

ANNUAL REPORT

2020 — A NEW REALITY



Economic Council to the Prime Minister
of the Republic of Moldova

CLOSED

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On March 17, 2020, a State of Emergency was declared in the Republic of Moldova.

This happened after on March 11, 2020, World Health Organization declared the pandemic of SARS-Cov-2 or COVID -19.

Schools, kindergartens have been closed, thousands of companies and state institutions interrupted their activities. People were not allowed to leave the house, and if they did, they should wear protective masks. Travel restrictions have been imposed. Flights from and to Moldova have been halted.

At the end of 2020, the number of those infected with COVID-19 in Moldova, amounted to 150,000 thousand people.

After a tense year, scientists discovered the vaccine against Covid-19. Aware that the pandemic brought with it a new reality, changing not only the social but also the economic model, actions and strategies of Governments are being reconsidered in relation to business community.



NE CEREM SCUZE
RESTAURANTUL
— E ÎNCHIS —
DIN CAUZA COVID

We apologize, we closed because of COVID-19

2020
A NEW
REALITY



Angela Sax,

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

In a year dominated by the global pandemic, when governments and businesses were - and still are - facing the twin threats to lives and livelihoods, the dialogue between the two has never been more important.

I am pleased to take note of the Economic Council taking a proactive approach to assess the impact of the pandemic on businesses and setting out ways to undo the damage and pivot to a post-crisis future.

This includes measures to create a more enabling environment for companies to take advantage of the stunning developments in digitalization and e-commerce.



Steven Fisher,

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

2020 was a tough year for everyone. A year full of economic challenges, unprecedented pressure on medical systems, and on our ordinary lives caused by COVID-19. Almost all countries in the world, including the Republic of Moldova, were and are still passing through the economic downturn triggered by the pandemic.

We were delighted to see the prompt role played by the Economic Council in terms of reducing the economic risks and uncertainty for Moldovan businesses who are the members of the Council. That was exactly why the UK took a decision to fund a study of the economic impact of COVID-19 through the Economic Council. The study aimed at collecting first hand reliable information on the extent to which various economic sectors were affected by the

pandemic. The HORECA (Hotels, Restaurants and Catering) sector turned out to be one of the most severely affected sectors, with 50,000 employees in the sector directly or indirectly affected when sales declined dramatically. To alleviate the adverse economic consequences, the Council's experts proposed to reduce VAT for the HORECA sector from 15% to 12% so as to cushion the impact of the downturn. Encouragingly, Parliament quickly adopted the proposed reduction, which will contribute to Moldova's economic recovery from COVID-19. I believe this a brilliant example of the important role played by the Economic Council as a platform for open dialogue between the Government and Moldovan businesses.

We continue to support the Economic Council's role as a bridge between the public and private sectors, with the objective of enhancing the business and investment climate in the country.

DONORS MESSAGE



Anna Lyberg,

Ambassador of the Kingdom of Sweden to the Republic of Moldova

Enhanced economic integration with the EU is among existing priorities of Swedish Reform Cooperation Strategy in Moldova and by dedicated programmes the focus is on strengthening competitiveness of local companies and empower entrepreneurs through various support tools for business growth and innovation.

Without an adequate open dialogue, all national and international efforts could be harder to implement. In this context, the Secretariat of the Economic Council has an important role in public-private dialogue and inter-ministerial consultation and by this is ensuring a growing voice of private sector in various relevant initiatives design.

During 2020, based on shifting needs and new challenges for the society, it was an even more obvious need to

adapt and be flexible. Therefore, the dialogue between the government and the business community for adjusting regulatory environment was even more active than in previous years.

Considering all the efforts dedicated to Impact Studies on the economic sectors and Policies Matrix for the recovery of the affected sectors, we understand that the adjustment to new circumstances will need to be thoroughly thought but the visionary agenda should be also kept in the spirit of a continuous partnership for the country's economic development.



Galina Cicanci,

Senior Private Sector Specialist, International Finance Corporation

Year 2020 has been a challenging year for all of us as the pandemic has affected all aspects of our lives – including our health, human interactions, the way we work.

For the private sector it has been a particularly heavy hit, as firms had to comply with restrictions in its activity, but also survive supply chain disruptions, change the way they sell and deliver, maintain employment and pay taxes. It has been difficult as well for the Government, confronting unprecedented pressures on public health and public budget.

It is truly remarkable that in these conditions, the dialogue between the top Government and the private sector has not been discontinued, but on the contrary has been active and focused on finding practical solutions to challenges.

The proposals and policy recommendations that the Council has accumulated from its members during 2020, complemented by the research it has conducted, is a significant contribution to public policy making to strengthen resilience in crisis.

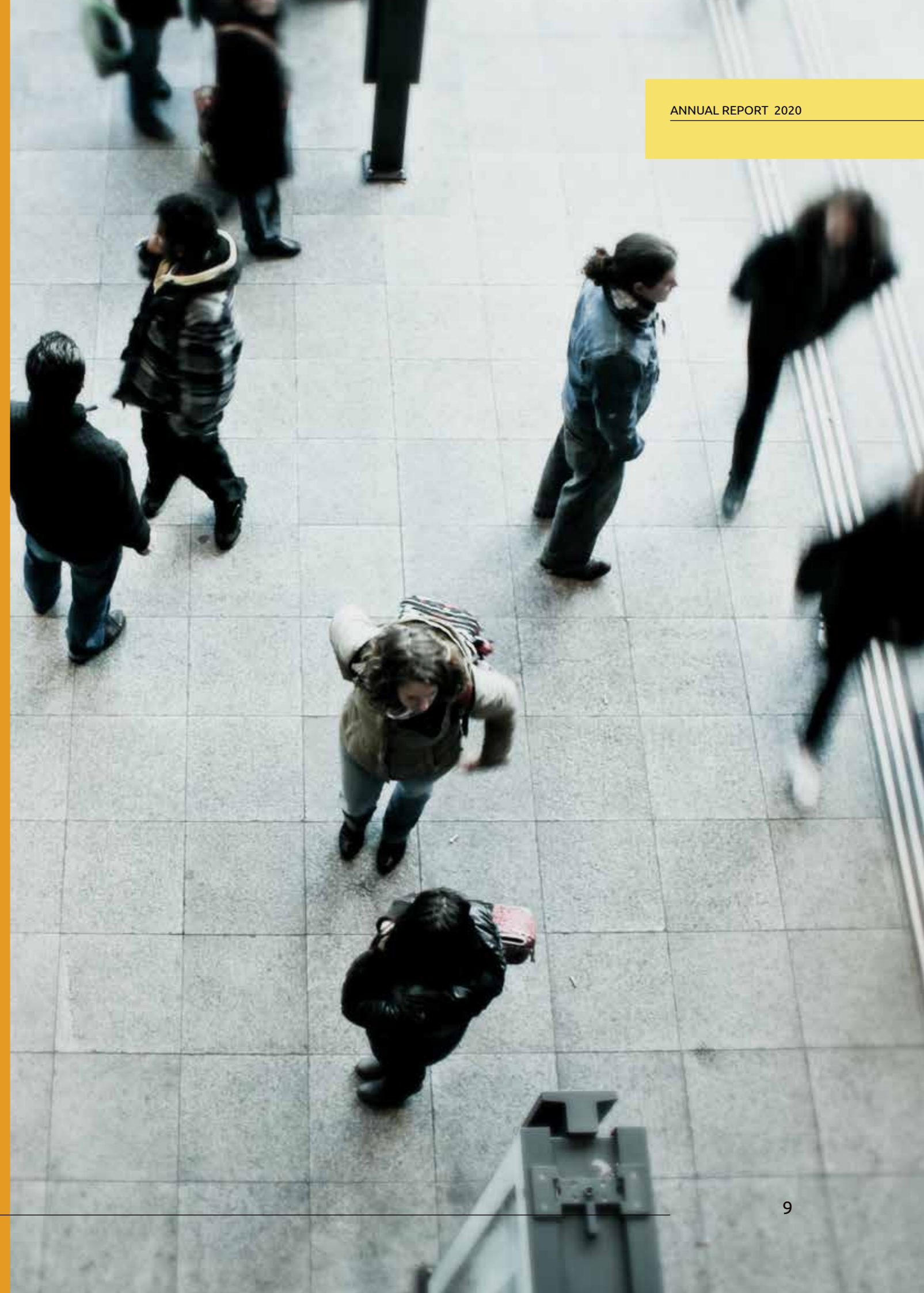
We would like to encourage all counterparts in this dialogue to communicate regularly, accept pragmatic solutions and bold reforms. Only a strong private sector can secure more and better jobs, taxes and overall progress of the economy and society.

The Government's role is crucial for creating a better regulation, transparency and accountability, so that investors gain trust and contribute to the country's progress through new investment.

COVID-19: STATE OF EMERGENCY

As of March 17, 2020, a state of emergency has been declared in Moldova 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.

The business community of Moldova started to sound the alarm, asking for help from the state.





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) 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 stimulus 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 were just beginning

during the crisis, business associations asked Prime Minister to turn the Secretariat of the Economic Council into a focal point for gathering business community proposals to overcome the negative effects of the pandemic on business.

Thus the role of experts will consist in accumulating and prioritizing all opinions and views of business about how and where the state should intervene. The idea was accepted.

"Focal point"





The largest food and industrial market in Chisinau: the first months of the pandemic.

Source: Jurnal.tv



Collecting and prioritizing business proposals at the outset of the pandemic

By July 2020, experts of the Secretariat of the Economic Council have collected over 440 AntiCovid-19 requests and proposals from over 45 business associations and representatives of business community.

Topics covered taxation and reporting, labor relations, financial and banking support measures, state aid and civil contractual relations. As they were being received, all proposals, requests and suggestions were being systematized and included in a table. The folder containing this table was available online for all ministries and agencies. They could follow the entire list of proposals and measures taken by other institutions.

The Secretariat was regularly sending requests to all State entities to update the information in the table and to inform the applicant of the status of actions or the grounds for non-acceptance of the proposal. Secretariat were in constant contact with responsible officials of all ministries involved.

Thus, through public authorities' decisions, 69 requests have been fully fulfilled, 111 have been partially fulfilled, 32 subjects have been justifiably rejected.



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 had to urgently reshape the way of managing business. Entrepreneurs needed 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 Centre within State Tax Service dedicated exclusively to all questions of businesses regarding their activity during the state of emergency.

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 employees of the State Chancellery took charge of all

questions related to business activity. They analyzed 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 was contacted by specialists, giving him a comprehensive and clear answer. After receiving the topic, the institution responsible for solving the issue was identified and the process was monitored by the experts.

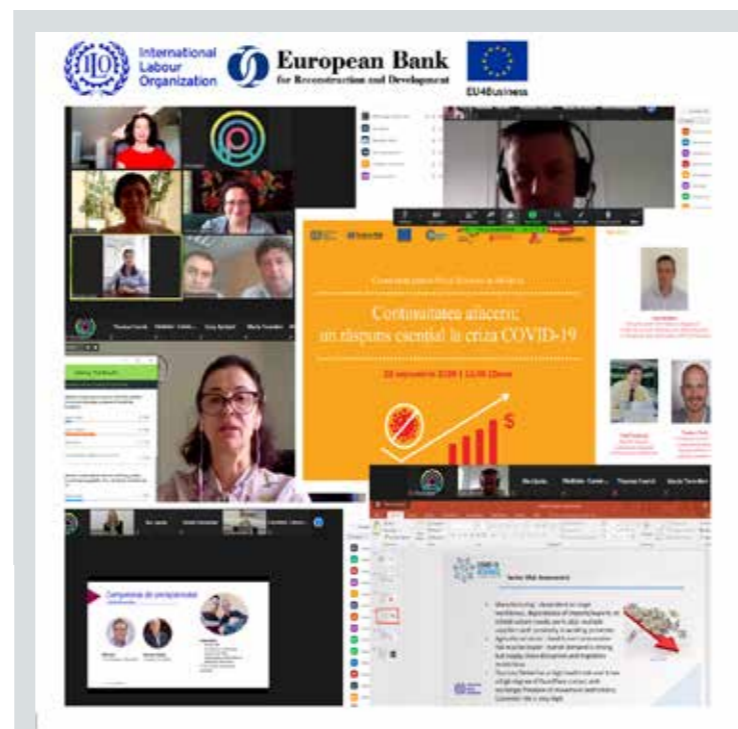
Meanwhile, during March, April, May 2020, the Secretariat of the Economic Council compiled the information on the rules of activity for entrepreneurs during the crisis period and the mandatory public health measures for individuals in one document.

This document was being adjusted and duly completed in real time, as new provisions were adopted by the Committee on Emergency Situations.

These documents have been published on the official

website of the Economic Council and on the official Facebook page of the platform, so that all entrepreneurs who needed this information could find it all in one place.

According to statistics, information reached to over 130 000 users of the Facebook page in Moldova.



Legal assistance

In June 2020, started the series of Legal Assistance Webinars within the project “Emergency Legal Advice”, organized by the Small Business Consultancy Team, the European Bank for Reconstruction and Development in partnership with the Economic Council to the Prime-Minister of the Republic of Moldova and law firm “Gladei and Partners”. The events were addressed to local SMEs and aimed to raise awareness of businesses by providing the necessary legal and practical assistance to identify the best course of action in circumstances of financial peril and commercial uncertainty caused by the Covid-19 crisis.

A total of three webinars have been organized on topics: Contractual issues and e-commerce; Labour relations and compensatory measures; Litigation and insolvency. The project

“Emergency Legal Advice” is supported by the EBRD Impact Fund for Small Businesses. Webinars for SMEs organized in partnership with the International Labour Organisation were also held during July, August and September 2020. More than 100 entrepreneurs, consultants and representatives of state institutions learned about the experience of other states in overcoming the COVID-19 crisis and how it can be applied locally.

During the events, speakers addressed topics such as increasing business productivity through workplace skills, social dialogue and how it can help small and medium-sized enterprises survive, as well as measures to be taken to ensure business continuity in a crisis period.

The events were organized by the Small Business Consultancy Team, EBRD Moldova, in partnership with the IOM and the Economic Council to the Prime Minister, with the financial support of the EU4Business initiative of the European Union.





Meeting of Investment Councils supported by the EBRD

The EBRD Investment Councils are one of the Bank's key response tools to the coronavirus pandemic.

This was mentioned at the virtual conference of the EBRD Investment Councils on 2-3 June 2020 with the participation of Economic Councils, similar to previous events that took place in Istanbul in 2015, London in 2017 and Tbilisi in 2018.

These dialogue platforms help governments develop policies that help support business, especially where capacities are limited. It was mentioned during the Virtual Forum that since the outbreak of the crisis, the EC Secretariats have strengthened their efforts to facilitate the dialogue between the business community and governments.

Over two days, about 100 participants discussed the EBRD's response policies to mitigate the impact of the crisis and support its beneficiaries. The opening of the meeting was attended by high-level representatives — Maya Tskitshvili, Deputy Prime Minister of Georgia and Anila Denaj, Minister of Economy and Finance of Albania. EBRD First Deputy - President Jürgen Rigterink came with a welcoming word. Mattia Romani, Director General for economy, policies and governance at EBRD, spoke about the Advisory Rapid Response System — a new service to support the implementation of policies to mitigate the economic impact caused by the pandemic, by using own resources of EBRD,

Consultations, Working Group meetings and discussions with donors, all went online in 2020.

its network of policy-makers and experts. The dialogue assured by the Investment Councils between business and government is extremely important under normal circumstances, but has proved crucial in supporting governments during and after Covid-19. Discussing the path to be followed in the next period, participants mentioned the need to support SMEs, facilitate e-commerce and promote digitalization.

During the meeting, it was mentioned that these are measures that must be taken into account in the process of drafting all policies during this period, but also in the long term.

EBRD supports the Investment Councils through the Secretariats, which coordinate and facilitate the work of these platforms. It also provides analysis, economic and legal advice to support the work of the Councils and promote reforms. In total, over 50 experts work in 12 Secretariats from Albania, Armenia, Belarus, Georgia, Kosovo, Kyrgyz Republic, Moldova, Montenegro, Tajikistan, Tunisia, Ukraine and Uzbekistan.





Plenary meeting of the Economic Council to the Prime Minister of the Republic of Moldova

On June 9, 2020, the Secretariat of the Economic Council organized a plenary meeting of the platform headed by the Prime Minister of the Republic of Moldova. The meeting reviewed the results of measures taken regarding the resolution of anti-Covid-19 requests and proposals collected from business community, at the request of the Head of Government, after the declaration of the state of emergency. More than 100 members of the Economic Council participated in the event, which took place online. At the meeting, the Prime minister presented to the business community the gloomy reality of the economic situation in Moldova, from mid-2020.

Expenditures increased and incomes decreased. As a result, we reached a planned budget deficit of the national public budget of over 16 billion lei. It is a deficit that Moldova has never had before. Revenues have decreased compared to last year, and expenses have increased. All of them have a serious impact on business in Moldova.

Since the beginning of the emergency situation, however, a number of business support measures have been put in place, the Prime minister stressed. Among them: Postponement of declaration and payment of certain taxes; moratorium on state controls; deferral for a period of 3 months of payments of installments for loans granted to legal entities; subsidizing by the state of 100% and 60% of taxes and fees

related to salary payments; VAT rate was reduced from 20% to 15% for HORECA sector; etc. All these measures are important, but they could not dramatically change the situation in Moldova. The Prime minister called on the entire business community, donors and state institutions to make efforts to overcome the unprecedented economic crisis in the Republic of Moldova.



CHAPTER II

ECONOMIC RECOVERY POLICIES AND DIGITIZING THE ECONOMY

In 2020, the Economic Council focused its efforts on two important documents:

The COVID-19 Pandemic Impact Study on economic sectors;

Roadmap for boosting the digitization of the national economy and e-commerce development.



The COVID-19 Pandemic

Impact Study on Economic Sectors and the Policy Matrix

During the process of collecting proposals and suggestions from the business community, the experts of the EC Secretariat found that this method of data collection does not allow the calculation of the impact of measures on economic sectors.

The EC Secretariat came up with the proposal to develop the COVID-19 Pandemic Impact Study on economic sectors and development of Policy Matrix for the recovery of affected sectors. These documents had to unify, structure and prioritize all subjects alerted by the business community during the pandemic period. In June — August 2020, the documents were prepared by the Secretariat of the Economic Council, jointly with the Ministry of Economy and Infrastructure and with the support of the EBRD, UK Government Good Governance Fund, and the International Financial Corporation. A few weeks after the declaration of the State of Emergency in Moldova, it was clear that the pandemic would affect absolutely the entire economy of the country. The Secretariat of the Economic Council, in discussions with the Ministry of Economy, set out to see how and to what extent the economic sectors are affected. In the opinion of experts, that would allow to determine the need and type of concrete aid for each sector.

The experts discussed with representatives of over 20 economic sectors in Moldova, which represent over 85% of turnover in the economy.



The Secretariat of the Economic Council did not intend to prepare a poll to see the obvious facts about how serious the situation is. We wanted a more complex approach — to see which sector contributes more to the economy, which has been affected more by the pandemic, what is the new balance point “business as usual” and how sectors will adapt to the new reality, see what kind of help each sector needs and finally come up with a set of well-argued and weighed proposals that would help mitigate the negative consequences. In addition to the data taken from the National Bureau of Statistics, Ministry of Finance, from surveys conducted during that period by the American Chamber of Commerce, USAID, UNDP, European Business Association etc., the experts discussed directly with the representatives of the economic sectors, which highlighted the problems faced by their sector, and they also came up with solutions that would help them weather the economic crisis caused by COVID. The document also contains the assessment of the impact of these proposals, which come from business.

Budgetary costs, effects on turnover in economic sectors and revenues forecasted to the budget have been determined.



Methodology

The Methodology on the basis of which the study was developed is based on three components or dimensions:

Contribution to economic development. The sectors were analyzed in light of the following criteria:

(a)	<i>the size of the sector defined by number of employees and turnover;</i>
(b)	<i>economic performance in terms of labor intensity and productivity;</i>
(c)	<i>role in ensuring food security and other strategic issues;</i>
(d)	<i>importance for other sectors of the national economy;</i>
(e)	<i>import replacement potential;</i>
(f)	<i>export growth potential.</i>

The second component covers the impact of the pandemic on the sector. Here criteria, such as:

(a)	<i>the extent to which national restrictions and changes in local consumption affected the number of employees;</i>
(b)	<i>the extent to which national restrictions and changes in local consumption affected production/turnover;</i>
(c)	<i>the extent to which foreign trade has been affected by global mobility;</i>
(d)	<i>the risk of insolvency in the economic sectors;</i>
(e)	<i>the financial sustainability of sectors of national economy;</i>
(f)	<i>access to new credit from the banking system.</i>

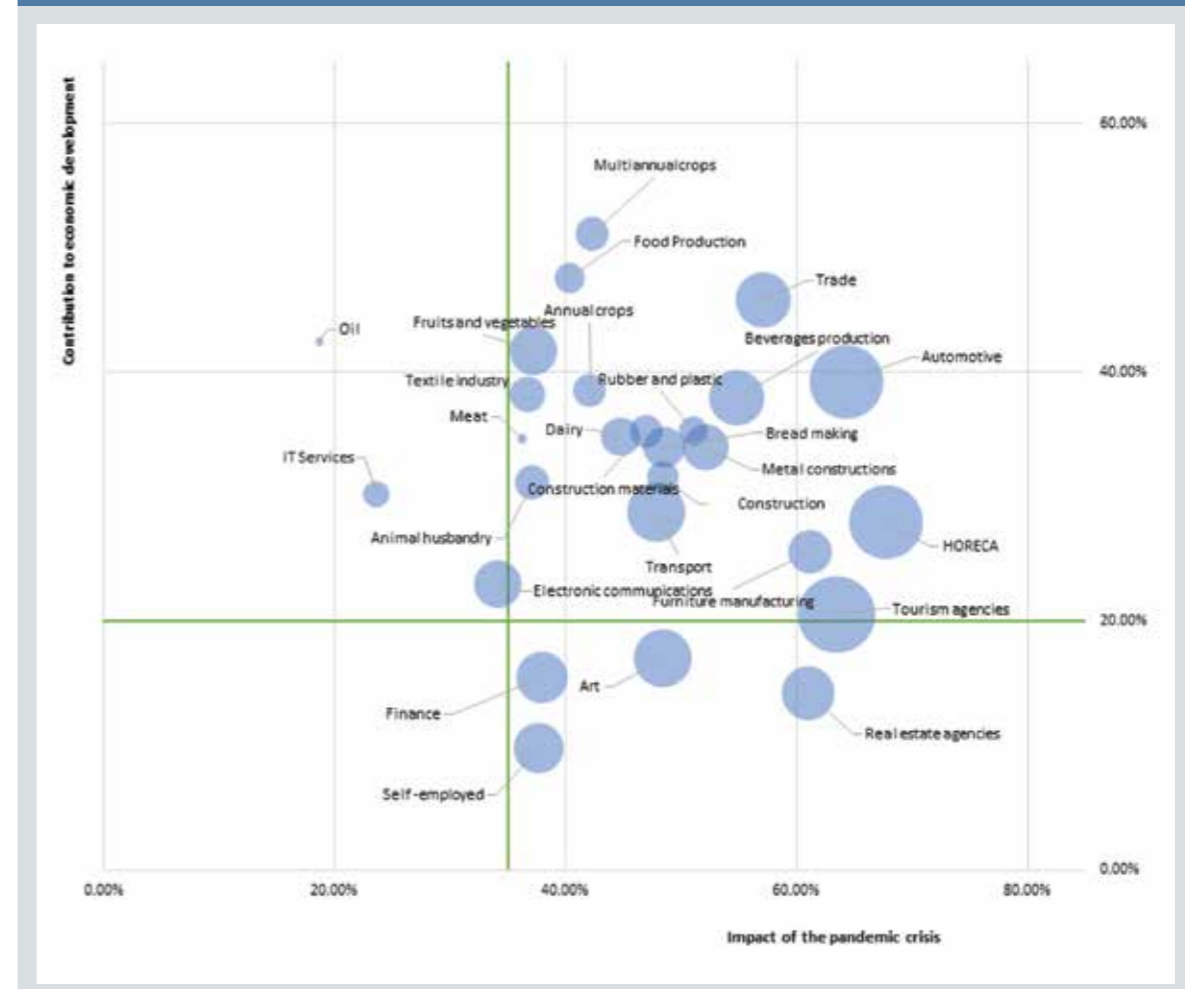
And the third dimension in the methodology relates to the degree of resilience in a “new normal”, i.e. which sectors will be able to withstand under current conditions, including a new lockdown. Here were analysed:

(a)	<i>turnover under the conditions of 'new normal' or business as usual;</i>
(b)	<i>survival rate over 6 months under the conditions of 'new normal';</i>
(c)	<i>survival rate over 6 months in case of a repeat lockdown.</i>

This chart has 3 dimensions:

- which of the sectors contributes the most to economic development,
- which have been profoundly affected by the pandemic crisis and
- which have the lowest degree of resistance.

The smaller the circle, the more resistant the sector is to pandemic conditions. The top right quadrant shows the sectors that have made the most important contribution to the national economy and which have been largely affected by the consequences of the pandemic.





How did we work with each sector?

Furniture manufacturing

For example we will refer to the findings that have been made in relation to furniture industry, which have shown the following:

The most noticeable impact on the furniture industry occurred during the emergency period, when, along with other commercial units, the activity of furniture show rooms was halted. The peculiarity of this industry is the just-in-time production — within 2-3 weeks of placing orders through furniture show rooms.

Respectively, even though there were no restrictions on the activity of furniture factories, the limited capacity of the warehouses for storing the finished production determined the stopping of production by furniture manufacturers. During the emergency situation, employees in this industry were furloughed, their salaries being partially compensated.

Consequently, during the 2 months of stay, furniture plants incurred costs which were not covered by sales. However, it is estimated that in the absence of a new downtime period, sales volume in 2020 will be approximately at the level of the previous year. This is due not least to the return to the country of Moldovans previously working abroad. The reduction of orders from HORECA had a negative, but not a decisive impact. The robust performance of the sector in previous years has facilitated access to finance,

which has allowed uninterrupted payment of wages from the liquidity reserve.

Online sales have not proven to be a viable solution, given that buyers prefer to appreciate the items directly in furniture show rooms because size, color, appearance are critical to making the purchase decision. Representatives of the sector noted that the law on e-commerce is designed to pay invoices online and does not meet the requirements.

Representatives of the sector are complying with sanitary protocols, but mention that the closure of furniture show rooms was not justified. The large areas on which the goods are exposed represent a lower risk than public transport.

Furniture production is strongly connected to foreign trade. Raw material imports component in the production of laminated, upholstered furniture and trimmings are practically 100%. Relationships with suppliers have changed during the pandemic. If previously, orders were placed 4 weeks before delivery, now a minimum of 8 weeks is required. At the same time, suppliers insist on immediate payments, as opposed to the pre - pandemic period.

On the other hand, furniture produced in Moldova has a significant share on the Romanian market. This is explained by the speed of execution of orders, affordable prices for furniture produced from laminated material (furniture

factories in Romania are oriented towards luxury production, made of wood) and consumer confidence (laminated furniture produced in Ukraine is not in demand).

Labour costs are on a rising trend. Skilled workers (including graduates of vocational schools) take as a reference the wages they could earn in Romania or the Czech Republic, which face a shortage of labor. In the medium term, the productivity of the sector depends on the technology, for example, the purchase of new turning machines would reduce labor costs.

Taking into account the above, it can be stated that the competitive advantage that Moldova currently has in furniture exports will erode with the increase in labor costs, if measures to increase productivity based on new technologies are not taken.

Representatives of this sector say that to survive they need:

➔ ***Develop fair, clear and predictable sanitary rules, adapted to the risks specific to economic activity. This measure was also requested by other branches, such as trade, HORECA, etc.***

➔ ***Development of a mechanism to stimulate industrial enterprises in order to implement new technologies. This measure was also requested by the textile sector.***



The budget cost of the last measures would be (here the estimates are for two sectors: furniture and textiles): 71.25 million lei, Estimated economic impact: 752.6 million lei, Forecasted budget receipts: 70.5 million lei. This is how it has been done with over 20 sectors representing over 85% of the turnover in the economy without health, education, social assistance, public administration and utilities. As a result, the information from analyzed sectors was summarized and a Matrix of policies for economic recovery under pandemic conditions was developed that would entail budgetary costs amounting to 3.7 billion. The economic impact is estimated at 12.9 billion lei, with 4.8 billion lei revenues to the budget.

And in this regard, three types of actions are needed:

— Optimizing the regulatory framework

1. *Boosting the process of digitization of the national economy and development of e-commerce*
2. *Removing constraints from the existing regulatory framework in the field of construction*
3. *Development of improvements to the draft Urban Planning and Construction Code registered in the Parliament and promotion of those in the framework of consultations with parliamentary committees*
4. *Strengthening export potential and protecting domestic producers*
5. *Improving the procedure for determining the value of goods in customs in light of its applicability and the reasoned presentation of decisions to increase the value of imported goods by customs officials*
6. *Review of the regulatory framework governing employment relations in the area related to remote employment relations*
7. *Reducing the minimum weight of the price element in the criterion for the award of public contracts/framework agreements*
8. *Development of fair, clear and predictable sanitary rules, adapted to the risks specific to economic activity*
9. *Improving agricultural production performance*
10. *Identification and implementation of optimal solutions to support employees with children when kindergartens and schools are closed*
11. *Accreditation of Master's programs in areas where there is a shortage of skilled labor*
12. *Drafting and adoption of the regulation for the implementation of the law on attracting foreign investment in the field of movie production and other audiovisual works*
13. *Implementation of the Integrated Road Transport Management System*
14. *Providing free premises for the delivery of postal services in the area of universal postal service*

Cost: 135 million lei; Impact: 2.1 billion lei; Budget receipts: 57.5 million lei

— Adjustments in the area of taxation

1. *Identification and development of an optimal VAT taxation regime within the agricultural value chain*
2. *Assessing the possibility of lowering the VAT rate for the HORECA sector*
3. *Exemption of young people employed from mandatory state social insurance contributions in the first two years of activity*
4. *Tax incentives for domestic passenger transport in order to combat illegal passenger transport*
5. *Application of the "0" rate for micro-enterprises on income tax reinvested for 2020 and 2021*
6. *Identification of local tax exemptions solutions / capping the local tax on e-commerce sales*
7. *Identifying the level of optimal VAT rate for e-commerce in order to facilitate its development*
8. *Simplification of tax, accounting, reporting and other requirements and procedures for individual economic activities and micro-enterprises*
9. *Granting tax credits by developing the mechanism for paying tax obligations in installments during 2020-2021*
10. *Reducing the penalty for late payment of taxes and fees, social contributions and medical premiums during 2020-2021*
11. *Deducting the cost of maintenance and repair work of transport units on the basis of receipts issued by car repair and maintenance services, sellers of spare parts, etc.*
12. *Formulation of viable tax options for representatives of the creative industry (designers, staff responsible for sound and visual arrangements, etc.)*
13. *Examining the suitability of eliminating the tax for mobile phone services and portability fee in the amount of 50% from the payment for operation*
14. *Extending the term of application of tax incentives for the income tax provided for employees whose basic activity is "creating (software) programs" (art. 24 (para. 21) of Law No. 1164/1997 for the implementation of titles I and II of the Tax Code*
15. *Amending the legislation with a view to extend the deadline for submitting financial statements and the audit report*
16. *Suspending the action of the norm which presupposes the sanctioning of economic operators for paying in advance an amount different from that actually paid at the end of the year*
17. *Full deduction and non-consideration as incentives granted by the employer of expenses incurred by the company to ensure the fight against the effects of COVID or ensure compliance with the rules for preventing the spread of COVID*

Cost: 1 billion lei; Impact: 4.4 billion lei; Budget receipts: 1.4 billion lei

Economic incentives

1. *Increase the ceiling of the Guarantee Fund for SMEs up to 1 billion lei*
2. *Accelerating the First Home program by offsetting banks' margin*
3. *Simplifying procedures for registering the unemployed at the NEA and identifying solutions for increasing the budget for unemployment benefits and providing direct financial support to furloughed employees equivalent to the amount of the allowance*
4. *Analysis of appropriateness of state allocations that can only be used for catering units, in particular for persons registered as unemployed until obtaining the right to unemployment benefits*
5. *Increasing the National Fund for Development of Agriculture and rural environment, in order to implement measures on direct payments per hectare and per capita.*
6. *Stimulating the rehabilitation of centralized irrigation systems to mitigate the pedological drought*
7. *Initiating the development of infrastructure for the management and neutralization of animal by-products not intended for human consumption*
8. *Implementation of a public-private partnership solution in the area of distillation of wine for bulk sale and processing of waste from wine making*
9. *The creation of a grant program for small entrepreneurs in the area of agricultural production processing*
10. *Implementation of the local supplier development Program for the period 2020-2021*
11. *Providing financial support (national programmes / funds) to SMEs for the development of e-commerce*
12. *Developing the mechanism for stimulating industrial enterprises to implement new technologies*
13. *Granting permission to use public spaces (squares, parks, immovable property) for catering units during the pandemic*
14. *Implementation of the Program for the creation of multifunctional industrial platforms*
15. *Stimulating the development of green SMEs/ Greening SMEs*
16. *Development and implementation of the program "Second chance for companies in difficulty"*
17. *Implementation of the Raw Milk Monitoring Programme (RMMP) in accordance with EU requirements*

Cost: 2.6 billion lei; Impact: 6.4 billion lei;
Budget receipts: 3.3 billion lei.

Pace of implementation

On November 30, 2020, the Government included in the Action Plan of the Executive for 2021 — 2023 several measures from the Policy Matrix, and the Ministry of Economy and Infrastructure intends to take over the actions from the Matrix into a program of economic measures in the context of COVID-19, which is in the process of development.

A total of 64% of actions in the area of those providing for optimization of the normative framework were taken over in mentioned documents. At the same time, 65% of actions in the Matrix related to tax solutions were included entirely or partially in the Tax Policy for 2021 approved by the Parliament or in the draft COVID Program of the MEI. Likewise, 65% of actions providing economic incentives were included entirely or partially in the Executive's Action Plan or in the COVID Program of the MEI. On December 16, 2020 the Parliament voted for the Tax and Budgetary Policy for 2021. Thus, 5 tax actions from the Policy Matrix developed by the Secretariat of the Economic Council were approved by the Parliament. It is about:

Reducing from 2022 of the tax for mobile telephony services from 2.5% to 1.5%; VAT reduction for HORECA from 15% to 12%; Extension of the deadline for submitting the financial statements and audit report for businesses from 120 to 150 days; Extension by another 3 years of the deadline for applying the tax incentives to the income tax provided for employees whose basic activity is "production of software"; Deduction of expenses incurred by the employer for testing employees for COVID-19. After the establishment of the new Government in 2021, and reconfirming the presence in the Action Plan of the new Executive of the measures of the Policy Matrix, the Secretariat of the Economic Council will continue promoting them.

The entire COVID-19 Pandemic Impact Study on Economic Sectors and the Policy Matrix can be found here:

The study was developed with the expertise:

Sorin HADÎRCĂ, expert, Partner within the Centre for Policy Analysis and Alternative Solutions

Dumitru VICOL, financial market expert

Veronica SIREȚEANU, Policy Manager and Tax Committee Coordinator at the American Chamber of Commerce of Moldova





Digitization of the economy

On 27 June 2020, the Minister of Economy and Infrastructure signed the Roadmap for boosting the digitization of the national economy and e-commerce development. The document, which contains 37 actions, launched by the Economic Council, contains topics collected from business associations. The discussion regarding the solutions to these problems takes place within the ad-hoc working group "Digitizing the economy" of the Economic Council, coordinated by the Association of private ICT companies from the Republic of Moldova.

The eEconomy roadmap targets the main systemic constraints faced by the business community in the G2B, B2B and B2C interaction process. The document contains topics that require a quick approach and immediate resolution, which would help the business community overcome consequences of the COVID-19 pandemic. In August, discussions began in the new working group created within the Economic Council "Digitization of the Economy".

The document contains 37 topics related to facilitating remote interaction, developing e-commerce, removing normative impediments and other important measures. [QRCode to the online document](#)

In the implementation of the first package of actions of the Roadmap on digitization of the economy, a draft amendment of about 30 legislative acts was developed, which is currently at the Ministry of Economy and Infrastructure ready to be submitted to the State Chancellery for promotion. The draft is of essential importance for the business community, but also for public authorities, given the pandemic situation and refers among others to:





Electronic signature and remote identification

Business community and representatives of state institutions have analyzed the constraints and the development of a set of measures to ensure the unconditional acceptance of properly signed electronic documents by public authorities, but also legal entities governed by public and private law, indispensable to economic activity and daily life (financial and banking institutions, public utilities, telecommunications, etc.).

Although the legislation provides for the possibility of using electronic documents, in many situations they are not accepted in relations with economic operators and individuals, and they have to attend in person. Unconditional acceptance of electronic documents and signatures is extremely important in the context of challenges posed by the pandemic, said representatives of NGOs.

Another addressed topic is the implementation of procedures for remote identification of individuals even without the advanced qualified

signature. This would greatly help people who do not have signatures but need certain essential services, such as requesting documents from the state, opening bank accounts, gaining access to telephone services. In the same vein, the platform examined the need to launch unilateral actions for electronic signatures recognition across the EU.

According to experts, this would allow to capitalize on the enormous potential of attracting investments from EU area to Moldova and reduce the constraints of foreign investors already operating in Moldova. The Ministry of Economy and Infrastructure, with the support of the Secretariat of the Economic Council assisted by donors, developed legislative amendments with the respective solutions, which were approved with all stakeholders and wait for the opportunity to promote them, once the new Government is in place.

The use of electronic signatures in the pandemic period caused by the spread of COVID-19 virus has become imperative.



Notification as operator of personal data and the person's consent form

Business community requests the exclusion of the obligation of notification as operator of personal data. Such a notification is needed by any undertaking that processes personal data in an automated or manual system.

Such a notification is needed by any undertaking that processes personal data in an automated or manual system. This data refer to information about consumers, employees and others with whom companies interact. The requirements for operators to be notified to the National Center for Private Data Protection (NCPDP) are too complex and unclear. Some entrepreneurs say that the notification could take up to 7 months.

Thus, it came to the situation that for 8 years, since the Law on Personal Data Protection is in force, only 3000 enterprises out of 240 thousand have passed the notification procedure as a personal data operator. The notification has been waived in the EU for a long time, while introducing other mechanisms of accountability, which must be taken over in Moldova.

Additionally, for the collection of personal data in Moldova, it is mandatory to obtain the consent of the person, which can be obtained only in writing or electronically, signed with the qualified advanced electronic signature. Since the

vast majority of the population does not have an electronic signature, it is mandatory for individuals to visit companies for any type of interactions, which is a major impediment to the development of certain areas of activity and very risky in the context of the pandemic.

In the EU, consent has been allowed in many forms, including ticking boxes online and other modalities, thus enabling the development of technologies and areas of activity.

Ministry of Economy and Infrastructure, with the support of the Secretariat of the Economic Council assisted by donors, has developed legislative amendments that exclude notification and liberalise the form of consent, as provided for in the EU legislation, which have been endorsed by all interested parties and await the opportunity to be promoted when the new government is in place.



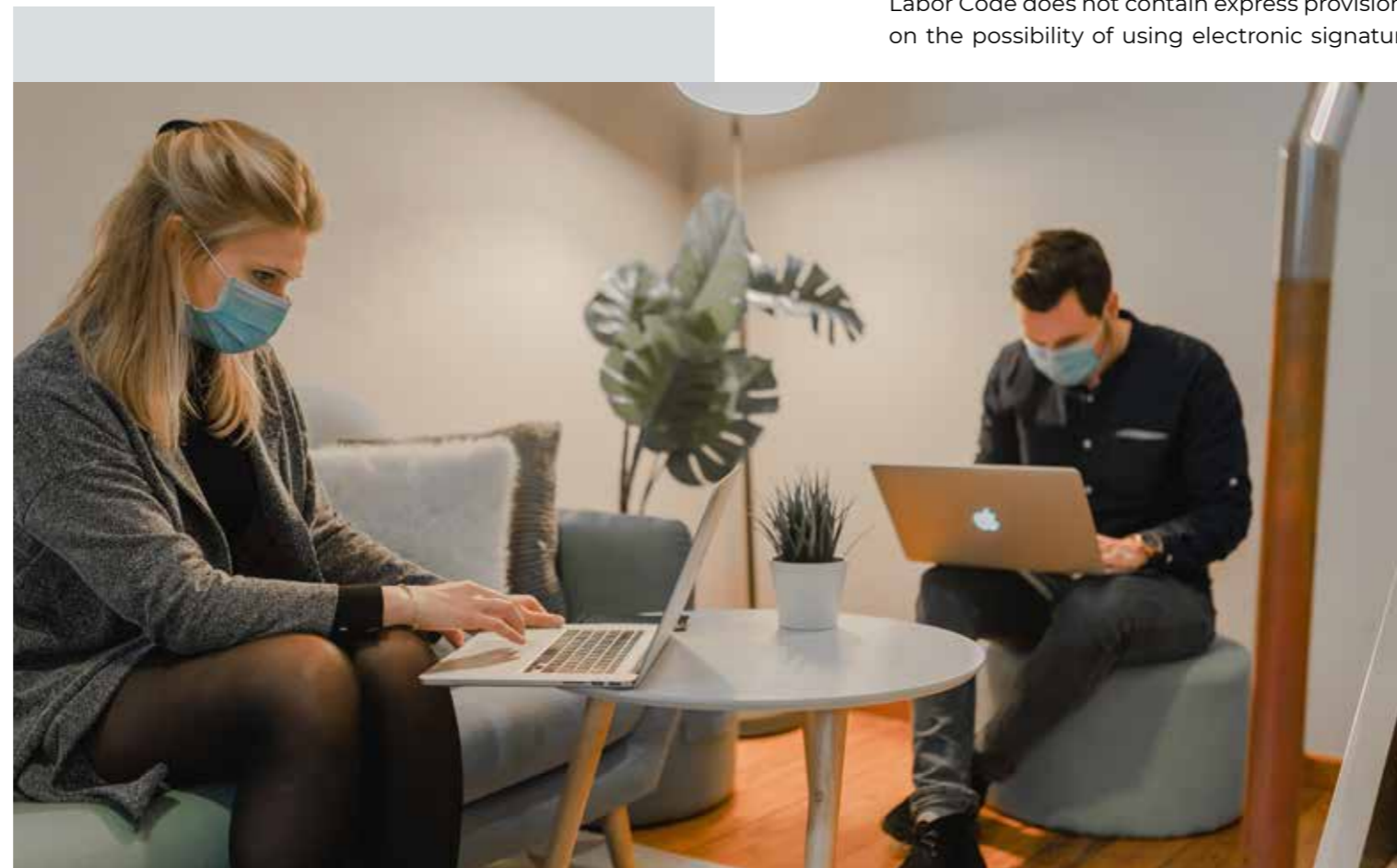
Opening and closing businesses, as well as amending documents establishing businesses remotely

Business community emphasizes that the remote provision of services for opening, closing business, amending documents of incorporation is more current in 2020 than ever. This is because the pandemic imposed restrictions and impediments in the process of interaction of state institutions with consumers of services, sometimes entrepreneurs being blocked abroad or are in quarantine.

Thus, the processes related to opening up businesses and related ones become more complicated today. In turn, representatives of state institutions, say that the remote interaction of G2B relations on this topic is ongoing. Materials are being prepared to initiate the development of IT solutions for automation of business registration.

But since the process will take time, it was agreed to explore a quick intermediate solution, namely the use of e-mail and electronic signature in the process of submitting documents and obtaining decisions in this area. This solution does not put an extra burden on state institutions, and would allow for a quick resolution of the stringent problems of the business community. The Ministry of Economy and Infrastructure, with the support of the Secretariat of the Economic Council assisted by donors, developed legislative amendments with the respective solutions, which have been cleared

with all stakeholders and wait for the opportunity to promote them, once the new Government is functional.



Extended use of electronic signature in labor relations

Limited physical relationships between employers and employees during the pandemic period demonstrated the rigidity of the Labor Code norms and the impossibility of employers to adapt labour relations with employees in a flexible and fast manner. The Labor Code does not contain express provisions on the possibility of using electronic signature

in the vast majority of labor relations. This generates different interpretations by organizations and authorities, often requiring physical presence, identification of the person and drawing up documents only on paper with the application of the handwritten signature. This generates an increased risk to the health of employers and employees. The same risk is generated by informing/bringing to the attention of the employee of the information related to him "subject the handwritten signature". Mandatory nature of the handwritten signature entails risks related to physical contact between persons. The developed document suggests that the employer and the employee should have the right to conclude, amend or terminate the individual employment contract with the use of a qualified advanced electronic signature. At the same time, it is proposed that in all cases where it is prescribed to bring a document to the attention of an employee, it should take place by any means that allows confirmation of receipt, not just subject to a "handwritten signature". In terms of impact, this would not only reduce risks associated with physical contacts during the pandemic period, but would also reduce the travel costs of the employee and employer related to the signing of these documents with a handwritten signature.

In 2021 the Secretariat of the Economic Council will continue the process of developing the next package of measures aimed at facilitating remote relations and the development of e-commerce.

Outcomes

Although **in 2020** the activity of the EC Secretariat was largely focused on actions to mitigate the impact of **COVID-19**, the EC Secretariat continued monitoring and implementation of items from the *Platform Operational Plan*.

2020



The so-called "luxury" tax for mobile operators will be reduced by 40%

Mobile operators have been paying the so-called "luxury" tax, or as it is officially called the mobile telephony services tax, since 2000. It was introduced back in the day to tax high-income individuals who could afford to buy a mobile phone, considered a luxury at the time.

The proceeds from this tax, in total 90 million lei, go to the National Population Support Fund. Today the mobile phone is no longer a luxury, businesses argue and during the last, at least two years, calls for the reduction of the "luxury" tax, or even its cancellation have been increasing. The topic was also raised at the Economic Council, with mobile operators arguing that this 2.5% tax makes the costs of services provided to the population more expensive.

The topic was revived by business in the summer of 2020 when experts from the Secretariat of the Economic Council were preparing the Impact Study of the COVID pandemic on economic sectors and the Policy Matrix, supported by the EBRD, UK Government Fund for Good Governance and the International Financial Corporation.

Thus, experts recommended that authorities permanently eliminate this tax, which has become antiquated as this could lead to a reduction of tariffs for mobile telephony services or the launch of new mobile services, which would facilitate the remote use of other services and e-commerce. Experts have proposed

to exclude the luxury tax in exchange for the commitment of mobile operators to develop electronic payment services by phone, while the sources necessary for the National Population Support Fund to be compensated by a tax on citizens whose annual income exceeds one million lei.

The Secretariat of the Economic Council will monitor the subject.

Thus, at the end of 2020, by approving the tax and budgetary policy, Parliament reduced the luxury tax for mobile operators, and starting with 2022, from 2.5% to 1.5%. The Secretariat of the Economic Council will monitor the subject.



Government business portal has been launched

From December 8, 2020 the government business portal is available to all businesses who have an electronic signature and can be accessed on www.mcabinet.gov.md. Here two cabinets which can be accessed by authentication are available – the natural entity cabinet and the entrepreneur cabinet, which includes five data blocks. The first block contains general information about the company. Another section provides data on immovable goods belonging to the company. Another block is intended for the powers of representation, another one – authorizations available to the company, and the last block contains information about the vehicles that the company owns. The launching of the portal has been performed on the platform of the Economic Council to the Prime Minister of the Republic of Moldova. The site will be completed with new modules in the future. Modules with tax information, agenda of state controls, data from the National Social Insurance House will be included. The Government business portal is developed at the initiative of the Secretariat of the Economic Council, following requests in this regard from the business community, member of the platform. The Secretariat held discussions with the e-Government Agency with a view to launching this e-solution for entrepreneurs.

The implementation of the portal should finalize by the adoption by Parliament of a law providing that the communication between the state and business is made exclusively through mcabinet.gov.md.





Advisory Board of Small and Medium Enterprises

On January 28, 2020, representatives of the SME sector met at the first meeting of the Advisory Board of Small and Medium Enterprises, the functions of which are exercised by the Economic Council to the Prime Minister. During the meeting for setting up the Working Group dedicated to SMEs, representatives of the business community stated a number of problems they face. Among them, the still high number of state controls at enterprises was mentioned, which has a negative impact on small companies in particular.

Another issue was the lack of markets. Businessmen say that in the process of signing bilateral trade agreements with other countries, the state authorities must take into account the whole rang of activities of SMEs in Moldova. Another challenge for small entrepreneurs is access to information and reduced receptivity of public authorities. Another problem for businessmen is the correct knowledge of the legal norms regulating their activity, but also how they can effectively apply them.

The Chairman of the Working Group “Advisory Board for SMEs”, Minister of Economy and Infrastructure, said that SMEs are a priority for the ministry. The relaunching of the activity of the Advisory Board of SMEs in a new format is a confirmation in this regard. Through it, the ministry, as well as other state institutions, will receive the problems faced by this sector much quicker and in a more structured manner, which will allow them to be resolved in an expedited fashion.

According to the National Bureau of Statistics, 98.7% of all companies operating in the national economy are SMEs. The same data show that over 60 percent of employees on the labor market in Moldova work in SMEs.

Through the amendments made on 23.08.19 to the Regulation on the organization and functioning of the Economic Council to the Prime Minister the platform also exercises the powers of the Advisory Board for Small and Medium Enterprises, in the form of a permanent working group, led by the Minister of Economy and Infrastructure, who is also Vice-President of the Economic Council.





Industrial hazardous objects



On November 28, 2018, Parliament adopted amendments expressly regulating the size of the amount of liability insurance for possible damages in case of an accident involving a hazardous industrial object, the size of which, depending on the danger category of hazardous industrial objects, ranges from 5 to 100 million lei. The changes generated dissatisfaction of the business community. They approached the issue with decision-makers during the debates organized in August 2019 on the platform of the Economic Council. At the time,

business representatives mentioned that establishing by law of a fixed size of the insurance amount will generate the increase of the insurance premium up to 100 times, which may even lead to the bankruptcy of some companies.

Following amendments made to the Contravention Code, sanctions imposed to the legal entity in this context are from 500 to 700 conventional units. On February 6, 2020, MPs voted on the proposal of the Economic Council to return to the provisions of Law 116/2012 prior to the amendments of 2018, whereby the size of liability insurance for possible damages is established based on the results of the risk assessment specific to the insurance contract for hazardous industrial objects. Parliament obliges the Government to develop legislative amendments regulating an effective and mutually acceptable mechanism for determining the amount of insurance of hazardous industrial objects, in order to make economic operators more conscientious without requiring the payment of exaggerated amounts as insurance premiums. In 2020, the Secretariat of the Economic Council and the Ministry of Economy and Infrastructure also called on the international expertise in this regard by connecting the experts of the USAID Financial Sector Transparency Project in Moldova to this process.

Following discussions with all stakeholders in this process, experts developed a set of proposals that will be finalized within the Economic Council.



Parliament streamlines employment procedures for workers from other countries

In 2020, Parliament approved a draft law that streamlines the migration processes of foreigners coming to our country for work. Prior to the new provisions, granting the right of residence for work purposes in the Republic of Moldova was subject to the requirement to pay the country's average wage.

Now the provision has been canceled, because it makes the employment of a foreigner conditional upon a higher salary compared to a native for the same type of activity and places the domestic workforce at a disadvantage.

This is because according to the wage law, an employer from the real sector of economy is obliged to pay to a Moldovan worker at least a guaranteed minimum wage, which is to date 2775 lei. While to a foreigner, the employer should pay an average salary the size of which today amounts to 7953 lei. This provision represents a constraint in the way of investments in our country, say the authors of the draft. Amendments

were consulted with the business community of Moldova, including members of the Economic Council, which debated the legislative changes. Members of the platform came with an analysis on the draft law, which was taken into account in the process of development of the final document. The subject of foreign access to the labour market in Moldova has been in the loop of the Economic Council for a long time since 2017.

With the support and expertise of the platform, a number of restrictions and expenses were optimized in the process of obtaining a residence and work permit for foreign citizens. Optimizations include reducing the number of documents and the time for granting work and residence permits to foreigners.



Law regarding the procedure for establishing violations and enforcement of penalties related to the prevention of money laundering

The Secretariat of the Economic Council intervened in early 2020, jointly with the National Confederation of Employers on the draft law regarding the procedure for establishing violations and enforcement of sanctions related to the prevention of money laundering. The involvement of experts in relation to the document was dictated by alerts made by the business community. The Secretariat of the Economic Council jointly with representatives of the NGO sector worked on improving the document, most of the proposals being accepted by the Ministry of Justice and approved by the Government. Finally, on 21 May 2020, Parliament adopted this law with several proposals announced within the Economic Council platform. ***The proposals brought clarity and considerably reduced the risk of disproportionate sanctioning of natural and legal persons, which could have led to the blocking of economic activities and a reduction in the attractiveness of certain areas.***



State simplifies the procedure for obtaining the right to irrigation using water from lakes

Parliament voted on April 23, 2020 for legislative amendments that reduce the number of documents needed to obtain the right to use water from water bodies for irrigation purposes. Thus, the new amendments stipulate the exclusion of some documents for obtaining the environmental permit for the special use of water from ponds for irrigation of agricultural land.

The authors of the amendments claim that some documents for obtaining the environmental permit, could not simply be obtained by farmers. Among these documents is also the ownership right over the water body. Farmers argue that lake owners often do not have this document, and in

other cases delay the procedure for presenting the deed to prevent farmers from using the water from the pond. Another provision aimed at simplifying the work of farmers is to exclude the need to present the Regulation on the exploitation of reservoirs during the process of obtaining the right to irrigation. This is in case if the document is entered in the Automated Information System "State Water Cadastre".

The new legislative amendments also provide for sanctions for those who will restrict farmers' access to water from water bodies for irrigation purposes. Those who do not have lake operation regulations, without which access to irrigation water can not be provided are risking sanctions, as well. Additions to this effect were made to the Contraventions Code.

It should be noted that the adoption of these legislative amendments took almost two years. In the first reading, the document was voted in 2018, after which several debates were organized on the improvement and promotion of the draft, including with the participation of the Economic Council.



Government tightens the requirements for selling second hand items

On 28 February 2020, the new rules for the sale of used clothes and footwear entered into force. According to new provisions, second hand items can only be sold in authorized locations — markets and shops and only on the basis of certificates certifying that these products have undergone washing, disinfection and disinsection operations.

By imposing these requirements, Moldova transposes into national legislation the practice of the European Union which allows free marketing of used personal goods on the territory of the member countries, only provided that a high level of consumer safety is ensured by applying the same harmlessness requirements for both new and used products. Following the washing, disinfection and disinsection operations, the used goods allowed for sale/donation do not represent a risk to the health of the population. The Economic Council to the Prime Minister provided support to the Ministry of Economy and Infrastructure in developing and promoting amendments and ensured their consultation with the business community and relevant state institutions.

It should be mentioned that according to the same amendments, it is prohibited to import into Moldova, for marketing and as humanitarian aid, underwear for all age categories and certain categories of used toys and articles, intended for children under 36 months: rattles, toys used in the cradle, musical toys that the child can put in his mouth, baby bottles, pacifiers and teats, items to stimulate dentition.

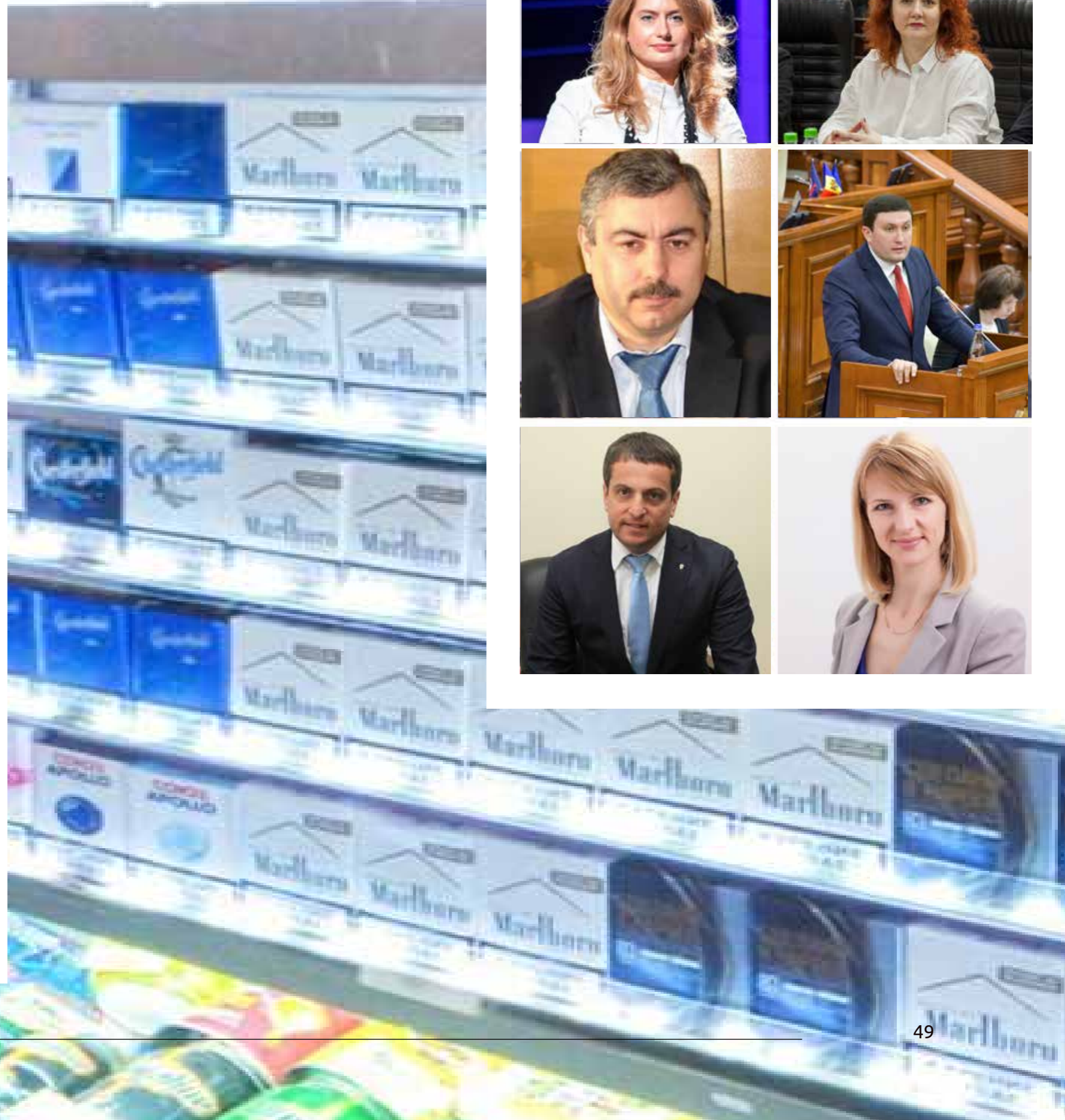


Uncertainty for cigarette sellers

Since 15 August 2020, the display of cigarettes in shop windows and shelves has been banned. The economic operators began installing closed boxes so that cigarette packs were hidden from the eyes of the visitors of the commercial units. However, the economic operators mentioned that when the seller opens the display case the cigarettes can become visible. Thus the economic operator would violate the law and be fined.

On the other hand, the seller must open the box in order to sell the cigarettes to the consumer. At the request of the European Business Association in Moldova, and the Association of Domestic Traders "ProBiz", the topic has been discussed on the platform of the Council, in partnership with representatives of the National Agency for Public Health and the Vice-president of the Parliamentary Commission for Social Protection, Health and Family.

To make clarity the National Agency for Public Health came up with a series of clarifications in the debates on this subject, and came up with a guide explaining how to apply the provisions on the prohibition of the display of cigarettes in showcases and shelves.





Law on consumer Information

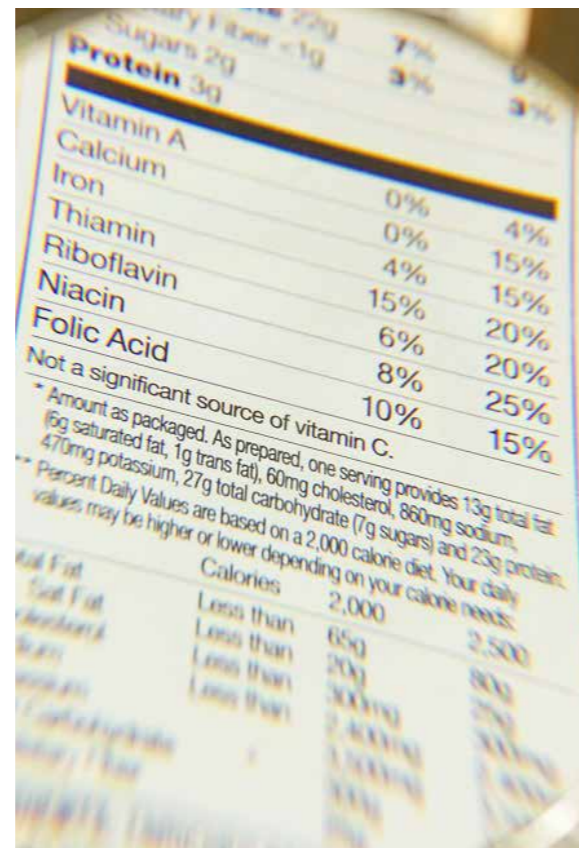
According to Law 279/2017 on consumer information about food products, producers, importers, distributors, operators in the retail and catering system, from 1 January 2019 they must label products with information on nutrition with the following mandatory information: energy value; amount of fats; saturated fatty acids; carbohydrates; sugars; proteins; trans fatty acids; salt. However, after the entry into force of the law, the National Agency for Public Health found that economic operators cannot comply with the new provisions. In order to identify the cause, the subject was discussed at the Economic Council.

During the debates, economic operators invoked several obstacles, still the most important is that, although required by the new law, some information about the product cannot be presented to the consumer.

For example, sausage producers mentioned that in order to present information on nutrition of the product, a methodology is needed, which is currently missing. At the same time, no laboratory is put into operation in Moldova to make an analysis of fatty and trans acids in products, for example.

After an extensive assessment of the subject, during 2020 the Parliament adopts the amendment of the law 279/2017 on informing the consumer about food products. The legislator came up with additions to the definition and method of correct marking of terms of expiry

and the date of manufacturing, while the obligation to include trans fatty acids in the nutrition statement was excluded because their use is prohibited in food anyway. Moreover, the Parliament extended the date of entry into force of the new provisions by 18 months, so that economic operators and authorities can comply with them.



Wastewater treatment



On February 19, 2020, the Government approved amendments to the Regulation on the requirements to collection, treatment and discharge of wastewater into the sewerage system and/or in the outfalls for urban and rural localities, which introduced clarity in the method of determining payments for the discharge of sewage by economic operators. The normative framework did not clearly and sufficiently regulate the takeover of industrial waste water into the sewerage system.

In those circumstances, Apa-Canal Chisinau Utility, as a result of its interaction with some state bodies, changed the approach to taking water, modifying the contracts with economic operators and substantially increasing the tariffs for wastewater pre-treatment. Being alerted by the business community and especially by the American Chamber of Commerce of Moldova, the Secretariat of the Economic Council submitted proposals to the Prime Minister, which resulted in 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, Apa-Canal Chisinau will keep tariffs at a tolerable level for business. The solution was developed by experts of a technical assistance project requested by MARDE, with the participation of the American Chamber of Commerce and other stakeholders.

Subsequently, the experts' conclusions were the basis for the amendments to the Regulation on the requirements for collection, treatment and discharge of wastewater into the sewerage system and/or in the outfalls for urban and rural settlements.



VAT was reduced from 15% to 12% for the hospitality sector (HORECA)

29 December 2020 — Parliament has reduced the value added tax for the HORECA sector from 15% to 12%. The implementation of this measure supports the sector in overcoming the effects of the crisis generated by the pandemic. Studies conducted by business associations in Moldova in 2020 showed that HORECA sector was one of the sectors most severely affected by restrictions imposed due to COVID-19 pandemic.

Many of the countries in the region such as Bulgaria, Romania and Austria have opted to lower the VAT rate in the HORECA sector either for a fixed period, for example from 2020 to 2021, or for an unlimited period. In mid - 2020, the Secretariat of the Economic Council supported by the EBRD, the UK Government Fund for Good Governance and the International Financial Corporation develops the Study on the Impact of the COVID pandemic on the economic sectors and the Policy Matrix.

During this exercise, experts discussed directly with representatives of economic sectors, including HORECA. One of the requests of companies in this area was the reduction of the VAT rate.

Thus, experts proposed reducing the VAT rate for HORECA from 15% to 12% in the Matrix with policies for the recovery of economic sectors. In 2019 the state reduced the VAT rate for HORECA from 20% to 10%.

According to the conclusions of the Study on the impact of the COVID Pandemic on Economic Sectors and the Policy Matrix, the HORECA sector saw a doubling of sales revenues — from 215 to 469 million lei in 2019. Moreover, this measure contributed to the beginning of the “formalization” process of the sector, substantially increasing sales registered through bookkeeping. Subsequently, the VAT rate was increased again, reaching 15% this year.

The reduction in half of the VAT rate was fully compensated by the double increase in the tax base, sales volume.



Measures to stop the IT brain drain

Parliament extended by another 3 years the period for the application of tax relief measures to the income tax for employees whose basic activity is "software production". With this, state wants to retain IT programmers, highly sought after by international companies.

The period of application of these incentives expires in 2020. Business associations addressed this topic during the development of the Impact Study of COVID-19 pandemic on economic sectors by the Secretariat of the Economic Council. The document was supported by the EBRD, the United Kingdom Government Fund for Good Governance and the International Finance Corporation.

Within this research, a Matrix with economic recovery policies was developed. Among the proposed measures is the extension of the deadline for applying the tax breaks to income tax for employees whose core activity is "production of software", approved by Parliament.

These benefits will affect about 1000 non - resident IT companies of the IT park with about 6000 employees. The turnover of these companies amounts to about 3 billion lei.

The state resorts to such actions in order to ensure a predictable business climate and a favorable investment climate in the information technology industry, but also because it wants to help increase the number of such specialists in Moldova. 1,687 companies are active in the IT

industry, of which 656 are registered in "Moldova IT Park". The number of employees in this industry amounts to 15 522 people. In 2019, the share of the ICT sector in the GDP of the Republic of Moldova was about 7.1 %.

It is important to note that the export of IT services of just the resident companies of MOLDOVA IT PARK is 168 million dollars, the total export of IT services is 198 million US dollars, and the total export of ICT constitutes 254.99 million US dollars. The total amount of revenues from the provision of ICT services was over 15 billion lei, or 860 million US dollars.

It is important to mention that only 1.96% of all the population employed in Moldova (out of 739 366 people) works in the IT sector, which, however, manages to produce precisely 3.1% of the country's GDP.



The deadline for the submission of financial statement and audit report by businesses has been extended

Companies, other than those of public interest, will no longer be pressed to submit financial statements and the audit report within 120 days from the last day of the reporting period. Changes in this regard were made by the Parliament in the budgetary-tax policy for 2021.

According to experts from the Secretariat of the Economic Council which proposed this measure during the process of developing the Policy Matrix, business community highlighted a number of obstacles in the application of legal provisions prior to the amendments made by the MPs.

According to businesses, the deadline for publishing financial statements and audit reports is too short - 120 days from the last day of the reporting period. In order to comply with terms provided by the law, companies had to incur considerable expenses for the services of audit companies that became more expensive

during the reporting season, because of the large number of businesses requesting their services.

It will therefore be easier for companies as, the deadline for submitting these documents has been extended by 30 days. Thus, the submission

of financial statement and audit report by businesses will be done within 150 days from the last day of the reporting period.



Employers will be able to deduct expenses incurred for testing employees for COVID-19

From 1 January 2021, it is allowed to deduct expenses incurred by the employer for SARS-CoV-2 virus testing, and the payments made by the employer for SARS-CoV-2 virus testing are non-taxable sources of income for employees. Provisions approved in December 2020 by Parliament are enforced from January 1, 2021.

Through this measure the state wants to encourage the testing of employees in order to avoid the spread of infection and stopping the activity of business. Prior to this amendment, payments made by economic operators for the purpose of testing employees were taxable incentives granted by the employer. From these amounts, income tax, mandatory state social insurance contributions and mandatory health insurance premiums were calculated and paid. In the summer of 2020, the Secretariat of the Economic Council prepared the Impact Study of the COVID pandemic on the economic

sectors and the Policy Matrix. The document, developed based on recommendations of the business community, proposed to fully deduct and disregard as incentives offered by the employee the expenses incurred by the company in the fight against COVID or ensure compliance with the rules to prevent the spread of COVID.

In addition to deducting the expenses incurred for testing employees for COVID-19, Matrix also proposed the deduction of expenses related to the transport of employees by taxi, etc. The Secretariat of the Economic Council will monitor the evolution of the subject in the Policy Matrix, given that it is included in the Draft COVID Program of the Ministry of Economy and Infrastructure.





Financial support for entrepreneurs in job creation and employment

The National Employment Agency (NEA) held a webinar on the Economic Council platform with the topic: “Financial support for entrepreneurs in creating jobs and employment”, addressed to representatives of the business community. Starting with 2019, a new employment legislative framework is being implemented, a package of measures of financial support for entrepreneurs in creating jobs and employment aligned to European practices, addressed to both unemployed, as well as entrepreneurs. During the webinar, NEA representatives presented the support provided to economic operators in terms of financial support for participation in the professional training of the unemployed, subsidising jobs for the employment of people from vulnerable groups, support for creating and adapting the workplace. The event takes place after the Secretariat of the Economic Council and the National Employment Agency signed a Memorandum of Cooperation on 22 September 2020. Through this, organizations strengthen their efforts in promoting and communicating actions about

stimulating job creation and reducing unemployment in the Republic of Moldova. A first action within this agreement related to informing the NGO sector, members of the Economic Council, about 5 actions of social interest promoted by the NEA. These are the incentives that the employer can receive from the state to train the unemployed on the job, to employ vulnerable people in the workplace, to adapt jobs for people with disabilities and to stimulate the creation of jobs, and reduce unemployment in rural areas.



Memorandum of collaboration between the e-Governance Agency and the Secretariat of the Economic Council

Public Institution “Electronic Governance Agency” and the Secretariat of the Economic Council to the Prime Minister of Moldova signed a Memorandum of Cooperation, through which they aim to contribute to the quality of dialogue between representatives of the business community and government decision makers of the Republic of Moldova.

The main objectives of partners include facilitating the dialogue between business community representatives and government decision-makers, as well as implementing policies for modernization of government services and e-transformation of governance, by offering effective solutions to increase the quality of services.

One of the main objectives of this collaboration is to actively promote the topics of the Roadmap on digitization of economic processes and e-commerce.





Customs Service presented the functionalities of the new version of „Asycuda World”

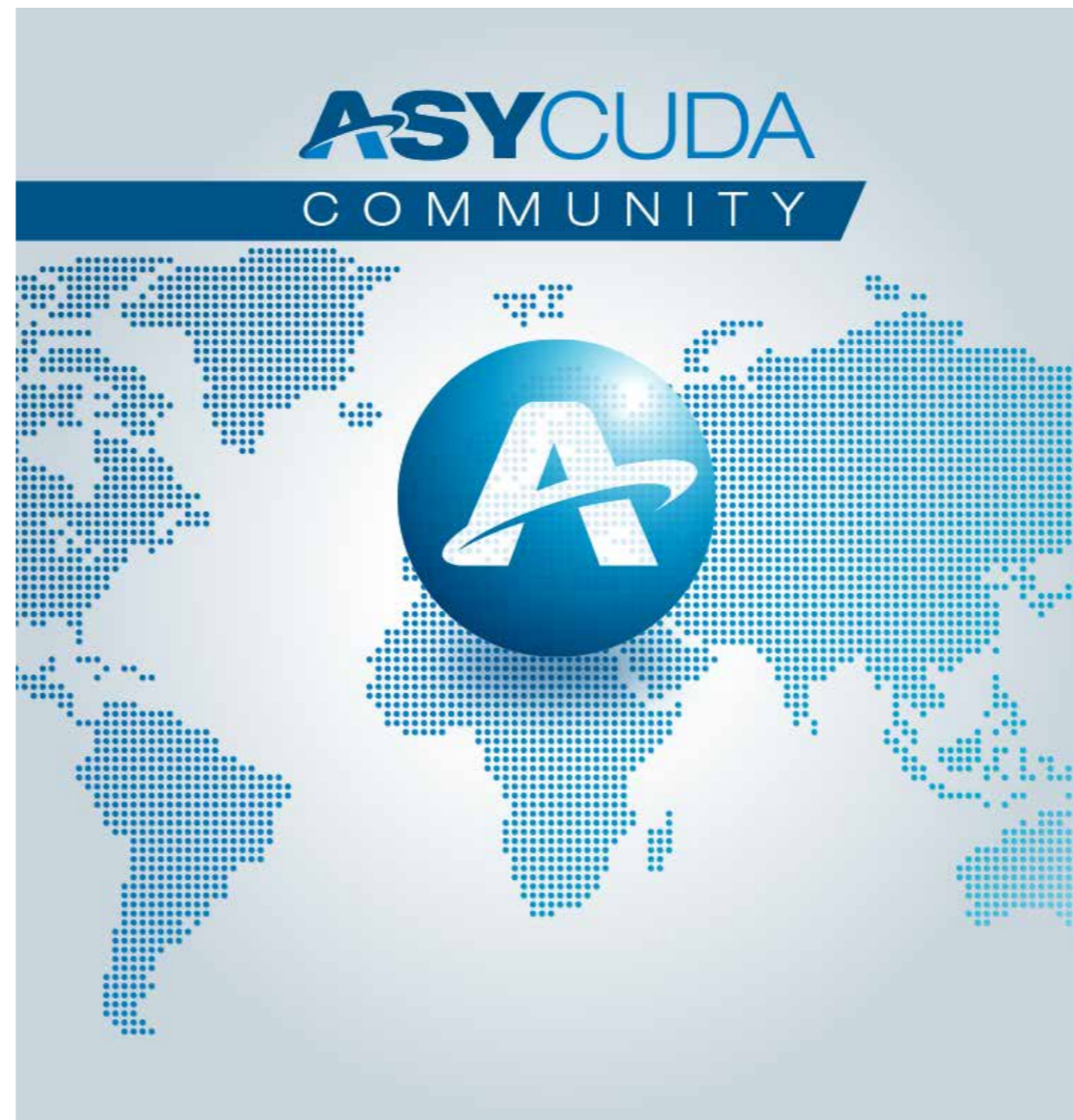
The functional possibilities of the modernized Operational System of Asycuda World were presented by the Customs Service at a webinar, on August 14, 2020, on the platform of the Economic Council to the Prime Minister who exercises the functions of the National Committee for Trade Facilitation. The webinar was attended by over 70 economic operators and representatives of business associations in the country. Participants in the webinar familiarized themselves with the technical features of the new software and asked questions to the IT specialists of the Customs Service, who manage the application. And on September 14, 2020, Customs Service organized the webinar on “AEO Program and the procedure of customs clearance at home”.

The online event was held with the support of the Economic Council to the Prime Minister/National Committee for Trade Facilitation and the American Chamber of Commerce of Moldova. For two hours, the Customs Service employees have been presenting the benefits of the Authorized Economic Operator Program (AEO) and the Customs Clearance Procedure by location (PVD). Economic operators were informed about the eligibility criteria, the application procedure, the evolution of the normative framework and peculiarities of mutual recognition of the AEO status.

„Asycuda World”



Support for SMEs during the COVID-19 Pandemic



Experts of the Secretariat of the Economic Council participated in the Online Dialogue: Supporting SMEs during the COVID-19 Pandemic.

The video-conference included five sessions and thematic panels, where various topics were discussed on current issues of business, challenges and response measures of the Government, proposals of the business community and development partners, access to finance, supply chains and markets, innovation and digitisation, human resources. The event was organized by the United Nations Development Programme jointly with the Ministry of Economy and Infrastructure. Experts of the Secretariat of the Economic Council who were involved in the discussions of the five panels spoke to participants about the first results of the Pandemic Impact Study on Economic Sectors and the eEconomy Roadmap — projects at which the Economic Council worked jointly with the development partners of the Republic of Moldova and state authorities.

The event was attended by over 90 representatives of government institutions, advisory platforms, business and banking associations, but also development partners.



COVID Matrix presented at the International Forum “Invest Gagauzia 2020”

On 23 October 2020, the Secretariat of the Economic Council participated in the 6th International Forum Invest Gagauzia. The event discussed Moldova's actions in examining how and the degree to which national economic sectors are affected by COVID. Aspects related to the Study of the Impact of the COVID Pandemic on the Economic Sectors and the Matrix with Measures to Support the Business Community were discussed during the Session entitled Economic Growth Incentives for ATU Gagauzia. Investors from Russia, Turkey, Romania, Belarus and Italy have been informed about the main purpose of the research, which consists in developing those solutions that are needed to be implemented to immediately help Moldovan businesses navigate the second wave of COVID.

During the International Forum Invest Gagauzia 2020 there were also discussed new challenges and models of economic cooperation during the coronavirus pandemic, investment opportunities and prospects for development of the Gagauz region, measures to improve the business climate and attracting investments.

The event was attended by Prime Minister of the Republic of Moldova, Bashkan of Gagauzia and members of the Government.





How efficient is the dialogue of business with state authorities in promoting reforms?

The vision of business associations on the efficiency of the G2B dialogue was shared by representatives of 5 business associations from Moldova, during the panel "Business - a partner in promoting state reforms" during the Moldova Business Week 2020. According to Mila Malairău, Executive Director of the American Chamber of Commerce of Moldova, in recent years, the decision-making processes by the authorities have become much more transparent.

To attract investments in Moldova, the Government should speed up the implementation of the Association Agreement between Moldova and EU, says Mariana Rufa, Executive Director of the European Business Association. Business associations have always been the promoter of innovative elements in economic development, and the ones in Moldova are no exception, said Ana Groza, Executive Director of Foreign Investors Association of Moldova. During the same event

Anastasia Sprincean, representative of the Romanian Investors Association in Moldova, mentioned the need to continue discussions with Chisinau authorities on the topic of promoting cross-border trade, including by streamlining traffic through border crossing points for businesses on both sides of the Prut river. Moldova is a place for successful business histories, said Liliana Busuioc, Executive Director of the Alliance of Small and Medium-sized Enterprises of Moldova.

The panel "Business - a partner in promoting state reforms" at Moldova Business Week was moderated by the Secretariat of the Economic Council to the Prime Minister. The Moldova Business Week Economic Forum is in its seventh edition and annually brings together thousands of businesses, economic experts, national authorities, development partners and potential investors.



Statistics

● 2	● 22	● 39	● 5	● 345	● 1800	● 118	● 2	● 21.600	● 112	● 11000
Plenary sessions of the Economic Council	Recommendations accepted by the state institutions	Proposals for legislative amendments	Issues resolved within 6 months of discussion in the EC	Meetings of the Working Groups, and technical meetings of the Economic Council	Meeting participants	Members of the Economic Council	Surveys addressed to the members of the Economic Council	Visitors consecon.gov.md	Articles in the press	Followers on social networks

2020

CHAPTER III

TEAMWORK

All the achievements described in this Report were made possible thanks to the support and full involvement of members of the Economic Council, to whom we are grateful



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Members of the Economic Council to the Prime Minister of the Republic of Moldova

Business environment, business associations:

1	European Business Association
2	Foreign Investors Association
3	French-Moldovan Chamber of Commerce and Industry
4	Moldova Banks Association
5	National Association of Milk Producers
6	Association of Private Healthcare Providers
7	Institutions Association of Pharmaceuticals' and Parapharmaceuticals'
8	Association of Women – Entrepreneurs from Moldova
9	National Confederation of Employers of Moldova
10	National Federation of Farmers in Moldova
11	Association of IT Companies in RM
12	Businessmen's Association "Timpul"
13	American Chamber of Commerce in Moldova
14	Light Industry Association
15	Employers' Association of Transporters' and Road Menders' Union of RM
16	Chamber of Commerce and Industry of Moldova
17	Association of Accountants and Professional Auditors of Moldova
18	National Association of Bee Keepers from Moldova
19	Moldovan Union of Sugar Producers
20	Economic Council under the Governor of ATU Gagauzia
21	Union of Legal Persons "Moldovan-German Economic Cooperation"
22	Employers' Association "Alliance of Small Foreign Businesses in Moldova"
23	Moldovan-Italian Chamber of Commerce and Industry
24	Moldova-Romania Bilateral Chamber of Commerce and Industry
25	National Association of Restaurants and Recreational Places in RM „MĂR”
26	National Confederation of Trade Unions of Moldova
27	Republican Production Concern „INMACOM”
28	National Platform of Women of the R. Moldova

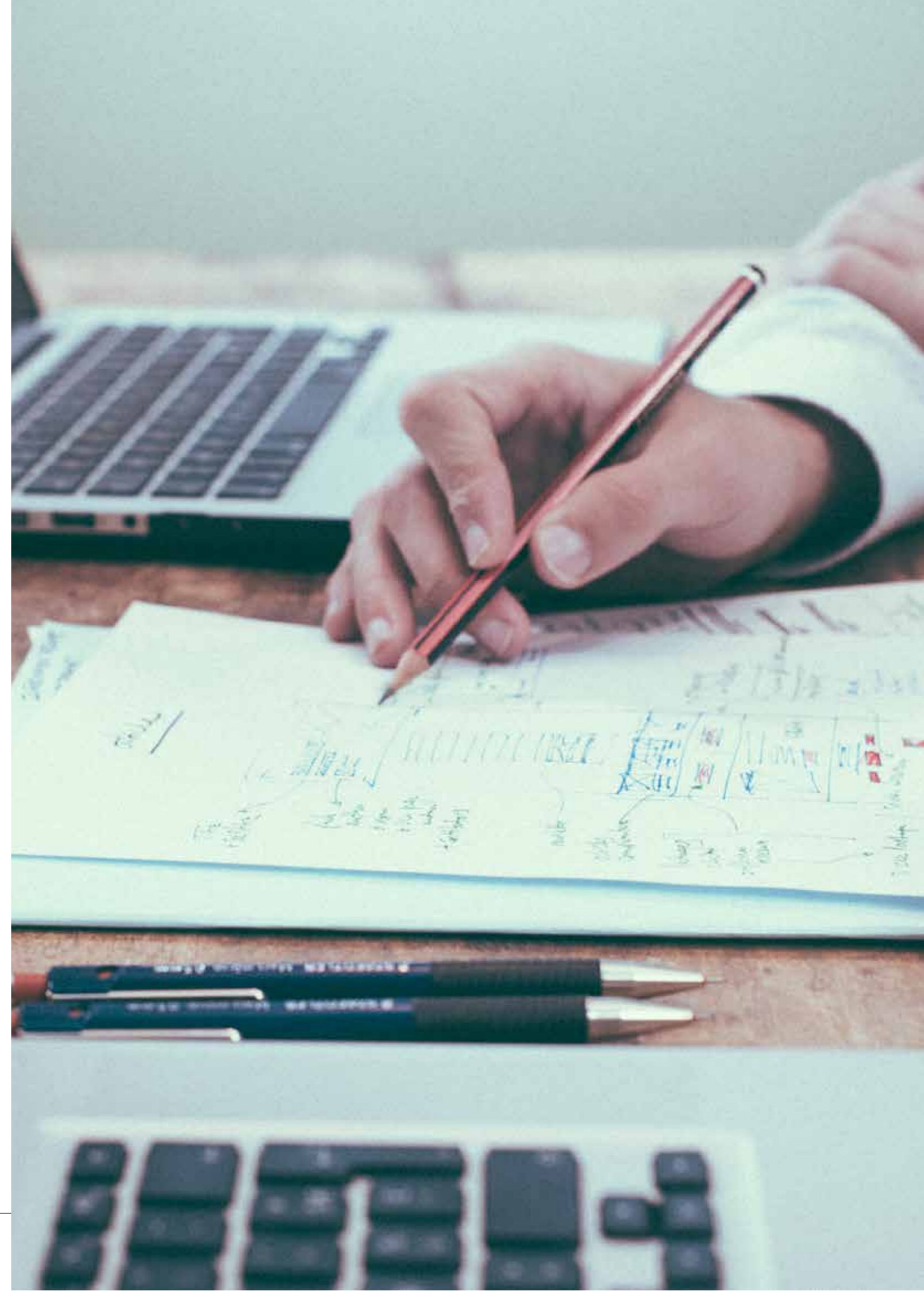
29	Employers Association of Importers of Medical Devices and Laboratory Equipment "DISMED"
30	Economic Platform „SODRUJESTVO”
31	Manufacturing Industry Employers' Association
32	Association of Producers and Exporters of Fruits "Moldova Fruit"
33	Employers' Association for Internal Trade "ProBiz"
34	National Inbound Tourism Association of Moldova
35	Union of Legal Persons "Association of Pork Producers"
36	The National Association of Tourism Agencies in Moldova
37	International Chamber of Young Leaders and Entrepreneurs from RM
38	The Romanian Investors Association in the Republic of Moldova
39	Beer Makers Association of Moldova
40	Canned Producers Association Speranța-Con
41	Gagauz Association of Businessmen NEXT
42	Moldova-Chinese Chamber of Commerce (MCCC)
43	Chamber of Commerce and Industry of the Czech Republic and RM
44	Chamber of Commerce and Industry Moldova-China (CCIMC)
45	Association of the Tourism Industry of the Republic of Moldova
46	The network of business incubators in Moldova
47	Eco-Răzeni Public Association
48	'MOTIVATION" Association from Moldova
49	National Youth Council of Moldova
50	Association of Business and Professional Women from Moldova
51	Association of the blind people of the Republic of Moldova
52	Association of people with disabilities from the Republic of Moldova
53	Society of deaf of the Republic of Moldova
54	Association of entrepreneurs with disabilities from Moldova "European Skills Without Limits"
55	Legal Assistance Centre for Persons with Disabilities
56	Alliance of Organizations for Persons with Disabilities in the RM

Research community:

1	The Academy of Economic Studies of Moldova
2	National Agency for Research and Development
3	National Institute of Economic Research
4	Institute for Development and Social Initiatives „Viitorul”
5	Expert-Grup, Independent Think Tank
6	Centre for Legal Resources in Moldova
7	National Centre for Studies and information on Women’s Partnership for Development
8	Centre for Entrepreneurial Education and Business Assistance

International organizations active in the field of business reforms:

1	European Bank for Reconstruction and Development (EBRD)
2	International Finance Corporation (IFC)
3	Embassy of United Kingdom
4	Embassy of Sweden
5	Project for Counselling the Government in the economic reform (GIZ)
6	World Bank
7	US Agency for International Development (USAID)
8	United Nations Development Programme (UNDP)
9	Delegation of the European Union to the Republic of Moldova
10	EBRD Assistance for Small Business
11	International Labor Organization



Public authorities and institutions:

1	Ministry of Economy and Infrastructure
2	State Chancellery
3	Ministry of Internal Affairs
4	Ministry of Finance
5	Ministry of Justice
6	Ministry of Foreign Affairs and European Integration
7	Ministry of Defence
8	Ministry of Education, Culture and Research
9	Ministry of Health, Labour and Social Protection
10	Ministry of Agriculture, Regional Development and Environment
11	Prime Minister's Control Unit
12	The Investment Agency
13	e-Government Agency
14	Public Services Agency
15	Organization for the Development of the Small and Medium Enterprises Sector (ODIMM)
16	Consumer protection and market surveillance Agency
17	General State Fiscal Inspectorate
18	Customs Service
19	Public Procurement Agency
20	The Migration and Asylum Bureau
21	National Employment Agency (ANOFM)
22	State Labor Inspectorate
23	National Social Insurance House
24	National Health Insurance Company
25	Inspectorate of Environmental Protection
26	State Agency on Intellectual Property
27	National Agency for Food Safety
28	National Agency for Auto Transport
29	National Bureau of Statistics
30	Governor of ATU Gagauzia

31	Congress of Local Authorities from Moldova
32	Agency for Technical Supervision
33	National Centre for Personal Data Protection
34	National Commission of the Financial Market
35	Competition Council
36	Agency for Regional Development- Center
37	Agency for Regional Development- North
38	Agency for Regional Development-South
39	Agency for Regional Development UTA Găgăuzia
40	National Institute of Standardization of Moldova
41	Agency for Innovation and Technological Transfer
42	Land Relations and Cadastre Agency
43	National Public Health Agency



Survey

In September 2020, 58 EC members out of 118 responded to the questionnaire.

In February 2021, 62 out of 118 members of the Economic Council answered the questionnaire.



	SEPTEMBER 2020				FEBRUARY 2021			
This survey is addressed to all members of the Economic Council to the Prime Minister of the Republic of Moldova. The questionnaire is distributed biannually.								
Economic Council promotes initiatives that correspond to the interests of business associations, good international practices and are supported by the international community.	48%	41%	9%	2	63%	32%	2	3
Subjects and issues discussed within the Economic Council are actual and relevant.	69%	31%			76%	19%	3	2
Economic Council is perceived as a platform that promotes interests of the business community, and not the narrow interests of specific groups, including political parties.	64%	29%	5%	2	69%	24%	2	5
The Secretariat of the Economic Council responds promptly and effectively to notifications, proposals and requests from EC members.	63%	36%		1	69%	27%	2	2
Does the Economic Council ensure a genuine multi stakeholders participation of all its members? Is your voice heard?	55%	31%	14%		70%	25%	3	2
Has trust between the government and the business community improved over the course of the activity of the Economic Council?	45%	41%	13%	1	45%	44%	9%	2
Do you consider the Economic Council an efficient mechanism to promote a dialogue between the Government and the business community?	61%	35%		4	80%	14%	3	3
The results achieved by the Economic Council contribute to the increasing popularity of the platform among the business community.	74%	26%			60%	34%	2	4
Has the business environment improved in the areas the Economic Council have undertaken its work?	45%	48%		7	55%	37%	6%	2
Economic Council operates in an open, friendly, inclusive and transparent manner.	71%	25%		4	84%	11%	3	2
Economic Council is an essential tool in promoting economic reforms and it is important that it continues its activity in the nearest future.	84%	14%		2	79%	16%	3	2

Stay Connected

Economic Council online:
web site: consecon.gov.md;
Facebook: Consiliul Economic
pe lângă Prim-ministrul RM;
Twitter: Economic Council to
the Prime Minister of Moldova;
YouTube: Consiliul Economic
pe lângă Prim-ministrul RM;
Instagram: Economic Council.

The website of the Economic
Council to the Prime Minister
of the Republic of Moldova,
www.consecon.gov.md
provides complete information
on every aspect of our activities.
It includes contact information,
press releases and reports.

The online version of the
Annual Report of the Economic
Council for 2020 can be
downloaded in PDF format in
both Romanian and English
from the web-site.

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This report has been prepared by the consultants of the Secretariat of the Economic Council to the PM as engaged by the European Bank for Reconstruction and Development (EBRD) in relation to the above-mentioned project. EBRD does not assume any liability with respect to the selection of the consultants of the Secretariat and the quality of their work in relation to the above-mentioned project. In particular, EBRD makes no warranty, expressed or implied, with respect to the use of any information disclosed in this report; nor does it assume any liability for direct, indirect or consequential loss or damage with respect to the use of any information disclosed in this report. Any decision as to the use and application of, or reliance upon, this report is the sole responsibility of the recipient of this report or the party making such decision. This disclaimer shall apply notwithstanding that the report may be made available to other persons for an application for permission or approval to fulfil a legal requirement.



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