



COST OF DOING BUSINESS SURVEY

Moldova 2014

Chisinau - 2014

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Executive Summary

Cost of Doing Business Survey is a monitoring tool of the Moldovan Government efforts in the area of private sector development. The Survey is conducted on annual bases since 2002 and is supported financially by the World Bank Group.

The independent research institute Centre for Sociological, Political and Psychological Analysis and Investigations CIVIS, carried out the 2014 Survey.

Main objective of the study is to monitor the status and dynamics of business environment and to assess the impact of state policies, requirements, and institutional arrangements on business entities operating in Moldova.

The study was conducted based on a nationally representative survey covering all rayons of the country (both rural and urban areas), with the exception of Transnistrian region. The target group were economic unit, except prime agricultural enterprises (farms, collective farms) and financial institutions (banks, investment companies) and individual companies. Respondents are represented by top-level management (owners, directors, executive directors, senior managers and accountants were it was relevant). A total number of 607 business entities have been interviewed, using a probabilistic sampling scheme. The error margin for this sample size is $\pm 4.0\%$. Data were collected from October 6 to December 16, 2014. The overall participation rate in the survey was 51%.

The research tool is compatible with tools from previous waves. It covered 18 topics of interest, assessing interaction of business entities with government authorities as follows: *General situation; Registration procedure; Constructions; Licensing; Getting authorizations; Equipment; Regulation of imports; Regulation of exports; Conformity certification; Sanitary authorizations; Inspections; Taxes; Price regulation; Regulation of labor relations; Execution of contracts; Promotion of personal interests of public employees; Judiciary conflicts settlement and Conflicts with public authorities.*

The 2014 Survey emphasizes a series of improvements, but also worsening.

Registration procedure: Time spent to register a company or to do certain modification in registration documents increased, especially for changes amendments (by 37%). On the other hand decreased significantly costs for company registration (by 36%), but increased costs for changes in documents (by 61%).

Constructions: Overall, time to start construction activities increased by 6% for new premise and decreased by 23% for renovation activities over the last year. Time spent correlate with unofficial payments – less days spent to get permit more money paid unofficially.

Licensing: Time to get license decreased by 22% over the last year, registering the shortest timeframe during the last nine years. On the other side, costs related to licensing procedure increased by 36%. The most concerned continue to be length of procedure and high costs.

Getting authorizations: Time necessary to get authorization decreased with 2 days (13%). The same difficulties are faced by companies: bureaucratic, long and expensive procedure.

Equipment: The cost of the certificate registered the highest value since 2006, with an increase of over 200%. But, increased the incidence of companies who have compliance certificate for the equipment purchased.

Regulation of imports: The number of import transaction in 2014 has increased from 9.6 to 18.7 transactions. Most companies (73%) import goods from EU countries. The average length of clearance procedure seems showing a decreasing trend over the last three years, however significantly higher costs registered in 2014. The most significant concerns are related to high fees for custom clearance procedure, unfair conditions for importers and corruption of custom officers.

Regulation of exports: The number of companies operating with exports decreased significantly over the last year, from 12% to 5%. 24 export operations per company were registered in 2014. Nine out of 10 companies export products and services to the EU market. The timing for custom clearance procedure remain stable over the last year, while the average cost for a custom clearance procedure increased by 40%.

Conformity certification: The time spent to get certification increased slightly for individual batches, but decreased significantly for mass manufactured products. On the other side, increased significantly (more than 30%) reported costs to get certification.

Sanitary authorizations: Both time and cost indicators to get authorization increased significantly: time increased by 73% and costs by 44%. The main concerns are related to procedure length, high tariffs and exaggerated requirements.

Inspections: 42% more inspections were registered in 2014 (from 3.6 to 6.5 on average per year). Almost every fourth company reported visits of six and more different state inspection agencies. On the other side, overall cumulative duration of inspections did not changed. On average, a business entity pays 152 USD in form of sanctions per year and an additional amount of 22 USD as unofficial payments, which represent 14% from sanctions (but this value is considered to be underreported). On average, an inspected company dedicated about 20 days per year for all inspections (which is an increase of about 3 days over the last year).

Taxes: Average number of taxes increased by 7% and responsible personnel spend on average 50% more time to submit necessary reports. Incidence of companies having their own full time accountant increased by 9%, reaching the level of 73% as compared to the previous year.

Price regulation: Over the past year, it was registered a decrease in the number of companies subjected to price regulation policy (from 24% to 17%), while the sales volume increased significantly to the level of 60%.

Regulation of labor relations: Almost every fifth business entity faced problem with shortage of labor force. This is a serious problem especially for companies from industrial sector, construction, as well as transportation and communication.

Execution of contracts: The incidence of companies reporting interventions of state authorities in the process of concluding contracts decreased from 6% to 4%.

Promotion of personal interests of public employees: 1/5 of companies reported that incidence in promotion of personal interests of public employees increased. This is an initiative of public employees in almost all cases.

Judiciary conflicts settlement: The incidence of companies reporting conflicts decreased two times as compared to previous period, as well as increased share of those who applied to judicial system (from 49% to 69%). But, the share of dissatisfied companies with judicial procedures increased over the same period.

Conflicts with public authorities: Almost one out of ten interviewed companies report at least one grievance with Government in the last five years. Out of these, every second company experienced serious economic impact, mainly losses assessed with the amount of up to 500 thousands USD.

General situation: permits for utilization of construction and unfair competition represent main concerns in relation with state authorities. Overall business climate worsened significantly during 2014 (from 34% to 46%), but this is rather due to general economic and political situation in Moldova, as well as critical situation on the regional markets.

Research Strategy

Background information

A key challenge facing the Government of Moldova is the need to promote economic growth and job creation based on robust private sector activity and enhanced investment. In this regard, an improved business environment is essential for stimulating sustained private sector growth. Significant regulatory and institutional weaknesses in the business environment have been identified by the Investment Climate Assessment (2004) as the major obstacles for the private sector ability to perform efficiently and grow, and they also negatively affected investor confidence. The existence of cumbersome regulations undermines competitiveness of private Moldovan enterprises and prevents increased investment by increasing costs of doing business, and ultimately providing a fertile ground for corruption, favoritism, and the informal economy.

Over the last several years, the Government of Moldova has adopted a number of important policy reforms to promote economic growth and reduce poverty. However, since this growth performance has been predominantly based on a combination of economic recovery from the collapse of the 1990s, and the inflow of remittances, it cannot be sustained without an increase in competitiveness and productivity in the real sector. To this end, the government streamlined the business registration and licensing processes, passed a new Law on Investment, providing equal treatment to foreign investors, and the Law on Reviewing and Streamlining the Regulatory Framework for Business Activity (Guillotine Law) that established State Commission for Regulation of economic activities and commenced the implementation of Regulatory Reform.

The Government has accepted that a crucial step to induce new investors and firms to enter the domestic market is improvement of the regulatory and administrative practices affecting the business environment. To address these concerns, in 2004, the Government intensified the reform of the business environment with the adoption of the "Concept of Regulatory Reform". This process culminated with the adoption of a regulatory reform law on reviewing and streamlining laws - the Law on Basic Principles and Regulating Entrepreneurial Activity, which endorses fundamental principles of relationship between the State and private sector and adopted the Methodology on Regulatory Impact Assessment and monitoring of the efficiency of the regulating legal act.

Furthermore, the Government adopted a new Regulatory Reform Strategy and Administrative Burden Reduction Roadmap (in 2013), which endorse concrete activities to deepen the efforts in red tape reduction.

Under the IFC ICR Project, bold reforms have been initiated and started to be enacted, e.g. inspection reform, insolvency reform, construction permits reform.

Despite significant efforts, the risks and costs of doing business remain high. Administrative burdens, state interventions and the quality of public governance still constitute barriers to enterprise growth. Some laws are inconsistent with market principles and business realities and their implementation may be unpredictable and not properly monitored. Moreover, a multitude of laws, regulations, and procedures that businesses have to follow are duplicated, contradictory and lacking clarity and as such may be conducive to corruption.

Several donors, including the WBG, have been supporting Moldova in the area of private sector development. Within this framework and in order to monitor the trends in the business environment and regulatory compliance costs in Moldova over time and in comparison with the international benchmarks, "Cost of Doing Business" Survey is carried out on an annual basis since 2002.

Goals and objectives

Main objective of the study is to monitor the status and dynamics of business environment and to assess the impact of state policies, requirements, and institutional arrangements on business entities operating in Moldova.

Specific objectives:

- Provide Government institutions, civil society and international organizations with reliable quantitative data on the costs Moldovan businesses incur while complying with national and local business regulations;
- Enable Government institutions to make high quality policy analyses and implement decisions aimed at improving the overall business environment and investment climate in Moldova;
- Enable institutions of civil society to make high quality policy recommendations and monitor their implementation as well as impacts;
- Provide an instrument for monitoring changes in the costs of doing business over time and for measuring the impacts that specific policies of Moldovan Government have on reducing administrative barriers for businesses and corruption;
- Enable cross-country comparison of the quality of business environment.

Methodology and sample characteristics

Quantitative research – representative national survey.

Territorial coverage: the survey was performed in rural and urban settlements from all districts of the country, excluding Transnistrian region.

Target group and sample size: legal entities / companies, except prime agricultural enterprises (farms, collective farms) and financial institutions (banks, investment companies) and individual companies.

Target respondent: high-level management. Most often the director, deputy director or the owner of the company were interviewed. Where applicable, the chief accountant and other managers were questioned.

Research technique: face-to-face interview performed at the respondent job place, on the basis of a structured questionnaire. The interviewers are from the CIVIS network of fieldwork operators.

Sample size: 607 legal entities.

Sample characteristics:

- stratified – the following 2 stratification criteria were used:
 - *by region* – “X” regions similar to the administrative territorial units;
 - *by settlement* – villages, towns and municipalities;
- *strata volume*– the volumes of strata formed as a result of classification by regions and type of settlements include the number of legal entities, based on the official statistics that provided by the National Bureau of Statistics; *Only eligible and active companies were included in calculation of strata volume.*
- probabilistic – localities and legal entities were selected based on a probabilistic scheme, each entity/company having an initial known non-zero probability to be included in the sample;
- multistage – in order to minimize the cost of the survey a multistage sample design was used:
 - *primary sampling unit (PSU) (settlement/locality)* – the settlements from each stratum included in the sample were randomly selected with probability proportional to size (PPS) from each region.
 - *secondary sampling units (SSU – legal entity)* – the legal entities within localities included in the sample were randomly selected using SRS (Simple Random Selection).

Sampling frame: the list of all localities at the first sampling stage and the list of all legal entities within each PSU.

Data collection period: October 6 – December 16, 2014.

Data collection method: combination of CAPI and PAPI method.

Research tool: written structured questionnaire. A previous version of the questionnaire was used with following pre-test stage and improvements. The working language was Romanian and Russian. The average length of research tool was 41 min.

Sample representativeness: the sample is representative for target groups with overall sampling error $\pm 4\%$.

Here is important to note that, even if general results are representative for entire studied population, data extrapolation according to enterprises' profile should be performed carefully, taking into account the small final figure of one or other group. This is due to either slight classification of enterprises according to one or other variable, as is sector of activity, or small number of one or other type of company included in the sample.

In order to illustrate clearly the situation the following table is presented, comprising number and percent of various characteristics according to the businesses profile:

		Number	Percent
Region	North	57	9
	Centre	69	11
	South	41	7
	Chisinau	440	73
Residence	Urban	531	88
	Rural	75	12
Size	Micro	490	81
	Small	94	15
	Middle	19	3
	Large	5	1
Form of legal organization	Limited liability company	544	89
	Joint stock company	29	5
	State or municipal undertaking	24	4
	Others	11	2
Property	Private, domestic owner	596	98
	Foreign legal entities or individuals	11	2
Main activity	Food industry	19	3
	Other industry	46	8
	Construction	44	7
	Commerce	223	37
	Hotels, restaurants and tourism	25	4
	Transportation and communication	51	8
	Research and development/ Education and healthcare	63	11
	Other	135	22

In this case correlation allow to emphasis only general trends of businesses pattern and perceptions, depending on one or other variable.

Average exchange rate used: For all questions asking information about costs, data were collected in MDL. The report present costs in USD. The average exchange rate used for reporting period was 12.55 MDL for 1 USD.

Response and refusal rate: The overall participation rate in the survey was 51%. The refusal rate to participate in the survey was registered at the level of 26% (taking into account only those companies where a potential respondent was contacted).

Data validity

Only instructed interviewers have been involved in the survey. The interviewers have received lists with the name and address of selected companies to be interviewed. Additionally, they received a list of reserved enterprises, when a certain company from the basic list can't be found or refuse to be interviewed.

CIVIS administration has checked all questionnaires and compliance with methodology, according to the following procedure:

- control of compliance with methodology of enterprises' selection – every time the interviewer has applied to the list of reserves, he/she was responsible to note the reason;
- control of all filled in questionnaires at CIVIS headquarter in order to ensure the quality of their filling in – when there are found missing answers, the field work supervisor contact by telephone the company representative and fill in missing answers;
- control of all enterprises via telephone.

Difficulties encountered / lessons learned

The main difficulty encountered by the research group was that information provided by official sources concerning enterprises referred only to the name, legal address and phone number (if available), and didn't include de facto /real address.

The fieldwork demonstrated that in the most cases legal address and phone number of companies selected to be interviewed didn't correspond to the real ones (where they could be found). That issue requested a lot of time for identification of correct addresses, using all available internet resources.

Other encountered difficulties and barriers with respect to contact information are as follows:

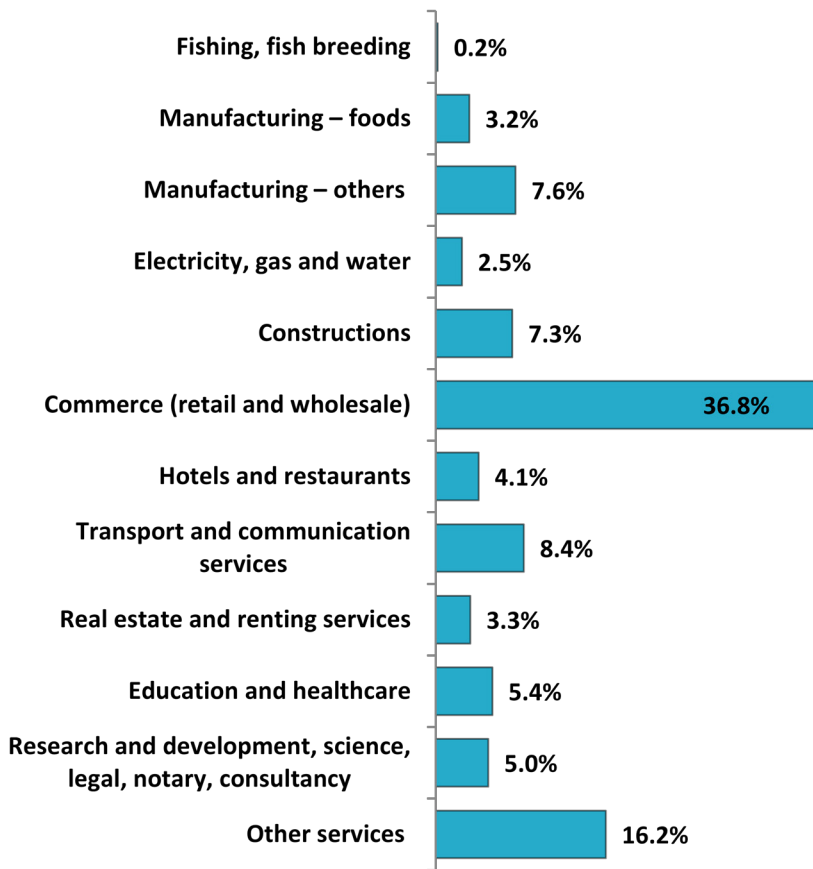
- the phone number doesn't suit to the address;
- the legal address is an apartment, whose inhabitants don't know anything about the registered enterprise in this apartment; moreover, such enterprise(s) is not registered neither in the database of Moldtelecom nor other private databases;
- the enterprise activates according to legal documents, but, in fact, doesn't (there have been encountered cases when certain enterprises didn't activate for 3-5 years).

The other issue is related to the data on size of enterprises. In some cases, the official data of company size did not match with the answer provided by respondents. In this regard, the sample resulted from the field work was weighted to reflect official statistics by size of enterprises.

The Parliamentary Election Campaign from November 30, 2014 also influenced fieldwork process, increasing the refusal rate on the behalf of respondents, including refusals to provide information about unofficial costs. This might be also due to the lack of trust in the interviewers and fear not being reported to National Anticorruption Center. Therefore, the real incidence and amounts for unofficial payment reflected in this survey should be treated as a minimum level.

SAMPLE PROFILE

Figure 1. Sample profile by main activity of the company

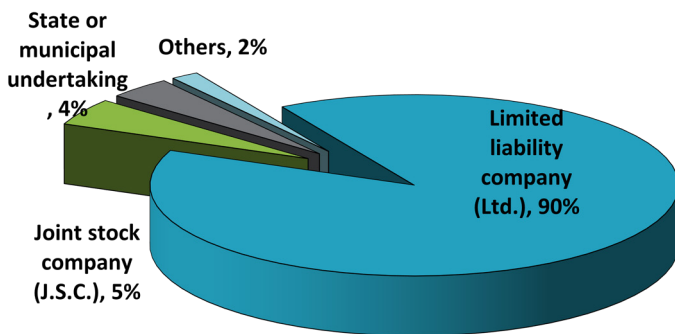


Most companies are activating in the commerce (37%) and services (hotels and restaurants; transport and communication; real estate; research and development; legal services etc.) – 41% (Figure 1).

Base: 607 respondents

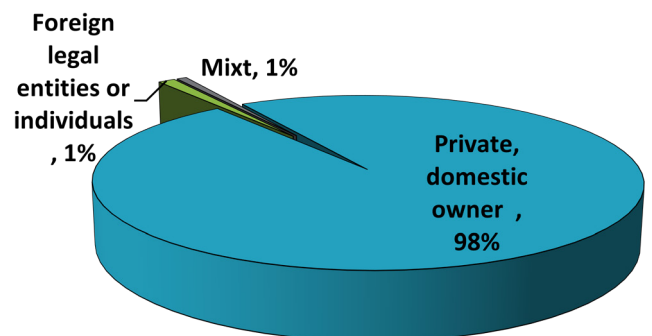
Almost all surveyed enterprises are limited liability companies (90%), with private domestic owner – Figure 2 and 3.

Figure 2. Sample profile by the legal organization form of the company



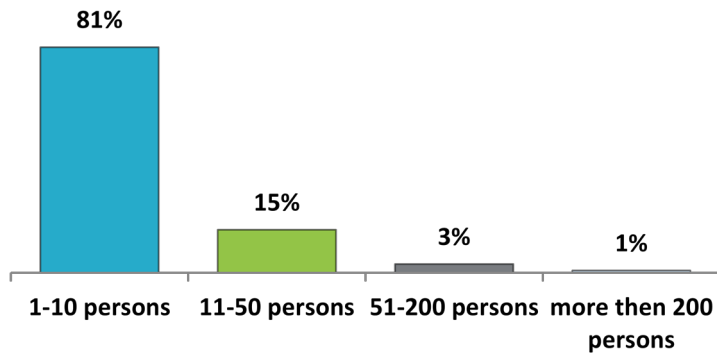
Base: 607 respondents

Figure 3. Sample profile by the companies' property



Base: 607 respondents

Figure 4. Sample profile by the number of employees



Base: 607 respondents

The majority of the companies are micro-enterprises, with 1-10 employees – Figure 4.

Companies operating in rural areas represent 12% of the sample.

In terms of region, highest share of interviewed companies are registered in Chisinau (73%), followed by Central region with 11%, Northern region (9%) and Southern region (7%).

1. GENERAL SITUATION

1.1 Regulatory environment - general considerations

On January 1, 2008 entered into effect the Law no. 235 of 20.07.2006 on "Basic principles governing business operations" (Guillotine II).

The above-mentioned law set out several important principles aiming to reduce the burden of entrepreneurship management:

- tacit approval to start and conduct a business - where the public administration authority and/or other authorized regulatory and control institution does not send a consent on the issuance or renewal of the authorization/license within the deadline set by law;
- control over the business environment, except for financial and tax, is only advisory and can only occur in cases established by law;
- costs of services and documents issued by government authorities and other regulatory or supervisory institutions are set out by specific laws;
- technical and health conditions, standards and other documents are compulsory if set out by laws;
- handling doubts of law enforcements in favor of the entrepreneur.

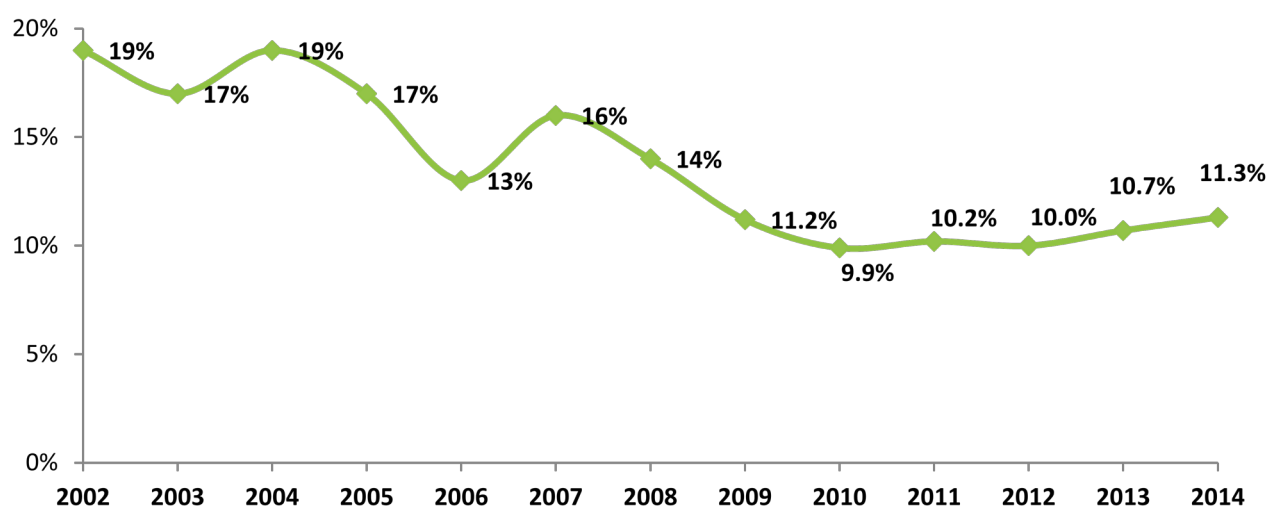
In order to amend and supplement the regulatory framework in compliance with the Law no. 235, the Parliament developed and approved Law no. 280-XVI dated 14.12.2007 and Law no. 281-XVI of 14.12.2007.

Law no. 160 of June 22, 2011 on "Regulation through approval of business operation" and Law no. 162 of July 22, 2011 on Amendment and Supplement of certain legislative acts establish the Nomenclature of permissive documents, as well as sanctions against persons in key positions who delay the release of permissions or require measures that are not set out in the Nomenclature (Guillotine II+).

1.2 General time indicator

The share of management (director, deputy directors, accountant in chief) time used for communication with representatives of state agencies decreased over last decade (from an average of 19% in 2002 to 11.3% in 2014). Over the last five years, the average share of the time spent has a slight increasing trend – Figure 5. Rural companies spend on average 70% more time compare to those located in urban areas.

Figure 5. Share of management time used for communicating with the representatives of state agencies

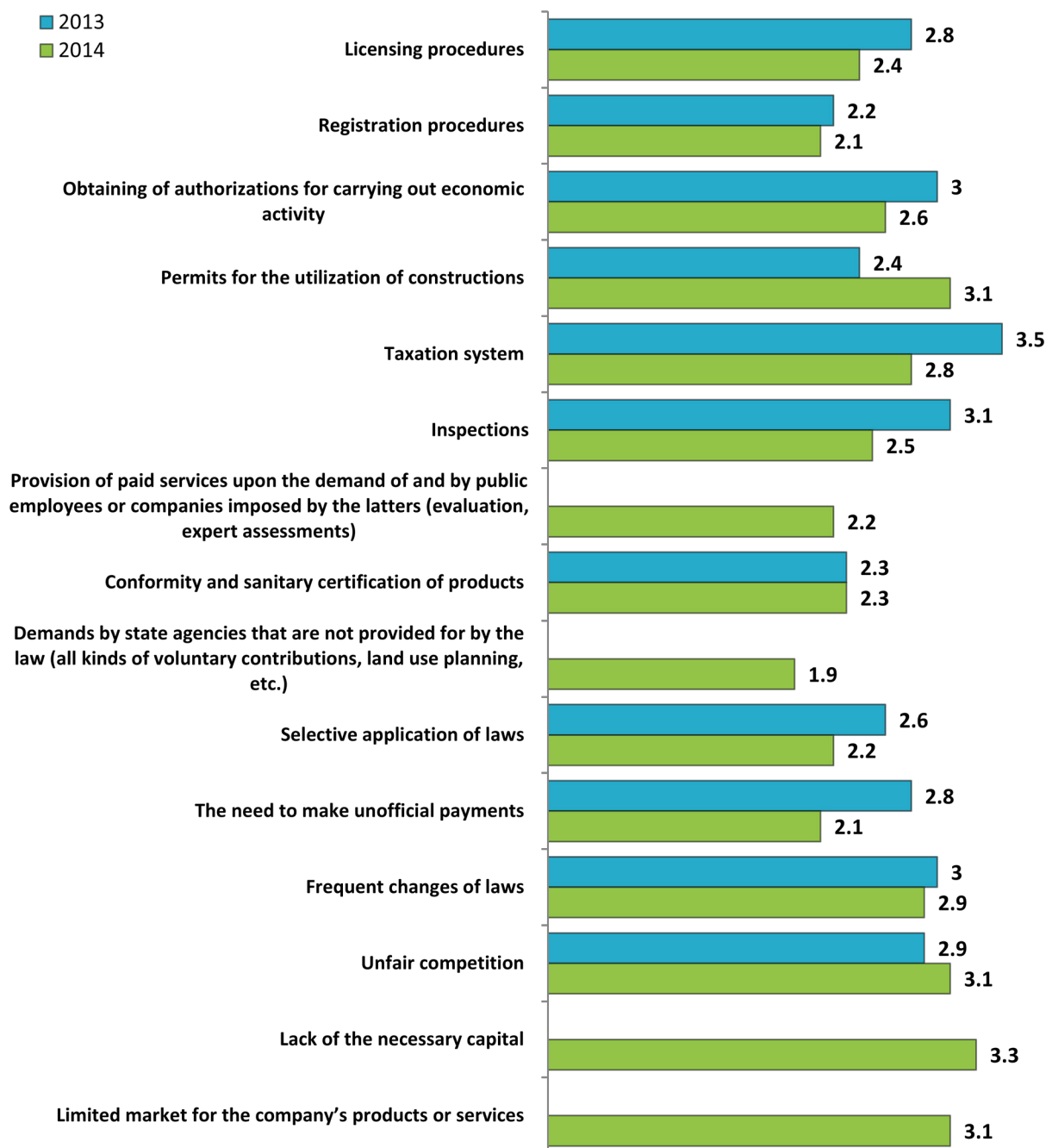


Base: 607 respondents

1.3 General assessment of various business aspects

Regarding the difficulties encountered by the companies, the situation has generally slightly improved in 2014 compare to 2013 – Figure 6A. However, business entities encounter higher level of difficulties with respect to permits for utilization of construction and unfair competition. Insufficient financial resources and limited market, new barriers added in 2014 survey, also create significant difficulties in business operation.

Figure 6A. Difficulties caused for business activity by state regulation in Moldova



Base: 607 respondents

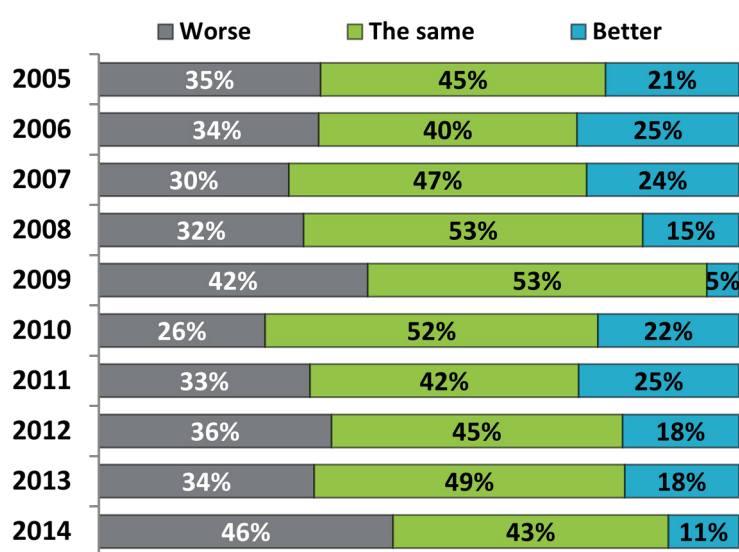
Based on cross-tabulated data, higher scores (consequently greater difficulties) were mentioned by urban companies (compare to rural ones) and domestic entities (compare to foreign entities). No significant disparities have been observed based on the size of the company.

Overall, almost every second business entity (44%) reported experience with unofficial payment to specific state authorities. Unofficial payments were reported most often by companies from urban areas, mainly Chisinau city and it is directly proportional with the size of business entity, i.e. the larger is the company the higher is the incidence of unofficial payments. Companies activating in industry, construction, commerce and hotels/restaurants most often report these payments.

1.4 General perception regarding changes in the business environment

Almost every second respondent consider that business environment worsened over the last year. The incidence of respondents with this perception increased significantly as compared to 2013 (Figure 6B).

Figure 6B. Perception of changes in the overall business climate



Base: 607 respondents

Mainly companies residing in urban areas (47% versus 37%), as well as micro (48%) and small companies (40%) stated negative perception business environment.

Business climate worsened especially for companies operating in commerce (59%) and in the area of research, development, science, legal, notary and consultancy (54%).

The worse situation is registered even if lower scores for a series of difficulties caused by various domains of state regulation in Moldova improved over the last year and it might indicate that overall dissatisfaction with Moldovan business climate is rather due to general economic

and political situation in Moldova, as well as critical situation on the regional markets.

2. REGISTRATION PROCEDURE

2.1 Regulatory framework

The Registration Chamber has the authority to record start-ups and changes in the incorporation documents. The procedures are regulated by Law no. 220-XVI of 19.10.2007 "On government registration of legal entities and individual entrepreneurs" (effective from 30.05.2008).

To register a business, the following documents are required: a) Application for registration, compliant with the sample approved by the government registration body; b) Decision on incorporation and incorporation acts of the business, depending on its legal form, in two copies; c) Document confirming the payment of the registration fee.

The Law no. 184 of 15.07.2010, which came into effect on August 10, 2010, eliminates the confirmation requirement on founders' contribution to the registered capital of the legal entity.

To register their business with the government, foreign-funded legal entities are required to submit additional documents: a) Excerpt from the national register of investor's resident country; b) Incorporation acts of the foreign legal entity;

The Law no. 127 of 18.06.2010 establishes that the acts issued by public authorities required for registration are verified according to the one-stop shop principle. I.e. the government registration authority cooperates with public authorities to obtain the necessary clearances and information to register officially legal entity and individual entrepreneurs. They also submit electronically the information on the registration with no involvement on behalf of the registrant.

The maximum period of registration is 5 business days from the date all the necessary paperwork was filed. The initial registration of legal entities and the registration of changes in the acts of incorporation are charged 250 MDL. Other services related to government registration are carried out for an amount established by the Government. The total official cost of registration procedure varies from 360 to 901 MDL, depending on the legal status of company.

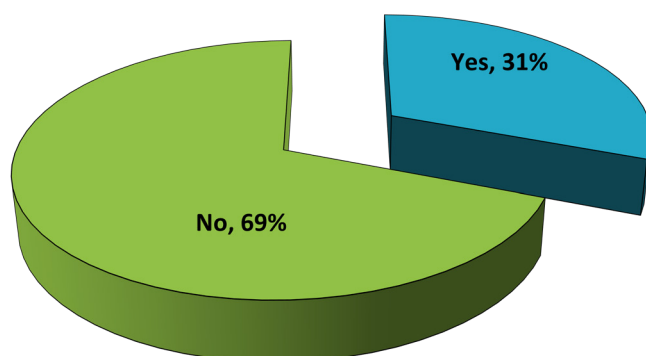
The State Registrations Chamber submits either on paper or electronically to the National House of Social Insurance, the National House of Health Insurance, National Bureau of Statistics and Tax Inspectorate the information on the registration, reorganization or liquidation of the legal entity or of the individual entrepreneur. The Chamber also submits the changes in their incorporation acts within 3 working days from the registration date.

The Law no. 235 of October 26, 2012 has: a) introduced the concept of passive legal entity - a legal person that has operated following the registration but failed to submit tax reports in the last 12 months, as established by law; b) established the way other government bodies may request information from the National Register, electronic form only; c) excluded the need to submit the criminal record of the founders - foreign natural persons; d) excluded the need to submit the authorization to relevant authorities where the legal person was set up by reorganization of a state enterprise, companies whose registered capital has a quota of government property, business unions, associations, holdings, transnational corporations, industrial-financial groups, financial institutions, educational institutions, museums, theatres, circuses, concert organizations, science and innovation organizations, health and sanatorial institutions.

The Law nr. 53 of April 03, 2014 excluded some additional requirements at the registration stage as follows: a) minimum capital requirement for Limited Liability Companies; b) the requirement to open a temporary bank account where legal person was obliged to put a minimum of 40% of social capital before registration; c) request to register company at the Territorial Tax Inspection and National Social Insurance House.

2.2 Time and costs to complete registration procedures

Figure 7. Incidence of new company registration or changes in the founding documentation during the last 3 years



Base: 607 respondents

Almost one-third (31%) of the companies performed any registration procedure during the last 3 years – Figure 7.

Out of them, 23% of respondents registered a new enterprise (most of them were micro and small enterprises, limited liability companies, foreign legal entities or individuals) – Table 1. The biggest share of surveyed firms (77%) amended the founding documentation of the company, with a prevalence of middle and large size entities, from North and Center, domestically owned, having a joint stock legal organization.

Table 1. Average time and costs spent on registration process

Procedure	Share of economic entities, %	by myself			through intermediaries	
		Time (hours)*	Time (days)	Costs	Time (days)	Costs
Registration of a company	23%	35.9	9.8	71.5 \$	8.8	168 \$
Changes in the registration documents	77%	23.9	8.2	141.3 \$	8.7	206 \$

* Note! Here and further, when time indicator shows "hours", it refers to preparation of necessary package of documents, while "days" refers to the period of time the package is processed by state authorities.

The majority of the respondents who performed any registration procedure, made it by themselves (86%), while 14% - through intermediaries. The services of an intermediary were most often accessed by North residents, from urban areas, with a foreign property, from industry or from hotels, restaurants and tourism sphere.

As for the time spent for registration procedures, it generally lasts for an average of 8 - 10 days, with no big differences in terms of type of procedure (company registration or changing documents), and in terms of *who* is proceeding (the company itself or an intermediary) – Table 1. However:

- it takes longer to register a company than to modify the company's documents;
- it takes longer to register a company by yourself than to use the intermediaries' services in this regard (9.8 days compare to 8.8 respectively);
- it takes less time to amend the registration documents by yourself than through an intermediary (8.2 days compare to 8.7 days respectively).

As shown in Table 2, most time is spent on preparation and authorization of the necessary documents, and on their registration at the State Registration Chamber.

Table 2. Average time spent on registration process, by specific state institutions

Government body	Registration of company		Changes in the company's documents	
	Time, hours	Time, days	Time, hours	Time, days
State Registration Chamber	14.7	3.4	8.9	3.4
National Bureau of Statistics	5.8	1.6	2.5	0.6
Tax inspectorate	6.7	1.8	5.1	1.5
National Health Insurance House	4.4	1.5	3.9	1.4
National Social Insurance House	4.3	1.5	3.5	1.3

Regarding the average costs of registration procedure, they range between 70\$ and 200\$, with considerable differences in terms of type of procedure and in terms of *who* is proceeding – Table1. Survey results also show that:

- it costs less to register a company than to modify the company's documents;
- it costs less to proceed by yourself, than through an intermediary.

The most expensive intermediary services are in the Center (213 USD), Chisinau in particular (207 USD). If compare the regions, it is almost 10 times higher than in South (where the costs declared were 23 USD in average). The highest intermediary costs were mentioned by the small enterprises (329.5 USD) and joint stock companies (459.8 USD). Foreign legal entities or individuals paid more to the intermediary than a domestic owner (229.9 USD and 185.1 USD respectively). Based on the type of activity, construction companies were charged the highest price by the intermediaries (430.6 USD). Other sectors ranged between 100 – 200 USD.

The respondents have also been asked what a registration process implies and how much does each of its phases cost (both officially and unofficially). Thus, in terms of registering a company, 59.4% have prepared and authorized the necessary documents and paid an average cost of 30.4 USD for this phase. Almost all respondents (98.3%) registered the company at the State Registration Chamber and this service cost 50.8\$ in average. However, based on the calculations extrapolated to the whole surveyed population, the total average cost for registering a company is estimated at 71.5 USD. According to respondents, no unofficial payments have been supported in order to register a company. This data, as well as the data for other phases is presented in the Table 3.

Table 3. Official and unofficial costs for registering a company

Registration of a company (phases)	Official payments			Unofficial payments		
	Share	Cost, subsample	Cost, total average	Share	Cost, sub-sample	Cost, total average
Notary services	59.4%	30.4	18.1	-	-	-
State Registration Chamber	98.3%	50.8	49.9	-	-	-
National Bureau of Statistics	8.7%	7.7	0.7	-	-	-
Tax inspectorate	8.0%	15.3	1.2	-	-	-
National Health Insurance House	7.1%	15.3	1.1	-	-	-
National Social Insurance House	7.1%	7.7	0.5	-	-	-
Total cost			71.5			

In terms of modifying company's documents, 60.8% have prepared and authorized the necessary documents and paid an average of 113 USD for it. Almost all respondents (91.3%) requested State Registration Chamber services, which cost 63\$ in average. 11.6% of respondents mentioned they have paid officially an average of 55.8 USD at the tax inspectorate etc. At the same time, based on the calculations extrapolated to the whole surveyed population, the total average cost for modifying the company's documents is 141.3 USD (which is twice

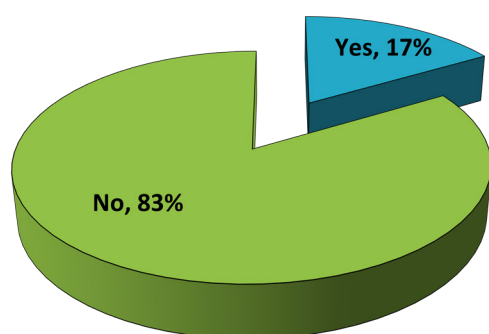
higher than for registering a company). Very few companies supported unofficial payments in this regard. This data, as well as the data for other phases is presented in Table 4.

Table 4. Official and unofficial costs for modifying company's documents

Changes in the company's documents (phases)	Official payments			Unofficial payments		
	Share	Cost, subsample	Cost, total average	Share	Cost, subsample	Cost, total average
Notary services	60.8%	113.0	68.7	1.2%	76.6	0.9
State Registration Chamber	91.3%	63.0	57.5			
National Bureau of Statistics	9.3%	45.7	4.3	1.0%	7.7	0.1
Tax inspectorate	11.6%	55.8	6.5	2.2%	207.5	4.6
National Health Insurance House	5.8%	39.2	2.3			
National Social Insurance House	6.5%	32.3	2.1			
Total cost			141.3			5.6

2.3 Perception of procedures

Figure 8. Obligation to return the VAT invoices in case the founder is changed



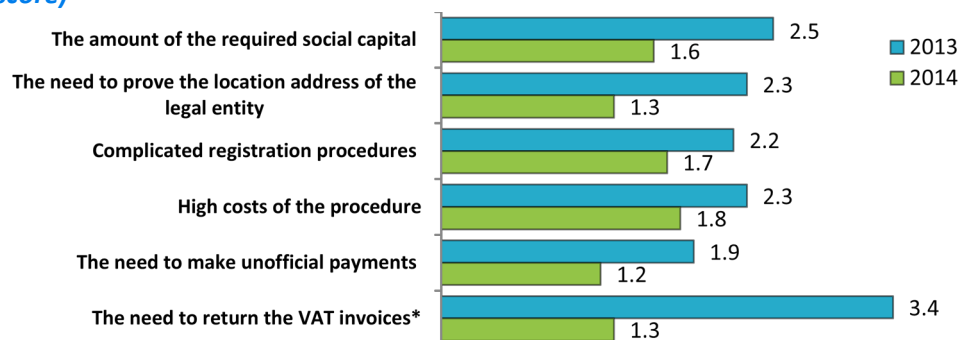
Sub-sample: 112 respondents who did changes in registration documents during the last 3 years and are VAT payers

17% of the companies had to return the VAT invoices when the founder changed – Figure 8.

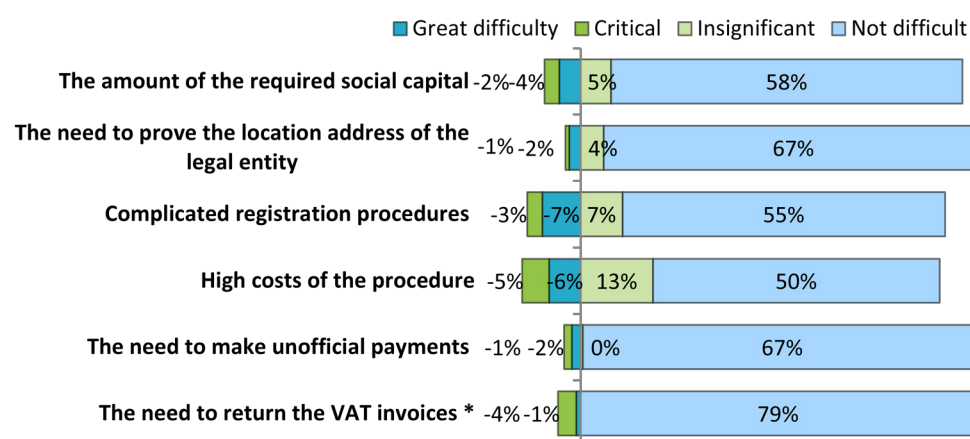
The respondents who registered a company or modified documents by themselves over the last three years were asked to assess the problems encountered in this regard. They assessed the difficulties on a scale from 1 to 5, where 1 = no difficulties, and 5 = major difficulties. The problems and their scores are shown in Figure 9A. Thus, 2014 seemed to be a good year for businesses, with average scores under 2, showing a considerable improvement compare to the previous year. The main barriers continue

to be high costs and complicated procedure.

Figure 9A. Difficulties faced with regard to the registration procedure (average score)



*Sub-sample: 161 respondents who made any registration procedures by themselves during the last 3 years; *Note: 112 respondents who did changes in registration documents during the last 3 years and are VAT payers*

Figure 9B. Difficulties faced with regard to the registration procedure


High shares presented in the Figure 9B confirm this observation. Thus, lack of / insignificant difficulties have been mentioned by:

Sub-sample: 161 respondents who made any registration procedures by themselves during the last 3 years

NOTE: this Figure and other similar do not show the share of undecided respondents (answering value 3) and of those answering "Don't know" for the question.

- 63% of respondents, when referring to the amount of the required social capital;
- 71% of respondents, when referring to the need to prove the location address of the legal entity;
- 62% of respondents, when referring to the complicated registration procedure;
- 63% of respondents, when referring to the high cost of the procedure;
- 67% of respondents, when referring to the need to make unofficial payments;
- 79% of respondents, when referring to the need to return VAT invoices.

2.4 Summary of the analysis

Almost one-third (31%) of the companies performed any registration procedure during the last 3 years, most of them amending their firms' documentation.

In most cases the registration procedures are done by companies themselves (not through intermediaries). The time spent for registration procedures generally lasts for an average of 8 - 10 days (depending on the type of procedure and on who is proceeding) and it worsened over the last year, especially when changes in the incorporation documents are operated.

The total average cost for registering a company is estimated at 72 USD, and for amending the documents – at 141 USD. No / very few unofficial payments have been supported for registration procedures.

A comparative analysis presented in Table 5 shows a constant decrease of the costs supported by the owners when registering a company starting 2010. In fact, the lowest cost value over the last eight years was registered in 2014. In case of documents' modification-related costs the situation is opposite: in 2014 was registered the highest cost value over the last eight years.

Table 5. Costs of registration procedures, USD

Procedure	2007	2008	2009	2010	2011	2012	2013	2014
Registration period, days	16,3	16,3	18,8	13,5	15,4	12,7	9,1	9,8
Time spent on changes in the incorporation documents, days	8,3	10,3	7,8	11,1	8,8	6,2	5,6	8,2
Registration of the company	75	91	117	159	136	108	112	72
Changes in the company's documents	56	61	68	133	108	90	88	141

Companies do not encounter major difficulties with registration procedures. A comparative analysis for the last 7 years of the registered scores show the lowest values in 2014, which probably implies improved conditions for business registration procedures – Table 6.

Table 6. Assessment of the registration-related difficulties, average score

Difficulties encountered	2008	2009	2010	2011	2012	2013	2014
Complicated registration procedures	2.4	2.4	2.3	2.4	2.3	2.2	1.6
High costs of the procedure	2.5	2.4	2.3	2.7	2.6	2.3	1.3
Required amount of registered capital	2.2	2	1.9	2.3	2.3	2.5	1.7
Need to prove the legal entity address	1.8	1.8	1.9	2	2.2	2.3	1.8
The need to make unofficial payments	1.5	1.5	1.4	1.6	1.3	1.9	1.2
The need to return VAT invoices*	-	-	2.6	2.8	3.2	3.4	1.2

3. CONSTRUCTIONS

3.1 Regulatory framework

The operations carried out by legal and natural persons in constructions are regulated by Law no. 721-XII of 2 February 1996 on Quality in Constructions. The law refers to new constructions and upgrading works, modifications, transformation, repair and strengthening.

The Law no. 721 states that the construction can commence following the verification of the project by the government Service for review and examination of projects and constructions and after the authorization was registered with the State Construction Inspectorate.

Compliant with this law were approved two Government Decisions on 25 June 1996: no. 360 on Government Control of Construction Quality and Government Decision no. 361 on Construction Quality Assurance.

Decision no. 360 approves three regulations aimed at quality control in constructions:

- The regulation establishes ways to exercise government control on quality in constructions;
- Regulation of Building Inspection Agency;
- Regulation on the control over the use of public investments in construction.

Decision no. 361 approves the Regulation on project verifications and performing of constructions. It also approves the technical expertise of the projects and constructions. The Regulation stipulates the procedures for verification and technical expertise of the project as well as verification techniques of the construction process.

The final acceptance is governed by the Regulation on the clearance of constructions and related facilities, approved 23 May 1996 by Government Decision no. 285. The Regulation stipulates that the investor must submit to the acceptance commission the opinion of fire safety and sanitation services, Department of Environmental Protection and other control bodies.

The main responsibilities in the operation of constructions following the final acceptance are stipulated in the Regulation on monitoring of operational behavior, interventions over time and post-use of construction, approved 24 April 1997 by Government Decision no. 382.

Law no. 835/1996 "On urban planning and territorial development" of 17 May 1996 exhaustively establishes the procedure for issuing the planning certificate and construction authorization:

- Planning certificates and construction authorizations are issued by local administration authorities. The application is accompanied by documents provided by the regulations governing the procedure for issuance of planning certificate and of the construction authorization. Applying for other documents is forbidden.
- The local administration authority decides on the issuance of the planning certificate and of the construction authorization or their refusal within 15 days from the filing date. The applicant is notified about the decision on the issuance of the planning certificate and of the constructions authorization not later than the day following the decision date.
- If the public administration authority remains silent for the time prescribed by law, the planning certificate and the construction authorization will be deemed granted. If the applicant does not receive a written notification on the reasons for the registration denial and/or for the rejection of the application for authorization/planning certificate, the construction may commence.

Time limits for issuing the planning certificates and building/demolition authorizations and the costs incurred for these are set forth in the Law no. 163 of 09.07.2010 on the authorization of construction works. The costs for the issue of a planning certificate and building/demolition authorization are established annually by the decision of the local council. The cost varies from 100 MDL to 60,000 MDL, depending on the type of locality and surface of construction, according to new amendments as of Law nr 86 from 19.04.2013. Extending the validity period of the planning certificate and of the building/construction authorization requires no additional payment.

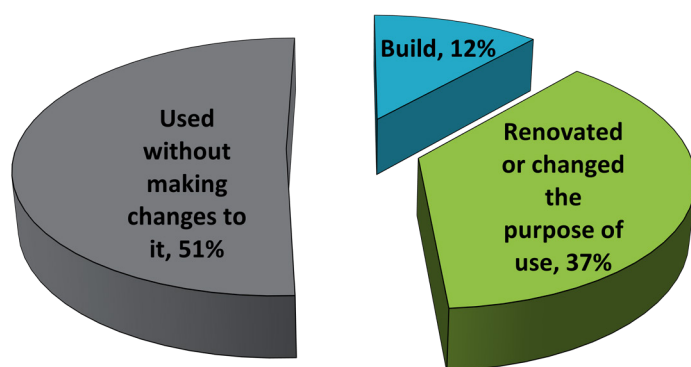
The main provisions contained in the regulation on constructions are:

- The use of land plots and planning can be performed only after receiving the planning certificate.
- Construction works are performed only according to a plan developed either by an authorized natural or legal person.
- Constructions can commence only following the issuance of the building authorization.
- The quality of constructions of any use, regardless of their type of ownership and source of funding, as well as construction works, reconstructions, upgrading and major repairs, manufacture of construction materials and items are subject to government control.
- Project documentation developed based on urbanism planning certificate for project design is subject to mandatory verification by certified projects verifiers or authorized institutions in projects verification.

3.2 General information

17% of the businesses surveyed moved into the new or recently renovated spaces during the last three years. These were predominantly respondents from the North (compare to other regions), from urban areas (compare to rural ones), large companies, foreign legal entities or individuals (compare to local owners), respondents working in the field of hotels, restaurants and tourism (compare to other activity domains).

Figure 10. Incidence of companies building, renovating or using spaces without making any changes



As shown in Figure 10, half of these enterprises used the new spaces without making any changes to it (51%), mostly micro-enterprises, from urban area, Chisinau in particular, with a foreign property. One third renovated or adjusted the spaces to their needs (37%), mostly those from central part of the country, rural areas, small and middle sized companies, domestically owned. 12% build new spaces where they moved after (in particular those from South, rural areas, large companies, with domestic owner).

Sub-sample: 105 respondents who moved into the new or recently renovated spaces.

3.3 Building from scratch

Of those companies who built new spaces (12%), one third (38%) said the construction permits/authorizations were obtained by the design company, while other 62% decided to act on their own to obtain the documents.

For those companies who decided to act on their own, it took an average of almost two months (57 days) to get all permits for starting construction works (including the issuing of the town planning certificate, coordination of the project, obtaining of the construction authorization etc.). 301 hours were spent by employees to prepare the package of necessary documents. For rural residents and for those from Southern part it takes longer to get the permits (almost three months).

Official cost for getting all necessary permits is 786 USD. Official payment is almost three times higher in North (1839 USD) compare to South (623 USD) and Chisinau (515 USD), as well as almost five times higher in urban areas (1093 USD) compare to rural zones (258 USD). Unofficial payments represent 35 USD, and have mainly been supported by small and micro enterprises, working in the commerce.

After the construction works were completed (including the firefighters service and other permits for the use of the building), it took 30 days to commission the object. 112 hours were spent by companies to prepare the package of necessary documents.

The business owners shall pay officially 449 USD for this procedure (including notary services and transport costs). The average amount of money is higher in the South (504 USD) and Chisinau (719 USD). Other 367 USD shall be paid unofficially. Unofficial payments have been mainly declared by respondents living in Chisinau, but also in rural areas (compare to urban ones).

3.4 Renovation and reconditioning of the premises

For those companies who renovated / reconditioned the premises they moved in (37%), it took an average of 29 days to obtain all permits for starting the renovation works (including the issuing of permits, registration of the plan etc.). 73 hours were spent to prepare the documents necessary for renovation / reconditioning of the premises.

According to the surveyed companies, a company will pay an average of 479 USD (officially) to start the renovation works (extrapolated data). Official payments include (Table 7):

- official fees (These represent on average 486.5 USD and have been paid by 75% of respondents. Most expensive fees are in North (659 USD) and Chisinau (643 USD). The extrapolated calculations show that official fees cost 363.4 USD);
- notary services (These represent on average 86.5 USD and have been supported by 42% surveyed businesses. Most expensive notary services are in North (115 USD) and South (211 USD). However, the extrapolated calculations show that official fees cost 36.5 USD));
- legal advisers and intermediaries (on average 204.9 USD, paid by 8% of respondents – all from North). The extrapolated calculations show that official fees cost 16.4 USD);
- transport expenses (These represent 97.5 USD on average, have been incurred by 65% of the companies. Highest transport expenses are in North (113 USD) and South (402 USD). The extrapolated calculations show that official fees cost 63 USD).

Besides official costs, some respondents (30%) declared they paid unofficial money (1035 USD on average) to start the renovation works (mainly from Chisinau and North, all coming from urban area, all being private domestic owners). However, survey calculations, extrapolated at all the respondents, show that a company will pay an average of 308.4 USD (unofficially) to start the renovation works.

Per total, to get all the permits necessary for renovation of the premises will cost a company on average 787.7 USD, including both official and unofficial payments.

Table 7. Costs of starting and commissioning the renovation works

	Starting the renovation works			Commission the object after the completion of construction works		
	Share	Cost, sub-sample	Cost, total average	Share	Cost sub-sample	Cost total average
Official fees	75%	486.5	363.4	82%	262.8	214.7
Notary services	42%	86.5	36.5	30%	68.6	20.5
Legal advisers and intermediaries	8%	204.9	16.4	15%	198.6	30.6
Transport expenses	65%	97.5	63.0	63%	35.7	22.6
Voluntary payments/ Unofficial payments	30%	1035.0	308.4	30%	157.6	46.8
Total			787.7			335.2

Sub-sample: 39 respondents who renovated the premises

Sample: 607 respondents

After the renovation works were completed, it took 53 days to commission the object. 62 hours were spent to put the building into use.

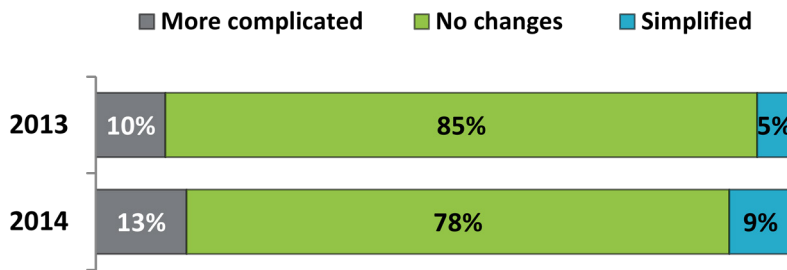
The business owners paid officially 565.7 USD for this procedure (including official fees, notary services, legal advisers and intermediaries, transport expenses). Other 157.6 USD was paid unofficially and have been declared by 30% of the respondents) – Table 7. However, the extrapolated calculations show that commissioning of a premise after renovation will cost an average of 288 USD officially and 46.8 USD unofficially.

3.5 Use of premises without modifying them

For those enterprises which used the new spaces without making any changes to it (51%), more than a half (56%) needed permits to be able to use the spaces, in particular companies from urban areas from North and Chisinau, mainly those working in construction and non-food industry.

3.6 Perception of procedures

Figure 11. Perception of changes in procedures in relation to the use of spaces, compared to the previous year

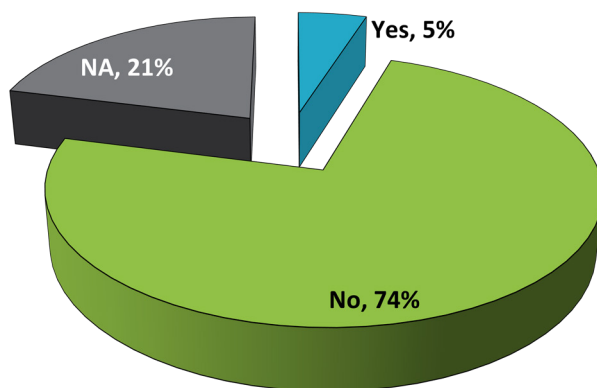


Sub-sample: 51 respondents who moved into new or recently renovated spaces.

Most respondents consider the procedures related to the use of space did not change since the last year (78%) – Figure 11. However, the share of those considering the procedure became more complicated slightly increased (from 10% in 2013 to 13% this year); this opinion was most often expressed by companies working in construction and commerce. At the same time, the share of those considering the procedure is easier increased almost two times (from 5% in

2013 to 9% in 2014); this opinion was most often expressed by economic entities working in transportation and communication.

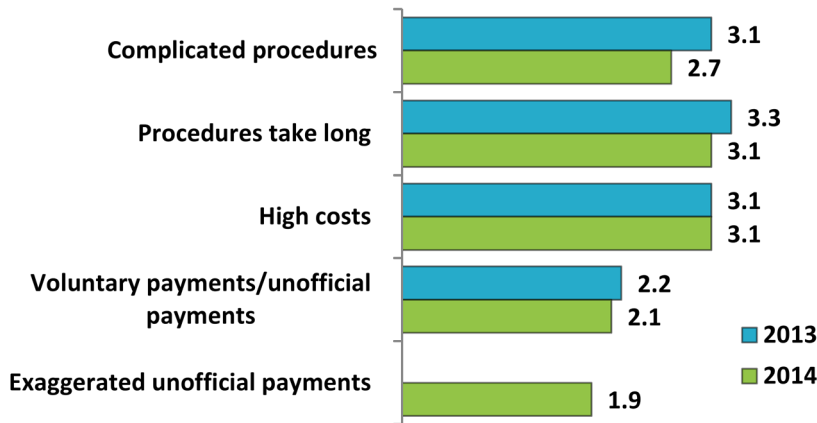
Figure 12. Incidence of cases of commissioning real estate without having the necessary authorizations for starting the (re)construction



Sub-sample: 51 respondents who moved into new or recently renovated spaces.

Very few respondents had commissioned real estate objects without having the necessary authorizations for starting the construction / reconstruction (5%) - Figure 12a. This is considerably lower compare to 17% of respondents who commissioned the premises without the required authorizations in 2013. In 2014 this infringement occurred either because the procedures lasted too long (73%), or because the procedures were complicated (27%). Most of these companies got the authorization “tacitly”.

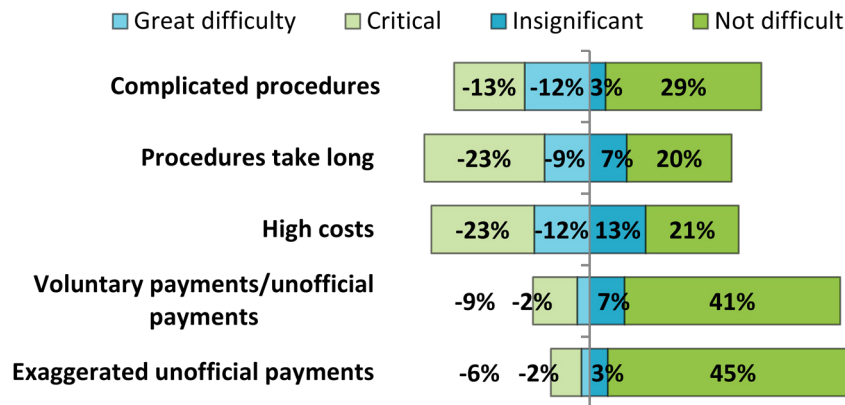
Figure 13A. Difficulties in relation to obtaining construction permits (average score)



Sub-sample: 51 respondents who moved into new or recently renovated spaces. NOTE: the Figure does not show the share of undecided respondents and of those answering "Don't know" for the question.

Respondents have been asked to assess the difficulties related to obtaining construction permits, on a scale from 1 to 5, where 1 - no difficulties and 5 - major difficulties. The results are shown in Figure 13a. The biggest difficulties refer to the duration for obtaining the permits, high costs both official and unofficial. Highest concern for all these problems has been manifested by respondents from South and Chisinau. The duration and high costs were reported as a bigger problem by companies with foreign owners compare to domestic owners.

Figure 13B. Difficulties in relation to obtaining construction permits (share)



Sub-sample: 51 respondents who moved into new or recently renovated spaces. NOTE: the Figure does not show the share of undecided respondents and of those answering "Don't know" for the question.

However, based on the same figure, a slight improvement in this regard can be observed in 2014 compare to 2013, as the scores given by respondents are lower this year.

The share of the responses regarding the difficulties encountered when obtaining construction permits is presented in the Figure 13b:

- 25% consider it is difficult to obtain construction permits because of complicated procedure, while 32% believe the procedure does not impact negatively the permits acquiring;
- 32% consider as an impediment the duration for obtaining the permits, in contrast with 27% who think the duration is not a problem;
- 35% believe the high costs represent a problem in getting the permits, while 34% are confident the costs are not high;
- Voluntary payments / Unofficial payments are being considered as major problems by 11%, while 48% think these do not negatively impact obtaining of the permits;
- Exaggerated unofficial payments represent a big difficulty in case of 8%, while for 48% it is not a problem, which impede the permits acquiring.

3.7 Summary of the analysis

17% of the businesses surveyed moved into the new or recently renovated spaces during the last three years, which is almost three times less compare to the previous year. Most of them used the new spaces without making any changes to it; one third of them renovated or adjusted the spaces to their needs; and only every eighth built new premises.

The official costs for getting the documents and permits necessary to start building a new premise is almost two times higher than to start the renovation of an existing premise. However, the unofficial costs are almost 10 times higher for renovation, compare to building from the scratch – Table 8.

Table 8. Costs and time for starting the construction works

Starting the ...	Time		Costs	
	Time, hours	Time, days	Official payments	Unofficial payments
Construction of a new premise	301	57	786	35
Renovation of existing premises	73	29	479	308

A comparative analysis for the last 8 years shows that the period of time to get the necessary permits in order to start the construction works has considerably shortened since 2007, however it has increased by three days compare to the previous year – Table 9.

Table 9. Time for starting the construction works 2007-2014 (days)

	2007	2008	2009	2010	2011	2012	2013	2014
Construction of a new premise	124	107	88	-	70	51	54	57
Renovation of existing premises	67	44	35	30	26	38	39	29

The official costs for commissioning the newly built premises are almost 2 times higher, and unofficial cost is almost 8 times higher than for commissioning the repaired premises – Table 10.

Table 10. Costs and time for commissioning the premises after the completion of construction works

Commissioning the object after the completion of ...	Time		Costs	
	Time, hours	Time, days	Official payments	Unofficial payments
Construction of a new premise	112	30	449	367
Renovation of existing premises	62	53	288	46.8

Per total, it is more expensive to start a construction work (either building from the scratch, or renovating) than to commission the premises.

In obtaining construction permits, few companies generally encounter difficulties. The biggest problems mentioned (both in terms of scores and shares) are the duration and high costs for obtaining a permit. However, the general situation has slightly improved compare to the previous year.

4. LICENSING

4.1 Regulatory framework

The licensing system in Moldova is regulated by the framework Law no. 451-XV of 30 July 2001 on Licensing of Entrepreneurship, substantially amended by Law no. 281 of 14 December 2007.

According to the Law no. 451/2001, holding a license is compulsory in performing 47 types of business. These licenses are issued by the following licensing bodies:

- Licensing Chamber (32 types of businesses);
- National Bank of Moldova (4 type of business) – three more licensed activities were introduced by the Law nr 43 from 27.03.2014;
- National Commission of Financial Market (5 types of business);
- National Energy Regulatory Agency (3 types of business);
- National Regulatory Agency for Electronic Communications and Information Technology (2 types of business);
- Broadcasting Coordination Council (1 type).

The Law no. 281/2007 of 20.06.2008 introduced the notions of:

- *tacit approval* – a license is deemed granted or renewed if the licensing authority does not notify the applicant within the set time limits;
- *one-stop shop* – procedure whereby the licensing authority verifies the authenticity of the information presented by the applicant / licensee without involving him/her in the process.

The Law no. 26 of 13.03.2014 introduced the notion of:

- *e-licensing* – it is an electronic licensing service that provides the opportunity for applicants or licensees, via a web interface to send online statements release / extension or licensing requests for updating and receive electronic confirmation of approval or rejection of the request.

Documents required to get a license

To obtain a license, the company files an application with the concerned authority, containing:

- a) general information on business;
- b) type of business;
- c) the applicant signs an affidavit to conduct the type of business for which the license was issued and the for the authenticity of the submitted paperwork.

In addition to the application for license are being attached the following:

- a) a copy of the certificate of state registration of the enterprise or organization;
- b) additional documents as provided by legislative acts regulating the licensed type of business for which the license is requested.

The request of documents other than those contained in this article is prohibited. Documents shall be submitted in original or copy. The data in the documents and the information submitted is checked through one stop shop procedure. The application for the issuance / extension of license and the documents attached are recorded into the register. A copy of the register is sent (handed) to the license applicant, indicating the application date, authenticated by signature of the licensing authority.

Issuance of license or rejection of the application for obtaining a license

The licensing authority decides on the issuance or the rejection of the application based on the application and the documents attached, within a maximum of 5 days from the registration date. Compliant with the laws governing the licensing activity, the licensing authority can establish an extended term to either issue or reject

the license application. If the application for obtaining a license is rejected, the applicant may file a second application after removing the causes that led to rejection.

The license shall be deemed granted if the licensing authority does not notify the applicant within the terms provided by law. If the cumulative deadline set to notify the applicant on the rejection or approval of the licensing application or on its registration expires, the applicant may start to operate the business he requested the license for, provided there was no written notice on the refusal grounds. Tacit approval procedure applies to all licenses except those issued by regulatory authorities in the financial sector (banking and non-banking) in businesses trading firearms, ammunition and explosives.

Licensing control

The licensing authority monitors the compliance with licensing terms of the businesses.

During the compliance monitoring, the licensing authority takes into account the following principles:

- a) lawfulness and compliance with competences established by law;
- b) prevention of enforcement of sanctions not established by law;
- c) manage doubts arising from law enforcements in favor of the licensees;
- d) assigning control expenses to the government;
- e) provide recommendations on the removal of infringements revealed during inspections;
- f) the right to appeal against the actions of the licensing authority.

The licensing authority at least once per calendar year shall carry out planned controls over the compliance with the license conditions. Where appropriate, representatives of regulatory and control institutions may take part in verifications.

Unannounced inspections shall be made only pursuant to a written referral from regulatory and control institutions on the infringements by the license holder or of the license conditions. Such inspections are also carried out to verify if the violations are being removed according to the recommendations provided.

License fees

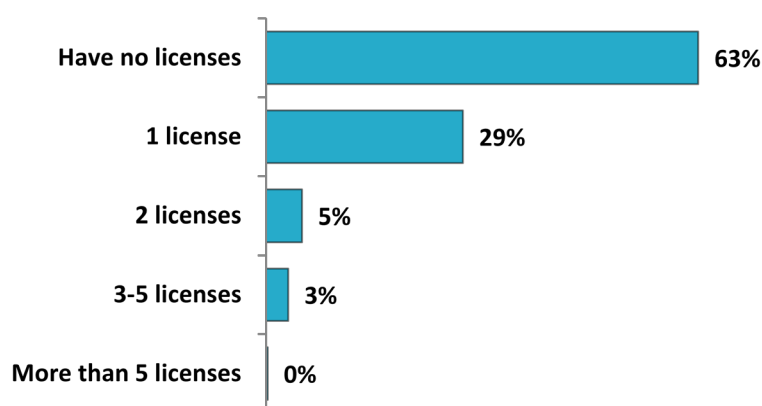
The standard license fee is 3 250 MDL, and it varies significantly by type of licensed activity.

License validity period

Most often (29 out of 47 types), licenses are issued for a period of 5 years. Some licenses are issued for 1 year (3 types) and 3 years (1 type). Laws governing specific license activity establish the validity of licenses for businesses that do not fall under the jurisdiction of the Licensing Chamber.

4.2 Licensing procedure: time and costs to obtain a license

Figure 14. Number of licenses in operation

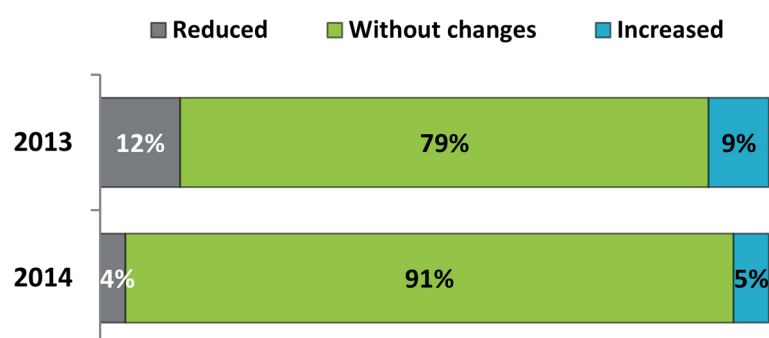


Base: 607 respondents

Only one third of the companies had licenses when surveyed (37%), most of them only one license – Figure 14.

The majority of the companies mentioned that the situation with licenses didn't change compare to the previous year (91%). In case of 5% the number of licenses increased, while 4% had less licenses compare to the previous year – Figure 15.

Figure 15. Changes in number of licenses



Sub-sample: 226 respondents who have license(s)

According to the surveyed companies, a company will pay an average of 399 USD (officially) to get a license (extrapolated data). Official payments include (Table 11):

- official fees (93.8% of respondents have paid fees in 2014, amounting at 348.4 USD on average. Most expensive fees are in South (439 USD on average). Extrapolated survey calculations show that a company will pay an average of 326.8 USD (officially) to get a license);
- expertise and evaluation (18.8% of respondents have supported these costs in 2014, amounting at 193.6 USD on average. Most expensive costs are in North (504 USD on average). However, extrapolated survey calculations show that a company will pay an average of 36.4 USD (officially) to get a license);
- payments for notary services (20.4% of respondents have paid the notary in 2014, amounting at 57.5 USD on average. Most expensive costs are in North (138 USD on average). However, extrapolated survey calculations show that a company will pay an average of 11.7 USD (officially) to get a license);
- payments to attorneys and intermediaries (1.6% of respondents have supported these costs in 2014, amounting at 33.9 USD on average. At the time of survey, these payments have only been supported by Chisinau companies. However, extrapolated survey calculations show that a company will pay an average of 0.5 USD (officially) to get a license);
- transport expenses (39.1% of respondents have paid for transport in 2014, amounting at 59.8 USD on average. Most expensive costs are in South (135 USD on average). Extrapolated survey calculations show that a company will pay an average of 23.4 USD (officially) to get a license).

Besides official costs, some respondents (1.3%) declared they paid unofficial money (212.7 USD on average) to obtain license. However, survey calculations, extrapolated to all the respondents, show that a company will pay an average of 2.8 USD (unofficially) to get a license.

The total cost for obtaining a license is 402 USD (399 USD official payments, and 2.8 USD – unofficial payments).

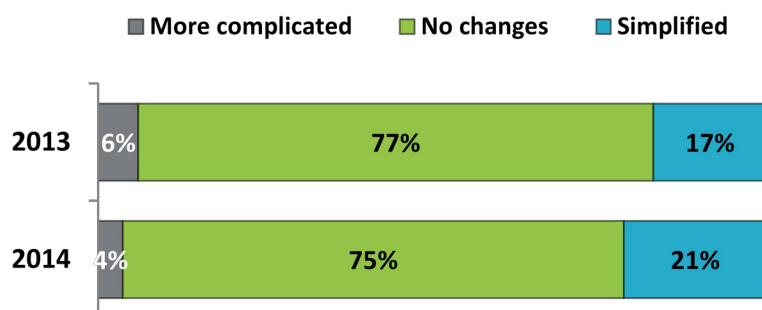
Table 11. The cost for obtaining a license

	Share	Cost, sub-sample	Cost, total average
Fee for obtaining the license	93.8%	348.4	326.8
Expertise and evaluation	18.8%	193.6	36.4
Payments for notary services	20.4%	57.5	11.7
Payments to attorneys and intermediaries	1.6%	33.9	0.5
Transport costs	39.1%	59.8	23.4
Unofficial payments	1.3%	212.7	2.8
Total cost			401.6

The licensing procedure lasted on average 14 days. It is more difficult (in terms of time) to obtain a license for the company from South, for those with foreign owners, and for companies for working in commerce. The shortest time for getting license was mentioned by companies working in construction, and transportation and communication. The companies spent 41 hours to get a license. The average term of license effectiveness is 4.5 years.

4.3 Perception of procedures

Figure 16. Perception of changes in procedures and conditions for licensing compare to the previous year



Sub-sample: 226 respondents who have license(s)

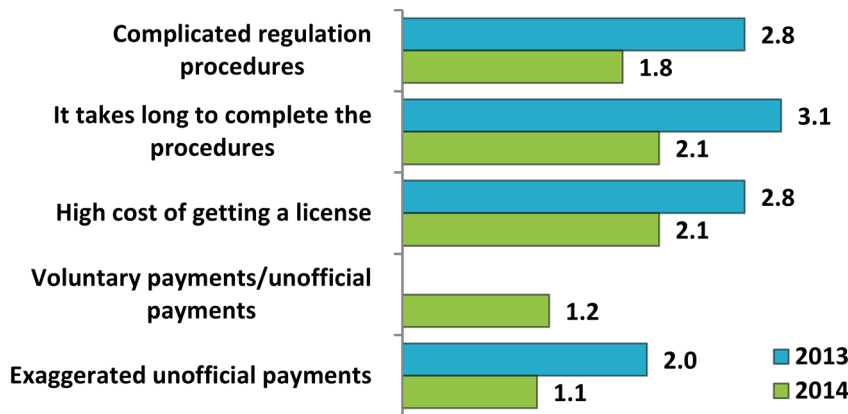
The companies were asked to assess the changes that occurred in the licensing procedures and conditions over the last year. Most respondents believe the situation remained the same since 2013 (75%) – Figure 16. Every fourth (21%) stated improvements in this regard (with a prevalence of companies from the North, working in construction, with a domestic owner.

South, to a higher extent those from urban area compare to rural zones, and almost all companies working in food industry, constructions, hotels and restaurants area.

89% of respondents got licenses “tacitly”, specifically those from Chisinau and

The respondents have been asked to assess the problems encountered in obtaining a license. They assessed the difficulties on a scale from 1 to 5, where 1 = no difficulties, and 5 = major difficulties. The problems and their scores are shown in Figure 16. Thus, based on the offered scores, the situation seems to be quite favorable for the companies. Generally, the scores do not exceed 2 points.

Figure 17A. Difficulties in obtaining a license (average score)

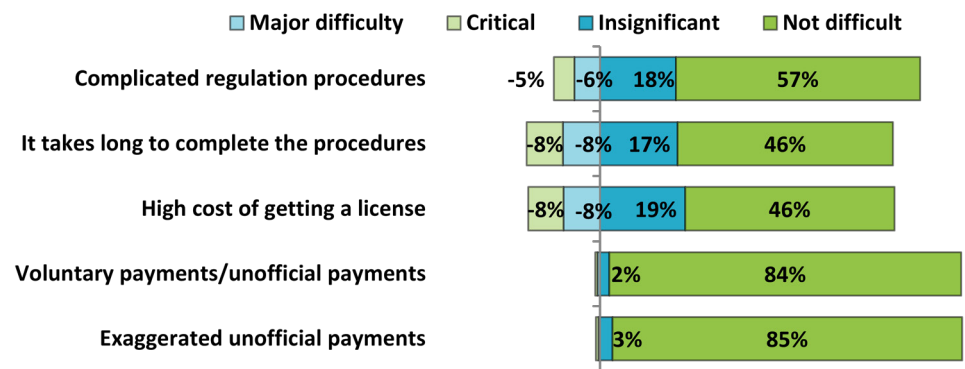


If compare the scores given in 2014 with those obtained in 2013, the situation has improved since the last year – Figure 17a.

Sub-sample: 226 respondents who have license(s)

This observation is confirmed by the shares presented in the Figure 17b. Thus, lack of / insignificant difficulties have been mentioned by:

Figure 17B. Difficulties in obtaining a license (share)



Sub-sample: 226 respondents who have license(s)

NOTE: the Figure does not show the share of undecided respondents and of those answering “Don’t know” for the question.

- 75% of respondents, when referring to complicated regulation procedures;
- 63% of respondents, when referring to procedure duration;
- 65% of respondents, when referring to high costs of getting a license;
- 86% of respondents, when referring to voluntary payments / unofficial payments;
- 88% of respondents, when referring to exaggerated unofficial payments.

4.4 Summary of the analysis

The comparative analyses for the last 9 years in terms of different aspects related to getting a license are shown in Table 12 and described below:

- the share of enterprises subject to licensing was 37% in 2014, registering a considerable decrease compare to all previous years (actually reaching the lowest value);
- a company has in average 1.4 licenses;
- it lasts for 2 weeks (14 days) to obtain a license – the shortest timeframe over the last 9 years;
- the average cost of getting a license is 402 USD, which is not only a considerable increase compare to the previous year, but also the highest cost since 2006;
- Moldovan business environment registered a considerable progress in terms of unofficial payments. Thus, the share of unofficial payments represented 1% in 2014, registering the lowest value since 2006.

Table 12. Short overview of licensing procedure

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Share of enterprises subject to licensing	58%	56%	68%	71%	61%	61%	52%	49%	37%
Average number of licenses	1.9	1.8	1.6	1.3	1.3	1.3	1.3	1.4	1.4
Time to obtain a license, days	20	20	18	20	22	18	16	18	14
Average cost, \$	273	286	301	193	270	240	266	294	401.6
Share of unofficial payments, %	9%	8%	10%	15%	14%	7%	9%	8%	1.3%

Companies don't face big problems (in terms of duration, costs, procedure, unofficial payments) in getting licenses. The situation in this regard has improved compare to the previous year.

5. GETTING AUTHORIZATIONS

5.1 Regulatory framework

The notion of authorization includes: permits, licenses, certificates, clearances, approvals, coordination, patents, certificates of qualification issued by public authorities or the institutions legally authorized with regulatory and control functions.

This chapter reviews operation authorizations, not included in other chapters. The operation authorization is defined as a separate administrative act certifying the right to practice trading, indicating the location of the business unit or place open for sale. The notion of operation authorization does not overlap the notion of license for the operations that are licensed, as required by law.

Most authorizations are governing the trading operations. Pursuant to the Law no. 231 of 23.09.2010 on Domestic Trade, trading operations are authorized by the first local administration authority or by the municipality of Chisinau, where the trader operates.

To obtain the authorization, the applicant files an application plus the following documents submitted in original:

- a document confirming the state registration of the business entity under the legislation in force;
- documents certifying the professional training of individuals (private entrepreneurs) issued by trading (economic)-profiled institutions, as authorized by law; a certification of skills acquired following the work experience in these institutions;
- documents confirming the right to own or lease the business unit;
- the location plan of the business (for booths, stalls and other mobile units);
- consent by the sales area administrator to trade in airports, railway stations, stations and other public areas, obtained under the laws in force;
- tenancy agreement or the authentication title of the land owner;
- the operating hours of the commercial unit;
- affidavit of compliance with the authorization requirements;
- catering units are requested additionally the sanitary authorization; animal or agricultural markets trading fresh animal products within premises need to submit a veterinary health authorization.

The application and attached documents are being verified by the local administration authority together with the competent public authorities. Their compliance with legal provisions is carried out using the one-stop shop principle.

Business types that do not require a business location are also required to hold an authorization.

Law no. 101 of 13 December 2012 introduced the concept of combined trading.

According to Law no. 235 of 20.07.2006 on the Basic Principles governing the trading business, the authorization shall be deemed granted or renewed where the government authority or other regulating and control institution do not send an approval or rejection notification within the period specified by law.

After the deadline set out by law to issue and authorization has expired and the applicant has not been notified in written by the public administration authority and/or other agency empowered by law, s/he may commence to operate the business for which a license was requested. The tacit approval procedure applies to all authorizations issued by the public administration authority and / or other regulatory and control institutions, except those issued for business carrying out nuclear and radiological operations, trading firearms, ammunitions and explosives, drugs and other psychotropic substances.

Law no. 231 of 23.09.2010 provides for the issuance of operating authorizations for:

- a) business units selling non-food goods or providing trading services (except catering), holding an ownership title for an indefinite period (for the operating period);
- b) business units selling food goods, including mixed selection; public catering units holding an ownership title for a 5 year period;
- c) business units located in leased premises - for the period set in the lease agreement, but not exceeding the period stipulated in point b) early termination of the lease agreement entails the termination of the operating authorization;
- d) for mobile business units - a period of 1 year.

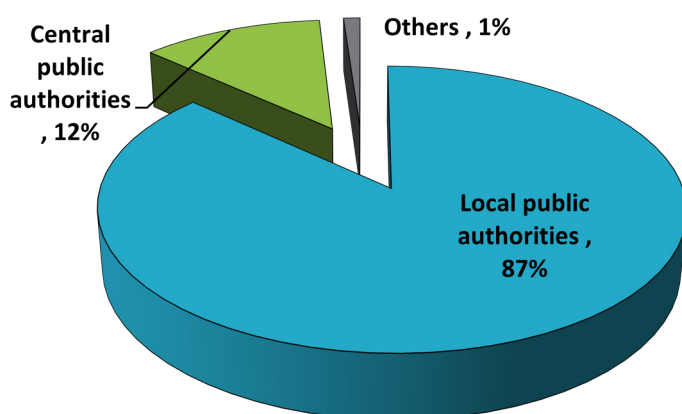
Authorizations in the municipality of Chisinau are issued under the Regulation on the issuance of operating authorizations to trading units and businesses rendering social services throughout the municipality. This Regulation was approved by decision no. 13/4 of 27 December 2007 by Chisinau Municipal Council.

Authorizations for shopping centers, fuel stations, business units trading highly flammable goods, dance clubs, disco clubs, disco-bars and saunas are approved by the fire supervisory authority.

5.2 Time and costs to get authorizations

About 2/3 of the companies (63%) hold authorizations to carry out their business (this is less compare to the previous year, when 71% enterprises had authorizations).

Figure 18. Authority issuing authorizations



Sub-sample: 385 respondents, which must have authorizations for carrying out economic activities

- official fees (78% of respondents have paid fees in 2014, amounting at 237 USD on average. Most expensive fees are in North and South. Extrapolated survey calculations show that a company will pay an average of 184.9 USD (officially) to get an authorization);
- expertise and evaluation (13% of respondents have supported these costs in 2014, amounting at 143 USD on average. Most expensive costs are in Centre (172 USD on average). However, extrapolated survey calculations show that a company will pay an average of 18.5 USD (officially) to get an authorization);
- payments for notary services (9% of respondents have for notary services in 2014, amounting at 35 USD on average. Most expensive costs are in Centre (173 USD on average). However, extrapolated survey calculations show that a company will pay an average of 3.2 USD (officially) to get an authorization);
- payments to attorneys and intermediaries (1% of respondents have paid it in 2014);
- transport expenses (34% of respondents have paid transportation in 2014, amounting at 45 USD on average. Most expensive fees are in South (550 USD on average). Extrapolated survey calculations show that a company will pay an average of 15 USD (officially) to get an authorization).

Most of the authorizations (87%) have been issued by local public authorities – Figure 18. A manager spent on average 6 hours to obtain an authorization. It took 14.5 days to obtain the authorization.

The cost of obtaining an authorization is about 231.9\$. The table below shows the distribution of costs for obtaining an authorization by type of payments.

According to the surveyed companies, a company will pay an average of 223.4 USD (officially) to get an authorization (extrapolated data). Official payments include (Table 13):

Besides official costs, some respondents (7%) declared they paid unofficial money (121 USD on average) to obtain an authorization. However, survey calculations, extrapolated at all the respondents, show that a company will pay an average of 8.5 USD (unofficially) to get an authorization.

Per total, to obtain an authorization will cost a company on average 231.9 USD, including both official and unofficial payments.

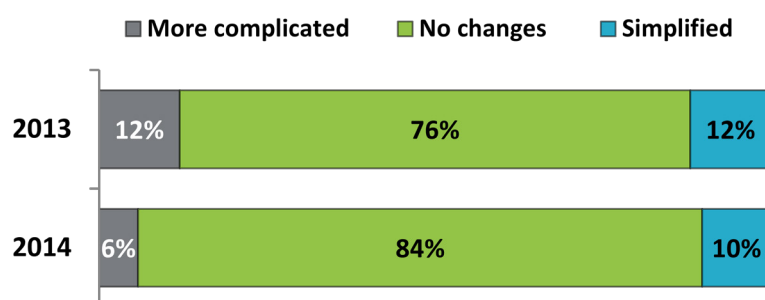
Table 13. The cost for obtaining an authorization

	Share	Cost, sub-sample	Cost, total average
Fee for obtaining an authorization	78%	237	184.9
Expertise and evaluation	13%	143	18.5
Payments for notary services	9%	35	3.2
Payments to attorneys and intermediaries	1%	229	1.8
Transport costs	34%	45	15.0
Unofficial payments	7%	121	8.5
Total cost			231.9

The timeframe for getting an authorization lasted on average 13 days. It is more difficult (in terms of time) to obtain a license for the companies from South, for urban residents, and for companies working in the sphere of hotels, restaurants and tourism. The shortest time for getting license was mentioned by companies working in transportation and communication, as well as in research and development / education and healthcare. The companies spent 36 hours to get an authorization.

5.3 Perception of procedures

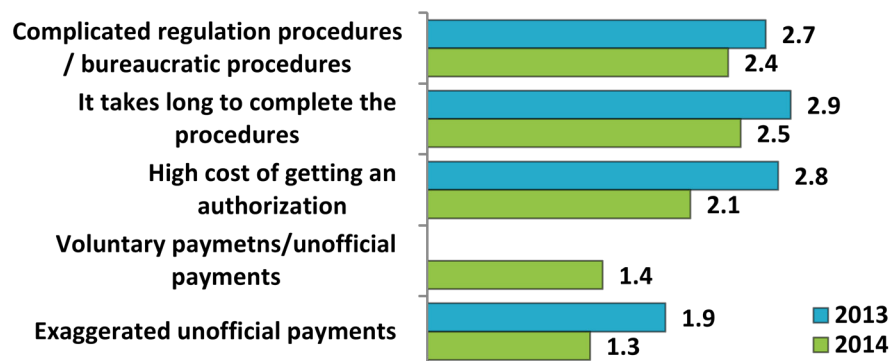
Figure 19. Perception of changes in procedures and conditions for getting an authorization compare to the previous year



The companies were asked to assess the procedures and conditions of getting an authorization in 2014 compare to the previous year. Most respondents believe no changes occurred over the last year (84%) – Figure 19. Every tenth respondent (10%) considers the procedures and conditions have been simplified, while 6% - it became more difficult to obtain an authorization.

Sub-sample: 385 respondents, which must have authorizations for carrying out economic activities

The respondents have been asked to assess the problems encountered in obtaining an authorization on a scale from 1 to 5 (where 1 = no difficulties, and 5 = major difficulties). Thus, based on the offered scores, the companies do not encounter major difficulties in getting an authorization – Figure 20. If compare the scores given in 2014 with those obtained in 2013, the situation has slightly improved ever since.

Figure 20. Difficulties in obtaining an authorization (average score)


This observation is confirmed by the respective shares. Thus, lack of / insignificant difficulties have been mentioned by:

Sub-sample: 385 respondents, which must have authorizations for carrying out economic activities

NOTE: the Figure does not show the share of undecided respondents and of those answering "Don't know" for the question.

- 59% of respondents, when referring to complicated and bureaucratic regulation procedures;
- 52% of respondents, when referring to procedure duration;
- 64% of respondents, when referring to high costs of getting an authorization;
- 79% of respondents, when referring to voluntary payments / unofficial payments;
- 83% of respondents, when referring to exaggerated unofficial payments.

5.4 Summary of the analysis

The comparative analyses for the last 8 years show (Table 14):

- The share of enterprises requiring authorization(s) was 63% in 2014, registering a decrease compare to the previous year. This is one of the lowest value registered during the timeframe;
- it lasts for 13 days to obtain an authorization;
- the average cost of getting an authorization is 232 USD – with a slight increase compare to 2013.

Table 14. Short overview of getting an authorization procedure

	2007	2008	2009	2010	2011	2012	2013	2014
Share of companies requiring authorizations	56%	76%	78%	78%	80%	71%	71%	63%
Time to obtain an authorization, days	14	16	16	17	13	13	15	13.3
Average cost, \$	147	212	210	283	198	224	215	232

Companies do not generally encounter problems when getting an authorization. Nevertheless, the share and the scores in assessing difficulties show that less satisfied are the respondents with the procedure and duration of obtaining an authorization. However, it was easier to get this document (in terms of procedure, duration and costs) in 2014 compared to last year.

6. EQUIPMENT

6.1 Time and costs to get certificate of conformity

Half respondents (50%) have purchased equipment over the last three years. The bigger the company, the higher is the share of those purchasing equipment. More enterprises from urban area have bought it. The share of companies with foreign owners acquiring equipment was higher than that of local owners.

60% of companies who bought equipment have certificates of compliance with Moldovan standards. In 87% of the cases, the certificates came with the equipment, while 13% of the companies got the certificates themselves.

It takes 11 days to get a compliance certificate and it costs 232 USD.

6.2 Summary of the analysis

The number of companies who have compliance certificate for the equipment bought has increased compare to the previous year. This is mainly because certificates are enclosed to the equipment.

The cost of the certificate registered the highest value since 2006. It valued 232 USD in 2014 and it is approximately three times higher compare to 2013 – Table 15. However, costs of certification varies significantly in terms of costs and time depending on type of equipment to be certified.

Table 15. Short overview of getting a conformity certificate for the equipment

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Time to obtain a compliance certificate, days	13	13	12	12	13	12	10	9	11
Average cost, \$	70	73	56	-	-	35	62	75	232

7. REGULATION OF IMPORTS

7.1 Regulatory framework for imports and exports

General provisions on customs procedures are included in the Customs Code of the Republic of Moldova, approved by Law no. 1149-XIV of 20.07.2000, reissued from 1.1.2007. All import and export procedures can be operated only after their duly registration with the Customs Service in the Republic of Moldova.

Law no. 267 of 23.11.2011 has adjusted the domestic legislation to the international laws, introducing the notion of Re-Import. The act repealed the tax rate to participate in the customs tender. The time to verify customs declarations, documentation, goods and vehicles was reduced from 10 to 5 days from the date of submitting the declaration and documentation required by the customs authority.

The Customs Code establishes the rights and obligations of the customs broker, as well as the situations where the license of a customs broker may be withdrawn.

Law no. 221 of 19.10.2012 introduced the mandatory vignette - road tax in Moldova for vehicles not registered in the Republic of Moldova.

Repatriation of funds is a procedure also covered by import-export operations. Even if not directly related to customs procedures, it is a requirement imposed by the National Bank, which affects the import-export process. The Law no. 1466-XIII of 29 January 1998 on "Regulation of repatriation of money funds, goods and services originating from foreign external economic transactions" refers to the notion of "repatriation of money funds". Repatriation of funds is the collection of money from non-resident businesses related to exports of goods, provision of services/works to non-residents. The term comprises also other foreign operations and transactions in accounts opened with banks licensed in the Republic of Moldova. The amount of funds must be shown in the customs declaration and the costs of services and services rendered - in the confirming documents (contracts, deeds of works performed or services rendered, invoice). The Law no. 33 of 06.03.2012 extended the deadline of fund repatriation. The deadline for sale-purchase contracts, barter and consignment exports was extended from 1 to 2 years from the goods shipment or payment date. The deadline for reprocessing contracts was extended from 60 days to 1 year from the completion of the technological cycle, construction and assembly works contracts - up to 1 year.

Businesses mostly operating exports face another procedure - recovery of VAT. The refund of value added tax is regulated by Government Decision no. 93 of 01.02.2013. The company has the right to choose the method of repayment: extinction of tax liability by offsetting and / or money refund. The tax authority is obliged to adopt the decision on the procedure for the refund, relying on the risk criteria stipulated in the Decision. The decision must be taken within 3 working days from the date of the application for refund was filed. The tax authority initiates the thematic control upon the receipt of the application, unless the first meets simultaneously certain conditions. The VAT refund is made within 45 days of which 37 days are spent on control and decision making, while 8 days - for the actual refund.

The Law No. 221-XVI of 19 October 2007 concerning sanitary-veterinary activity regulate procedure and necessary documents to get respective certificate. Art. 33 of this Law stipulate that the import of goods subject to sanitary certification is preceded by notice of free passage issued by the official veterinarian at the post for veterinary control under respective customs unit. The Law No. 110 of 10.06.2014 simplified this procedure by reducing the number of documents to be submitted, as well as by implementing electronic procedure.

Government Decision nr. 1,043 of 12.23.2013, art. 14, stipulates the list of documents to be submitted by the business entity to confirm the customs value of imported goods. If the customs officer identify divergences in the submitted documents or Integrated Customs Information System, identifies the risk of under evaluation, he/she request additional confirmative documents. The decision introduced two new documents to be presented – copy of the declaration of the exporter and document certifying the cost of transportation / shipping invoice – which make the process of evaluation of imported goods more difficult.

The Law nr. 324 of 23 December 2013 introduced a series of amendments to the Customs Code:

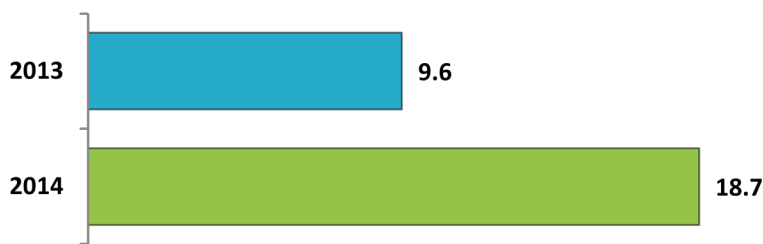
- Section 27¹, related to simplified customs clearance procedures, namely: procedure of incomplete declaration; procedure of simplified declaration and procedure of customs clearance at home
- Section 28¹, related to Authorized Traders (AT). Any resident business entity who meet certain conditions may ask this status. An AT is subject to fewer physical and documentary controls than other traders.

Another innovation that must be reflected is implementation during 2013-2014 of the electronic declaration procedure aiming to reduce costs and time for customs clearance procedure, as well as improve transparency of the process. This is regulated by the Law nr. 110 of 10 June 2014 and Government Decision nr. 904 of 13 November 2013. Due to electronic customs clearance procedure, traders with digital signature and connection to the customs information system can perfect electronic export declaration right from the office and transport goods directly to the border.

7.2 Import transactions

Approximately every fourth company had import transactions during the last 3 years (27%, in decrease from 31% in 2013), mainly those from the capital of the country, to a higher extent those from towns and cities, large companies, and those working in commerce and construction.

Figure 21. Average number of import transactions per year



The companies had on average approximately 18.7 import transactions in 2014, which is almost twice more compare to the previous year – Figure 21. These were predominantly companies from urban area, central part of the country, middle and large sized, with foreign property, from non-food industry.

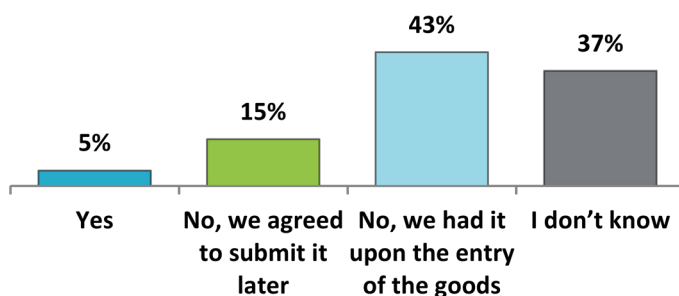
Sub-sample: 164 respondents who have had import transactions during the last 3 years

7.3 Certificate of conformity

2/3 surveyed companies (or 65%) got a certificate of conformity with Moldovan standards for imported goods. The procedure of getting a certificate lasted for 13 days, and the time spent for getting it was 15 hours.

The total cost of a conformity certificate is 350 USD (including official fees – 341 USD, payments to attorneys and intermediaries – 4 USD and unofficial payments – 5 USD).

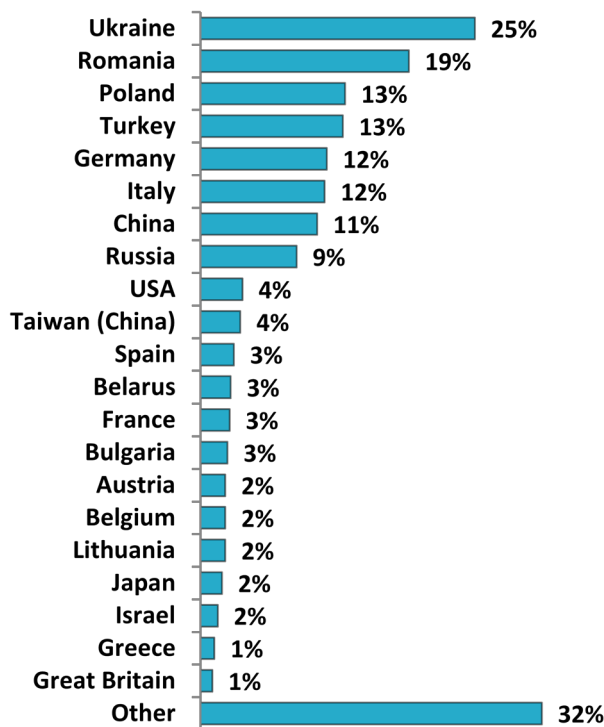
Figure 22. Cases when goods are blocked at the customs before a certificate of conformity was obtained



5% of the surveyed companies (all from Chisinau) faced situations when their imported goods had been blocked at the customs because of the lack of a compliance certificate – Figure 22. The merchandise has been blocked for an average of 8 days. 58% didn't have cases of their goods to be blocked (15% agreed to submit the certificate later and 43% had it upon the entry of the imported goods). However, it is worthy to mention that 37% of respondents didn't know if any custom block situation occurred with their companies.

Sub-sample: 164 respondents who have had import transactions during the last 3 years

Figure 23. Countries for imported goods

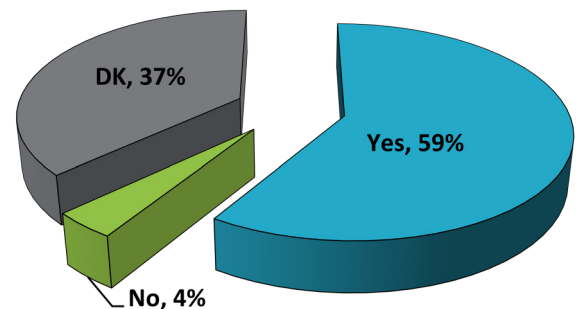


Sub-sample: 164 respondents who have had import transactions during the last 3 years

Moldovan companies import goods from different countries, the greatest share coming from neighbor states like Ukraine (25%) and Romania (19%), and from several European countries such as Poland, Turkey, Italy – Figure 23.

59% of the companies mentioned that the goods imported from these countries have conformity certificates – Figure 24.

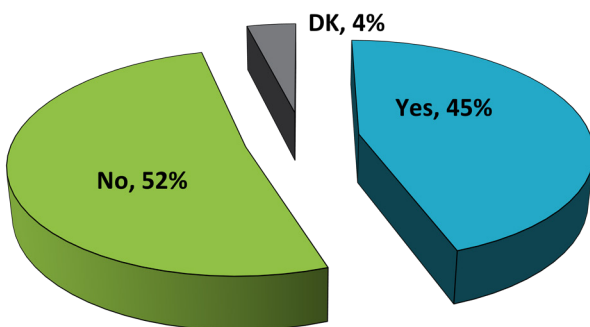
Figure 24. Presence of conformity certificates for imported goods



Sub-sample: 164 respondents who have had import transactions during the last 3 years

7.4 Sanitary certificates

Figure 25. Obtaining sanitary authorizations for imported goods



Sub-sample: 164 respondents who have had import transactions during the last 3 years

45% of respondents who had import transactions during the last 3 years, got sanitary authorizations for the imported goods – Figure 25.

The sanitary certificates are obtained in 7 days on average. Rural companies get certificates quicker compare to urban zones. In terms of type of activity, firms working in transportation and communication, and food industry got sanitary certificates in the shortest time. The time spent by firms' employees on procedures for getting the document is 17 hours.

7.5 Customs clearance procedure

The custom clearance procedure lasts on average 2 days. Companies located in Chisinau spend the shortest time on custom procedure. The total cost of custom clearance procedure is 261USD. This cost includes official payments (excluding customs duties) – 232 USD and unofficial payments – 25 USD – Table 16. Companies from Chisinau pay the highest costs, as well as those dealing with constructions. According to survey results, fines have only been paid by businesses located in the South, while unofficial payments have only been supported by those located in the capital.

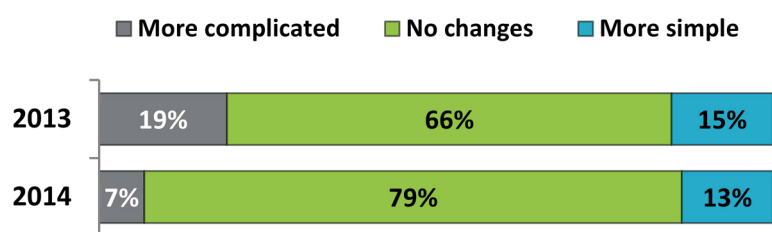
Table 16. Duration and costs of import customs clearance procedure

	Share						Average amount, \$					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
Days							2,7	2,0	1,9	2,7	2,5	2,1
Official payments, \$	84	79	97	97	100	100	168	213	140	144	144	232
Penalties (inclusive confiscations)	7	17	12	6	10	1	-	-	-	-	-	-
Other payments (inclusive unofficial)	8	29	17	39	27	13	-	28	21	33	53	25
Total costs, \$							143	169	144	152	158	261

* Note! It was registered only one case of importer penalized with a high value and it was not included in sub-sample calculation because one case is not relevant statistically.

7.6 Perception of import procedures

Figure 26. Perception of changes in the import-related procedures and conditions

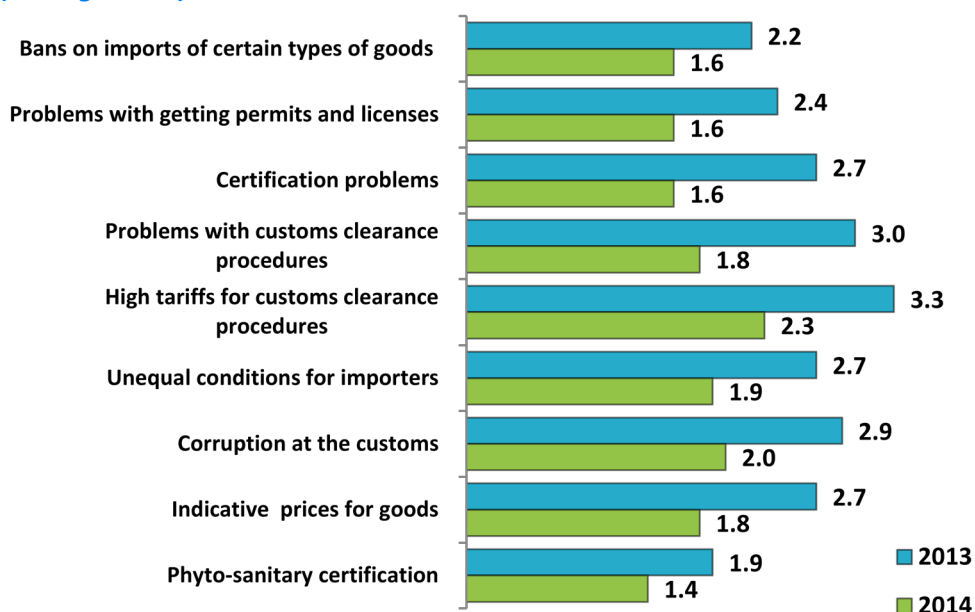


The companies were asked to assess the import-related procedures and conditions in 2014 compare to the previous year. Most respondents believe no changes occurred over the last year (79%) – Figure 26. 13% consider the procedures and conditions became simpler, while 7% - it became more difficult to import from abroad.

Sub-sample: 164 respondents who have had import transactions during the last 3 years

The respondents have been asked to assess the main difficulties regarding import-related procedures on a scale from 1 to 5 (where 1 = no difficulties, and 5 = major difficulties). Thus, based on the offered scores, the companies do not encounter major difficulties with import procedures– Figure 27a. If compare the scores given in 2014 with those obtained in 2013, the situation has improved ever since.

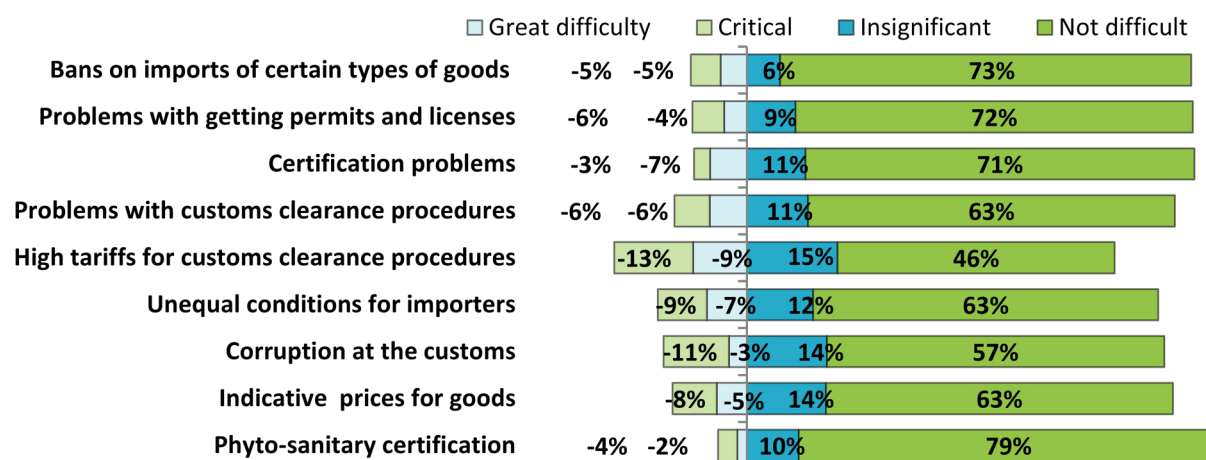
Figure 27A. Difficulties in relation to the import procedures and operations (average score)



Sub-sample: 164 respondents who have had import transactions during the last 3 years

This observation is confirmed by the shares presented in the Figure 27b. Thus, lack of / insignificant difficulties have been mentioned by:

Figure 27B. Difficulties in relation to the import procedures and operations (share)



Sub-sample: 164 respondents who have had import transactions during the last 3 years

NOTE: the Figure does not show the share of undecided respondents and of those answering "Don't know" for the question.

- 79% of respondents, when referring to bans on imports of certain types of goods;
- 81% of respondents, when referring to getting permits and licenses;
- 82% of respondents, when referring to certification issues;
- 74% of respondents, when referring to customs clearance procedures;
- 61% of respondents, when referring to high tariffs for customs clearance procedures;
- 75% of respondents, when referring to unequal conditions for importers;
- 71% of respondents, when referring to corruption at the customs;
- 77% of respondents, when referring to indicative price for goods;
- 89% of respondents, when referring to phyto-sanitary certification.

7.7 Summary of the analysis

The number of import transaction in 2014 has increased almost twice compare to the previous year. In 2014 18.7 transactions have been performed by Moldovan companies.

As per certificates to be obtained when making import:

- 2/3 surveyed companies got a *certificate of conformity* with Moldovan standards for imported goods. The procedure of getting a certificate lasted for 13 days and the total cost was 350 USD. Very few companies (5%) faced situations when their imported goods had been blocked at the customs because of the lack of a compliance certificate.
- The *sanitary certificates* for the imported goods have been obtained by 45% companies. The duration for getting a sanitary certificate is 7 days on average.

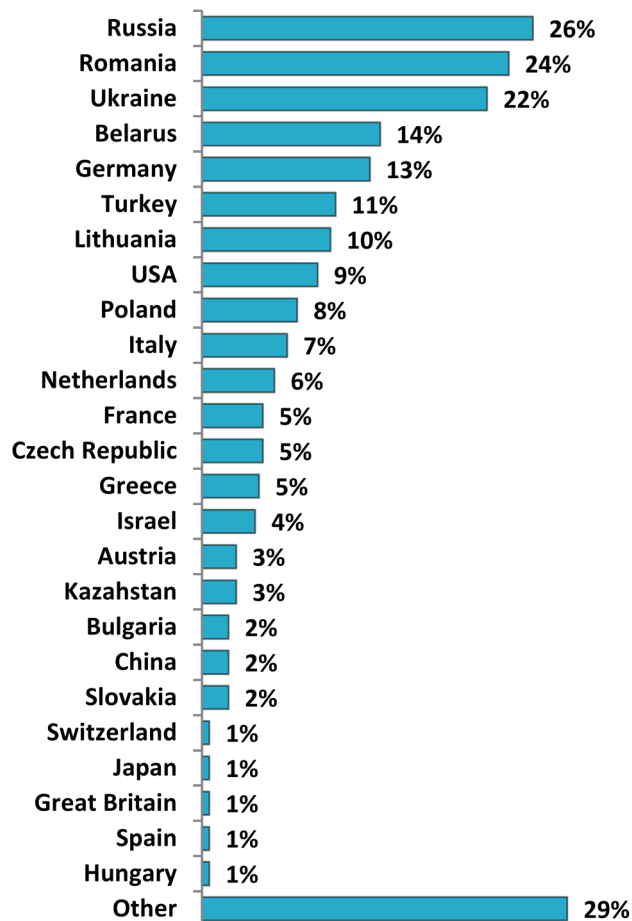
The custom clearance procedure lasts on average 2 days. The total cost of custom clearance procedure is 261 USD.

Most respondents believe no changes occurred over the last year (79%) in terms of import procedure. Generally, companies seem to be satisfied with import procedures and do not face major difficulties in this regard. In addition, they assess the import procedure in 2014 as better compare to 2013.

8. REGULATION OF EXPORTS

8.1 Export transactions

Figure 28. Countries of export



Sub-sample: 28 respondents who had export transactions during the last 3 years

Only 5% of the companies performed export operations during the last 3 years, showing a considerable decrease compare to the previous year (12% in 2013). These are mainly middle and large-sized companies, from urban area. The companies had on average 24 export operations in 2014. Most often Moldovan companies export to neighbor countries such as Russia (26%), Romania (24%) and Ukraine (22%) – Figure 28.

8.2 Customs clearance procedure

An export customs clearance procedure takes 1.7 days and costs 213\$ (including official payments – 208\$, penalties – 14\$ and other payments – 45\$) – Table 17. The total cost has increased compare to the previous year (from 152\$ in 2013 up to 213\$ in 2014).

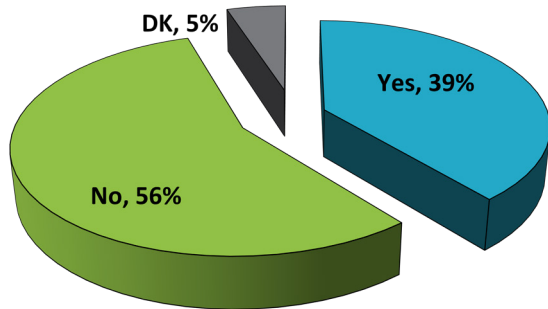
Table 17. Duration and costs of export customs clearance procedure

	Share					Average amount, \$				
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
Days						1,8	1,6	1,7	2,0	1,7
Official payments, \$	87	78	93	97	100	148	109	96	156	208
Penalties (inclusive confiscations)	27	8	4	8	8	-	-	-	-	14
Other payments (inclusive unofficial)	33	13	23	20	8	17	-	-	-	45
Total costs, \$						134	85	89	152	213

According to respondents, companies from urban area paid more compare to rural area, those from Central part – more compare to North and South, large firms – more compare to smaller companies, and foreign entities – greater amounts compare to domestic owners.

8.3 VAT reimbursement

Figure 29. Submitting documents for VAT reimbursement

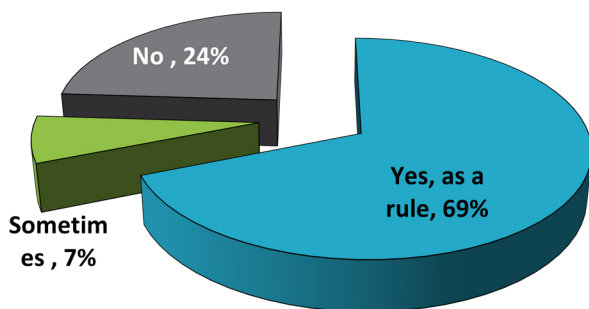


Sub-sample: 28 respondents who had export transactions during the last 3 years

39% of respondents have requested officially the reimbursement of VAT, which is less compare to the previous year (51% in 2013) – Figure 29.

It lasted on average for 59 days for a company to receive the money in its account from the moment this company applied for the reimbursement. The VAT recovered represented on average 92% of the amount requested. All the companies declared they didn't pay to facilitate the process of VAT reimbursement.

Figure 30. Using VAT to be refunded for paying other taxes

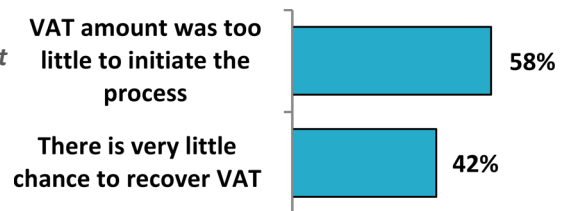


Sub-sample: respondents who applied for VAT reimbursement

Almost 2/3 of respondents (69%) always used the VAT to be refunded to pay other fees - Figure 30.

Of those who did not apply for VAT reimbursement, the following reasons have been stated: 58% declared VAT was too small to initiate the process, and 42% believe the chances to recover VAT are too small – Figure 31.

Figure 31. Reasons do not apply for VAT reimbursement

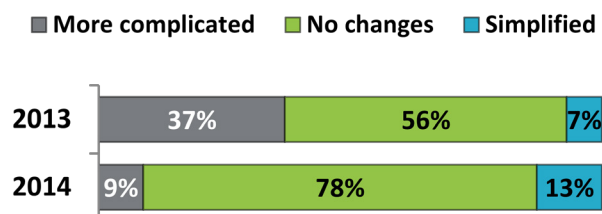


Sub-sample: 16 respondents who had export transactions during the last 3 years and did not apply for VAT reimbursement

8.4 Perception of procedures

The companies were asked to assess the export-related

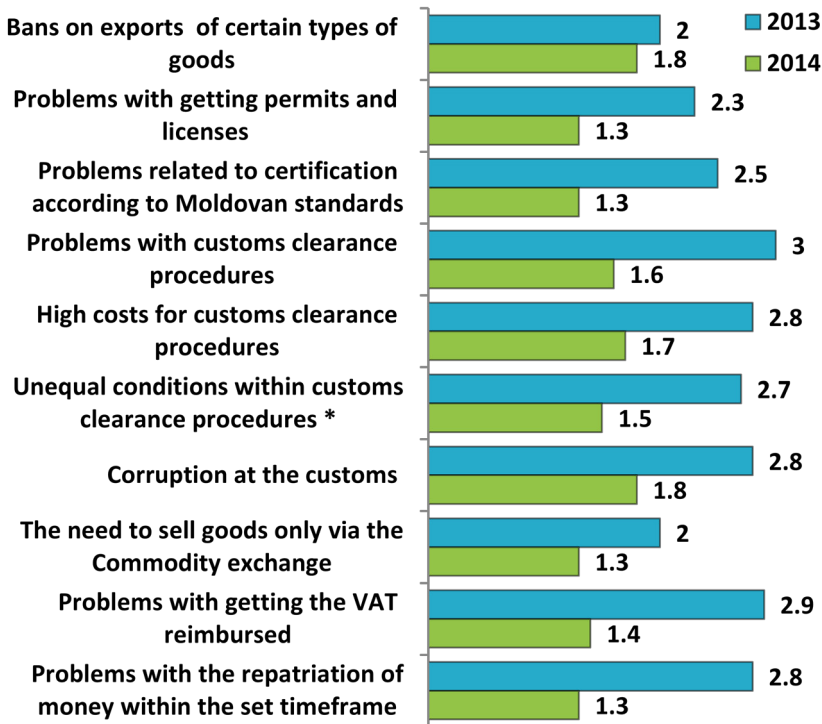
Figure 32. Perception of changes in exports procedures and conditions compared to the previous year



Sub-sample: 28 respondents who had export transactions during the last 3 years

procedures and conditions in 2014 compare to the previous period. Most respondents believe no changes occurred since 2013 in this regard (78%) – Figure 32. 13% consider the procedures and conditions were simplified (in particular for large firms), while 9% - it became more difficult to export (in particular for companies from Chisinau, domestically owned).

Figure 33A. Difficulties related to the exports procedures and operations (average score)

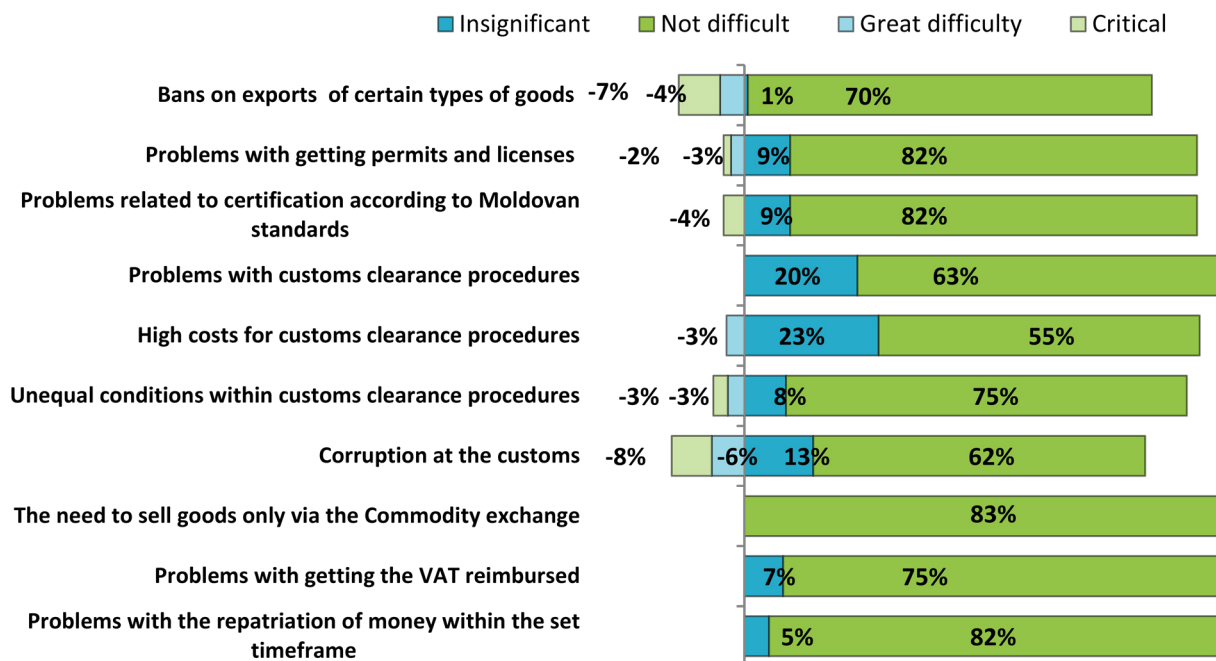


Sub-sample: 28 respondents who had export transactions during the last 3 years

The respondents have been asked to assess the main difficulties regarding export-related procedures on a scale from 1 to 5 (where 1 = no difficulties, and 5 = major difficulties). Thus, based on the offered scores, the companies do not encounter major difficulties with export procedures. The score values range between 1.3 – 1.8. Nevertheless, the biggest problems relate to: bans on exports of certain goods and custom-related issues (corruption at the customs, high costs for customs clearance procedures, unequal condition within customs clearance procedures) – Figure 33a. If compare the scores given in 2014 with

those obtained in 2013, the situation has considerably improved ever since.

Figure 33B. Difficulties related to the exports procedures and operations (share)



Sub-sample: 28 respondents who had export transactions during the last 3 years

This observation is confirmed by the shares presented in the Figure 33b. Thus, lack of / insignificant difficulties have been mentioned by:

- 71% of respondents, when referring to bans on exports of certain types of goods;
- 91% of respondents, when referring to getting permits and licenses;
- 91% of respondents, when referring to certification issues;
- 83% of respondents, when referring to customs clearance procedures;
- 78% of respondents, when referring to high tariffs for customs clearance procedures;
- 83% of respondents, when referring to unequal conditions for exporters;
- 75% of respondents, when referring to corruption at the customs;
- 83% of respondents, when referring to the need to sell goods only via the Commodity exchange;
- 82% of respondents, when referring to problems with getting the VAT reimbursed;
- 87% of respondents, when referring to problems with the repatriation of money within the set timeframe.

8.5 Summary of the analysis

The number of companies who had exported in 2014 has decreased compare to the previous year, and it represented 5% of the surveyed companies. In 2014, on average 24 exports operations have been performed by Moldovan companies.

The custom clearance procedure lasted on average 2 days. The total cost of custom clearance procedure is 213 USD (which is higher compare to 2013).

Most respondents believe no changes occurred over the last year (78%) in terms of export procedure. Generally, companies seem to be satisfied with export procedures and do not face major difficulties in this regard. In addition, they assess the export procedure in 2014 as better compare to 2013.

As for VAT reimbursement, 39% of companies requested it, showing a decrease compare to the previous year. Main reasons for not applying for VAT reimbursement are: VAT were too small to initiate the process, and the chances to recover VAT are too small.

Table 18. Evolution of procedures and regulations for import-export procedures

	2007	2008	2009	2010	2011	2012	2013	2014
Time spent in import customs procedures, days per transaction	1,9	2,3	2,7	2,0	1,9	2,7	2,5	2,1
Costs of customs procedures on import, \$ per transaction	214	145	143	169	144	152	158	261
Time spent on export customs procedures, days per transaction	1,6	1,7	1,7	1,8	1,6	1,7	2,0	1,7
Costs of customs procedures on export, \$ per transaction	79	48	137	134	85	89	152	213

9. CONFORMITY CERTIFICATION

9.1 Regulatory framework

The main Law regulating certification and accreditation process is Law nr. 235 from 1.12.2011. According to this law, accreditation activity is performed by the National Accreditation Center, assigned as the sole national accreditation body with short name "MOLDAC". The evaluation of conformity itself is carried out by specialized entities in specific sectors of activities, which are accredited by the National Accreditation Center. The law stipulate 28 type of products and services, which has to pass compulsory the certification process. The costs of evaluation depends on the number of days spent, but the maximum price to be charged per working day for assessment is 2,300 MDL.

The certification of goods and services is governed also by the following laws:

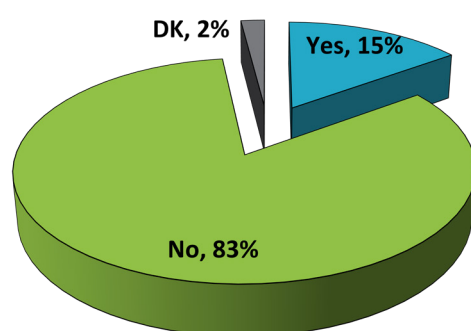
- Law no. 590-XIII of 22 September 1995 "On Standardization" republished on 25.05.2012;
- Law no. 420-XVI of 22 December 2006 "On the technical regulation activity";
- Law No. 78-XV of 18 March 2004 "On food goods".

The National Standards Institute is the national standardization body that coordinates the work of technical standardization committees. Any business entity, regardless of its type of ownership and legal form can form standardization subdivisions (services) establishing their structure and operation in order to solve its tasks in standardization and quality assurance of products and services.

Any interested party may develop standards that can become national after receiving approval by the national standardization body. Applying the national standards is voluntary. If public considerations and protection of consumer interests make such measures necessary, the procedure may become mandatory. Also, the standards become mandatory for businesses that have stated officially that their products meet the requirements of these standards, in any form.

9.2 Certification procedure: time and costs

Figure 34. Necessity to certify the goods produced



Base: 607 respondents

15% of the surveyed companies declared they must certify the goods produced for further trade – Figure 34. The compulsoriness to certify goods has been declared most often by joint stock companies, firms from North, by foreign legal entities or individuals, activating in food or other industries. The larger the companies – the greater the share of those declaring they must certify the goods manufactured.

2/3 of companies (67%) certify lots of goods and 33% - manufacturing lines (assortment).

The procedure of getting a conformity certificate lasted for 14 days, and the time spent for getting it was 22 hours.

The total average cost of a certificate is 215 USD (including official fees – 191 USD, transport costs – 16 USD and unofficial payments – 8 USD) – Table 19. The highest official costs are supported by companies from South, followed by Centre and North respectively. Companies from rural area pay more to get a conformity certificate compare to those from urban area, and food and other industries pay more compare to firms active in other fields.

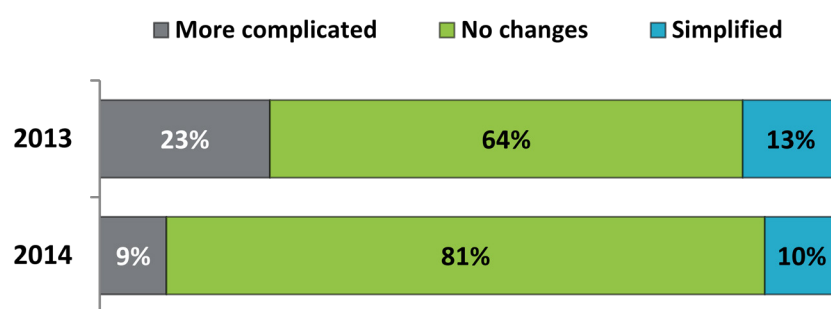
Table 19. Costs of getting a conformity certificate for the goods produced (USD)

Official payments, including the expertise, \$	191
Transport costs, \$	16
Unofficial payments, \$	8

According to survey results, a company needs in average 24 conformity certificates per year. The validity term of these certificates is, on average, 12.3 months. In 2014 companies activating in food industry, commerce, and hotels / restaurants / tourism needed more certificates compare to other areas. The highest number of certificates was obtained by companies from North and South, and by large firms.

9.3 Perception of procedures

Figure 35. Perception of changes in procedures and conditions in relation to certification compared to the previous year

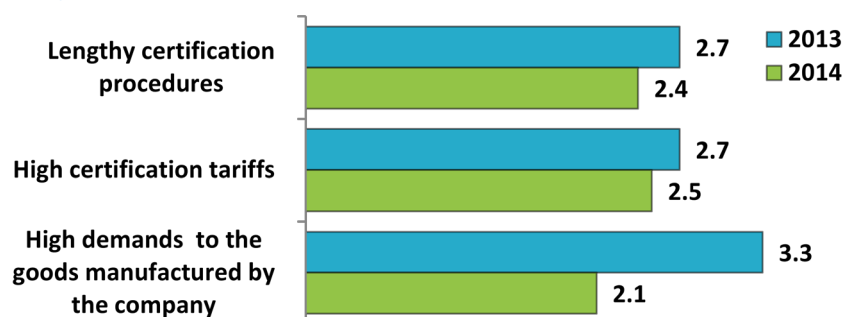


Sub-sample: 89 respondents who must certify the goods produced by their companies

2013 (23%). Every 10th considers the procedures and conditions were simplified (in particular firms from North, located in urban area, domestically owned, activating in Research and development / Education and healthcare).

The respective companies were asked to assess the certification-related procedures and conditions in 2014 compare to the previous year. Most of them believe no changes occurred since 2013 in this regard (81%) – Figure 35. For 9% of companies the procedure to get a conformity certificate for the goods they produce became more difficult (for companies from North compare to other regions, from rural area, foreign entities). It is worthy to mention that this share is considerably lower compare to

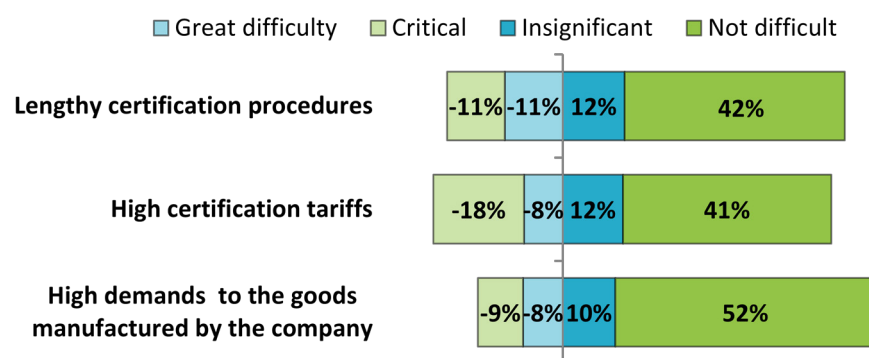
Figure 36A. Difficulties in case of certification procedures (average score)



Sub-sample: 89 respondents who must certify the goods produced by their companies

improved regarding the demands for the goods manufactured by the companies.

The respondents have been asked to assess the main difficulties regarding certification-related procedures on a scale from 1 to 5 (where 1 = no difficulties, and 5 = major difficulties). Based on calculations performed, the companies do not encounter major difficulties with certification procedures – Figure 36a. Compare to 2013, the situation has slightly improved in relation to the length and costs of getting a conformity certificate, and considerably

Figure 36B. Difficulties in case of certification procedures (share)


However, the share of companies who did not encounter significant difficulties related to time and costs of obtaining a conformity certificate for the goods produced was slightly over 50% – Figure 36b. Thus, lack of / insignificant difficulties have been mentioned by:

Sub-sample: 89 respondents who must certify the goods produced by their companies

NOTE: the Figure does not show the share of undecided respondents and of those answering "Don't know" for the question.

- 54% of respondents, when referring to the length of certification procedure;
- 53% of respondents, when referring to the high certification tariffs;
- 62% of respondents, when referring to the high demands for the goods manufactured by the companies.

It is worthy to mention the high share of undecided respondents when being asked to assess difficulties (approximately every fourth company).

9.4 Summary of the analysis

15% of the companies certify the goods they produce. The time spent for obtaining a certificate for mass manufactured products was 10,7 days in 2014 – the lowest duration since 2007. The cost of obtaining such a certificate was \$ 167,4 in 2014, registering a slight increase compare to the previous year. As for the individual batches of goods, there is no big difference (when compare to mass manufactured products) in terms of time for obtaining a certificate, namely 9,8 days. However the costs for obtaining such a certificate are considerably higher (\$ 311,3) if compare to mass products. In addition, this is the highest cost the companies paid for individual batches of goods since 2007.

A company needs in average 24 conformity certificates per year. The validity term of these certificates is, on average, 12.3 months.

In assessing the certification-related procedures and conditions, most respondents stated that no changes occurred since 2013 (81%). The companies do not encounter major difficulties with certification procedures. Compare to 2013, the situation has slightly improved in relation to the length and costs of getting a conformity certificate, and considerably improved regarding the demands for the goods manufactured by the companies.

Table 20. Evolution of product certification procedures

	2007	2008	2009	2010	2011	2012	2013	2014
Time spent for obtaining a certificate for mass manufactured products, days	13,2	13,1	17,8	13,6	13,0	16,6	11,7	10,7
Costs for obtaining a certificate for mass manufactured products, \$	133	234	217	192	158	191	158	167,4
Time for obtaining a certificate for individual batches of goods, days	13,8	7,5	11,2	13,3	11,7	12,1	10,3	9,8
Cost of obtaining a certificate for individual batches of goods, \$	179	149	174	160	83	145	124	311,3

10.SANITARY AUTHORIZATIONS

10.1 Regulatory framework

The government health (sanitary) and epidemiological regulation is governed by Law no. 10-XVI of 3 February 2009 on Government supervision of public health. Health rules establish safety and security criteria in relation to the environment and occupational factors, products and services, requirements to ensure favorable life and health conditions. These rules are governed by health regulations issued by the Ministry of Health and approved by the Government. The law sets out the compulsory adjustment of regulations to the EU requirements.

The National Public Health Supervision Service (NPHSS) is the competent authority to supervise public health, including health certification. The service is subordinated to the Ministry of Health.

Before being placed on the market, the products are subject to approval by NPHSS. The list of products subject to health authorization is approved through health regulations. Businesses carrying out operations with impact on public health are subject to health approval.

Products and services are subject to the following forms of health authorization:

- a) *Notification*: procedure to inform the authority responsible for supervision of public health on the marketing of a new product or service and on its features relevant to the public health;
- b) *Health approval*: concerning the following operations, document projects, products and services:
 - b.1) allocation of land for construction / reconstruction;
 - b.2) construction / reconstruction projects;
 - b.3) final acceptance of objectives constructed / reconstructed;
 - b.4) standards for products and services;
 - b.5) production technologies.
- c) *State registration*: compulsory with the products and services potentially hazardous to human health and life - chemical, radioactive, biological, new food products, medicines, microbiological diagnostic systems, diagnostics, nutrient media, chemical reagents, etc.;
- d) *Health certification*: is an assessment procedure of the batch of products conformity with the applicable health regulations. The health certification implies laboratory investigations of the batch of goods.

The sanitary authorization of products and services shall be based on the applications submitted by natural or legal persons concerned, also based on medical expertise of the documents, products, services and / or operations.

The health expertise includes investigations, examinations, researches, experiments, tests and measurements of health determinants and is carried out by experts of the Government Supervision Service for Public Health and other experts team.

The health authorization implies a paid health expertise as per the list and tariffs for public health services approved by the Government. Health opinions, registration certificates, health certificates and health authorizations are issued free of charge.

The marketing of products and services subject to health authorization under the applicable laws, but yet unauthorized, is prohibited.

In 2012, another law came into force regulating specifically food safety area, namely Law nr 113 from 18.05.2012, establishing general principles and requirements for food safety legislation, in accordance with Chapters I and II of Regulation (EC) no. 178/2002 of the European Parliament and of the Council of 28 January 2002. The law provisions apply to all stages of the food chain, starting with and including primary production of a food, up to and including storage, transport, sale or supply to the final consumer and, where appropriate,

import, manufacture, storage, processing, transport, distribution, sale and supply of feed. National Agency for Food Safety (ANSA) is the administrative authority responsible for implementation of respective policy.

10.2 Authorization procedure: time and costs

47% of companies are obliged to get sanitary authorizations for their goods or services (to a greater extent large companies, locally owned, working in food industries and in hotels / restaurants / tourism area). 51% - are not obliged, while 2% don't know about such an obligation.

The procedure of getting a sanitary authorization lasted on average for 10.4 days. Companies from Chisinau stated longer period, firms from urban area – longer than those from rural ones, and firms working in commerce and constructions – longer than in other fields of activity.

The time spent to prepare necessary package of documents was 28 hours. More hours has been spent by from North (compare to other regions), from rural area (compare to urban zones), by small and micro enterprises (compare to middle and large scaled), by foreign entities (compare to locally owned). As per the activity sphere, more hours have been spent by commerce, constructions, hotels / restaurants / tourism, and transport and communication.

According to the surveyed companies, a company will pay an average of 102 USD (officially) to get an authorization (extrapolated data). Official payments include (Table 21):

- official fees (95% of respondents have paid fees in 2014, amounting at 89 USD on average. Most expensive fees are in South, rural area, state and municipal organizations, food industry and transportation / communication sphere. Extrapolated survey calculations show that a company will pay an average of 82 USD (officially) to get an authorization);
- payments to lawyers and intermediaries (4% of respondents have paid it in 2014);
- transport expenses (47% of respondents have paid transportation in 2014, amounting at 22 USD on average. Extrapolated survey calculations show that a company will pay an average of 10 USD for transportation).

Table 21. The cost for obtaining a sanitary authorization

	Share	Cost sub-sample	Cost total average
Official payments	92%	89	82
Payments to lawyers and intermediaries	4%	44	2
Transport expenses	47%	22	10
“Voluntary payments”/Unofficial payments	11%	70	8
Total costs, \$			102

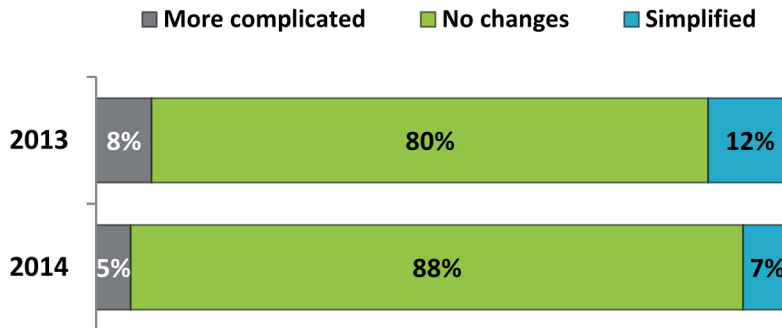
Besides official costs, every 9th respondents (11%) paid unofficial money (70 USD on average) to obtain an authorization. However, survey calculations, extrapolated at all the respondents, show that a company will pay an average of 8 USD (unofficially) to get a sanitary authorization – Table 21.

Per total, to obtain an authorization will cost a company on average 102 USD, including both official and unofficial payments – Table 21.

On average, companies got sanitary authorizations approximately 1.7 times in 2014. The incidence of getting an authorization was higher among large companies, firms from North, from rural area, working in food industry.

10.3 Perception of procedures

Figure 37. Perception of changes in the procedures and conditions in relation to getting sanitary authorizations compared to the previous year

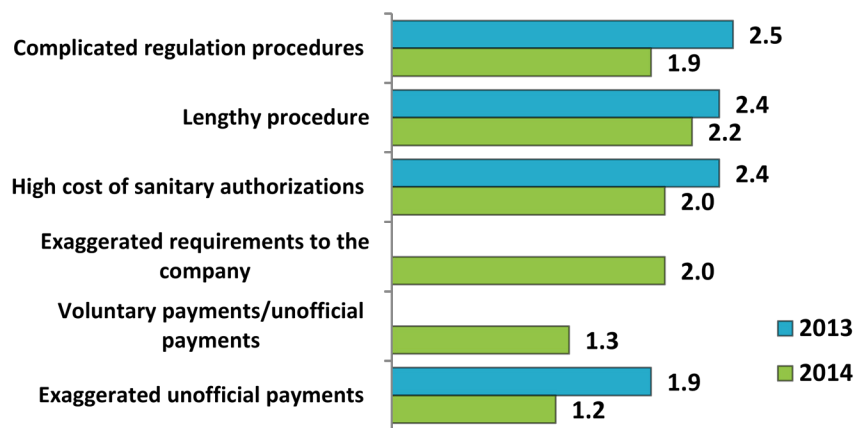


Sub-sample: 284 respondents obliged to get sanitary authorizations

The companies were asked to assess the authorization-related procedures and conditions in 2014 compare to the previous year. Most of them believe no changes occurred since 2013 in this regard (88%) – Figure 37. Slightly decreased the share of companies to which the procedure of getting a sanitary authorization for the goods became more complicated (from 8% in 2013 to 5% in 2014). 7% of respondents considers the procedures and conditions were simplified.

The respondents have been asked to assess the main difficulties regarding the procedures of getting a sanitary authorization. Difficulties have been assessed on a scale from 1 to 5 (where 1 = no difficulties, and 5 = major difficulties). Based on calculations performed, the companies do not encounter major difficulties in this regard (as the score values range between approximately 1 and 2) – Figure 38a. Compare to 2013, the situation has generally improved. Highest improvements were stated in relation to the regulation procedure and unofficial payments.

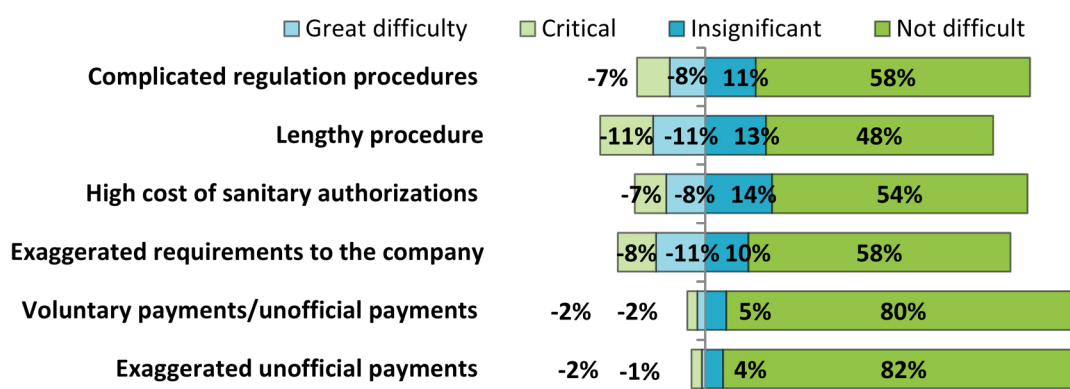
Figure 38A. Difficulties in relation to getting sanitary authorization (average score)



Sub-sample: 284 respondents obliged to get sanitary authorizations

As for the share of companies who did not encounter significant difficulties in getting a sanitary authorization, lack of / insignificant difficulties have been mentioned by:

Figure 38B. Difficulties in relation to getting sanitary authorization (share)



Sub-sample: 284 respondents obliged to get sanitary authorizations

NOTE: the Figure does not show the share of undecided respondents and of those answering "Don't know" for the question.

- 69% of respondents, when referring to the regulation procedure;
- 61% of respondents, when referring to the length of procedure;
- 68% of respondents, when referring to the high cost of sanitary authorizations;
- 68% of respondents, when referring to the exaggerated requirements to the company procedure;
- 85% of respondents, when referring to voluntary payments /unofficial payments;
- 86% of respondents, when referring to exaggerated unofficial payments.

10.4 Summary of the analysis

47% of companies were obliged to get sanitary authorizations for their goods or services in 2014. Getting an authorization lasted on average for 10.4 days, and the time spent to prepare package of documents was 28 hours – Table 21.

A company will pay an average of 102 USD (including both official and unofficial payments, which represents the highest cost since 2010.

Companies got sanitary authorizations approximately 1.7 times on average in 2014.

The companies do not encounter big difficulties in obtaining sanitary authorizations. Moreover, the situation with getting the authorization has generally improved in 2014 compare to 2013, with highest improvements declared in relation to unofficial payments.

Table 22. Evolution of procedures for obtaining a health authorization

	2007	2008	2009	2010	2011	2012	2013	2014
Time for obtaining a health authorization, days	11	13	13	10	8	8	6	10,4
Cost of obtaining a health authorization, \$	66	71	104	97	67	94	71	102

11. INSPECTIONS

11.1 Regulatory framework

In 2012 it was adopted the Law no. 131 on state control over business activity which sets conditions for implementing the controls - the type, frequency, duration, required accompanying documents, rights and obligations of those who are controlled and those doing control. As the central government authority empowered with controls monitoring mission was designated the State Chancellery. In this context, Government approved through Decision nr. 147 from 25 February 2013 REGULATION on the State Register of inspections and registers of inspections kept by the control entities. Based on the same Government Decision, government portal of state inspections over business activity was created www.controale.gov.md, which includes inspection registers of each body empowered with control functions, data about all stages of controls (from planning to ending stage), results of controls and eventual complaints made by companies subject to inspection.

Further, the General methodology of planning state control over business activity based on risk criteria analysis was approved through Government Decision nr. 694 from 5 September 2013.

The above law and regulations do not apply to the following controlling authorities: Financial Inspection, State Tax Inspectorate, Customs Service, National Bank and the National Commission of Financial Market. These authorities have right to do their internal separate plans and procedures for inspections.

11.2 Inspection procedures: number of inspections, time and costs

Moldovan companies were subject to various bodies' inspections in 2014 – Table 23. Most companies have been inspected by Tax Inspectorate (58%), Fire Department (56%) and by Sanitary Epidemiological Service (48%). Work inspection and Police have audited 40% of firms. Companies were less inspected by other bodies, such as local authorities, environmental bodies, licensing bodies, ministries and departments etc.

As shown in Table 23, in 2014 (compare to 2013) has increased the share of companies inspected by Tax Inspectorate, Fire Department, Sanitary Epidemiological Service (most considerable increase, by 30 p.p.), Police (by 19 p.p.), Standard monitoring bodies, and Licensing bodies.

At the same time, has decreased the share of companies inspected by Traffic police, Price monitoring bodies, National Anticorruption Center, other ministries and departments, local authorities.

As per the frequency of inspections, their average number has generally increased in 2014 compare to 2013, for almost all inspection bodies. Most *active* in this regard were police bodies and local authorities: they registered the highest number of visits in 2014 and the highest increase compare to the previous year – Table 23.

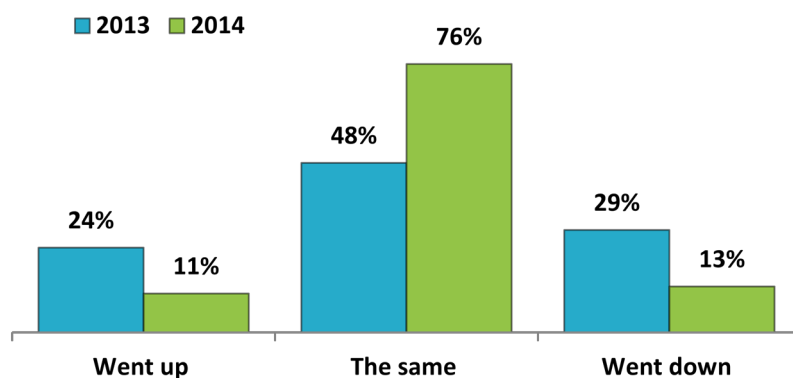
The duration of inspections varies according to inspection body. As shown in Table 23, most audits lasted up to one day. The longest inspections were reported with reference to Tax Inspection (1.5 days), CCCEC (CNA) – 2.3 days, and other ministries and agencies (2.6 days).

The general profile of companies most often inspected is: enterprises from Center, locally owned, large-sized firms, performing activity in food industry, commerce, construction and hotels / restaurants / tourism.

Table 23. Number and average time of controls

Controlling body	Period of survey	Share of inspected companies, %				Frequency				Number of days per visit			
		2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
Tax inspection		67	74	54	58	1,5	1,7	1,4	1,9	2	2,9	2,8	1,5
Firefighters service		54	53	42	56	1,2	1,3	1,2	1,4	1,2	0,6	0,4	0,3
Sanitary-epidemiological service		23	31	18	48	1,5	1,6	1,6	1,9	1,7	0,6	0,4	0,4
Police		23	31	22	41	1,9	1,7	1,5	3,9	1,3	0,5	0,3	0,3
Road police		20	23	20	10	3	2,8	3,8	6,1	0,7	0,5	0,1	0,4
Price oversight agencies		7	11	8	5	1,8	1,2	1,5	1,1	1,6	0,7	1,1	0,8
Standards oversight agencies		9	16	10	18	1,5	1,1	1,3	1,3	1,5	0,8	1,3	0,5
Ecological control agencies		6	17	13	22	1,3	1,2	1,2	1,4	1,3	0,4	0,4	0,3
Licensing authorities		27	15	9	12	1,3	1,1	1,1	1,2	1,2	0,7	0,9	0,3
CCCEC (CNA)		14	22	11	8	1,3	1,3	1,1	1,8	1,7	1,1	2,3	2,3
Other ministries and agencies		13	13	19	10	1,5	1,4	1,2	1,5	1,5	1	1,3	2,6
Local authorities		14	27	24	20	1,7	1,5	1,3	2,7	1,3	0,5	0,4	0,5
Labor inspection		35	54	48	40	1,4	1,4	1,2	1,4	1,5	0,7	1,7	0,6

Figure 39. Perception in changes of the number of inspections compare to the previous year

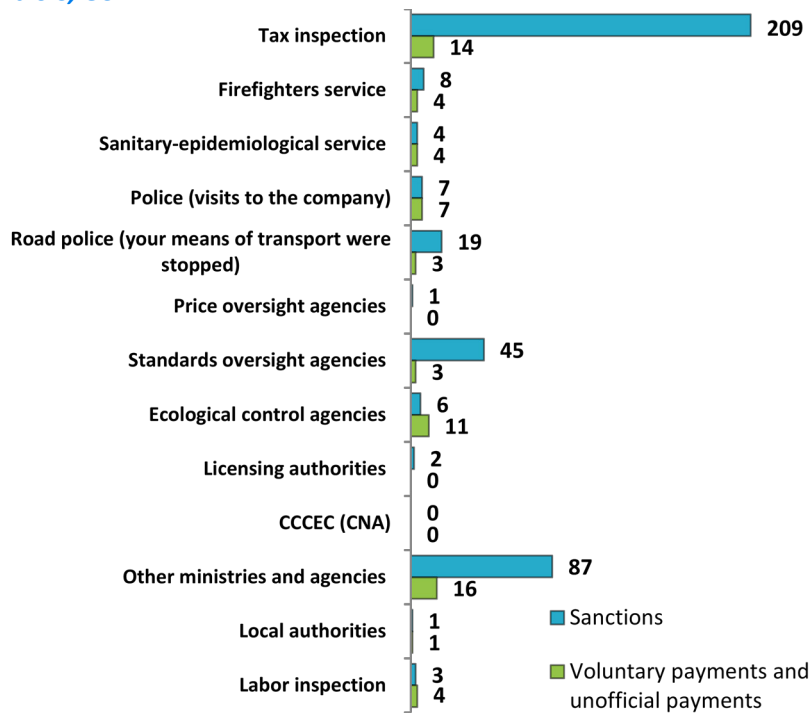


Base: 607 respondents

The majority of surveyed companies (76%) believe the number of inspections in 2014 was the same as in 2013 – Figure 39. Every 9th firm thinks the frequency of controls went up (in particular large enterprises, domestically owned, performing in food industry).

The highest expenditures (sanctions in particular) were supported by enterprises after they were inspected by Tax Inspectorate (209 USD officially and 14 USD unofficially), followed by other ministries and agencies (87 USD officially and 16 USD unofficial payments), and standard oversight bodies (45 USD officially) – Figure 40. In case of Ecological bodies inspections, the money paid unofficially (11 USD) was almost twice higher than sanctions (6 USD).

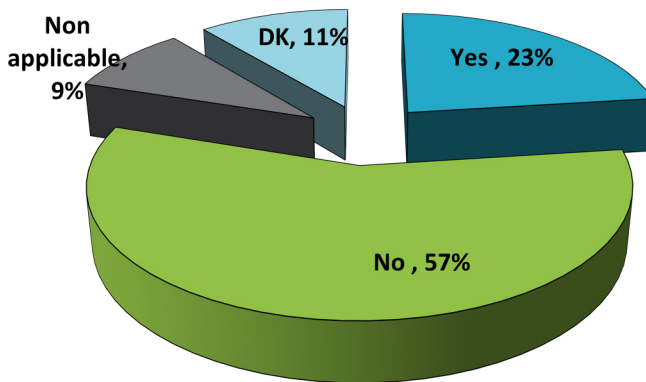
Figure 40. Expenditures during the last 12 months, as a result of controls, USD



Base: only inspected companies

The cross tabulation shows that the profile of companies paying higher sanctions is: firms from South and Chisinau, large-sized, working in commerce, construction and food industry.

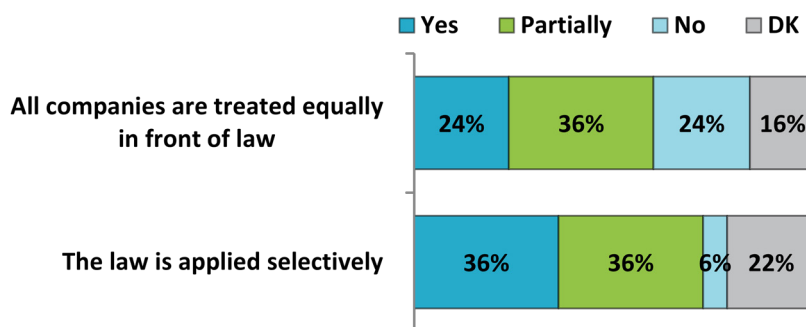
Figure 41. Have your transportation mean been ever stopped without any grounded reason, in order to check the documents or freight?



Base: 607 respondents

23% of respondents declared their transportation means have been stopped without any grounded reasons (violation of the regulation on road traffic), in order to check the document or freight – Figure 41.

Figure 42. Perception about equal treatment by the law and selective application of the law



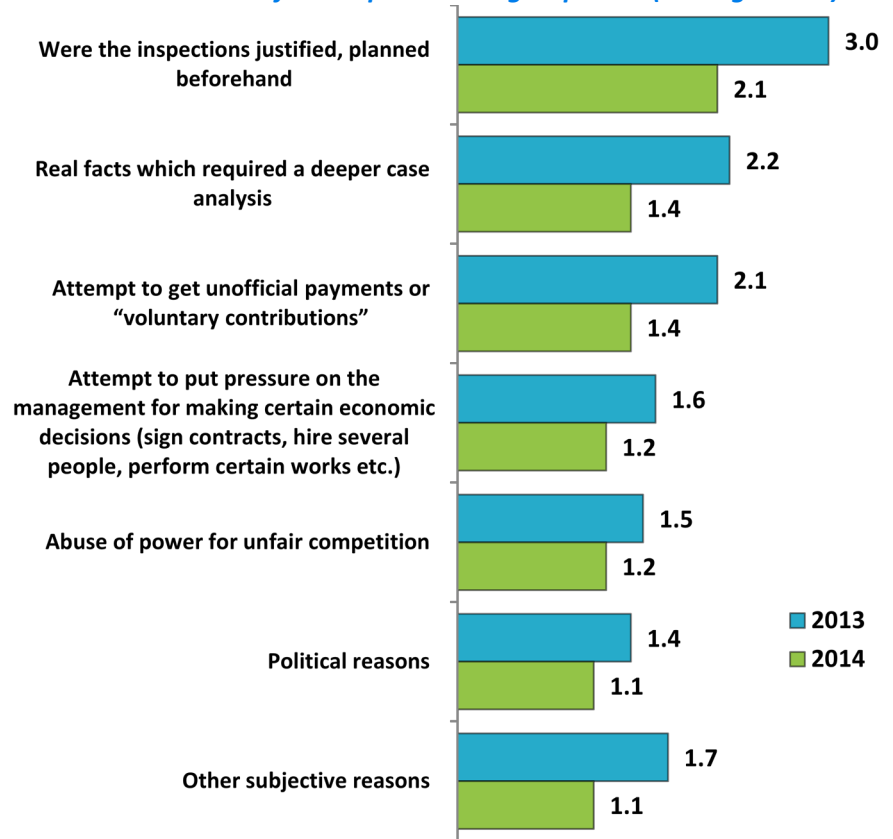
Base: 607 respondents

11.3 Perception of inspections

The survey has also measured the respondents' opinion regarding equal treatment of the companies in front of law. Thus, the majority believe all companies are treated equally (60%) and the law is not applied selectively (72%) – Figure 42.

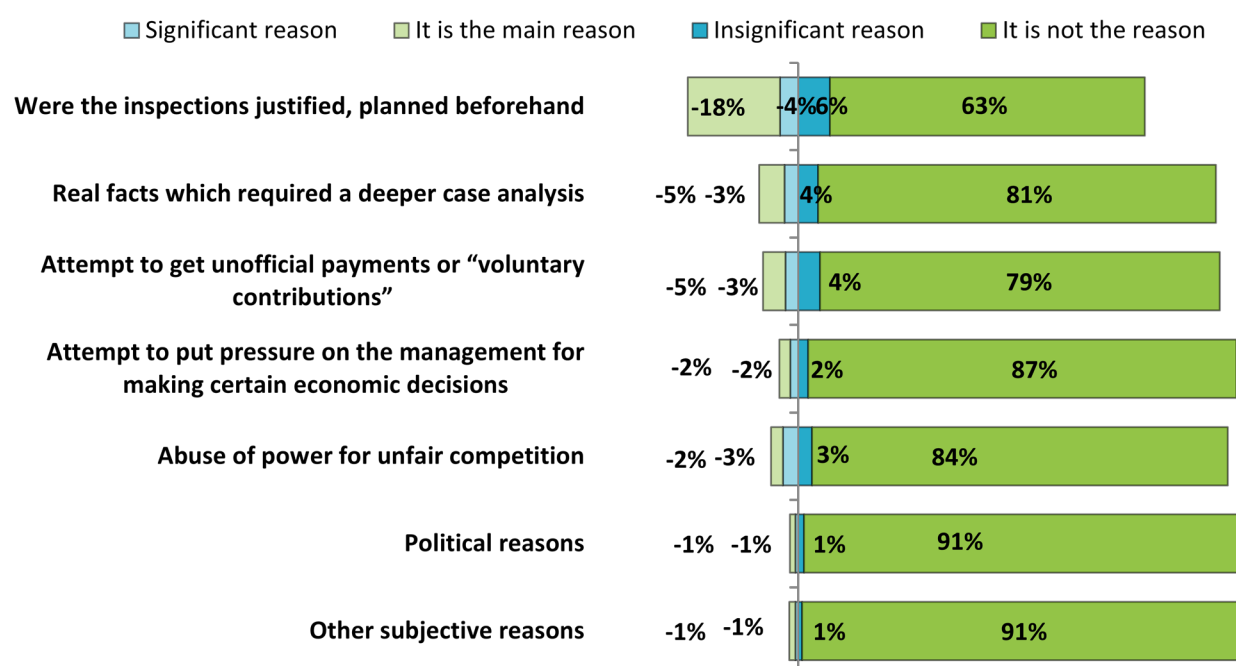
Companies have been asked to assess what were the main reasons for being inspected. The reasons were assessed on a scale from 1 to 5 (where 1 = this is not the reason, 5 = it is the main reason). As shown in Figures 43a and 43b, companies are usually inspected because it was planned beforehand and it is legally justified (highest score 2.1). Subjective reasons, such as attempt to get unofficial money, pressure on management for making certain economic decisions, abuse of power for unfair competition etc. do not represent the main reasons of inspections.

Figure 43A. Main reasons for companies being inspected (average score)



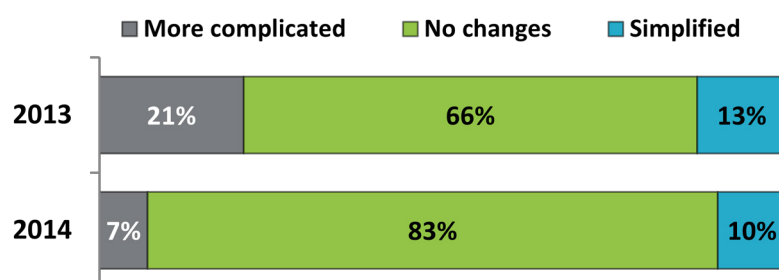
Base: 607 respondents

Figure 43B. Main reasons for companies being inspected (share)



Base: 607 respondents

Figure 44. Perception of changes in the procedures and conditions in relation to inspections compared to last year



Base: 607 respondents

The majority of respondents (83%) consider the procedures and conditions in relation to inspections did not change in 2014 compare to 2013 – Figure 44. However, 7% believe the procedure got more complicated (in particular those from South, foreign entities, working in construction, food industry, hotels / restaurants / tourism). It is worthy to mention that this share is considerably lower compare to the previous year (7% in

2014 and 21% in 2013). The same figure shows that 10% consider the inspection procedure simplified (in particular companies from South, domestically owned, working in Research and development / Education and healthcare area).

11.4 Summary of the analysis

On average enterprises were subject of inspections more often in 2014 compare to 2013. Most active in this regard were police bodies and local authorities. However, the majority of surveyed companies (76%) believe the number of inspections in 2014 was the same as in 2013, even if the number of inspections increased on average with 42%. On the other side, the average time of annual controls per company almost did not changed.

Table 24. Trends in key inspections indicators

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Average number of inspections per company	10,3	8,7	9,0	8,2	7,9	4,2	5,2	3,6	6,5
Average time of annual controls, days	15	16	19	10	15	6,5	6,3	4,7	4,5

The duration of inspections lasted, in most cases, up to one day on average. The longest inspections (more than 1.5 days) were reported with reference to Tax Inspection, CCCEC (CNA), and other ministries and agencies.

Generally, inspections were planned and legally justified.

The highest expenditures (sanctions in particular) were supported by enterprises after they were inspected by Tax Inspectorate.

The survey has also measured the respondents' opinion regarding equal treatment of the companies in front of law. Thus, the majority believe all companies are treated equally (60%) and the law is not applied selectively (72%).

The majority of respondents (83%) consider the procedures and conditions in relation to inspections did not change in 2014 compare to 2013.

12. TAXES

12.1 Regulatory framework

The tax system in Moldova is regulated by several laws and regulations. The key document is, however, the Tax Code approved on 24.04.1997 and amended thereafter. Currently it comprises nine titles: General provisions; Income tax; Value added tax; Excises; Fiscal administration; Real estate tax; Local taxes; Taxes on natural resources and Road taxes. There are two categories of taxes – at the national (state taxes) and local level. The system of general state taxes include: income tax, value added tax, excise duties, private tax, customs duty and road taxes. Besides the above-mentioned state taxes, the other three type of taxes are paid at the state level: social fund, pension fund and healthcare insurance. The system of taxes at the local level includes 16 additional taxes subjected to different sectors of business activity.

In terms of reforms operated, the following trends are emphasized:

- in 2006-2009 period employer contribution rate to social security decreased from 27% to 23%;
- in 2007-2009 period employer contribution rate to health insurance increased gradually from 2% to 3.5%, followed with an increase to 4% in 2014;
- in 2007 the corporate income tax was reduced to “0%”, as well as all tax debts reflected in the accounting system by January 1, 2007 were canceled;
- in 2012 the corporate income tax was reintroduced with a rate of 12%, which is lower than previous one of 15%;
- in 2013 paying taxes procedure become easier for companies with introduce of electronic filing and payment system for the value added tax, corporate income tax, land improvement tax and tax on immovable property;
- in 2014 electronic filling and payment system was extended for social security contribution. On the other side, the value of compulsory minimum salary was increased and new filling requirements for VAT were introduced.

Another IT facility provided by the government is *current account of the taxpayer*. This tool allows online access to information on tax liabilities of the taxpayer and check the status of all arrears or overpayment to the national budget. The service provides information on the tax situation different budgetary classifications for different divisions of the company, as well as historical information on balances and decoding delay calculation increases.

12.2 Administration of taxes

Moldovan businesses paid in 2014 on average 7.5 type taxes. The average number of taxes paid increased from 7 type of taxes in 2013 – Table 24. This might be explained by introduction in 2014 of several new local taxes. Overall, companies from urban areas pay slightly more taxes (7.6) than those from rural areas (7.2). The number of taxes varies also by:

- size of businesses (micro companies pay the least and large companies the highest number of taxes);
- form of legal organization – Joint stock companies pay on average 8.6 taxes versus 6.7 taxes for state or municipal companies;
- sector of activity – the highest number of taxes is paid by companies from food industry (8.6 taxes) and the smallest number by companies from Research and development / Education and healthcare sector (6.9 taxes).

Three out of four companies have their own full time hired accountants in order to reflect fiscal recording and reporting. This share increased significantly in 2014 as compared with previous year (from 64% to 73%), while decreased the share of companies relying on part time accountants. The average number of full time accountants registered is 1.3 and it increased slightly from 1.2 in 2013. – Table 24. This figure varies, as presumed, significantly by size of business entities: the larger is the company the higher is the number of full time accountants (micro – 1.1 versus large company – 5.9 accountants).

Figure 45. Keeping tax records behavior



Base: 607 companies

Business entities activating in industry sector, especially those in food industry, registered significantly higher number of full time accountants.

Small companies, especially from rural areas and practicing commerce are more likely to keep tax records on their own.

Figure 46. Transparency in payment of taxes



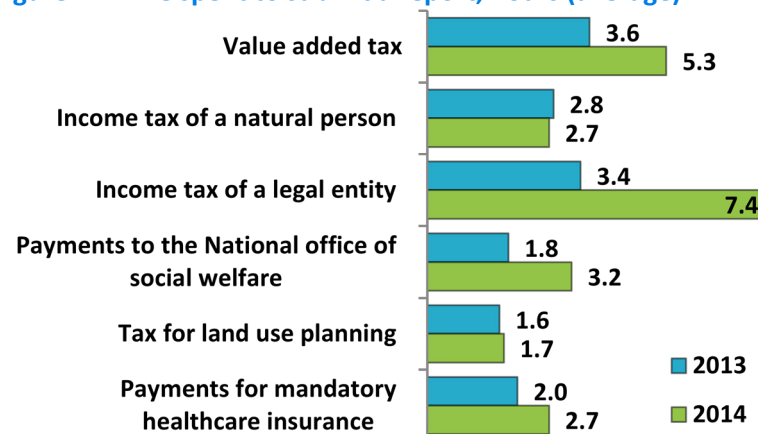
Base: 607 companies

Tax evasion seems to have small incidence in Moldovan business community, since 92% of respondents stated they pay full amount of their taxes. This indicator increased significantly from the last year (75%). Generally, companies with domestic ownership, as well as those working in food industry and constructions are less likely to pay all taxes.

Respondents, who declared that not all taxes are paid, mentioned they pay on average only 39% of the amount they should pay formally. This indicator worsened from previous year, when 77% of the formal value of taxes was covered.

With respect to reinvestment of profit, this indicator also worsened as compared with previous year, from 52% to 36%. The share of profits reinvested in 2013 is significantly higher among companies in the Northern region of Moldova (48%), small, middle size and large companies. Businesses from commerce reinvest almost half of their profit (46%), as compared with other sectors, where the share does not exceed 1/3 of the profit value.

Figure 47. Time spent to submit a report, hours (average)



Sub-sample: companies submitting respective reports

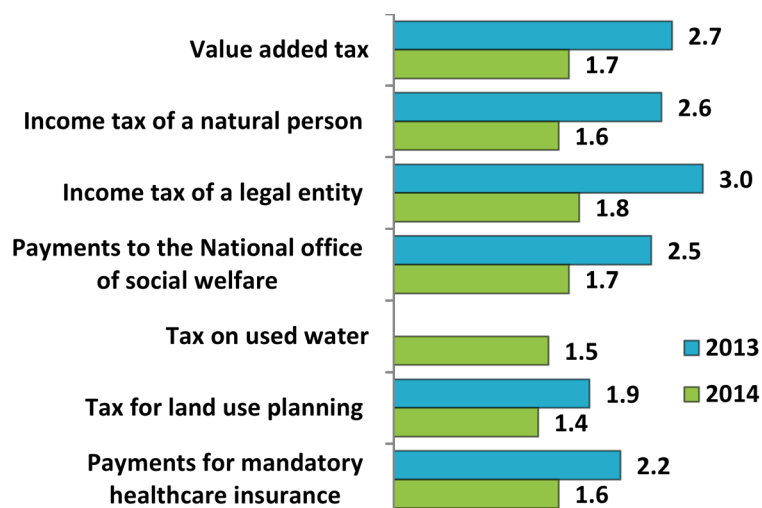
According to respondents, time spent to present a report increased for almost of type of taxes (Figure 47). The most significant increase was registered for income tax of a legal entity (doubled), payments to social welfare and VAT.

Generally, companies from rural areas dedicate significantly more time to submit a tax report than those from urban areas. Also, the larger is the company the more time it spends to submit a report.

Time spent by companies for all financial / fiscal reports (reflected in Figure 47) in 2014 increased in overall with about 50%. If in 2013 the total time spent to present a report for each of the six taxes was 15 hours, then in 2014 a company spent 23 hours.

12.3 Perception of taxes: difficulties

Figure 48. Degree of difficulties faced in tax reporting (average score)



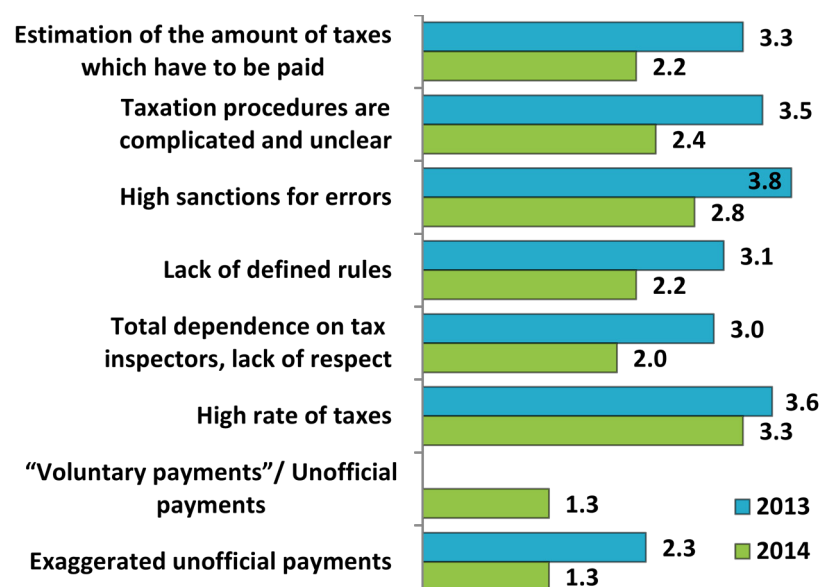
Sub-sample: companies submitting respective reports
note 1 for no difficulties at all and 5 for big difficulties

The assessed level of difficulties faced in reporting of various taxes improved significantly for all type of taxes as compared with 2013. This improvement might be explained by higher incidence of companies that hired full time accountants, as reflected in previous paragraph.

The top three taxes causing difficulties in records keeping, reporting and payment procedure remain traditional ones: income taxes (especially corporate), VAT and social welfare taxes.

Overall, companies from rural areas and micro business reported higher level of difficulties compared with urban companies and larger size businesses.

Figure 49. Issues in the taxation system (average score)

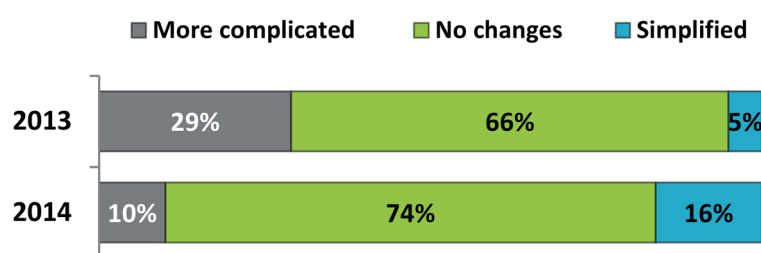


Sub-sample: companies submitting respective reports
note 1 for no difficulties at all and 5 for big difficulties

The most important problems in taxation system perceived by respondent continue to be high value of taxes, high penalties in records keeping and reporting, as well as unclear taxation procedure.

However, the overall scores for all assessed issues decreased significantly, most of them being below the average level of difficultness (Figure 49).

Unofficial payments are assessed as the least problematic in taxation system.

Figure 50. Perception of changes in taxation system procedures


Base: 607 companies

The general perception of changes of procedures and conditions in taxation system illustrated in figure 50 is consistent with above data about specific difficulties faced in records keeping and reporting. Consequently, the number of extremely dissatisfied respondents decreased significantly with 19% from 2013 to 2014 (those who mentioned that procedures are more complicated), while the share of satisfied businesses increased with 9%.

12.4 Summary of the analysis

Even if the perception of taxation system improved over the past year both in terms of facility to keep records and reporting, and in terms of problems faced, overall tax administration seems to be worse since the average number of taxes increased by 7% and responsible personnel spend on average 50% more time to submit necessary reports.

Table 25. Comparing the system of tax administration

	2007	2008	2009	2010	2011	2012	2013	2014
Average number of taxes	7,9	7,3	6,7	6,1	6,1	7,1	7,0	7,5
Number of fully employed accountants	1,6	1,5	1,3	1,2	1,2	1,2	1,2	1,3

13. PRICE REGULATION

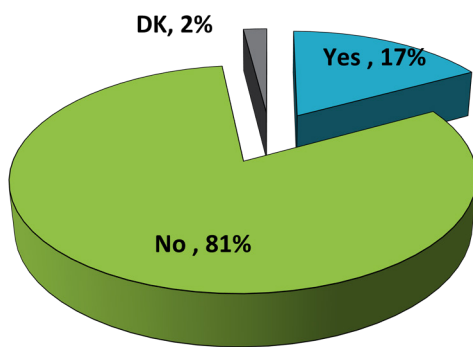
13.1 Regulatory framework

The main document regulating prices is Government Decision no. 547 of 4 August 1995 "Government coordination measures and regulation of prices".

In most situations, the products can be sold at market prices. The government keeps the right to regulate the prices for socially important domestic goods that are sold at a mark-up not exceeding 20%. Exceptions were set for bread and bakery products - mark-up not exceeding 10% and for construction materials (within 30% added to the delivery price). Operating expenses, including transportation costs of construction materials and other expenses related to the purchase and sale of goods is covered from commercial additions.

13.2 Price regulation status today

Figure 51. Share of companies subjected to price regulation



Base: 607 businesses

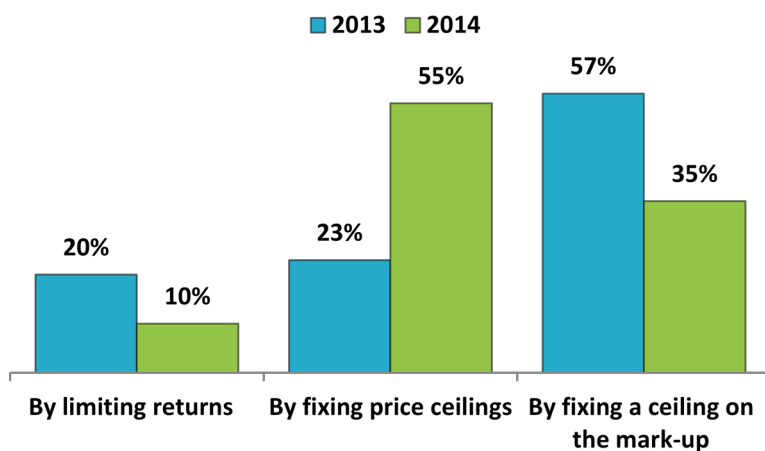
17% of interviewed companies stated the sales of their products or services are regulated by state agencies. This share decreased by 7% from 2013. – Figure 51

Reflecting the regulatory framework, the incidence of companies subjected to price regulation is higher among those operating in food industry (31%), construction (18%) and commerce (23%).

Share of companies who sell products and services under price regulation policy is 2.5 times higher among those operating in rural areas (versus urban area) and those with state or municipal undertaking (as opposed to other forms of legal organization).

socially important domestic goods, as stated by 55% of companies subjected to price regulation policy. Limiting the trade margins was mentioned by every third interviewed company. (Figure 52)

Figure 52. Methods of government intervention in pricing



Sub-sample: 103 respondents, which said that their prices are regulated by state agencies

Fixed price ceilings seems to be the most widespread method state agency use to regulate prices for the socially important domestic goods, as stated by 55% of companies subjected to price regulation policy. Limiting the trade margins was mentioned by every third interviewed company. (Figure 52)

When being asked about the sales volume that are subjected to price regulation, interviewed companies assessed it at the level of 60%. This indicator increased significantly from 10% in 2013.

State entities regulating prices are in the most cases those at the level of ministries (according to 70% of respondents) and tax inspections (32% of respondents). However, in some cases prices are regulated simultaneously by several state entities.

13.3 Summary of the analysis

Over the past year, it was registered a decrease in the number of companies subjected to price regulation policy, while the sales volume increased significantly to the level of 60%. – Table 26

The most often used method to regulate prices is fixed price ceilings.

Table 26.Regulation of prices in Moldova

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Share of entities subject to price regulation	18%	21%	36%	39%	31%	26%	24%	24%	17%
Share of prices regulated by the government	12%	12%	21%	26%	18%	10%	8%	10%	60%

14. REGULATION OF LABOR RELATIONS

14.1 Regulatory framework

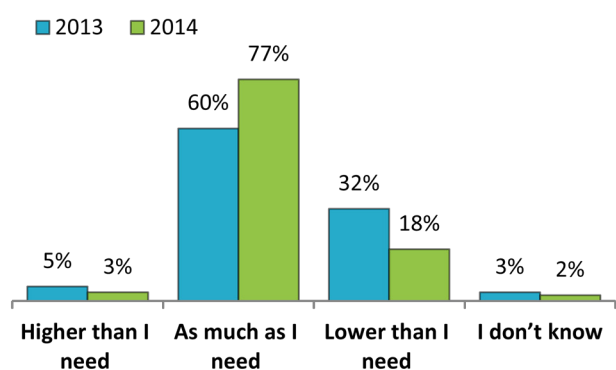
The main acts of legislation governing the labor relations are:

- Labor Code of the Republic of Moldova (Law no. 154-XV of 28 march 2003);
- Law no. 847-XV of 14 February 2002 on Remuneration Act;
- Government Decision no. 743 of 11 June 2002 "On salaries of employees of financially autonomous units";
- Government Decision no. 152 of 19 February 2004 "On the compensation quantum bonus for work in adverse conditions";
- Government Decision no. 165 of 9 March 2010 "On the minimum guaranteed salary quantum in the real sector".

In accordance with the amendments to the Labor Code introduced by Law 254 of 09.12.11 amending and supplementing certain acts, the employer shall provide employees with a nominal permit for access to work. For his part, the employee is required to carry at all times the nominal permit for access to work provided by the employer. The employer (except central and local public authorities) must approve the staff structure within the first month of operation, and further - in the first month of every calendar year. Within 2 months from the date of their approval, the employer submits (in writing or electronically) a copy to the territorial labor inspectorate under whose jurisdiction the business is located.

14.2 Availability and difficulties related to labor force

Figure 53. Assessment of labor force shortage



Base: 607 businesses

The incidence of companies with sufficient volume of labor force increased from 60% in 2013 to 77% in 2014. However, almost every fifth business entity faced problem with shortage of labor force (Figure 53).

This problem is characteristic mainly to small and middle size companies, those with residence in Southern region and state or municipal companies. One out of four companies from industrial sector, construction, as well as transportation and communication reported they do not have enough workers.

The survey shows that employers do not have significant issues concerning labor relations (Table 27). Moreover, the level of difficultness decreased significantly over the last year. Overall, employers are less satisfied with obligation to pay minimum salary level and deal with medical insurance policies within limited period of two weeks.

Table 27. Assessment of main problems related to the regulation of labor relations

Problems	2008	2009	2010	2011	2012	2013	2014
Receiving permission from the Labor Inspectorate to initiate business operations	1,9	2	1,9	2	2,2	2,3	1,3
Need to employ only based on an individual labor contract	2	1,9	1,9	2,2	2,2	2,4	1,3
The obligation to pay minimum salary	2	2,2	2,1	2,5	2,3	2,4	1,5
Frequent controls by labor inspection	1,8	1,6	1,9	1,7	2	2	1,3
Complicated procedures for dismissal of employees	2	1,9	1,9	1,9	2,2	2,3	1,4
Complicated procedures for staff evidence	1,9	1,8	1,9	2	2,4	2,4	1,4
Collection and return of health insurance policies in the set time limit	2,3	2	2,1	2	2,5	2,1	1,5

14.3 Summary of the analysis

Labor relations seems affecting the least business operation, both in terms of labor shortage and regulatory framework. Moreover, the conditions improved over the last year.

15.EXECUTION OF CONTRACTS

Intervention of state authorities in the process of concluding contracts seems to be a limited phenomenon, being reported by 4% of interviewed companies. This indicator decreased over the last year from 6% (Table 28).

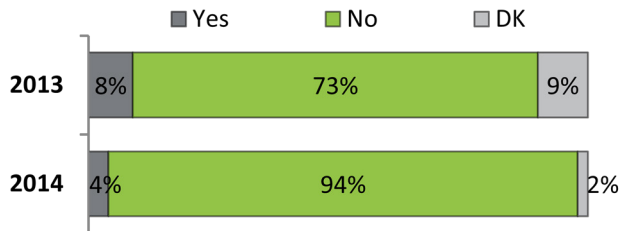
Table 28. Intervention in execution of contracts

Indicators	Period of survey							
	2007	2008	2009	2010	2011	2012	2013	2014
Share of enterprises whose contracts were monitored	5%	7%	10%	4%	3%	6%	6%	4%

Mainly companies residing in the northern region of country reported intervention in contracts' execution. This issue is faced also most often by middle size and large companies, as well as those with state or municipal undertaking. In term of sector of activity, state authorities intervene more often in contract related to construction activities.

16. PROMOTION OF PERSONAL INTERESTS OF PUBLIC EMPLOYEES

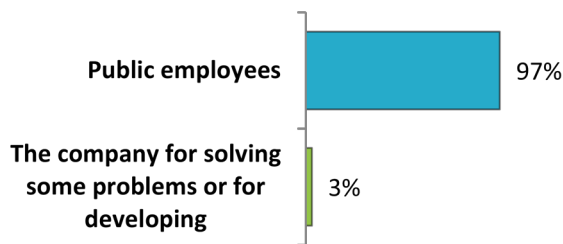
Figure 54. Incidence of interferences in enterprise activity



Base: 607 businesses

Involvement of state authorities, politicians or public employees in activity of private entities to promote their personal interests is registered at a relatively low scale (4%). Moreover, the incidence decreased two times over the last year (Figure 54).

Figure 55. Initiators of interferences



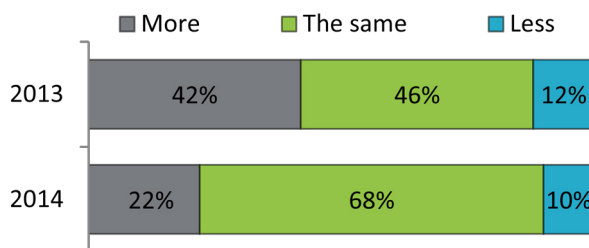
Sub-sample: 22 businesses, which reported cases of interference

In almost all reported cases, the initiative came from public employees (Figure 55).

The average payment for this facility, as stated by respondents, is 9% from the profits.

Out of businesses reporting cases of interferences in enterprise activity, 3% stated that public employees or their relatives have property in their companies. However, the share of public employees' property is a minimal one – below 1%.

Figure 56. Changes over the last year in incidence of interference



Sub-sample: 22 businesses, which reported cases of interference

Compared with previous year, interferences behavior in the most cases remained at the same level (Figure 56). However, 1/5 of companies reported that the incidence increased.

17. JUDICIARY CONFLICTS SETTLEMENT

17.1 Regulatory framework

The settling of disputes between companies in the Republic of Moldova can be done through different methods:

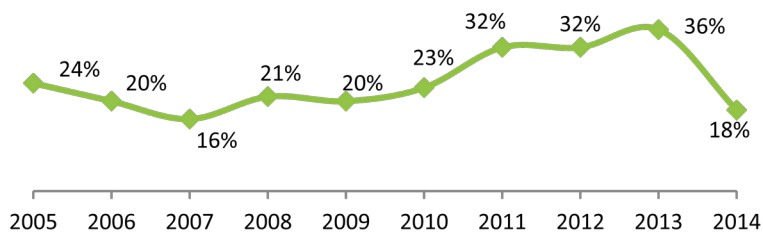
- Amiable solution using a third party (mediator), under regulation of the Law on Mediation 134 of 14 June 2007
- Through courts, under regulation of the Law no. 225-XV of 30 May 2003 on Code of Civil Procedure
- Through arbitration courts, under regulation of the Law on arbitration no. 23 of 22 February 2008 and the Law no. 24-XVI from 22 February 2008 on the international commercial arbitration

Disputes with government authorities are regulated by the Law no. 793-XIV of 10 February 2000 on Administrative Contentious.

17.2 Incidence of conflicts and methods used to settle them

In the last two years, almost every fifth company experienced conflicts in their business activities with partners, clients or government agencies (Figure 57). However, the incidence decreased two times as compared to the previous period.

Figure 57. Share of disputes with partners, clients or state agencies (dynamic)



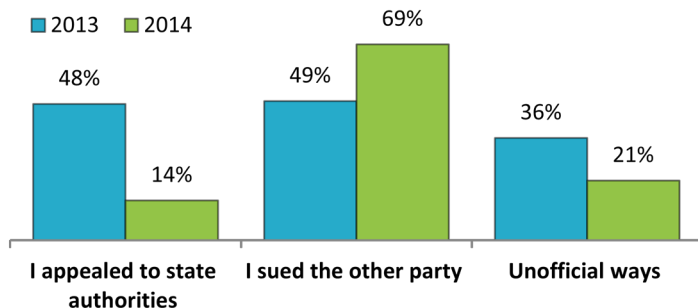
Base: 607 businesses

Such conflicts were reported more often in urban areas, especially in Chisinau (21%, as compared to the average of 12% in other regions).

Foreign legal entities, those working in transportation, communication and construction are more likely to face conflicts with their partners or clients.

Another interesting fact is that business entities reporting experience with unofficial payments in their interaction with state authorities also seems to be more likely facing such conflicts.

Figure 58. Methods used to settle conflicts



Sub-sample: 111 businesses reporting conflicts

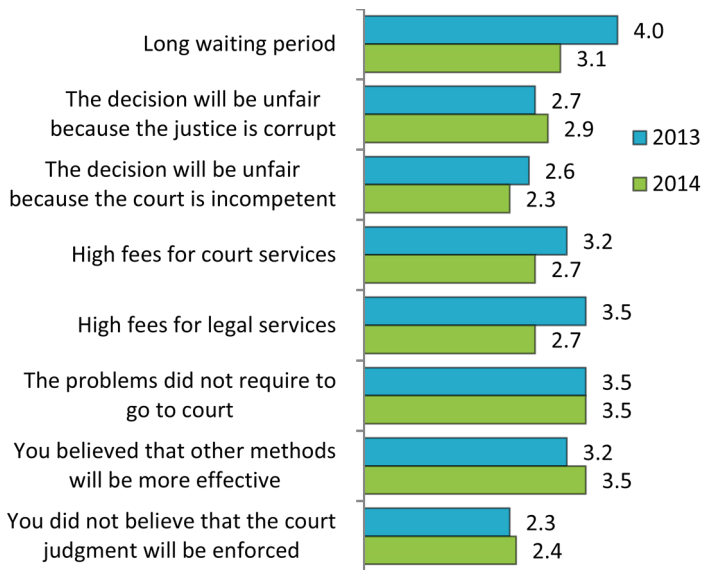
In the most cases (76%) conflicts are with other business entities or individuals and only 24% with state authorities. The share of conflicts with business entities increased slightly (by 4%) compared to 2013.

Conflicts with state authorities were reported mainly in rural areas, especially in Northern and Southern regions.

The main method used to settle conflicts is using courts (Figure 58). The incidence of using this method increased significantly from 2013 (by 20%), while significantly less people applied to unofficial ways. Mainly

micro companies and those working in commerce use unofficial way. A significantly higher incidence of this method was registered in Southern region of the country.

Figure 59. Reasons not using courts to settle conflicts (average score)



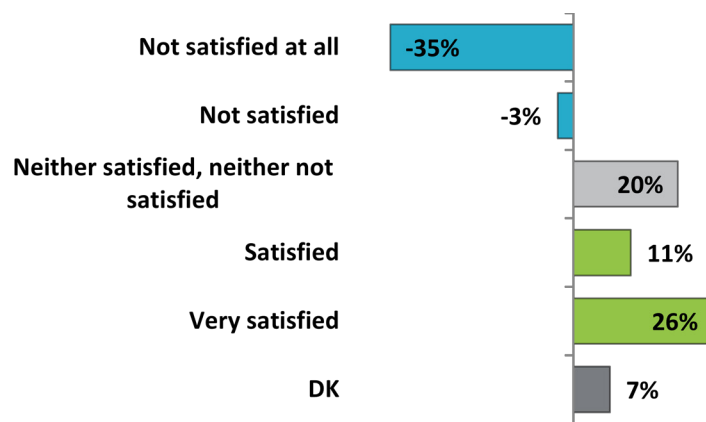
Sub-sample: 35 businesses reporting conflicts, but did not apply to court
 note 1 for insignificant reasons and 5 for a major reason

The two main reasons why companies do not use judicial courts to settle their disputes is perception that problem does not require to use court or believe that there are more efficient methods (Figure 59).

Bureaucracy in judicial process and corruption of judicial system supplements the above key reasons.

Large companies and those with foreign investment assessed corruption of judicial system and incompetence as the highest problems.

Figure 60. Satisfaction with judicial procedures



Sub-sample: 76 businesses reporting conflicts, and applied to courts
 (choose 1 for not satisfied at all and 5 for very satisfied)

The concerns of companies not applying to judicial system are confirmed by high incidence (38%) of dissatisfied business entities who applied to courts with judicial procedures (Figure 60).

The average satisfaction score with judicial system was registered at the level of 2.9 points (on a scale from 1 to 5), and it is in continuous decrease (last year it was 3.25 points).

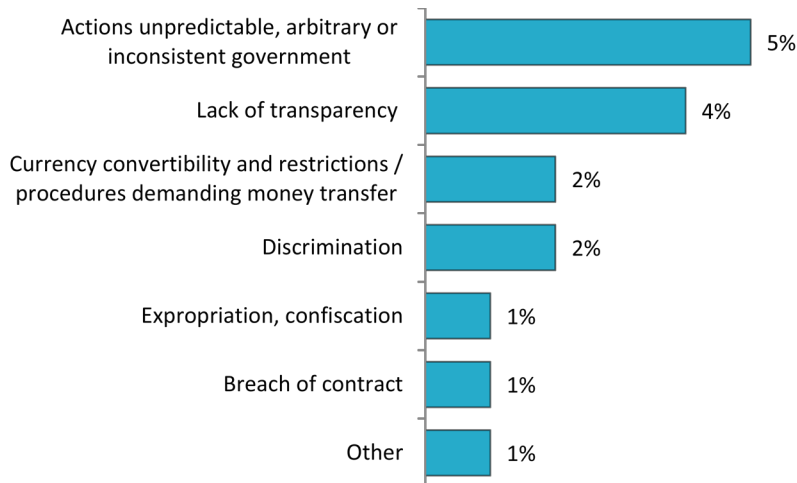
17.3 Summary of the analysis

Comparing with previous period the incidence of companies reporting conflicts decreased two times, as well as decreased incidence of unofficial methods to solve the conflicts, while increase share of those who applied to judicial system. However, the share of dissatisfied companies with judicial procedures increased over the same period.

18. CONFLICTS WITH PUBLIC AUTHORITIES

8% of interviewed companies report at least one grievance with Government in the last five years. Moreover, half of them reported two or more time of grievances.

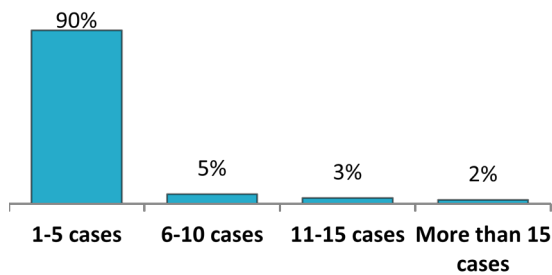
Figure 61. Incidence of grievances with Government in the last five years



Base: 607 businesses

The most often conflicts reported by legal private entities were related to arbitrary or inconsistent actions on the behalf of government authorities (i.e. Inconsistent application of a law by different parts of the Government) and lack of transparency (i.e. Missing or unclear criteria to apply for or to obtain a license, frequent changes in laws without proper consultation / notification).

Figure 62. Frequency of conflicts

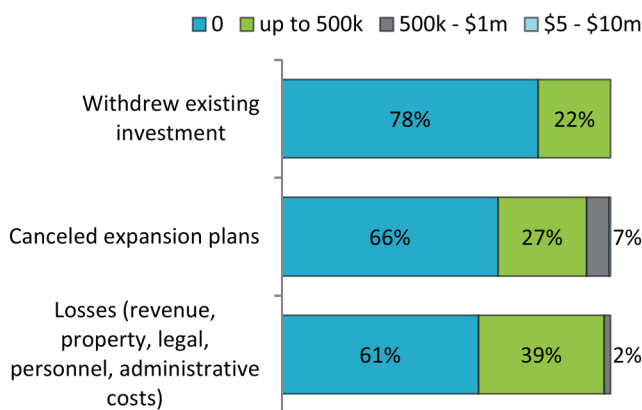


Sub-sample: 47 businesses reporting conflicts with Government

Every tenth company reporting conflicts with Government seems to face such issues very often, since over the last five years there were produced six and more incidents (Figure 62).

Almost 50% of companies who faced grievances with Government experienced serious economic impact. In the most cases the conflictual situation turned to business entities with losses assessed with the amount of up to 500 thousands USD (Figure 63).

Figure 63. Impact of conflicts with Government



Sub-sample: 47 businesses reporting conflicts with Government

Moreover, every fourth company reporting any economic impact, experienced all three type of consequences reflected in the Figure 63.

Interviewed companies referred most often in regards to conflicts with state institutions to Fiscal Authority, ministries (Economy, Finances, Health, Transportation and Justice), as well as to a series of agencies (Labor Inspection, State Registration Chamber, Department for Standardization and Metrology, Social Insurance Office, Agency for Intellectual Property).

19. CONCLUSIONS

General situation

- The general time indicator registers a slight increasing trend over the last five years.
- Perception of difficulties caused by state institutions improved for the most of them, except two barriers – permits for utilization of construction and unfair competition.
- Overall business climate worsened significantly during 2014, but this is rather due to general economic and political situation in Moldova, as well as critical situation on the regional markets.
- Overall, almost every second business entity reported experience with unofficial payment to specific state authorities.

Registration procedure

- Both positive and negative trends were registered in respect to registration procedure. Time spent to register a company or to do certain modification in registration documents increased, especially for changes amendments (by 37%). Time spent increase mainly due to other state agencies involved in the registration procedure than State Registration Chamber. On the other hand decreased significantly costs for company registration (by 36%), but increased costs for changes in documents (by 61%).
- Companies do not encounter major difficulties with registration procedures. A comparative analysis for the last 7 years of the registered scores show the lowest values in 2014.

Constructions

- The percent of businesses moving into the new or recently renovated spaces during the last three years decreased almost three times compare to the previous year.
- Time spent varies by type of construction activity and stage: more time necessary to get permit to start construction of new premise, but less time to commission the premise after completion and is opposed for renovation of existing premise. Overall, time to start construction activities increased by 6% for new premise and decreased by 23% for renovation activities over the last year.
- Time spent correlate with unofficial payments – less days spent to get permit more money paid unofficially.
- The most serious difficulties faced by business entities with regard to construction permits the duration and high costs for obtaining a permit. However, the general situation has slightly improved compare to the previous year.

Licensing

- Percent of business entities subject to licensing decreased by 12% over the past year. While the average number of licenses per company did not change.
- Time to get license decreased by 22% over the last year, registering the shortest timeframe during the last nine years.
- On the other side, costs related to licensing procedure increased by 36%.
- Overall, companies do not face big problems (in terms of duration, costs, procedure, unofficial payments) in getting licenses. The situation in this regard has improved compare to the previous year. However, the most concerns continue to be length of procedure and high costs.

Getting authorizations

- Percent of business entities requiring authorizations decreased by 8% over the past year.
- Time necessary to get authorization also decreased with 2 days (13%).
- Overall perception of procedures and conditions is that no improvements were noted over the last year. The same difficulties are faced by companies: bureaucratic, long and expensive procedure.

Equipment

- The number of companies who have compliance certificate for the equipment purchased has increased by 9% compare to the previous year, reaching the level of 87%. This is mainly due to the fact that certificates are enclosed to the equipment.

- The cost of the certificate registered the highest value since 2006, with an increase of over 200%. It might be explained by the fact that sophisticated equipment require to get necessary certificate directly from Moldovan authorities.

Regulation of imports

- The number of import transaction in 2014 has increased almost twice compare to the previous year (from 9.6 to 18.7 transactions), despite the fact that percent of companies operating with imports decreased slightly.
- Most companies (73%) import goods from EU countries, while from CIS region the smallest percent of Moldovan companies (37%) operate with imports.
- The number of transactions might affect the average time spent to certify imported goods that increased two times compared to previous year, while the costs for certification increased three times.
- The average length of clearance procedure seems showing a decreasing trend over the last three years, however significantly higher costs registered in 2014. This also might be explained by increased number of transactions and value of transactions, as clearance procedure fee is directly proportional with the value of transaction.
- Overall perception is that import related procedures and conditions did not change, but the most significant concerns are related to high fees for custom clearance procedure and unfair conditions for importers and corruption of custom officers.

Regulation of exports

- The number of companies operating with exports decreased significantly over the last year, from 12% to 5%. 24 export operations per company were registered in 2014.
- Nine out of 10 companies export products and services to the EU market, while only 65% to CIS countries.
- The timing for custom clearance procedure remain stable over the last year, while the average cost for a custom clearance procedure increased by 40%. It might be also explained by increase of value of exported goods.
- Overall perception is that export related procedures and conditions did not change. Moreover, two times more respondents stated it was simplified. However, there are several concerns, mainly related to bans on exports and corruption at custom.

Conformity certification

- The share of companies requiring certification of produced goods and services did not change over the last year, being within limits of sampling error.
- The time spent to get certification increased slightly for individual batches, but decreased significantly for mass manufactured products. On the other side, increased significantly (more than 30%) reported costs to get certification.
- Overall perception is that certification related procedures and conditions did not change. The main concerns are related to procedure length and high tariffs.

Sanitary authorizations

- Number of business entities obliged to get sanitary authorization for goods and services decreased by 6% compared to 2013.
- But, both time and cost indicators to get authorization increased significantly: time increased by 73% and costs by 44%.
- Overall perception is that sanitary authorization procedures and conditions did not change, even if lower scores of difficulty were registered for specific barriers. The main concerns are related to procedure length, high tariffs and exaggerated requirements.

Inspections

- On average more enterprises were subject of inspections and more often (42% more) in 2014 compare to 2013. Frequency of inspections increased on the behalf of the most state agencies, specifically CAN, Police (including road police), local authorities and Tax inspection.

- Almost every fourth company reported visits of 6 and more different state inspection agencies.
- On the other side, overall cumulative duration of inspections did not change, i.e. the average duration of an individual inspection decreased significantly (almost 20%). Therefore, a company dedicates on average about 5 days per year for all inspections, while out of those inspected only, the time increase up to 20 days (with an increase of about 3 days over the last year).
- On average, a business entity pays 152 USD in form of sanctions per year and an additional amount of 22 USD as unofficial payments, which represent 14% from sanctions. *However, the real amount of unofficial payments might be higher, since a significant number of companies refused to answer.* The incidence of sanctioned companies increased for all type of inspections, excepting for Tax inspection.
- Overall perception is that inspection procedures and conditions did not change (83% as compared to 66% in 2013), i.e. no improvement was felt in this area.

Taxes

- Even if the perception of taxation system improved over the past year both in terms of facility to keep records and reporting, and in terms of problems faced, overall tax administration seems to be worse since the average number of taxes increased by 7% and responsible personnel spend on average 50% more time to submit necessary reports.
- Incidence of companies having their own full time accountant increased by 9%, reaching the level of 73% as compared to the previous year. Moreover, the average number of accountant increased over the same period with 8%.
- Respondents reported spending much more time to submit reports for VAT and corporate income tax.

Price regulation

- Over the past year, it was registered a decrease in the number of companies subjected to price regulation policy, while the sales volume increased significantly to the level of 60%.
- The most often used method to regulate prices is fixed price ceilings.

Regulation of labor relations

- Labor relations seems affecting the least business operation, both in terms of labor shortage and regulatory framework. Moreover, the conditions improved over the last year.

Execution of contracts

- Intervention of state authorities in the process of concluding contracts seems to be a limited phenomenon, being reported by 4% of interviewed companies. This indicator decreased over the last year from 6%.

Promotion of personal interests of public employees

- Compared with previous year, interferences behavior in the most cases remained at the same level. However, 1/5 of companies reported that the incidence increased.
- In almost all cases interferences were initiated by public employees.

Judiciary conflicts settlement

- The incidence of companies reporting conflicts decreased two times as compared to previous period, as well as decreased incidence of unofficial methods to solve the conflicts, while increase share of those who applied to judicial system. But, the share of dissatisfied companies with judicial procedures increased over the same period.

Conflicts with public authorities

- Almost one out of ten interviewed companies report at least one grievance with Government in the last five years. Moreover, half of them reported two or more time of grievances.
- Every tenth company reported six and more conflicts over the last five years.
- Every second company who faced grievances with Government experienced serious economic impact, mainly losses assessed with the amount of up to 500 thousands USD.

20. KEY INDICATOR DYNAMIC

Indicators	Period of survey							
	2007	2008	2009	2010	2011	2012	2013	2014
General time indicators, %	16.0	14.0	11.2	9.9	10.2	10.0	10.7	11.3
Registration (including changes in the registration paperwork)								
Time to complete registration, days	16.0	16.0	19.0	14.0	15.0	13.0	9.0	9.8
Registration costs, \$	75.0	91.0	117.0	159.0	136.0	108.0	112.0	71.5
Modification of the documents, days	8.0	10.0	8.0	11.0	9.0	6.0	6.0	8.2
Costs to modify documents, \$	56.0	61.0	68.0	133.0	108.0	90.0	88.0	141.3
Constructions								
Construction, days	124.0	107.0	88.0	-	70.0	51.0	54.0	57.0
Renovation and reconstruction, days	67.0	44.0	35.0	30.0	26.0	38.0	39.0	29.0
Licensing								
Average number per company	1.8	1.6	1.3	1.3	1.3	1.3	1.4	1.4
Time spent to obtain a license, days	20.0	18.0	20.0	22.0	18.0	16.0	18.0	14.0
Average costs, \$	286.0	301.0	193.0	270.0	240.0	266.0	294.0	401.6
Share of unofficial payments, %	8.0	10.0	15.0	14.0	7.0	9.0	8.0	1.3
Authorizations								
Time spent to obtain, days	14.0	16.0	16.0	17.0	13.0	13.0	15.0	13.3
Average costs, \$	147.0	212.0	210.0	283.0	198.0	224.0	215.0	231.9
Share of unofficial payments, %	14.0	14.0	20.0	8.0	10.0	13.0	12.0	7.0
Amount of unofficial payments, \$	22.0	54.0	72.0	32.0	23.0	35.0	38.0	121.0
Certification of equipment								
Time to obtain the compliance certificate, days	13.0	12.0	12.0	13.0	12.0	10.0	9.0	11.0
Average costs, \$	73.0	56.0	-	-	35.0	62.0	75.0	232.0
Import								
Time spent to certify imported goods, days	10.7	10.3	11.2	9.2	9.6	7.4	5.9	13.2
Amount spent to certify imported goods, \$	57.0	59.0	96.0	172.0	80.0	83.0	120.0	350.0
Time spent on customs procedures, days	1.9	2.3	2.7	2.0	1.9	2.7	2.5	2.1
Amount spent on customs procedures, \$	214.0	145.0	143.0	169.0	144.0	152.0	158.0	261.0
Export								
Time spent on customs procedures, days	1.6	1.7	1.7	1.8	1.6	1.7	2.0	1.7
Amount spent on customs procedures, \$	79.0	48.0	137.0	134.0	85.0	89.0	152.0	213.0
Certification of goods and services (individual batches)								
Time spent to obtain a certificate, days	14.0	8.0	11.0	13.0	12.0	12.0	10.0	10.7
Costs, \$	179.0	149.0	174.0	160.0	83.0	145.0	124.0	167.4
Share of unofficial payments, %	13.0	8.0	20.0	16.0	10.0	14.0	11.0	4.0
Certification of goods and services (mass manufactured products)								
Time to obtain a certificate, days	13.0	13.0	18.0	14.0	13.0	17.0	12.0	9.8
Costs, \$	133.0	234.0	217.0	192.0	158.0	191.0	158.0	311.3
Share of unofficial payments, %	5.0	15.0	18.0	16.0	10.0	14.0	21.0	8.0
Health certification								
Share of businesses that got health certificates, %	52.0	60.0	61.0	50.0	61.0	60.0	53.0	47.0
Time spent to obtain a certificate, days	11.0	13.0	13.0	10.0	8.0	8.0	6.0	10.4
Total costs, \$	66.0	71.0	104.0	97.0	67.0	94.0	71.0	102.0
Share of unofficial payments, %	5.0	23.0	18.0	17.0	17.0	27.0	21.0	11.0
Tax administration								
Average number of taxes	7.9	7.3	6.7	6.1	6.1	7.1	7.0	7.5
Number of fully employed accountants	1.6	1.5	1.3	1.2	1.2	1.2	1.2	1.3
Controls								
Average number of controls per company	8.7	9.0	8.2	7.9	4.2	5.2	3.6	6.5
Average time of annual controls, days	16.0	19.0	10.0	15.0	7.0	6.0	5.0	5.0
Price regulation								
Businesses subject to price regulation, %	21.0	36.0	39.0	31.0	26.0	24.0	24.0	17.0
Average percentage of state regulated prices	12.0	21.0	26.0	18.0	10.0	8.0	10.0	60.0

Enforcement of contracts								
Companies subject to regulation of contracts, %	5.0	7.0	10.0	4.0	3.0	6.0	6.0	4.0
Legal system								
Share of respondents that turned to government institutions to settle disputes with companies, %	32.0	29.0	46.0	26.0	31.0	35.0	48.0	14.0
Share of respondents who turned to courts to address disputes with companies, %	68.0	59.0	74.0	62.0	52.0	61.0	49.0	69.0
Share of respondents who used informal methods to address disputes with companies, %	24.0	31.0	22.0	32.0	22.0	28.0	36.0	21.0