



State of emergency in relation to COVID – 19

As of March 17, 2020, Moldova has declared a state of emergency to stop the coronavirus pandemic. The state of emergency brought with it a number of social restrictions that directly affected economic activity throughout the country.

Moldovan business community started sounding the alarm, asking for assistance from government.

Secretariat of the Economic Council became the “focal point”

Immediately after the state of emergency was declared, Moldovan business associations made public the main challenges business was facing. As a result, Prime Minister convened a meeting with 5 heads of working groups from the Economic Council (representatives of largest business associations) representatives from business associations, representing HoReCa and other small and medium-sized enterprises in the country. The meeting was attended by the Minister of Economy and Infrastructure, Minister of Finance, Governor of the National Bank and the

Secretariat of the Economic Council to the Prime Minister. Prime Minister listened to the proposals and views of the representatives of business community who requested more incentives in times of crisis. At the same time, ministries presented several proposals for immediate measures to support business activity in the country, which were welcomed by associations. However, as challenges are just beginning during the crisis, business associations asked Prime Minister to turn the Secretariat of the Economic Council into a focal point for accumulating business community proposals to overcome the negative effects of the pandemic on business.



Thus, the role of experts will be to select all opinions and views of business about how and where the state should intervene.

Collection and prioritisation of proposals

By 31 March 2020, experts of the Secretariat of the Economic Council have collected more than 190 proposals from business community. Topics are related to taxation and reporting, labor relations, financial-banking support measures, state aid and civil contractual relations. Experts of the Secretariat are processing all suggestions and propose the most relevant institution which may examine the subject. The ultimate goal of this exercise is to ensure fast and efficient communication between business and state. On March 24, 2020, experts of the Secretariat developed a short list of measures that require an urgent state solution. The document was presented to the Ministry of Economy and Infrastructure. It should be noted that the Secretariat of the Economic Council was included as a member of the inter-ministerial crisis management working Group. The purpose of this Working Group is to provide full support to the Ministry of Economy and Infrastructure. In this context,

Secretariat of the Economic Council initiated the preparation of a study that would allow a clear understanding of the impact of interventions made by the state during this period in different sectors of the economy. The ultimate goal of this document is for the Government to have as broad a picture as possible of interventions made, those that are still needed and those that have not yet achieved the expected result. This in turn, will lead to making the right decisions with a positive impact on business environment.

At the same time, Secretariat of the Economic Council has put in one paper all the business operation rules for entrepreneurs during the crisis period and mandatory public health measures for individuals.



These information were published on the official website of the Economic Council, so that all entrepreneurs who need that information can find it in one place.

Single Call Center

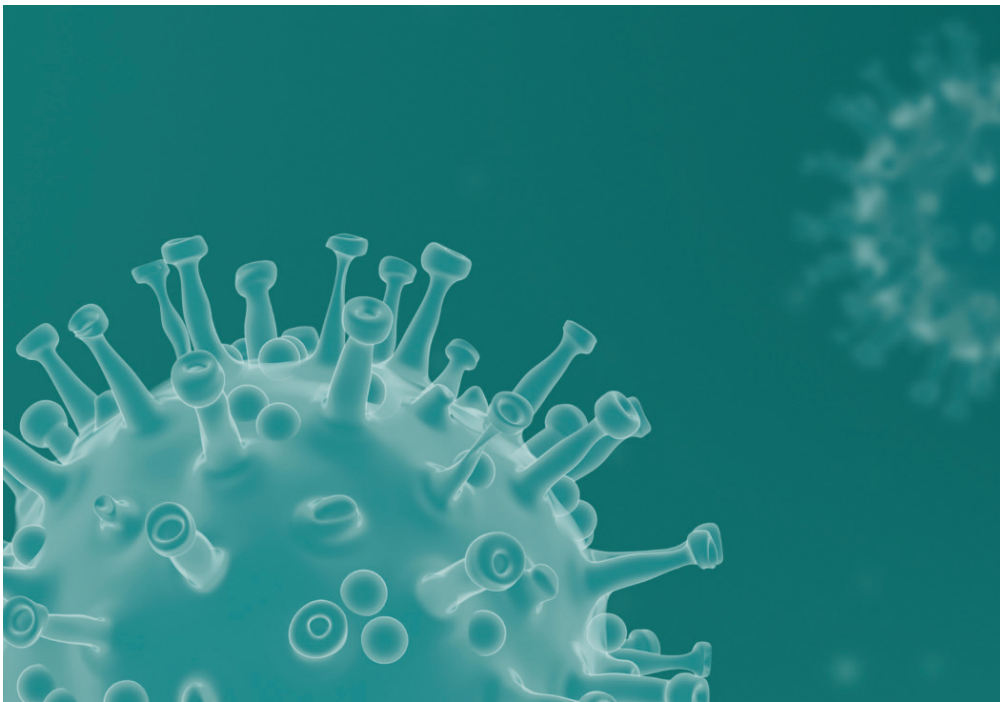
Orders coming from the National Extraordinary Commission for Public Health and Commission for Emergency Situations of the Republic of Moldova brought about changes in business activity. Businessmen found themselves in a situation where they urgently needed to reshape the way of managing business. Entrepreneurs needed, in this respect, a continuous flow of information, from which they could learn details about decisions of the government that directly affected business community of Moldova. Thus, the Ministry of Finance created a Single Call Center within State Tax Service.



Its operational mechanism was also developed with the support of the Secretariat of the Economic Council. In order to make the new service more efficient, experts of the Secretariat of the Economic Council together with the representatives of the State Chancellery took charge of all questions related to business activity.

They analyze topics related to labor relations, civil contractual relations, financial issues and restrictions in entrepreneurial activity during the Emergency Situation. Subsequently, within 24 hours from the time of receiving the call, the applicant is contacted by specialists, giving him a comprehensive and clear answer.

After receiving the topic, the institution responsible for solving the issue is identified and the process is monitored by the experts.



Subsidies for entrepreneurs affected by COVID-19

Immediate intervention: Moratorium on controls

Immediately after Prime Minister's meeting with representatives of associations and the Secretariat of the Economic Council, the Commission for Exceptional Situations has enforced a moratorium on state controls in businesses, until June 1, 2020. Thus, the moratorium is enforced on state control, including tax and financial, quality of products/services, technological parameters and / or specific requirements for business operation.

There will also be no planned or unannounced controls on compliance with labour protection norms. Controls shall not be performed by bodies mandated with the right to initiate controls based on provisions of Law No.131/2012 on state control on entrepreneurial activity, Tax Code no.1163/1997, law no.171/2012 on the capital market, Law no.320/2012 on the activity of police and status of policeman, as well as other normative acts regulating state control.

Another immediate measure that was taken by the Executive was the approval of a decree on assumption of responsibility in relation to the draft law on measures to support citizens and business activity during the state of emergency.

Thus, according to decisions of the national extraordinary public health Commission and/or orders of the Commission for emergency situations of the Republic of Moldova, for the subjects of the subsidy who have suspended the whole or part of their activity, a subsidy in the amount of paid income tax, mandatory state social insurance contributions owed by the employer, individual mandatory state social in-

surance contributions and mandatory medical insurance contributions in the form of percentage contribution payable by the employer and the employee for the benefits/ salary of the employees who has been laid off or furloughed.

Also, subjects of the subsidy that have stopped the whole or part of their activity, other than those specified above, shall be awarded with a subsidy in the amount of 60% from the amount of paid income tax, mandatory state social insurance contributions owed by the employer, individual mandatory state social insurance contributions and mandatory medical insurance contributions in the form of percentage contribution payable by the employer

and the employee for the benefits/ salary of the employees who has been laid off or furloughed. These proposals have been submitted by several business associations including on the platform of the Economic Council to the Prime Minister of Moldova.

The Council Secretariat is in a continuous process of collecting requests from business for state support. All are compiled and redirected to competent institutions for review.

Business support measures

By the end of March 2020 the government has adopted a package of measures that support business environment in Moldova. Measures cover the most diverse areas of business activity. In order to help business community, the Secretariat of the Economic Council has put all Government initiatives in one document. The document contains not only an assessment of the degree of implementation of each measure, but also the method of application of measures, and normative acts where they are stipulated. The list was made public on the official website of the Economic Council www.consecon.gov.

Exchange of views on combating economic effects in the aftermath of COVID-19 pandemic

One of the most important missions of the Economic Council and its Secretariat is to build an effective dialogue between state and business community, but also to promptly identify available additional tools and resources that help the development of business environment. The crisis generated by COVID-19 pandemic will require further exploration of external experience and international anti-crisis practices. In this context, in March, the Secretariat of the Economic Council held weekly discussions, organized by the Office of the European Bank for Reconstruction and Development in Chisinau with experts from similar economic councils in Armenia, Ukraine and Georgia. Experts exchanged views on the assistance they provide to state institutions in the context of combating the economic crisis caused by the effects of the COVID-19 pandemic.

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QUESTIONNAIRE AMBASSADORS



Economic Council - Ambassador

At the request of the American Chamber of Commerce of Moldova, Economic Council to the Prime Minister becomes the Ambassador of the Survey "Evaluation of the expected impact of COVID-19 on business". The purpose of the questionnaire was to collect information from business about the extent to which businesses could be affected after the pandemic.

All information in the questionnaire will be summarized by the American Chamber of Commerce and subsequently transmitted to authorities who, based on assessments, will have to look for solutions to overcome the economic crisis that Moldova has already found itself in.

Economic Council activity before COVID-19

Over 98% of companies operating in the national economy are SMEs

Representatives of the SME sector met on January 28, 2020 at the first meeting of the Advisory Council of small and medium-sized enterprises, the functions of which are performed by the Economic Council to the Prime Minister. At the meeting for the setting up the SME Working Group, representatives of the business community outlined a number of problems they face. Chairman of the Working Group "Advisory Council for SMEs", Minister of Economy and Infrastructure said that SMEs are a priority for the Ministry of Economy. The relaunch of the activity of SME Advisory Council in a new format is a confirmation of this. Through it, the ministry, as well as other state institutions, will receive issues faced by this sector in a quicker and more structured manner, which will allow them to be solved more rapidly. According to the data of the National Bureau of Statistics, 98.7 percent of all companies operating in the national economy are SMEs. The same data show that over 60 percent of employees of the Moldovan labor market work in SMEs. Through the changes made on 23.08.19 to the Regulation on the organization and functioning of the Economic Council to the Prime minister, the latter shall exercise the powers of the advisory Council for small and medium-sized enterprises, in the form of a permanent working group, chaired by the Minister of the Economy and Infrastructure, who is also the Deputy Chairman of the Economic Council.



Authorities and businesses are thinking about how to supplement the labour shortage faced by Moldova

In the last five years there has been an annual increase by 15-16 thousand people who go to work outside the country for a period of more than 3 years. This was shown by Border Police data presented by the Bureau of Migration and Asylum (BMA) at the meeting of the Economic Council on 28 February 2020. The same data also show that people who left the country several years ago do not return home, as they

take with them relatives from Moldova for family reunification. Thus, the implementation of policies to attract the departed citizens to the country or the implementation of policies to re-employ them becomes more and more difficult. That is why the state is thinking about new methods that would reduce the shortage of skilled and unskilled labor force faced by the Republic of Moldova. A solution would be to facilitate even more substantial procedures for obtaining residence permits for migrant workers. Thus, the BMA suggests a number of amendments to the legislation in this regard. It is proposed to exclude the obligation of notary authentication of lease contracts for the living space in which the

foreigner will stay. Thus, the employer company will reduce the expenses, as it will not be forced to spend between 150-400 lei authentication fee for each employee. The BMA also proposes to exclude the presentation of the mandatory medical insurance when extending the right of provisional residence, since this risk is covered by the employer on a mandatory basis anyway. All proposals will be collected by the Secretariat of the Economic Council and presented to BMA to summarize. There are 20 000 thousand foreigners with the right to stay in the Republic of Moldova. Of them 36% are employed. Most are from Ukraine, Russian Federation, Turkey, Italy and Germany.

Labour market in Moldova becomes increasingly popular among migrant workers



In 2019 - 2020, 85 companies, involving 1300 apprentices, applied to this form of education.

Moldovan economic operators should work with state institutions in order to prepare plans (state order) for the training of specialists.

Dual education would be a solution in this respect, said the Head of the Chamber of Commerce and Industry Sergiu Harea, Coordinator of Working Group 6.

This would help Higher Education institutions in the country to prepare specialists that the national economy requires.

This is confirmed by the data of the National Employment Agency presented at the Economic Council meeting on 14 February 2020.

According to this information's if in 2018, a number of 870 migrants applied for a residence permit for employment in Moldova, then in April 2019 this figure amounted to 1980 people. In the last two years, Moldova has taken a number of measures in the context of labor market liberalization, including the modification of legislation

to simplify the procedure for obtaining a residence permit for employment purposes.

Liberalization of labor market is necessary, especially in the context of existing vacancies in Moldova in the area of trade, manufacturing, health, construction, agriculture and transport.



Declaration of the value of goods in customs is more transparent

On 3 January 2020, the amendments to the Regulation on declaring the customs value of goods entered into force. Now, according to the amendments, the declarant (economic operator) will be informed through an inspection act about the justified reason for not accepting the declared price during the process of declaring the customs value. At the same time, the process of presenting additional evidence in support of the declared price will be improved. The economic operator now has a say, where he does not agree with the decision of the customs body. It will be able to request the basis for calculating the customs value determined by applying the reserve method. At the same time, in case of non-acceptance by customs of the declared value, the business will have 4 hours to submit additional corresponding evidence. And if the evidence can not be presented within the time limit provided by art. 199 of the Customs Code, the declarant may require the provision of sufficient security with the right to place the goods in free circulation with subsequent compliance with the legal provisions. The procedure of declaring the customs value has come to the attention of the Economic Council to the Prime Minister since the summer of 2017, when the business community alerted about a number of challenges in the process of setting the value of goods in customs by customs officers. At the request of the Economic Council, which also exercises the powers of the National Committee for Trade Facilitation, experts of the International Financial Corporation, made an assessment of the situation and came up with a number of recommendations. Proposals of international experts and representatives of business associations were later included in Customs draft amendments to the regulation on how to declare the customs value of goods.

MPs voted to return to the old regulations on establishing the insurance amount for hazardous industrial objects

On November 28, 2018, Parliament adopted amendments expressly regulating the amount of insurance for possible damages in case of an incident involving a hazardous industrial object, the size of which varied from 5 to 100 million lei, subject to the hazard category of industrial objects. The changes generated dissatisfaction of the business community. They addressed the issue with the decision makers during the debates held on August 2019 on the platform of the Economic Council. Business representatives mentioned that the procedure of establishing a fixed size of insurance by law, will generate an increase of up to 100 times the size of the insurance premium, which can even lead to the bankruptcy of some companies. Following the changes made to the Contraventions Code, sanctions imposed on the legal entity in this regard range from 500 to 700 conventional units.

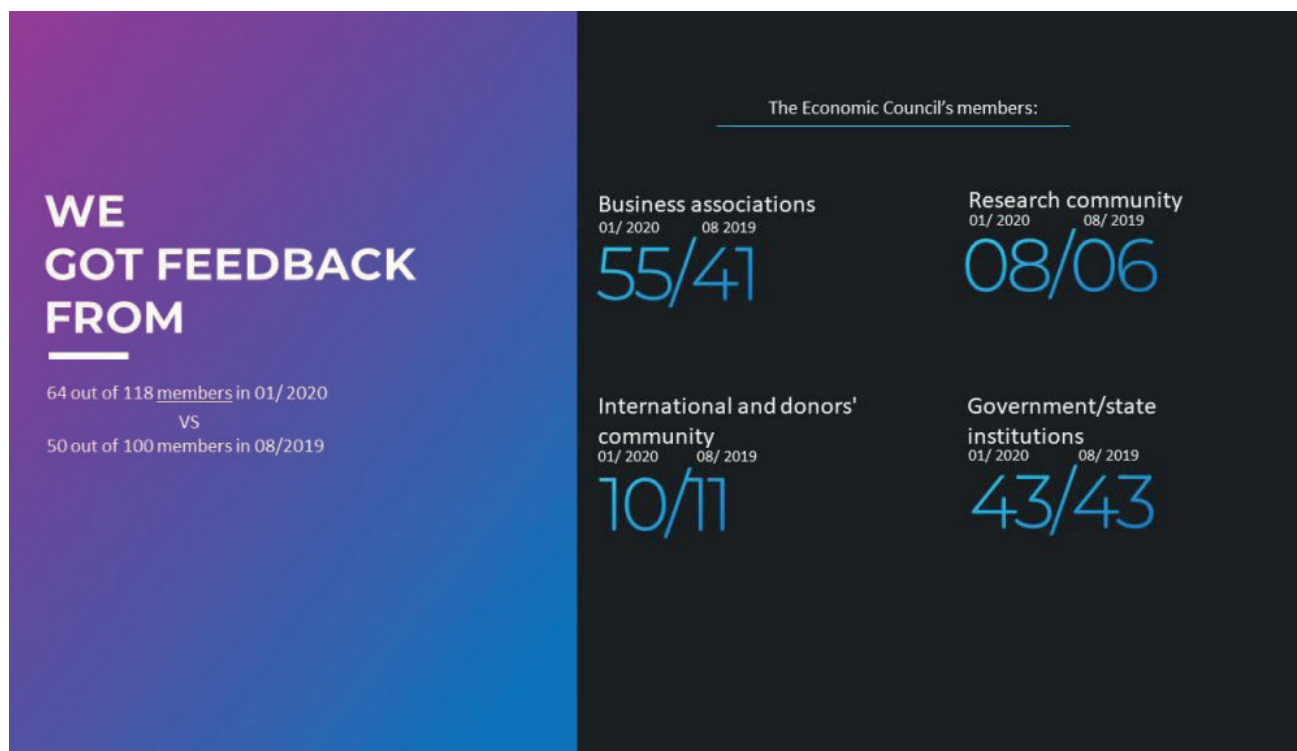
On February 6, 2020, MPs voted to return to the provisions of law 116/2012 prior to the amendments of 2018, whereby the amount of insurance for possible damages is determined based on the results of assessing risks described in the insurance contract for hazardous industrial objects. Now follows the second stage – the legislator obliges the executive to develop legislative changes that regulate an effective and mutually acceptable mechanism for determining the amount of insurance for hazardous industrial objects, so as to make businesses aware of it without requiring the payment of exaggerated insurance premiums.

Reporting to the state is still too much of a burden for business

According to the estimates of the Secretariat of the Economic Council, based on data collected from a number of enterprises, companies in certain sectors spend millions of euros for the preparation and presentation of reports, and other information, to the state institutions. Much of this expenditure is unjustified and can be avoided, economic operators argue.

Over the course of the past two years, in order to reduce the burden of reporting, State Tax Service, Center for Information Technology in Finance, National House for Social Insurance (NHSI), National Company for Health Insurance (NCHI) and the National Bureau of Statistics (NBS), in collaboration with the Economic Council have developed and implemented a solution for a One-Stop-Shop reporting.

At the moment reports are submitted to the State Tax Service, NHSI and NCHI through this platform. 26 reports to the NBS are also submitted through this One-Stop Shop. The subject of reducing the reporting burden for the business community has been in the loop of the Economic Council since 2017. Through Working Group 5 – Improving Moldova's position in international economic rankings, solutions are identified to reduce the reporting burden. At the meeting of the Working Group on 21 February 2020, representatives of state institutions and business community explored the possibilities of connecting other authorities to the One-Stop Shop. Representatives of business community argue that state needs to make greater efforts to reduce the reporting costs to the minimum.



Business, donors, state institutions and research organizations have expressed their opinion about the Economic Council

The perception of the members of the Economic Council about this platform has improved. This is what the results of the opinion poll conducted every half year by the Secretariat of the Economic Council show.

Participation in the survey is voluntary and anonymous.

If in August 2019, 12 percent of respondents expressed partial disagreement with the opinion that the Economic Council is an effective mechanism for promoting a dialogue between the government and the business community, then the results of the January 2020 survey show 0% such answers to this question. The perception of council members that the Economic Council operates in an open, inclusive, friendly and transparent manner has also been improved. In the past year, 4% were at odds with this statement. The last survey did not record such responses. Overall, 99 percent of respondents believe that the Economic Council only promotes initiatives that meet the interests of the business environment, good international practices and are supported by the international community. 88%

fully agree and 12% partially agree with the assertion that Economic Council has an important role in promoting economic reforms and should keep working in the coming period. The biannual survey among the members of the Economic Council was carried out in January 2020, the tabulation of results has been carried out between 1-14 February 2020. The Economic Council has 118 members, including 56 business associations, 8 representatives of research community, 11 representatives of international organizations active in the field of business environment reforms and 43 representatives of public authorities and institutions. 64 out of 118 members of the Economic Council participated in the survey.

