the state because they are exempt from wage and employer taxes. In addition, food tickets are also a motivation tool for employees, which are also distributed as prizes.

On behalf of the „Cross-Border Trade Facilitation Working Group”, I would like to thank my colleagues from the Economic Council, other business associations, central public authorities for a productive collaboration. Initiatives generated by EBA Moldova and other associations have largely found their solution thanks to the involvement of the Economic Council, thus producing a positive impact in creating a favorable business climate.

Mariana Rufa, Executive Director,
European Business Association



The year 2018 was one of achievements for the Working Group that I am chairing. Many issues alerted by FIA members have been resolved.

Ana Groza, executive director of Foreign Investors' Association, Chairwoman of the Working Group „Stimulating and Maintaining Private Investments”

[List of priority occupations

On January 31, 2018, the Executive approved a new List of Priority Occupations, which includes the 127 most sought after professions on the labor market of the Republic of Moldova, but also important for attracting investments. It is now easier for migrant workers to get involved in those professions as well. The list includes professions such as: construction engineer, electrical engineer, nurse, graphic designer, multimedia designer, software

designer, computer network specialist, and other. The Government Decree aims to fill the demand for occupations with a deficit in the domestic labor force. Aliens who wish to occupy positions in the List of priority occupations will benefit from a simplified scheme for obtaining the right of residence for work purposes.

The list allows the investor, who wants to bring with him foreign specialists, not to seek permission from the National Employment Agency (ANOFM) anymore in order to hire foreign workers for these jobs. Under the Platform of the Economic Council to the Prime Minister, the business community came up with a number of proposals regarding the list of priority occupations that were taken into account when filling it. The list of priority occupations is updated by the Government on a yearly basis or on the basis of the proposals of the business community, and the ANOFM data based on the Law on labor migration.

[The visa regime

One of the reforms that attracts foreign investments in the country is the facilitated visa regime of the Republic of Moldova with other states. During 2018, a number of states were excluded from the visa requirement for Moldova.

As a result of these changes, Moldova has a visa regime with 57 states, and citizens from 100 countries who can travel to Moldova without visas. At the same time, following the simplification of the visa procedure for Moldova, citizens of only 35 countries need an invitation to open visa in our country. The topic of visas for Moldova was initiated at the beginning of 2018 in the context of the process of reforming and optimizing the procedures for entry and stay of foreign investors in Moldova. The subject was discussed at the Economic Council, which provided the interconnection and communication between state institutions responsible for optimizing procedures, the purpose of which is to attract foreign investments and tourists to the country. I would like to mention the contribution of the state institutions in solving this problem, namely: the Migration and Asylum Bureau, the Ministry of Internal Affairs, the Ministry of Foreign Affairs and European Integration, Border Police and the Prime Minister's Control Body which showed openness during the entire process of amending the normative framework regarding this subject.



[**Even fewer procedures for obtaining work**
and residence permits for foreigners

Fujikura Company



Fujikura Company, along with other big investors in Moldova, welcomes the reform promoted by the Economic Council - facilitating the issuance of work and residence permits for foreigners.

Moldova today faces a shortage of labor. And the country's migration legislation is very rigid. It was very difficult to convince the authorities that if the necessary steps were not taken, Moldova would remain without investors who when arriving in the country would see no labor force, while at the same time they are not allowed to bring their specialists from abroad.

On November 29, 2018, Parliament approved a number of legislative changes that further reduce the number of acts and the time for the issuance of work and residence permits for foreigners. We know that this was the second stage of the reform. According to the document, currently the competent authority has 2 weeks for the decision to extend or grant the right to work or stay for foreign citizens. And another 7 days to complete the documents and issue the permit.

The number of acts that migrant workers have to present is reduced from 10 to 6. At the same time, Parliament adopted amendments that reduce the cost of entry visas for Moldova. Previously, the short-stay electronic visa (type C) costed 60 euros and the long-stay visa (type D) 80 euros. Now these costs have been reduced to 40 euros. At the same time, the employer's responsibility for the alien invited to work in the Republic of Moldova was increased, thus preventing the creation of illegal migration channels in the future for foreigners in countries with a high migration risk. Reducing prices, facilitates the process of obtaining work and residence permits for foreign citizens. Thus, the change of residence status of the foreign citizen can also take place on the territory of the Republic of Moldova, thus obtaining the D-type visa without leaving the territory of our country.

This reform, according to World Bank data, has saved the country's business 21 million lei annually. But an even greater impact of this reform lies in the fact that all migrants coming to Moldova are tax payers.

And this means higher pensions and wages for Moldovans.

[**Private medical institutions can provide non-medical services to patients who have mandatory medical insurance policy**

The regulation of contracting non-medical services defines a clear way of determining the services and the mechanism by which they can be provided to patients insured under the mandatory health insurance system without violating their rights. Freedom of choice for the patient is ensured by voluntary contracting, while satisfaction - through the possibility of access to a wider range of services. According to the Regulation it is the patient's right to choose his / her medical and non-medical staff for scheduled services instead of staff provided in the standard program of the institution. At the same time, it offers the possibility of legal contracting of increased comfort services, which will help reduce informal payments in the health sector. This topic was brought to the agenda of the Economic Council, where debates were organized with the participation of representatives of ministries, agencies and the business community. From the formal payment of these services, taxes will be paid to the national public budget, suppliers and other providers will be subcontracted, new jobs may be created.



Aliona Grossu, Executive Director, Union of Private Medical and Sanitary Institutions of the Republic of Moldova

Together with the increase in the satisfaction of non-medical services consumers, the economic and taxation impact will positively affect the sector, as well as the economy as a whole.

[**Amending the Land Code**



Timofei Timotin, Chairman of INMACOM

Over the last 2-3 years, members of Company INMACOM, economic agents specializing in the extraction of useful minerals, alerted the Company about a number of constraints in the working process. The existing Land Code does not allow foreign economic operators to own agricultural land and prohibits the change of zoning of agricultural land of a certain quality for the purpose of exploiting useful mineral deposits with the exception of oil and gas. However, the state has previously attributed many mining perimeters for the extraction of useful mineral substances on agricultural land, including also to foreign

companies. In the process of exploiting the deposits, while trying to expand their activity, companies face situations when a plot of land or the whole land within the perimeter is of a quality that prohibits the change of its zoning, thus blocking further economic activity. Another impediment is the fact that users/lessees of agricultural land with mining perimeters can not change its zoning because this is only allowed for the owner of the land. Thus, the economic activity is blocked because the land owner does not have a mining perimeter and the one with a mining perimeter does not own the land. This topic was brought for debates to the Economic Council. After a series of joint meetings with the Ministry of Agriculture, Regional Development and Environment, solutions have been found to unfreeze entrepreneurs' activity. The law will stipulate the possibility of changing the land zoning by the economic agent who rents/uses the land with the notarized consent of the landowner. In addition, it was proposed to introduce the possibility of changing the zoning of high quality agricultural land in the Land Code by Government decision only and only within

the assigned mining perimeter. Thus, the situation will be under control and the risk of degradation of agricultural land will be avoided as each case will be analyzed and justified. These solutions were also introduced in the new Land Code draft, which, if adopted, will enter into force after one year. These drafts were approved by the Government and submitted to Parliament for adoption. I want to mention that due to imperfections, the state has the most to lose at the moment. Today, all mining perimeters in Moldova are only 0.1% of the total land area and only 0.0035% are uncovered. Only more than 5 million tonnes of solid mineral substances are extracted annually, while the reserves and industrial possibilities are much higher. The annual state tax for this type of activity amounts to more than 10 million lei and the taxes from this activity bring over 200 million lei per year to the state budget. Calculations show that one hectare of agricultural land used in the extractive industry can bring over 600 million lei annually, while bringing no more than 30 thousand lei from agricultural activity.

Through its work, the Economic Council has proved to be a platform that only promotes initiatives which are in line with the interests of business community, best international practices supported by international community.

Ana Groza, Executive Director,
Association of Foreign Investors



Vladislav Caminschi, Chief Executive Officer, National Confederation of Employers, Chairman of the Working Group „Reducing informal employment and „Wage in envelope“ phenomenon”

The working group, which I have the honor to chair, looks at some of the most complicated problems facing Moldovan society - shadow economy and „wages in envelope“. Numerous researches, reports, etc. have been conducted over the years, but they have not brought these issues to a viable solution. This proves how complex this challenge is.

[**36 percent of workers receive their wage „in the envelope”**
either partially or in full

At the end of 2017, a Study of the phenomenon of wages in the envelope in the Republic of Moldova has been made public within the framework of our Working Group with the support of the Good Governance Fund and prepared by Price Waterhouse Coopers Moldova (PwC). The report indicates that 36% of Moldovan employees have an informal job. The highest degree of undeclared labor is in agriculture, construction and commerce. The study shows that firms practising informal employment pay wages, by totally or partially ignoring tax obligations, when the employee receives part of the labor remuneration in the envelope.

Based on the survey data, PwC experts have proposed several measures targeting the „wage in envelope” phenomenon. Among them was reducing the tax burden on entrepreneurs and streamlining tax management. These measures, as well as other proposals

collected from members of the Economic Council and other stakeholders have been discussed within the Council and sent to PwC experts and the Ministry of Finance for consideration.

At the end of the year, Parliament adopted a set of changes with a potentially significant impact on the shadow economy, many of which coincided largely with business community wishes expressed and discussed within the Economic Council.

Among the main measures adopted are the reduction of the rate of compulsory social insurance contributions from 23 to 18%, special tax regimes in certain areas where the weight of the share of grey economy is major, measures aimed at paying taxes.

[**Reducing the flow of liquidity in the economy**

Another very important issue in reducing the phenomenon of informal economy was the stimulation of the use of bank instruments for transfers and payments. According to preliminary estimates, electronic payments are considered costly among traders, as well as uncomfortable and unpopular among consumers. To address this issue, the Economic Council held a meeting in October 2018 on „Promoting electronic payments and reducing cash in the economy”.

During the meeting, discussion were held on the possibility of negotiating lower fees for Moldova by the providers of international electronic payment systems (Visa, Mastercard etc.), regulating / diminishing inter-bank fees, approving some tax incentives

for electronic payments (in some countries, VAT discounts have been discussed, and at the moment the State Tax Service examines the possibility of implementing tax lotteries), the development of national payment systems, the stimulation of the implementation of several private electronic payment solutions, the discouragement of cash payments, and other relevant measures to be further identified.

The Economic Council is the platform addressing extremely complex issues. Identifying solutions to these issues is a real challenge. But once found, they have a major impact on business.

Vladislav Caminschi, Executive Director, National Confederation of Employers

[**Taxis lacking the meter will have their license plates removed for a period of 6 months**

Another reform, which has a significant effect on the shadow economy and wages in the envelope, is related to the activity in the area of taxi passenger transport.

Among other things, the tax reform in 2018 also provided for a new, more lenient tax system, whereby taxi drivers with a salary not exceeding 10,000 lei pay a fixed income tax of 500 lei a month. While medical and social insurance represent the 12th part of the annual rate set by the state. Even so, many taxi drivers continue to work illegally.



We decided to bring this topic to the attention of the Economic Council. Our sole purpose was to make legal the operations of those who violate rules by creating unfair competition on the market. Following several debates involving representatives of the General Police Inspectorate, the Ministry of Economy and Infrastructure, the State Tax Service and the National Auto Transport Agency, a number of recommendations were made to force undisciplined taxi drivers to comply with the law. The amendments were voted in December 2018 by Parliament. According to the new provisions of the Code of Contraventions and the Road Transport Code, the legislator imposes stricter rules for taxi drivers who violate legal provisions. For inappropriately equipping the vehicle, and especially for the lack of the meter, it is not just the fine of 15,000 lei, but also the license plates of the vehicle that are removed for a period of 6 months. Prior to these changes, the taxi owner would pay the fine, which if paid in the first 72 hours

could be halved and they receive the license plates back. Additionally, the new provisions require the release of taxi registration plates only after taxis are equipped in accordance with the law. Until now, the vehicle would first get the plates, and the driver was obliged to equip it with all the necessary facilities, including a meter, which was not done in many cases. The biggest and most important impact of these interventions was that the 3 million lei that the state stood to lose each month as a result of the illegal activity of taxi drivers, are now starting to flow to the state budget. And no less important is that this activity has become more transparent and consumer rights are being respected.

Today, a receipt is issued after taking a ride in a taxi.

Employers, Association of passengers transport and luggage in taxi regime,

Moldova ranks 97th in the 2019 Index of Economic Freedom, 88th in the Global Competitiveness Index for 2018, and 47th in the Doing Business for 2019.

A number of major reforms have been discussed in our Working Group, notably on permissive building acts, but their effect has not yet gained momentum, therefore it has not yet been reflected in international rankings, primarily in Doing Business.

At the moment, much work is being done on monitoring and enforcing policy compliance by public authorities especially in the field of construction with the major support from Prime Minister's Control Body.

The business already confirms the results of these efforts and we hope they are appreciated in 2019 by the experts who make estimates for the rankings.



Alexandru Baltag, General Manager, Association of Businessmen, Chairman of the Working Group on „Improving the position of Moldova in international economic rankings”

[**More responsible ministries**

On March 28, 2018, the Government approved a decision supplementing the regulations of nine ministries with totally new functions.

One of the functions focuses on analyzing the impact of draft normative acts together with civil society and the private sector. Although impact analysis was foreseen by legislation, it was not observed in many cases. The explicit inclusion of this function in regulations will inherently motivate ministries to be more responsible when drafting normative acts. A new function for ministries is to monitor and improve Moldova's scoring and position in international rankings. International indicators are estimated in surveys of international and national experts, as well based on the perception of business community and citizens.

Respondents assess the functionality and effectiveness of legislation in one area or another, thus serving as an important benchmark for assessing the performance of ministries and better targeting their efforts in reforming business environment. Another new function for ministries is to monitor and improve the perception of citizens

and economic agents on public policies, normative acts and state activity in the specific areas of activity of the ministry.

This function complements the previous one by filling in areas not covered by international rankings, such as sector regulations, as well as providing more qualitative information on the most important factors in ensuring a friendly business environment. At the same time, ministries will be responsible, in cooperation with civil society and the private sector for monitoring the quality of public policies and normative acts. This will lead to the identification of unjustified provisions and the promotion of proposals to eliminate them.

The inclusion of new basic functions in the Ministerial Regulations was proposed and promoted by the Secretariat of the Economic Council to the Prime Minister. The main purpose of the Secretariat's proposals is to make ministries develop and implement more effective policies and regulations.

[**Reform of the sanctioning system**

The Economic Council has proposed to launch the reform of the sanctioning system in the economic area, following the signals from the business community regarding numerous abuses by law enforcement bodies. The need for this reform over the years has been mentioned by the Association of Foreign Investors in the White Book, which the Association publishes annually. It was first expected to review the components of economic crime, sanctions, attributions and rights of law enforcement bodies and other provisions from perspective of cost and risk for entrepreneurs. The Economic Council has initiated open debates with its members on these issues. At the same time, the Ministry of Justice proposed its own draft for debates within the Council, which was named „the business package” by the development partners and became the basis for talks on reforms in the field. Some of the provisions in this document have generated dissatisfaction among representatives of civil society and development partners. Following multiple meetings and discussions within the platform of the Economic Council and the Ministry of Justice, numerous sensitive provisions have been excluded from the draft and given the lack of consensus between the parties, it was decided to split the „business package” into two. Topics involving several conceptual changes, including the competencies of law enforcement bodies and their institutional framework, requiring a more detailed impact analysis and a longer elaboration period involving civil society and development partners have been left for the process of developing a justice reform strategy. Other topics, which were directly related to entrepreneurial activity and implied minimal risks for the state and society had to be finalized and promoted by the Ministry of Economy and Infrastructure. The Ministry has been assisted in this process by the Economic Council Secretariat, civil society experts, relevant state institutions, development



Alexander Koss
President of the Association of Foreign Investors in the Republic of Moldova

partners and business community. Within the framework of the respective activity and following several meetings on the most sensitive provisions with the development partners, the Ministry of Economy and Infrastructure with the contribution of the Economic Council Secretariat, has developed a draft that has taken into account all major objections. The draft has been publicly supported by business community, including through a public petition signed by a number of well-known Moldovan companies, including with foreign capital from practically all sectors of the economy, from 21 business associations, representing over 1500 companies with over 100,000 employees. Among the signatories were the Association of Foreign Investors, the Chamber of Commerce and Industry, the National Confederation of Employers of Moldova. When the draft was nearly completed, a group of deputies registered in Parliament a version of the „business package”, which was adopted on July 26, 2018. This version largely took over the draft finalized by the Ministry of Economy and Infrastructure

with the support of the Secretariat of the Economic Council, which includes important provisions limiting the possibilities for law enforcement authorities to unreasonably interfere with entrepreneurs through arrests, seizures, requests for controls and other constraints, thus greatly reducing the possibilities for abuse. Other important changes have been introduced to justify the sanctioning system. Thus, some components of crime have been reformulated, the thresholds for damages that were crimes have been increased. The term of detention for some economic offenses has been reduced in the face of the considerable increase in fines. At the same time, the status of limitations for some offenses has been reduced. However, the draft adopted by Parliament included some provisions that had previously been excluded at the

proposal of civil society and development partners, particularly in the area of customs and tax offenses. The Ministry of Economy and Infrastructure has pledged to monitor the impact of this reform and come up with proposals for legislative changes if major negative effects for society and state are to be found. At the same time, this area will be addressed later when the second part of the „business package” is to be worked out. The impact of this reform would be a considerable reduction in abuses by law enforcement bodies, which can also be ascertained through the results of surveys and sub-indicators in international rankings.

Moreover, this document considerably reduces the risks for the business community, which contributes to the increase of investments in the Moldovan economy.

[**One stop shop for tax, financial and statistical reporting for economic agents**

In early 2018, Fiscservinform launched the electronic one stop shop with the support of relevant authorities to which the business community reports. Currently it is maintained by the Center for Information Technologies in Finance. The implementation of the single reporting platform is foreseen in the Action Plan for the Modernization of Public Services Reform for 2017-2021, approved by Government Decision no. 966 of 09.08.2016. The State Tax Service (STS), the National House of Social Insurance (CNAS), the National Health Insurance Company (CNAM) and the National Bureau of Statistics are connected to this platform. All tax reports, including the IPC18 unified report (replacing 5 separate employees reports previously submitted to STS, CNAS and CNAM), and the 26 most frequent reports received

by the National Bureau of Statistics have been located on the platform. The proposal to develop and implement this electronic platform was debated and promoted within the Economic Council with the participation of representatives of the business community, the Ministry of Finance, public authorities involved in reporting and other stakeholders. One of the most important impacts of this solution is to exclude the operator's interaction with 3 public institutions, reduce the costs and risks of mandatory reporting, and create the premises for additional optimizations in this area, given that all reports have been gathered under one single platform where it is easy to identify the opportunities for reducing the burden of reporting.

Elimination of bureaucratic barriers for entrepreneurs, such as reducing the number of permissive acts - a reform promoted with the support of the Economic Council, which in 2018 alone, according to the World Bank, has brought savings of 12 million dollars to the business from the Republic of Moldova .

Alexandru Baltag, Executive Director,
Association of Businessmen



In a market economy, it is business that creates jobs for citizens, while the state has the obligation to create all necessary conditions for entrepreneurs to encounter as few barriers to do business.

During the year 2018, the Working Group I chaired, embarked upon the review of several issues in the area, for which it found solutions.

Sergiu Harea, President of the Chamber of Commerce and Industry, Chairman of the Working Group „Labor Market Development,,

[**Law on the Promotion of Employment**

The document was drafted by the Ministry of Health, Labor and Social Protection which imposes new employment measures aimed at preventing and reducing unemployment and social effects, increasing the employment rate, increasing the competitiveness of the work force incentives for employers to create new jobs, especially in rural areas, improving the system for analyzing, informing and forecasting the labor market.

The law was adopted in June 14, 2018 under nr. 105.

[**Training personnel**

Our Working group debated the draft Government Decision on plans (state order) for training of personnel by specialties and in general areas of training in higher education institutions for the year 2018-2019. The document was drafted by the Ministry of Education, Culture and Research.

The Experts of the Working Group made a number of recommendations on the draft, such as: introducing the minimum size for tuition fees and reviewing the procedure of organizing competitions for budget-funded positions to attract students who after

graduation will return to work in their home town. At the same time, it was recommended to focus on the future sectors of the economy where new jobs will be created.

These proposals were later found in the Government Decision no. 649 of 10.07.2018 „On the plans (state order) for the training of specialists and general areas of training, financed from the state budget in higher education institutions for the academic year 2018-2019.

[**Training students in vocational education institutions**

Another topic related to the training of students was the draft Government Decision on plans (state order) for the training of specialists by trades, specialties in the vocational education institutions for the education year 2018-2019. The document developed by the Ministry of Education, Culture and Research has been endorsed within our Working Group. A number of recommendations have been accepted, such as: reconsidering the number of jobs for engineer professions aimed at increasing those;

conducting an analysis of needs by industries rather than domains in order to determine more accurately the number of positions needed; the optimization of the list of professions in relation to priorities for the development of the national economy with the approval of the Government Decision no. 648 of 10.07.2018 „Regarding plans (state order) for the training of specialists by trades, specialties in vocational education institutions for the education year of 2018-2019.



[**Regulation on the organization of vocational training programs through dual education**

Draexlmaier Company

This regulation has been long awaited by the business community, and the document came into force in early 2018. It provides that VET institutions and businesses can initiate Dual Vocational Training.

This allows students to acquire practical skills at the enterprise, and the theoretical knowledge at the vocational school. The business community is well aware of the need for young people to participate in the training in order to meet the urgent need for qualified labor force and help the state in training of people that the economy needs.

However, dual education was not regulated, except for an article in the Education Code, which does not provide a legal basis for the implementation of dual education. Together with the German International Cooperation Agency, who piloted this project for four years in Moldova, we

asked for help from the Economic Council to the Prime Minister of the Republic of Moldova, to whom we proposed to promote some normative acts such as the Tax Code, The Regulation on determining tax liabilities related to income tax, etc. enabling economic agents to overcome barriers in the implementation of dual education. This reform, among other things, also implies the deductibility of the entrepreneur's spending during the implementation of dual education.

A first impact of this reform is that in the 2018-2019 education year, more than 1100 pupils applied to dual-level vocational training programs, which are carried out in 30 educational institutions in partnership with 70 economic agents.

[Financing public higher education

The Working Group has also consulted the draft Government Decision „On approving the methodology of financing public higher education”, developed by the Ministry of Education, Culture and Research. A number of recommendations have been put forward in the debates, such as: exact stipulation of methods, situations in which the 5% reserve fund can be used; setting the minimum limit

for the size of the tuition fee; establishing the funding ratio for interdisciplinary programs. Also within the Working Group was the consultation of the draft Methodology for the elaboration of qualifications, developed by the Ministry of Education, Culture and Research, which was later approved by the Order of the Ministry no. 217 of 28 February 2018.

The Economic Council has proved to be a platform that does not serve groups of interest but one where all voices are heard. This platform needs to continue its activity.

Sergiu Harea, President of the Chamber of Commerce and Industry

Out of a total of 40 topics ending in 2018:

- 7 belong to the Working Group „Elimination of Constraints in Entrepreneurial Activity”
- 6 belong to the Working Group „Facilitating Cross-Border Trade”
- 5 belong to the Working Group „Stimulating and Maintaining Private Investments”
- 2 belong to the Working Group „Reducing informal employment and „Wage in envelope” phenomenon”
- 3 belong to the Working Group „Improving the position of Moldova in international economic rankings”
- 5 belong to the Working Group „Labor market development”
- 12 belong to the ad hoc Working Groups

[Patent-based activity

Patent-based activity is an extremely sensitive issue for individuals practicing retail. From January 1, 2019, this type of activity would become illegal, and the nearly 10,000 patent holders in this field would have to comply with the new provisions, registering as individuals who practice retail as self-employed and use a cash register.

The patent-based activity in Moldova has been conducted since 1998. In 2016, when the term of the patent based activity expired, the State, at the insistence of the patent holders who refused to use the cash register extended the deadline until 31 December 2018. At that time, this timeframe was agreed following discussions held by patent holders with experts from the Economic Council Secretariat, the Ministry of Finance, the State Tax Service and the Ministry of Economy.



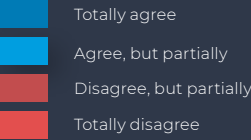
In 2018, as well, we decided to debate this topic with the Economic Council. We do not agree to give up the patent activity because that is the only way we can secure an income. During the discussions that took place at the Council at the end of the year there were representatives of the Ministry of Finance, the Ministry of Economy and Infrastructure, the Ministry of Health, Labor and Social Protection, the State Tax Service, the Customs Service, the National Health Insurance Company and National Social Insurance House.

This meeting helped us understand why many of the state's proposals were not properly communicated to the patent holders. Including the advantages and disadvantages of the new form of self-employment, the contributions that we have to pay and and their size. Yes, we are against the use of cash registers because we work outdoors and cannot maintain them. But none of us is interested in staying in the shadow economy. We all want a decent pension, we want to be citizens with full rights. It is for the first time when the state listened to what we had to say. The Economic Council was the first entity that knew how to communicate our challenge to the Government and the Executive understands that this issue needs to be treated in a complex way. Thanks to constructive and civilized communication within this platform, we have stopped protests, but the state as well has extended the term of patent-based business in retail for another year. During this time we have to find a solution for all of us, and the Economic Council can help us.

Eleonora Țurcanu-Herghelegiu, representative of patent holders

In the next period, the state has to estimate the administrative burden and impediments related to administrative procedures in the entrepreneurial activity, including in comparison with the patent based activity. There is a need for measures to reduce this burden which ultimately makes it less painful for patent holders to switch to independent entrepreneurial activity.

Economic Council - transparency and integrity



The Secretariat of the Economic Council has administered a biannual survey among its members. The questionnaire that was distributed in July 2018 and January 2019 aimed to dynamically estimate the level of confidence of members in the Economic Council.



Challenges of 2019

At the end of 2018, the partners of the Economic Council - the European Bank for Reconstruction and Development with the financial support of the UK Government's Good Governance Fund and the World Bank International Finance Corporation's project „Reform of the Investment Climate“ financed by Sweden - decided to extend the support to the Secretariat of the Economic Council until 2021.

During this period, Secretariat economists and lawyers will work on many topics proposed by business community representatives, donors, government institutions.

[Digitalizing relations between authorities and business in the loop of the Economic Council

On August 10, 2018, a new ad-hoc Working Group of the Economic Council was launched, entitled „Digitalizing relations between authorities and business.“ It is responsible for the promotion and monitoring of main digitization solutions of services provided by the state,

being concerned with the interaction of the businessman with civil servants, starting with obtaining the information held by the state, until the request for permissive documents.

The business community claims that the digitization of the economy could generate major savings for business and would help combat the phenomena of corruption, shadow economy, and wages in the envelope.

[Promoting electronic payments and reducing cash in the economy

The promotion of electronic payments and the reduction of cash in the economy have been suggested as important measures to reduce the informal economy and the phenomenon of wages in the envelope.

The share of cash payments is very high in Moldova, and electronic payments are less popular than in other countries because they are very costly and inconvenient.

Following the initiative of the Economic Council Secretariat, this topic was discussed in the Fourth Working Group in 2018. And in 2019, we will promote the experts advice such as regulating and lowering commissions for card payments, salary payments and social payments on the card, the negotiation of lower tariffs for Moldova by the providers of international electronic payment systems and other relevant measures.

[ISO 37001 anti-bribery standard

Corruption is one of the main issues affecting economic development in Moldova.

The opportunities to commit acts of corruption have been considerably lowered as a result of the reduction in the number of permissive acts and institutions with control functions. However, the Corruption Perception Index (CPI) remains very high among the population. In 2018, the Republic of Moldova recorded a CPI score of 33 points, ranking 117 out of 180 countries included in the ranking. Most corruption acts, in the eyes of citizens, occur in the process of communicating with bodies with control functions. During 2018 the reform of the bodies with control functions has continued.

This also meant the total reorganization of some state entities and the emergence of new institutions. To establish the most transparent and efficient activities of these reorganized and new entities, it would be appropriate to set rigorous internal processes in line with the requirements of the ISO 37001 anti-bribery standard.

Implementation of this standard is especially recommended for bodies with control functions and those issuing permissive acts that interact with economic agents and citizens.



[Amendments to the Regulation on how to declare the value of goods in customs

Amendments to the Regulation on how to declare the value of goods in customs have been prepared by the Customs Service at the request of Business Associations members of the Economic Council.

The topic has been in the focus of the platform since the summer of 2017, when the business community alerted a number of challenges in the process of determining the value of goods in customs by customs employees. Business representatives then stated that often the value of goods set by the inspector far exceeds the cost of the product declared by the importer and the determination of the value for the same goods differs from one border crossing point to another. Within the framework of the National Committee for

Trade Facilitation, whose duties are exercised by the Economic Council, the subject has also been addressed by experts of World Bank IFC. They made an assessment of the situation.

Based on the recommendations of international experts and representatives of business associations, the Customs Service has drafted amendments to the Regulation on how to declare the value of goods in customs. The document is to be finalized and completed along the way, after which it will be submitted for approval to the competent institutions and sent to the Government for approval. The document will contribute to the transparency of customs clearance process by the customs officer.

[Business Ombudsman

Moldova is undergoing an unprecedented reform of bodies with control functions. An important trigger of the reform was the worrying incidence of business complaints accusing the economic police and other law enforcement agencies of abusive interference in business activity. But the reform covered only bodies with control functions, not law enforcement bodies such as the police, prosecutors, etc. Abuses committed by these authorities continue to be reported

by the business community. An important solution identified during the talks on the reform of the sanctioning system was the creation of the Ombudsman's office for the business community. It will be responsible for monitoring and involvement in cases of abuse by law enforcement authorities, analyzing the reasons of inefficiency of judiciary, and further developing recommendations for reforms in these areas.

[Regulatory Impact Analysis

Several members of the Economic Council, including the World Bank Group, State Chancellery, Business Associations, and Ministries, reported a number of deficiencies related to the process of analyzing the impact of regulatory acts drafted by the Government, requesting regulatory changes to that effect. Among the problems is the lack of proper impact analysis for some drafts with a major potential impact on business, and in the case of deputies' initiatives, such analyzes are practically missing; numerous analytical

elements in legislation, including regulatory impact analysis, ex-ante analysis, research study, informative note, monitoring implementation of the normative act, which may create confusion and compromise the existing practice of regulatory impact analysis; inefficiency in the work of the Working Group on Regulating Entrepreneurial Activity. The Secretariat of the Economic Council has addressed this issue throughout 2018 and will continue to contribute to a solution in 2019.

[Waste water treatment

Current legislation does not clearly and reasonably regulate the treatment of industrial waste water. Under these circumstances, the Chisinau based Apa-Canal Company, following the interaction with some state bodies, recently began to interpret the legal provisions differently, modifying the contracts with the economic agents and increasing the tariffs for the residual waters, in some cases even ten times. Being alerted by the business community, and in particular by the American Chamber of Commerce in Moldova, the Secretariat of the Economic Council

submitted proposals to the Prime Minister that led to the creation of a working group led by the Ministry of Agriculture, Regional Development and Environment. Within the group, it was agreed that during the development of solutions, Chisinau Apa-Canal will set tariffs at a tolerable level for business. The solution is developed with the participation of the American Chamber of Commerce, experts of a technical assistance project identified by the Ministry, other private and public sector experts. In 2019, the normative solution for the issue in question will be developed.

[Vendors of goods over the Internet require easing the bureaucratic procedures in their trade

Small economic agents incur excessive costs when exporting, especially those who export small consignments of goods. They are placed under the same conditions as large vendors who turn to brokers for their communication with the customs. However, small entrepreneurs can not afford these additional expenses that increase their product costs and consequently it is no longer competitive on the market. In order to facilitate e-commerce, it is proposed to align Moldova's legislation with EU requirements, a revision of the legislation on VAT refunds is needed, and the development of an additional module in the Asycuda World Customs Information System is required.



[Moldova's advancement in international rankings

The Secretariat of the Economic Council has developed a mechanism that can help implement the new ministries' functions, which are related to the monitoring and improvement of Moldova's position in international rankings and the perception of citizens and entrepreneurs with regard to state policies and regulations.

The Secretariat has presented the Mechanism to the Chancellery and will discuss its

promotion. Once approved, the Secretariat will be involved in implementing the mechanism, ensuring appropriate involvement of the business community and experts in identifying the relevant indicators, the causes for poor performance within them, and performance improvement solutions to be felt by the business community.

[Urban Planning and Construction Code

The draft Urban Planning and Construction Code was adopted in Parliament's first reading and is being revised and discussed for possible amendments before the second reading, based on the proposals of all stakeholders. In the debates in parliamentary committees, experts from the Economic Council Secretariat also participate with the support of experts from German International Cooperation Agency (GIZ).

The Code is supposed to replace existing legislation in the area of urban planning and construction. For these reasons, the Secretariat endeavors to ensure the promotion of a more justifiable / effective version of the regulation on the execution of construction works and their acceptance. This would minimize business risks and costs, and it make possible to advance Moldova's position in World Bank Doing Business in relation to building permits.

The provisions of the Urbanism and Construction Code, which are related to permissive documents and procedures for execution of their construction and reception works, came to the attention of the experts of the Economic Council in 2016.

[Food waste management

An increasing number of states are taking action to raise awareness of the need for food waste management and how it can be reduced. The development of the draft law on the reduction of food waste is foreseen by the Action Plan for the years 2014-2018 on the implementation of the Strategy for the development of internal trade in the Republic of Moldova for the years 2014-2020, approved by the Government

Decision no. 948/2013. As a result of discussions with the representatives of institutions responsible for the development of this draft, it was found that at this time they can not provide the necessary expertise on the subject of food waste and have requested the support of the Economic Council to identify the necessary external assistance in this respect. The draft is to be developed with the support of IFC / World Bank experts.

[The Law on Apprenticeship

The current Labor Code vaguely regulates the apprenticeship process. It is necessary to develop a legislative framework aimed at adapting the vocational training system to the needs of the economy and reducing unemployment in Moldova. The law on apprenticeship and vocational training will be proposed as a law regulating the field of vocational training and will replace the obsolete provisions of the Labor Code.



[A new Labor Code

As a result of numerous complaints from business community regarding the excessive regulation of labor relations in the Republic of Moldova, a group of experts from the International Finance Corporation of the World Bank Group, at the request of the Economic Council Secretariat has developed

a new Labor Code. It comes to liberalize relations between the employee and the employer in line with European best practices and the principles of International Labor Organization. The new concept of the Labor Code is to be debated with the business community and civil society.

[Facilitating SMEs access to finance

Access to finance has been reported by business community as one of the major constraints in business development.

The most vulnerable and most affected by this constraint are Small and Medium Enterprises. Over the years, the Government and donor organizations have run programs to

facilitate SMEs' access to finance. However, the issue remains current.

The Economic Council Secretariat will initiate discussions within the SME finance platform to facilitate access to finance, including through leasing/asset-secured loans.

[Creating incentives for developing business associations

Promoting small business start-ups and supporting existing ones are some of the main objectives of business associations in Moldova, ODIMM and the Ministry of Economy and Infrastructure.

At the same time, some small companies and small business associations complained about the lack of platforms that would allow them to discuss, ask questions, raise objections, and propose suggestions about the business environment in the Republic Moldova.

The Economic Council will support identifying external assistance to research on barriers / challenges for the creation and operation of local business associations.

On this basis, the Secretariat of the Economic Council will engage all relevant parties in public-private dialogue on this issue and will support the Ministry of Economy and Infrastructure in drafting proposals to amend existing legislation if they are identified as necessary.

[Law on personnel leasing

Business Associations - members of the Economic Council have warned that Moldova has no regulations on temporary labor (eg. personnel leasing), making the country less competitive in terms of flexibility in the regulation of employment. It is therefore necessary to introduce the provisions of Directive

2008/104 / EC on temporary labor into the national legislation in order to stimulate job creation and integration into the labor market.

[National Committee for Trade Facilitation

Trade facilitation and access to international markets are among the key priorities of the Government of the Republic of Moldova, as trade facilitation policies play a central role in the country's development strategies, aiming at integrating Moldova into the global economy as a full-fledged trading partner.

In order to implement the commitments undertaken by our country, the Economic Council was assigned the functions of the National Committee for Trade Facilitation.

And in 2019, the Committee will debate the challenges of trade facilitation.





Visibility

[Meetings with members of business associations

During 2018, the Secretariat of the Economic Council promoted reforms beyond the platform as well. During meetings with members of business associations, Secretariat experts provided more details about the work of the Council and the topics addressed by it. These events enabled members of business associations, investors, economic experts to understand the opportunities offered by reforms, to maximize their value and to inspire optimism about the prospects for the development of the Moldovan business environment. At the request of Foreign Investors Association of Moldova (FIA), the experts of the Economic Council Secretariat participated in a Networking Lunch. The FIA members welcomed the existence and functioning of the Economic Council to the Prime Minister of the Republic of Moldova, mentioning sensitive issues, the solution to which is highly

expected by the business environment. A valuable asset promoted by the platform, in the opinion of the President of the FIA, Dr. Alexander Koss is the relationship that the Council built with the business community - the CSOs. This has made it easier to promote more topics about which AIF members have been alerted. Another meeting of experts of the Council Secretariat took place with members of Foreign Small Enterprises Alliance in Moldova (FSEA). During the business lunch, members of the association spoke to the Secretariat experts about the challenges they face. At the end of the meeting, David Smith, President of the Association, said that during the year 2018, the association had a fruitful collaboration with the Working Council, demonstrating that the voice of the FSEA members was heard.

Experts from the Economic Council Secretariat urged members of the associations to address within the Council platform, all systemic problems that stand in the way of developing the Moldovan business environment.

[Communication partners

In 2018, the Structural Reform Project in Vocational Education in the Republic of Moldova, implemented by the German International Cooperation Agency, requested the support of the Economic Council Secretariat to ensure the visibility of the Dual Education reform with the support of the Council. Through its communication tools, the Secretariat has ensured the placement on social networks of information about this form of education, which has accumulated more than 4500 unique views. At the same time, TV debates dedicated to this subject were organized at the country's radio and television stations. The campaign period supported by the Economic Council Secretariat has been unfolding for two months.

[Meeting of experts from the health care system organized in partnership with the Economic Council

The meeting was organized by the Union of Private Medical-Sanitary Institutions with the participation of representatives of the Economic Council to the Prime Minister. During the event, the main topic discussed was the sustainability and transparency of investment in health.

International experts presented the health practices of European countries, data on the system for monitoring the efficiency of medical services and information about medical service providers. At the event, international and Moldovan experts also discussed potential actions that will ensure the transparency and efficiency of funds allocation to health, the promotion of European strategies and practices, and the establishment of a dialogue and cooperation platform for all parties involved.



[Exchange of experience

Experts at the Business Support Office-Armenia have shown interest in the work of the Working Groups set up within the Economic Council.

The Armenian experts have asked in this context for information on the involvement of business environment in the coordination of these Working Groups, the way the Business Council is alerted, how the problems are examined and how solutions are found. Moldovan Economic Council experts shared with colleagues in Armenia detailed information on the work of the Working Groups, mentioning the organization of a permanent exchange of experience.

[Business forums

At the end of 2018, organizers of important business events in Moldova asked the Secretariat experts to moderate the panels dedicated to business-related reforms. Thus, the Secretariat experts moderated three platforms for discussion at the International Investment Forum „Invest in Gagauzia”, Automotive Cluster Days and Moldova Business Week 2018. During these events attended by foreign investors, Moldovan businessmen, representatives of national diplomatic missions, national and international officials and experts, the Economic Council Secretariat has presented the reforms that it has been promoting. And business in turn came up with appreciations of the Council's work, also speaking of the challenges that need to be removed in the future.





[Economic Council Secretariat report to donors

The results of the work of the Economic Council for 2017 were presented to donors by the Council Secretariat experts at the World Bank meeting on February 23, 2018.

The experts spoke to participants at the meeting about the work of the Economic Council Secretariat at that time. The experts of the Secretariat mentioned that the Economic Council is concerned with systemic problems, which cannot be solved in a dialogue between the parties involved in the process. The representatives of international organizations, partners of the Economic Council present at the event reiterated their intention to continue supporting this platform. According to them, the Council, in addition to reforming the regulatory framework, should focus on implementing reforms. Donors' representatives noted that the Economic Council is currently providing effective communication between the state and the business community. This allows for a faster and more efficient resolution of the problems faced by Moldovan business.

[„Supported Investment Councils” Annual Conference

The experience of the Council from Moldova in the development of reforms, the promotion and more importantly, their implementation, was shared by Moldovan experts with colleagues from the Economic Councils of other countries.

During the Annual Conference organized by the European Bank for Reconstruction and Development - Supported Investment Councils, the experts of the Chisinau Economic Council Secretariat also talked to colleagues about reforms impacting Moldovan business environment. These include simplifying the process of issuing work and residence permits for foreign investors.

The annual EBRD Supported Investment Councils Conference took place in Tbilisi's capital, Georgia, from 14-16 March 2018. During the event, the 8 Economic Councils of Albania, Armenia, Georgia, Kyrgyzstan, Moldova, Tajikistan, Ukraine and Egypt shared the experience gained during the course of work in 2017 and disseminated best practices.



Afterword

Tbilisi, Georgia – Annual Conference „Supported Investment Councils”
March 2018

„Although the Economic Council have the flexibility to take on board additional issues, we need to push the skills into digitalization, we need to raise the skills of the people in entrepreneurship in the SMEs for them through the web have access to put together all these ingredients that make success. Whether you are in the middle of Bălți or you are in the middle of Manhattan you have access to the exactly the same information and you have access to the same market.

Economic Council in Moldova clearly have the representation of the business community. A proof of this is the number of business associations, members of the Council. You have a very strong base.”

Bruno Balvanera
Between 2013-2018, EBRD Regional Director for the Caucasus, Moldova and Belarus



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Contact Us

R. Moldova, Chisinau, Piata Marii Adunari Nationale, 1

Tel: 022 250 373

E-mail: consecon@gov.md,

www.consecon.gov.md

 www.facebook.com/ConsiliulEconomic/

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