

# **SURVEY**

## **Cost of Doing Business 2018**

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**Chişinău, January 2019**

**Developed by: NGO Rural Economic Development Center PROMO-TERRA**

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## Abbreviations

<b>CIS</b>	<b>Commonwealth of Independent States</b>
<b>CMEA</b>	Classifier of Moldova's Economy Activities
<b>EU</b>	European Union
<b>JSC</b>	Joint Stock Company
<b>LLC</b>	Limited liability company
<b>ME</b>	Municipal Enterprise
<b>NAC</b>	National Anticorruption Center
<b>NBM</b>	National Bank of Moldova
<b>NHIC</b>	National Health Insurance Company
<b>NSIH</b>	National Social Insurance House
<b>PSA</b>	Public Services Agency
<b>SE</b>	State Enterprise
<b>SRC</b>	State Registration Chamber
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax

## Executive summary

This study was carried out with the support of the Ministry of Economy and the World Bank. The Survey on Cost of state regulation of business activity is carried out on a yearly basis and it's the 17th of its kind.

### Survey timeframe

The data collection period was from September to October 2018. The survey study covered the registration, construction and trading across borders areas - in the last three years, the judiciary environment - in the last two years and for the remaining areas - the past year or the time of questioning.

### Method

Interviews were carried out by trained personnel, guided by a structured questionnaire approved by the beneficiary. Interviewers travelled to respondent's business office to conduct face to face interviews with company managers.

Companies have been randomly selected from the total number of companies currently functioning in Moldova.

The data was analysed using the SPSS software. To ensure the representativeness of the obtained results, the high dispersion series outliers were removed. In many cases the median was used to distinguish the central tendency.

Indicators were calculated by overall country, region, type of activity and size of business. The report contains only relations bearing some sort of relevance. Average indicators with values displaying very large dispersions due to the low number of respondents were not included in the report.

### Sample

For the questioning 630 representative companies were selected randomly based on their legal form, number of employees, type of activity and geographic location. The sample does not contain agricultural and individual enterprises, banking institutions, or companies located on the left bank of the Nistru river.

Around 68% of the surveyed companies are located in Chisinau. Most entities (93%) are limited liability companies. Companies employing up to 10 people accounted for 82% of the total number of respondents.

### General time indicator

The general time indicator describes companies' perception of the degree of government interference in their activity. In 2018 this indicator increased from 7,9 to 10,2%.

### Registration

During the last three years, the registration of a company was accomplished in about 4 days after filing the documentation with the Public Services Agency. The duration has not changed compared to the data observed in the last two surveys.



Very few businesses encounter problems during registration. Instances of unofficial payments were not reported.

### Construction

In the last three years, only 24% respondents have moved to new spaces. Their share continues to decline year-over-year. About 8,4% of these or 2% per total number of respondents have built the spaces. The number of companies that changed the use of premises or have rebuilt them is double. The reconstruction permits were obtained in 9 days. Another 11 days were required for the final approval of the works.

Most of the respondents that moved to new locations have not carried out any alterations to the spaces. About 28% of them had to obtain permits to use the premises.

### Licensing

In 2018 the share of companies that had a license decreased from 42% to 34%. The average number of licenses per company did not change compared to the previous year - 1,4 licenses.

Both the duration and the cost of obtaining a license did not change over the past year. The share of companies that made unofficial payments to obtain licenses has increased significantly.

### Notification

Less than half (48%) of the surveyed companies are engaged in trade. About two-thirds (68%) of these have submitted notifications to local public authorities of their trade activities.

The amount of time required to prepare and submit a notification was reduced from 6,0 to 3,5 days. Managers spent around 4,0 hours on this procedure.

### Import

Only 10% respondents carried out import operations over the past three years. Their share decreases every year.

Nearly half (44%) of importers were required to obtain compliance certificates conforming to Moldovan standards for the imported goods. In two cases out of three, these companies had certificates of compliance with the requirements of the country of origin. Half of respondents mentioned cases where their goods were retained once they failed to produce certificates.

The certification of imported goods took 3,7 days to complete, 2 days less than in the previous year. The cost of obtaining a certificate has slightly declined.

Nearly 17% importers were required to obtain sanitary authorizations for the imported goods. Their share has halved over the last year.

An import customs procedure takes 2,6 days, with no changes compared to the previous year.

### Export

Just over 5% respondents carried out export operations over the past three years. The procedures required for an export transaction took 2,3 days - a slight increase compared to last year.

### Certification of goods and services

The number of companies that certify goods is steadily decreasing. Only 4% of the companies in the sample certified their goods.

Most of them certify batches of goods (84%). The average duration to obtain this certificate was 6,4 days. The official costs of obtaining a batch certificate add up to USD 109, excluding shipping costs and unofficial payments. Almost 30% respondents said they make unofficial payments to obtain certification.

### **Sanitary operating permits**

About 37% companies had to obtain sanitary operating permits. Their share has not changed compared to the previous year. A permit is obtained in 6,0 days. The total cost is about USD 77. The duration has slightly decreased, costs have remained at the same level.

### **Sanitary certification of goods**

The share of respondents who had to obtain sanitary certificates for goods has decreased from 8 to 5%. The certificate takes up 3,1 days to obtain, 2 days less compared to last year. The average cost of obtaining the certificate is USD 15. Cases of unofficial payments to obtain a certificate have not been mentioned.

### **Phytosanitary certification**

Companies have to deal with phytosanitary certification to a very low extent: only 3,3% had certificates at the time of questioning.

On average, a certificate is obtained within 2 days and implies a USD 32 cost.

### **Inspections**

The annual number of inspections per company decreased from 2,6 to 2,3 visits. The total amount of time spent by inspectors with a company increased from 11,5 to 14,5 hours per year. The increase was largely due to inspections by certain ministries and departments that were not analyzed in the report. Similarly, the licensing, environment and labor inspections take increasingly more time. More than 26% respondents think that inspections were justified and timely planned.

More often companies are subjected to fines by the Fiscal Service, Fire Service and Labor inspection.

Around 34% of the companies verified by the local public authorities admitted to paying bribes.

Only 6% respondents believe that businesses are treated equally by the law, with 44% mentioning that the law is applied selectively.

### **Taxes**

The procedure for preparing and submitting the reports takes slightly longer compared to last year.

The procedure for calculating, reporting and paying the income tax on legal entities generates the most problems, as mentioned by 25% respondents. Other taxes pose little to no difficulties.

### **Price regulation**

Prices are gradually less regulated. Only 9% respondents said they are selling at regulated prices. About 2,2% of the sales by all companies in the survey were made at regulated prices: 1,7 percentage points less compared to last year.

### **Regulation of labor relations**

The situation in labor relations has not changed since last year. Most businesses have the necessary number of staff. One in four interviewed companies think they have staff shortage.

### Contract monitoring

During 2005-2017 there were no significant fluctuations in the degree of State intervention in the execution of contracts, the share of those affected ranging between 3 and 6%. In 2018, however, 10% respondents mentioned that the state intervened in the signing of contracts.

### Judiciary system

The share of companies who had to resolve conflicts has not changed significantly over the last four years. Slightly more than 18% said they had conflicts they could not solve amicably. Most of the conflicts were with other companies: 73% of the cases; another 27% - with state institutions.

The share of companies that took to courts to address the conflicts has diminished: 35% of the cases. The number of companies that turned to other state institutions increased from 34 to 40%.

Almost a third of companies have used various unofficial yet legal methods. Conflicts were resolved using illegal methods in only 7% of situations, without changes compared to the previous year.

Only 34% of companies that filed a lawsuit were satisfied with the decision.

### Public procurement

About 14% respondents provided services based on public procurement procedures. More than half of them were satisfied with the experience.

Almost 30% respondents do not apply for public procurement contracts because they do not have the pertinent information. About 14% companies think that the procedures are manipulated and they would therefore not win any contract.

## Purpose of the study

The study was developed to monitor the main indicators describing the business environment regulation as well as to quantify the impact on economic agents of the actions undertaken by the Government during the analyzed period.

The project was carried out with a focus on the following goals:

- Provide the Government of the Republic of Moldova, as well as the national and international institutions with quantitative data on the costs incurred by businesses to comply with government regulations.
- Assist the Moldovan Government in the qualitative policy analysis with a view to implement the necessary decisions to improve business and investment climates in Moldova.
- Assist civil society institutions that make recommendations and need to monitor their impact.
- Establish a tool to monitor the changes in the business environment and the impact of the measures taken to reduce barriers and corruption in business.

## Methodology

### Outlines

The objective of the study can be achieved by measuring and comparing in time the perception of entrepreneurs and company managers regarding the costs they incur to comply with the requirements imposed by various government regulations.

The method is based on the assumption that the decision to start and develop a business is based more on managers' perception of costs rather than on the actual expenses incurred by them. If managers feel less pressure in a certain regulatory domain, it is deemed as a positive fact, even though no improvements have been made in the respective domain in recent years. Similarly, cases where government bodies have undertaken improvements in a certain area, but the changes were not made known to companies or were insufficiently "visible" to be referred to by managers, were deemed as a neutral fact.

Managers' perceptions of virtually every analyzed area are depicted concurrently with regulatory costs, expressed in terms of time and money, pursuant to the regulations in effect in the Republic of Moldova.

### Areas analyzed

In order to ensure the comparability of the results, the questionnaire developed in this study follows with small changes the logic of the questionnaires used in previous surveys.

In order to keep the questionnaire updated with the latest changes to the current legislation the chapter on trade activity notifications was adjusted.

In order to detect potential barriers to business growth, a new section was introduced: public procurement.

Regulatory costs are analyzed on the following components, where applicable:

- fees/tariffs established by state institutions;
- various legal payments to people outside the company or institutions, intended to facilitate the process of compliance with state regulations (legal advisers, experts in various fields, acquaintances who passed these procedures, etc.);
- payments for notary services that are required to comply with state regulations;
- transportation costs for travelling to the regulatory body or to collect the necessary documents (round trip);
- various "voluntary" contributions made under the pressure by the state bodies to facilitate the process of obtaining documents;
- bribes and other unofficial payments to representatives of state bodies to facilitate the regulatory procedures;
- time spent by company employees to obtain the necessary documents;
- amount of time spent to obtain documents, from the time the procedure was initiated until the required document was obtained.

The overall perception is analyzed for each area of regulation to unveil the changes in the complexity of procedures compared to the previous year (more difficult/bad, no changes, easier/good). It also

analyzes, if appropriate, on a scale of one to five, the impact of various impediments in the regulatory area in question.

### Selection of companies

In order to select the companies for interviewing, a database was created containing all companies functioning at the time of questioning, excluding farming households, financial institutions and individual enterprises, whose profile does not fall under the analysed regulatory area.

The database does not contain legal persons that do not carry out economic activities: nongovernmental organizations, community associations, educational institutions, housing associations and others. The selection of companies to be excluded was carried out based on CMEA codes. The regulatory framework of these companies is specific and does not comply with the purpose of this study.

For the survey, a sample of 670 companies was randomly generated from the database using the SPSS programme. Each company had equal chances to be selected. The sample was tested in terms of representativeness, using four criteria: region (raion), field of activity, legal-organizational form and number of employees.

The sample structure was compared with the general population structure, from which it was extracted. The sample was filtered based on the values "in excess" against the overall population. 40 companies were randomly removed from the obtained series. As a result, 630 companies remained in the sample with a distribution similar to the general population.

In several instances, no representatives of the company could be found at the legal address. Using the information found on the internet or the landline telephone numbers, interviewers travelled to the premises where the actual business activity was carried out. Companies that could not be found at both addresses were excluded from the sample. In some cases, after repeated attempts, the person entitled to offer information could not be found at the legal address or, s/he refused to be interviewed.

Companies that were removed from the sample were replaced by others, part of the same group, according to the four criteria above.

Approximately 13% companies refused to be interviewed, another 24% could not be found at the addresses. Compared to the previous survey, these shares decreased 6 and 11 percentage points respectively, which indicates a higher level of openness on behalf of the companies.

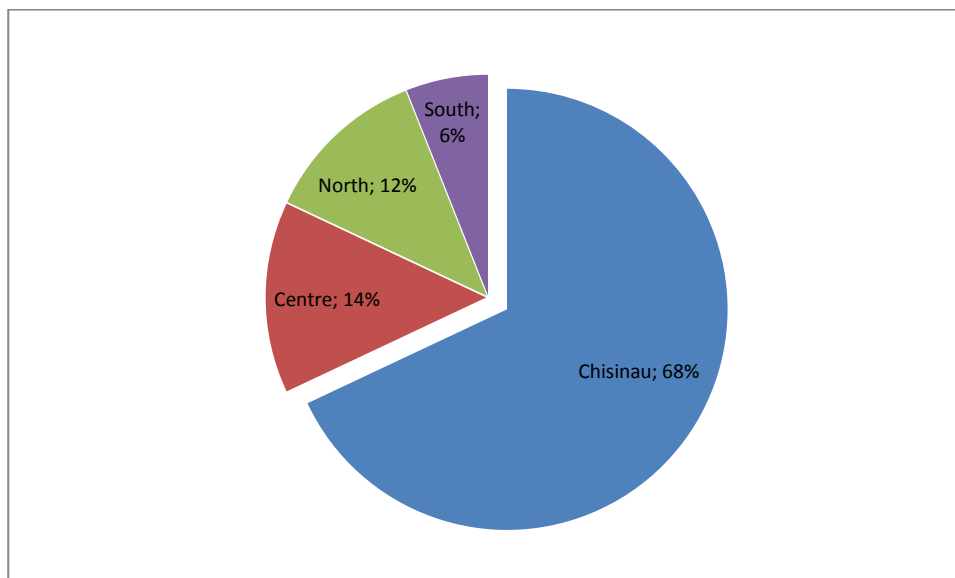
### Sample

The sample includes 630 businesses across the country except the raions located on the left bank of the Nistru river. In order to make region-wise comparisons, the raions and municipalities were grouped into three regions: north, centre and south.

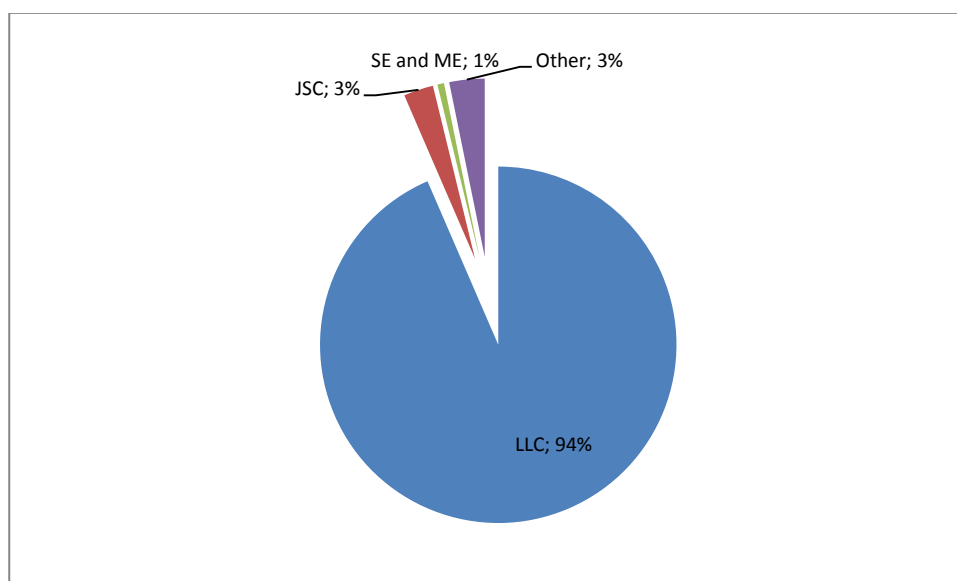
Table 1. Distribution of companies participating in the study

Region	Companies	Share
Chisinau	429	68%
North	74	12%
Centre	88	14%
South	39	6%
<b>Legal form</b>		
Limited liability companies	586	93,0%
Joint stock companies	27	4,3%
State or public enterprises	4	0,6%
Other	13	2,1%
<b>Number of employees</b>		
1 – 10	517	82,1%
11 – 50	89	14,1%
51 – 200	17	2,7%
> 200	7	1,1%
<b>Type of activity</b>		
Food industry	16	2,5%
Other industries	57	9,0%
Trade	267	42,4%
Transport	43	6,8%
Constructions	42	6,7%
Services (excluding transport)	148	23,5%
Other companies (management consultancy, scientific activity, legal advice, research, etc.)	57	9,0%

Most of the interviewed companies are located in Chisinau (nearly 70%). Around 12% are located in the north, including the municipality of Bălți, another 14% are residing in the centre. The remaining entities are found in the south region (see Figure 1).

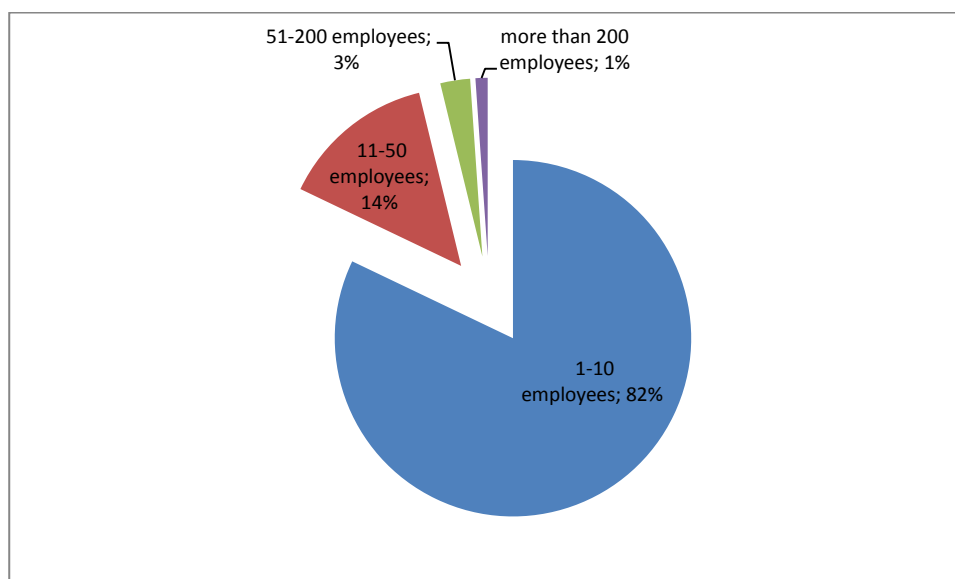
**Figure 1. Geographical distribution of companies**

The distribution by organizational and legal form has slightly changed compared to previous years. The share of state and municipal enterprises has become insignificant. Limited liability companies account for about 94% of the total number of the companies contained in the survey (see Figure 2).

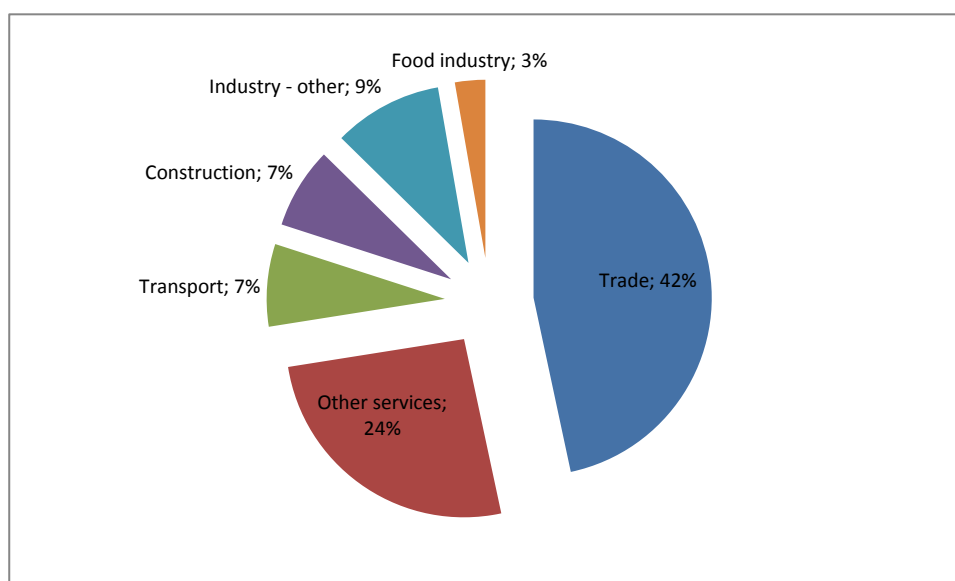
**Figure 2. Distribution by legal and organizational form**

The distribution by company size does not reveal significant changes either. The majority of companies have up to 10 employees (see Figure 3).



**Figure 3. Share of companies based on number of employees**

More than 40% of the surveyed companies were engaged in trade. The share of companies in services, including transport, was over 30%. The distribution has changed insignificantly compared to previous years.

**Figure 4. Sample structure by type of activity**

## Interviews

The persons approved to conduct interviews received an initial special training. For the most part, respondents were informed in advance about the interviewer's visit.

The interview was conducted with the first person in the company or his delegated representative. The respondent was informed about the purpose of the survey. Respondents were interviewed in face-to-face interviews, based on questionnaires structured by regulatory areas. In order to facilitate the interviewing process and avoid ambiguities in the interpretation of the text, the questions were set up in the form that would be read to the respondent. Also, the questionnaire contained references to different questions depending on the answer.

Interviewers were instructed to avoid suggesting answers or objecting to the answers provided by the

managers.

### Checking the quality of data collection

In order to ensure the quality of data collection, about 10% of the interviewed companies were randomly contacted. Following a short discussion on the phone, it was verified that:

1. the interviewer has indeed discussed with the company official
2. answers to several questions matched those noted in the questionnaire.

### Data processing

The statistical data obtained during the survey were analysed using the SPSS statistical program.

Prior to proceeding to calculate the indicators, the outliers in the database most likely to distort the average values were removed. The threshold is decided upon by the expert that performs the analysis. As a rule, the elimination of one data should not affect the median value of the series. In practice, the degree depends on the number of answers and the size of dispersion. If the resulted dispersion is too high, the indicator average is not representative and it is removed from the analysis results.

The average values are calculated both within the sample and divided into groups, depending on the: region, company size, type of activity and organizational and legal form. The report contains only results bearing some kind of correlation.

In many cases, the dispersion drawn by the amount of payments is too high to allow for the calculation and the analysis of the average amount. However, it might prove useful to include the data on the share of companies who made such payments. E.g. it is important to see how the share of companies that made unofficial payments has changed. For areas where the number of respondents is insignificant, only synthetic indices were calculated per total country.

The average data was calculated only for respondents who answered the corresponding question. Thus, the average of total expenses does not represent the average of component expenses.

The value of indicators included in the report are calculated in US dollars at a rate set by the National Bank of Moldova during that period or, where applicable, at the time of questioning.

The following exchange rates set by the National Bank were used in the study:

2016	- 19,92
2017	- 18,49
January-October 2018	- 16,73

## 1 General Indicators

### 1.1 Regulatory environment – general considerations

The main laws that regulate the entrepreneurial activity are as follows:

- Law no. 235-XVI of 20 July 2006 on Fundamental principles governing entrepreneurial activity (Guillotine II). Some of the principles to be mentioned:
  - ✓ The tacit approval to start and/or operate a business activity where the applicant is not notified within the deadline set by law.
  - ✓ The advisory status of the state supervision of entrepreneurial activity, except for financial and tax inspections.
  - ✓ Cancellation of payments for services rendered and documents issued to entrepreneurs by public authorities where they are not approved by law.
  - ✓ The Parliament is the sole authority to establish the compulsory technical and sanitary conditions, standards and other similar documents.
  - ✓ Handling the uncertainties in applying the laws in favour of the entrepreneur.
- Law no. 280-XVI of 14 December 2007 and Law no. 281-XVI of 14 December 2007, approved for the purpose of adapting the regulatory framework to the principles laid down in Law no. 235-XVI.
- Law no. 160 of 22 July 2011 on Regulation through authorization of entrepreneurial activity and Law no. 162 of 22 July 2011 on Amendment and supplement of certain legislative acts that establish the Nomenclature of permissive documents, as well as sanctions against persons in key positions who delay the release of permissions or request additional documentation that is not set out in the Nomenclature (Guillotine II+).

### 1.2 General time indicator

*The general time indicator* is a synthetic indicator broadly describing the extent of the influence the state bodies have over a company. It represents the perception of the amount of time the company management spends to communicate with representatives of the state bodies. Throughout 2010-2015, the indicator did not change essentially, oscillating between 10% and 11%; it decreased to 8% in 2016-2017. In 2018 the indicator returned practically to the level of 2010-2015 – 10,2%. The median was 10%.

Out of the nearly 4,3% of the observations removed from the average calculation, 1,1% showed a "99%" value, which denotes a high degree of protest from the concerned companies.

The evolution of the indicator, shown in Figure 5, suggests a worsening of the perception of the business managers regarding the business environment.

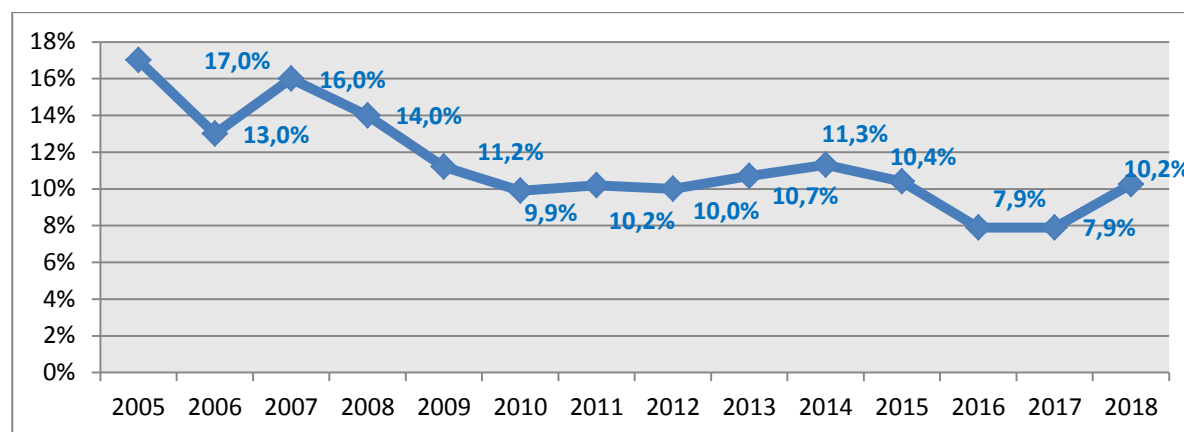
Companies in R&D, management consultancy, scientific activity, legal advice (8,9%) spend the least amount of time to communicate with state bodies. Construction companies spend the largest amount of time for this purpose (13,6%).

Managers of companies with up to 10 employees, which account for over 80% of the sample, spend on average 10% of the time on communicating with state bodies. Companies with more than 10 employees interact more with state bodies (11,4%).

By region, the best situation is observed in the South (7,2% of the time); the North region is at the opposite end - spending on average 15,9% on this process.

However, with some exceptions, the results on most chapters analyzed in the survey indicate either improvements or a diminishing impact (percentwise) on companies. This suggests that the year-on-year increase of the *General Time Indicator* is rather influenced by factors other than those analyzed in this study. One of possible explanations could be related to the effect of the pre-election perceptions, a factor also visible in 2014, when business managers assessed the business environment more harshly.

Figure 5. Share of time spent to comply with regulation requirements



### 1.3 General perception of the changes in the business environment

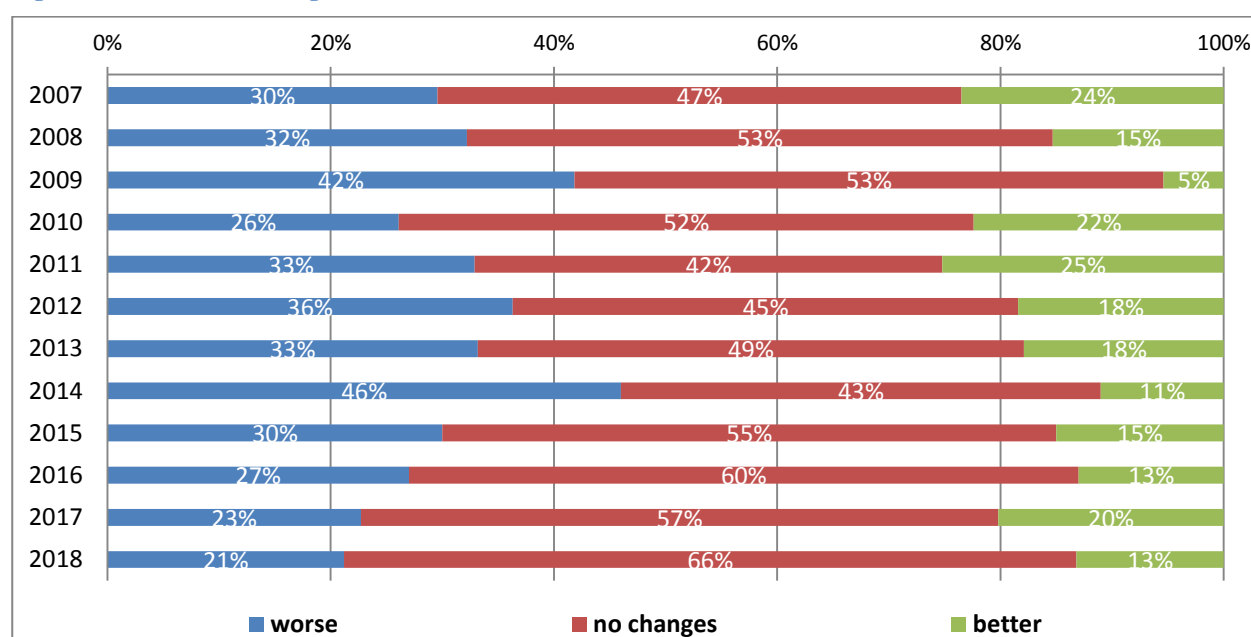
In 2018, the share of companies that indicated a worsening in the business environment continued to decrease, with the lowest level recorded in the last 10 years.

Companies in Construction (33,3%) and Other services (26,4%) account for the largest number of companies that believe that doing business in Moldova is more difficult.

In R&D, science, law, notary, consultancy (25%) and Industry (21%) the number of managers who saw improvements in the business environment surpassed the number of managers who say the opposite.

Companies residing in Chisinau saw more business improvements (16%) compared to companies in the rest of the country (7,5%).

Figure 6. Assessment of changes in the business environment



Nevertheless, the share of companies who indicated improvements in doing business also has diminished considerably.

In general, the perception of the business community remained largely the same as last year, which was mentioned on average by 2 out of 3 interviewed companies.

This indicator measures the trust managers and entrepreneurs have in state institutions rather than the implemented policies. It depicts the business environment's perception of the government.

At the same time, the share of businesses who expect improvements in the business environment in the next year (25%) almost equals the share of businesses who think the situation will worsen (27%).

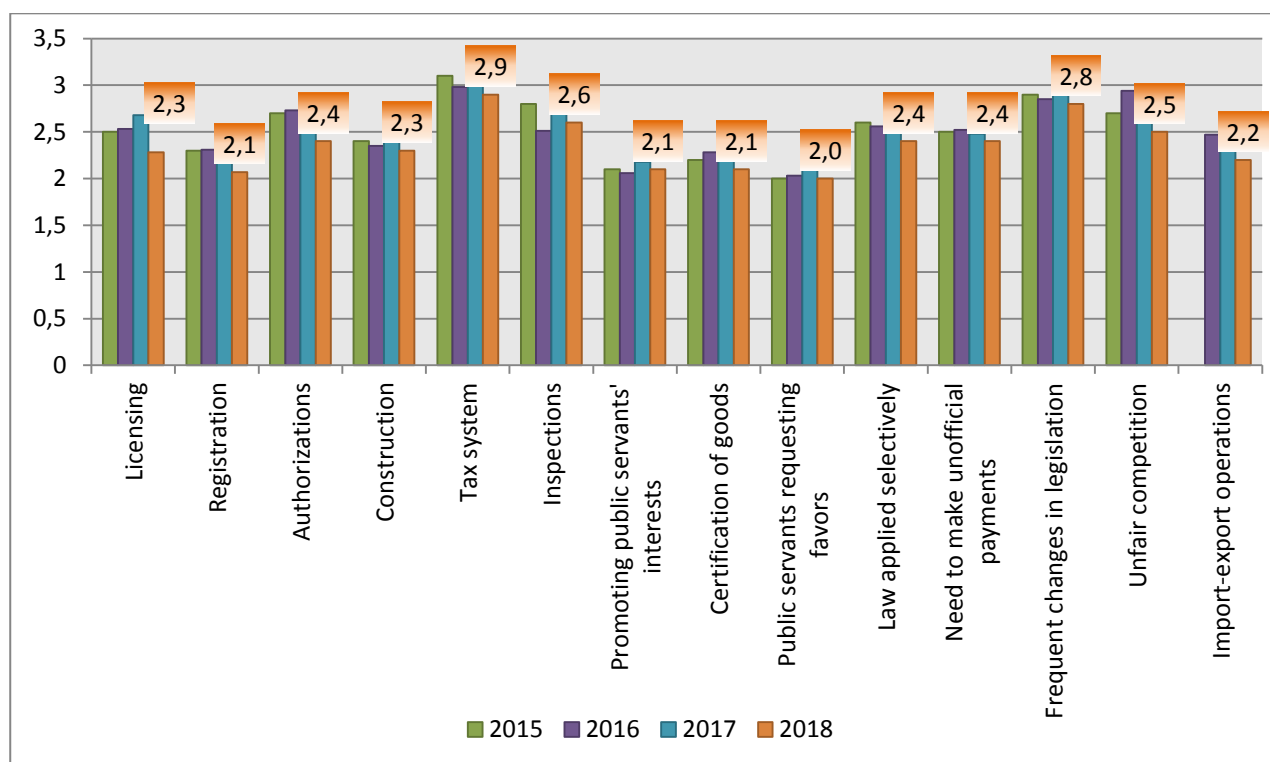
#### 1.4 General assessment of various business aspects

Managers believe that the biggest difficulties are posed by the tax system.

The graph below shows how the regulatory areas have changed over the last four years in terms of their impact on the business environment.

Product certification and registering a business are areas that generate the smallest number of problems.

Figure 7. Difficulties encountered



## 2 Registration procedure

### 2.1 Regulatory framework

The Public Services Agency has the authority to register new businesses and amend the incorporation documents. These procedures are regulated by Law no. 220-XVI of 19 October 2007 on State registration of legal entities and individual entrepreneurs (effective 30 May 2008).

In order to officially register a business, the following documents are required:

- a) application for registration, compliant with the sample approved by the state registration body;
- b) decision on incorporation and incorporation documents of the legal person, based on its legal form, in two copies;
- c) opinion of the National Commission for Financial Market - required for insurance companies, non-state pension funds, savings and loan associations and, in cases established by legislation, for non-bank credit organizations;
- d) a document confirming the payment of the registration fee.

To register their business with the state, foreign-funded legal entities are required to submit additional documents:

- a) excerpt from the national register of the investor's resident country;
- b) incorporation documents of the foreign legal entity;

According to Law 21 of 04 March 2016, procedures related to state registration are carried out through the *one stop shop for state registration* office. This is a mechanism whereby the state registration body delivers to parties engaged in entrepreneurial activities, through one access point, advice on legal formalities regarding the incorporation and registration of a legal person and of an individual entrepreneur; verifies the name of the legal entity, produces the incorporation documents, carries out the state registration procedure, publishes the information in the electronic Newsletter; requests the necessary information on registration from public authorities without involving the registrant; distributes the elements contained in the Register of legal entities and the Register of individual entrepreneurs to relevant authorities responsible for tax, statistical, health and social records.

The state registration is carried out within one office day.

Registration of legal entities and amendments to the incorporation documents cost MDL 1149. Other services related to the state registration are rendered for the amount set by Law no. 220-XVI of 19 October 2007.

The Public Service Agency (The State Registration Chamber) is responsible for the legal person's tax, statistical, health and social registration (record) by submitting electronically the data on its registration to relevant authorities. The Chamber also notifies the legal person of the registration process.

Law no. 90 of 29 May 2014 (published on 27 June 2014) simplified the procedures to suspend an activity, to reorganize or close a company. The Law also reduced the amount of time set for the notice to be published in the Official Gazette.

Government bodies may request information at no charge from the State Register only in electronic form.

Law no. 104 of 9 June 2017, published on 7 July 2017, is to further simplify the procedures for liquidation of companies by clarifying and simplifying respective procedures.

Law no. 288 of 15 december 2017 amended the procedure for suspending the activity and for the liquidation of companies whose activity was suspended. As a result, the procedure has become easier and clearer.

## 2.2 Time to complete registration procedures

Around 16,2% of the interviewed companies have contacted the Public Services Agency (up to the reorganization - the State Registration Chamber) over the past 3 years. Their share slightly increased compared to last year's data.

About 46% of them registered their business, another 54% made changes to the incorporation documents.

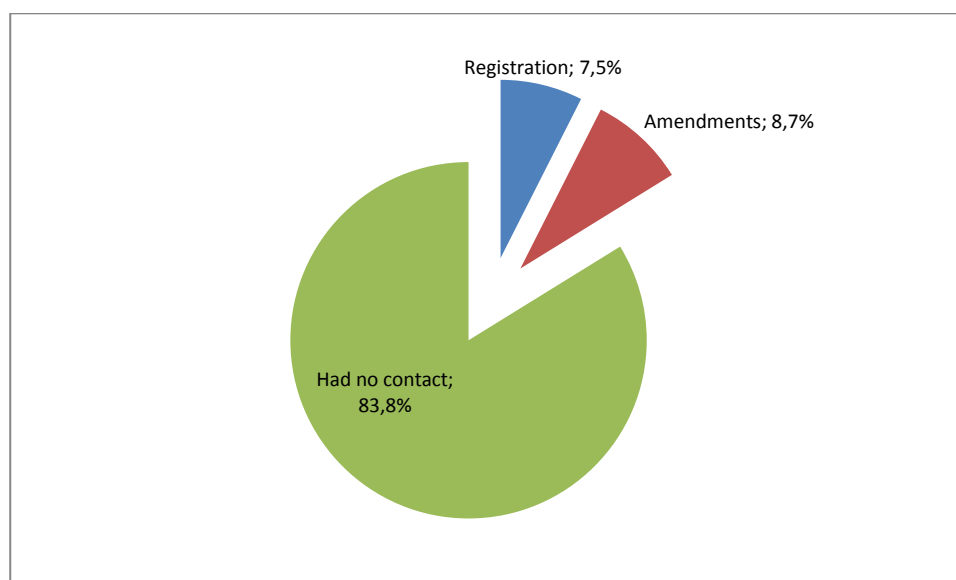
Slightly over 30% respondents registered or changed the incorporation documents through an intermediary. The average amount of time to register in this case was 15 days, including the requests to make changes to incorporation documents.

Companies engaged in Other services account for the largest share (19,6%) of registrations/amendments to the incorporation documents.

Fewest registrations/amendments were requested by Construction companies (9,5%).

By region, companies located in Chisinau were the most involved with the State Registration Chamber (18,9%); the North region was involved with only 4,1% businesses.

Figure 8. Share of companies that contacted the Public Services Agency over the last three years



During the period under review, the registration of a new company with the Public Services Agency took 4,0 days. Managers spent 4,0 hours on the registration procedures. The data were estimated based on the median, the dispersion being high.

The above figures cover the timeframe from the moment the documents are filed with the Public Services Agency up to moment the registration or the amendments are finalized. These figures do not cover the cases where companies turned to an intermediary.

The amount of time required to make changes to the registration documents was 3,2 days. The time spent to complete the procedures was 4,1 hours (the median was 2 hours).

The share of newly created companies that had to "register" over the past three years with the Department of Statistics and Sociology, the National Health Insurance Company and the National Social Insurance House is steadily decreasing. The number of companies who mentioned having to visit the fiscal authorities following the registration procedures is increasing.

## 2.3 Costs of registration procedures

Business owners spent around USD 82 to register a company with the Public Services Agency. Amendments to the incorporation documents cost around USD 65. An insignificant number of respondents mentioned payments to other institutions.

In about 40% instances respondents mentioned having paid notary fees.

Registering or making changes to the incorporation documents through an intermediary cost USD 262 and USD 140, respectively.

In order to ensure the representativeness of the data, the median was used to describe the average.

No instances of unofficial payments to facilitate the registration process were mentioned by respondents.

## 2.4 Perception of procedures

Respondents who registered or amended the incorporation documents in the last three years were asked to assess the problems they encountered by scoring from 1 to 5, where 1 - no issues and 5 - major issues. The table below illustrates the assessment results of difficulties faced during the registration of a company.

**Table 2. Registration-related problems**

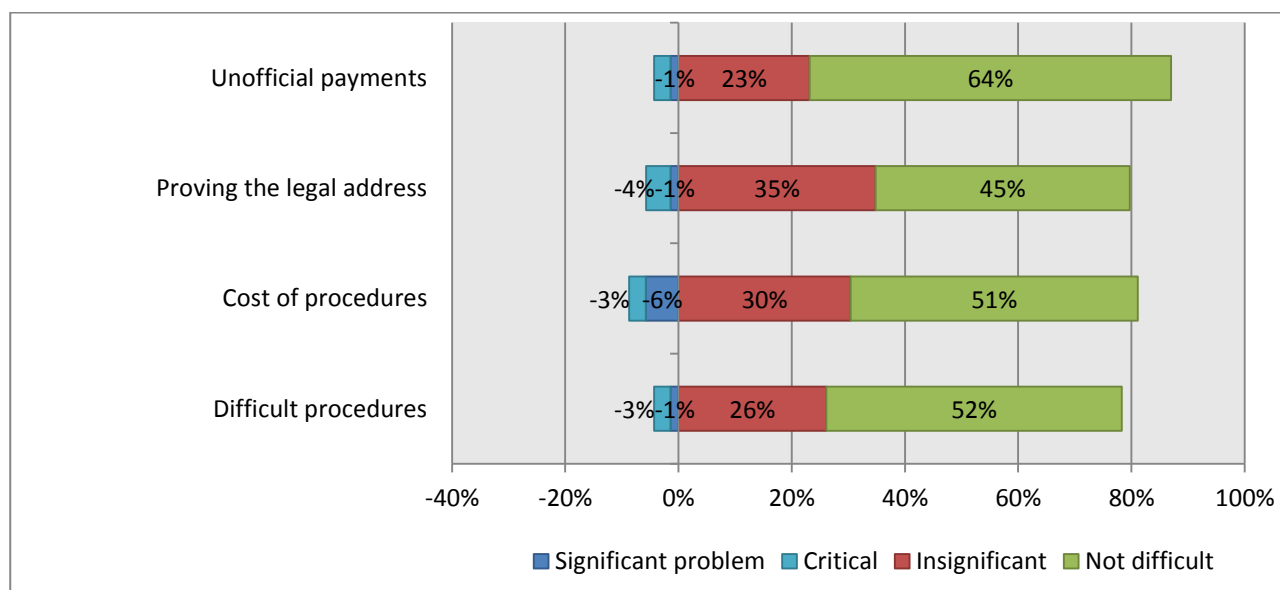
Problems	Period of data collection			
	2015	2016	2017	2018
Difficult registration procedures	1,9	2,6	2,4	1,8
High costs of the procedure	2,0	2,3	2,2	1,8
Need to prove the address of the legal entity	2,0	1,9	1,9	1,9
The need to make unofficial payments	1,7	2,1	1,9	1,6

The data represent the opinion of respondents that have registered or made changes to the incorporation documents over three years: the survey period and two previous years.

As shown in the table above, procedures with the Public Services Agency have become much simpler over the past year. An insignificant number of respondents mentioned certain difficulties in the registering or amending documents procedures with the Public Services Agency (see Figure 9).



Figure 9. Problems faced by businesses in the registration process over the last three years



## 2.5 Summary of analysis

In the last three years the average amount of time to register a company with the Public Services Agency was 4,0 days. Amendments to the incorporation documents took during this period of time around 3,2 days to complete. The data does not include eventual registrations with other state institutions (see Table 5). An insignificant share of companies had to report to other institutions following the registration procedures, except for fiscal authorities, to which half of respondents had to report to.

About 30% respondents turned to intermediaries for help in completing the registration procedures. Both the time and the cost figures were higher compared to in-person registration. Compared to the previous year, this share has slightly decreased.

Very few companies encounter difficulties in the registration process.

Table 3. Duration of process and number of hours spent to register with the SRC (PSA) in recent years

Indicators	Survey period	2015	2016	2017	2018
Duration of registration process, days		7,1	3,9	4,0	4,0
Duration of amendments to the incorporation documents, days		5,0	4,4	3,2	3,2
Time spent on registering, hours		4,8	4,2	4,0	4,0
Time spent on amending the incorporation documents, hours		3,9	5,1	2,7	-

## 3 Construction

### 3.1 Regulatory framework

Law no. 721-XIII of 2 February 1996 on Quality in Construction establishes the legal, technical, economic and organizational framework of activities in Construction carried out by natural and legal persons, their obligations and responsibility regarding the quality in construction. The law sets out regulations on new constructions, upgrading works, modifications, transformations, repairs and strengthening works.

According to the amendments introduced by Law no.153 of 30 July 2015, a construction may commence only after the project has been verified by project verifiers certified with relevant authorized institutions.

According to Law no. 721-XIII of 02 February 1996, two Government Decisions were approved on 25 June 1996: no. 360 on State supervision of quality in construction and Government Decision no. 361 on Construction quality assurance.

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

- The regulation establishes ways to exercise government supervision of quality in construction;
- Regulation on State Inspection in Construction;
- Regulation on the supervision of the use of public investments in constructions.

Decision no. 361 approves the Regulation on verification of projects and carrying out of construction works. It also approves the technical expertise of 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 approval is governed by Regulation on permission to use the construction and related facilities, approved 23 May 1996 by Government Decision no. 285. Through the amendments brought by Government Decision no. 318 of 23 May 2017, procedures for the approval of constructions financed through private financial means have been substantially simplified.

The main responsibilities in placing the constructions into service following the final approval are stipulated in the Regulation on monitoring the construction's performance, interventions over time and post-use of construction, approved 24 April 1997 by Government Decision no. 382.

Law no. 835 on Urban and spatial planning principles of 17 May 1996 and Law no. 163 of 09 July 2010 on the permission to build a construction define the principles for the issuance of the urban planning certificate and of the building permit:

- The urban planning certificate and the building permit are issued by local public administration authorities.
- The urban planning certificate is issued within a maximum of 20 office days. The building permit is issued in 10 office days.
- If the local public administration authority remains silent for the time prescribed by law, the urban planning certificate and the building permit will be deemed granted. If the applicant does not receive a written notification on the reasons for the registration rejection and/or for the rejection of the application for building permit/urban planning certificate, the applicant may start the activity for which these documents were requested.

The Government Decision no.1469 published on 3 March 2017 approved the Regulation on the creation and functioning of the one-stop shop for the issuance of construction permissions. The Regulation sets out in detail the procedure for issuing the urban planning certificate and the building permit.

The main provisions contained in the regulation in constructions are as follows:

- Using the land plot and the plot planning may start only after the urban planning certificate has been obtained.
- Construction works are carried out exclusively according to a plan developed by an authorized natural or legal person.
- Construction works can commence only after obtaining the building permit.
- The quality of constructions of any use, regardless of their type of ownership and source of funding, also construction works, reconstructions, upgrades and major repairs to existing constructions, manufacture of construction materials and items are subject to state inspections.
- The Technical Supervision Agency carries out separate quality of construction verifications in all stages of the construction.

The Technical Supervision Agency was established by Government Decision no. 1088 of 18 december 2017, which took over the functions of the State Inspection in Construction.

### 3.2 Costs and time required to obtain construction permits

According to the survey, 24,4% of the interviewed companies moved into new premises in the past three years. About 8,4% of them built these spaces, 17,5% repaired or adjusted them, while 74% used them without making any changes.

The number of companies that built their spaces in the total sample is insignificant: only 13 respondents.

Obtaining permits for readjustment of premises took on average 9,0 days. Managers spent about 7,0 hours on this process (calculated using the median).

Companies located in Chisinau (28%) and Center (21,6%) moved more often in new or recently repaired spaces compared to those in the North and South - less than 10%.

Nearly 1/3 of Other Services companies and 28% of the companies in Industry moved into new / newly repaired spaces. The lowest share was noted in Transport and Construction sectors with 14% each.

Table 4. Time and costs required to obtain permissions to commence reconstruction works

	Have reported	Amount, USD
Fees to obtain permission	44%	109
Payments for notary services	4%	-
Payments to legal advisers and intermediaries	11%	-
Transportation expenses	30%	-
“Voluntary contributions”	15%	-
Unofficial payments	19%	-

The average amount was calculated based on the median.

After the repairs were completed, the surveyed companies spent 13 hours to obtain all permissions required to place into service the renovated spaces (final approval). The whole process took 11 days. Median values were lower: 8 hours and 6 days, respectively.

**Table 5. Time and costs required to obtain permissions to place into service the reconstruction works**

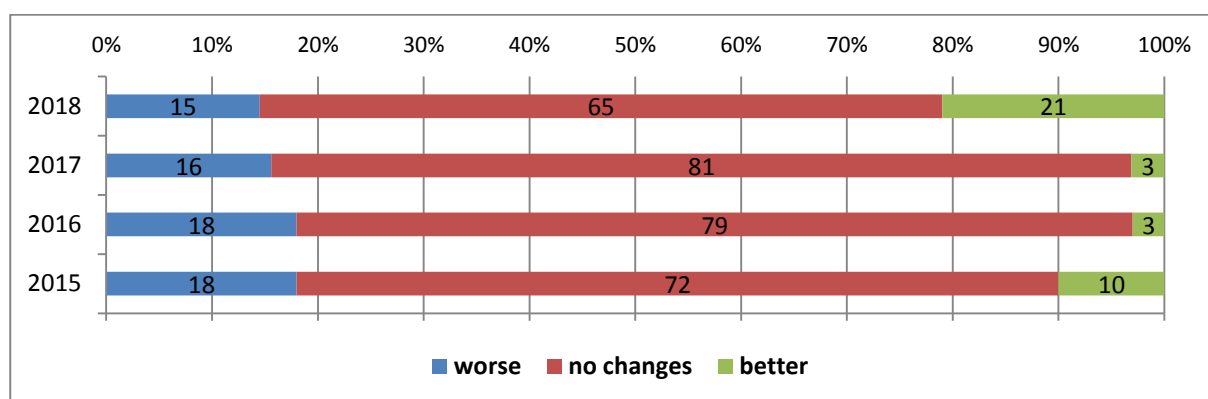
	Have reported	Amount, USD
Formal payments	41%	122 (median value)
Payments for notary services	4%	-
Payments to legal advisers and intermediaries	30%	-
Transportation expenses	30%	-
“Voluntary contributions”	19%	-
Unofficial payments	15%	-

Around 28% of the companies that used the spaces without modifying them had to obtain permissions to use them.

### 3.3 Perception of procedures

A significant number of respondents stated that they have seen improvements in the construction sector: 21%. Their share surpassed the number of respondents who think that the situation has worsened (Figure 10).

**Figure 10. Perception of changes in procedures governing the use of spaces**



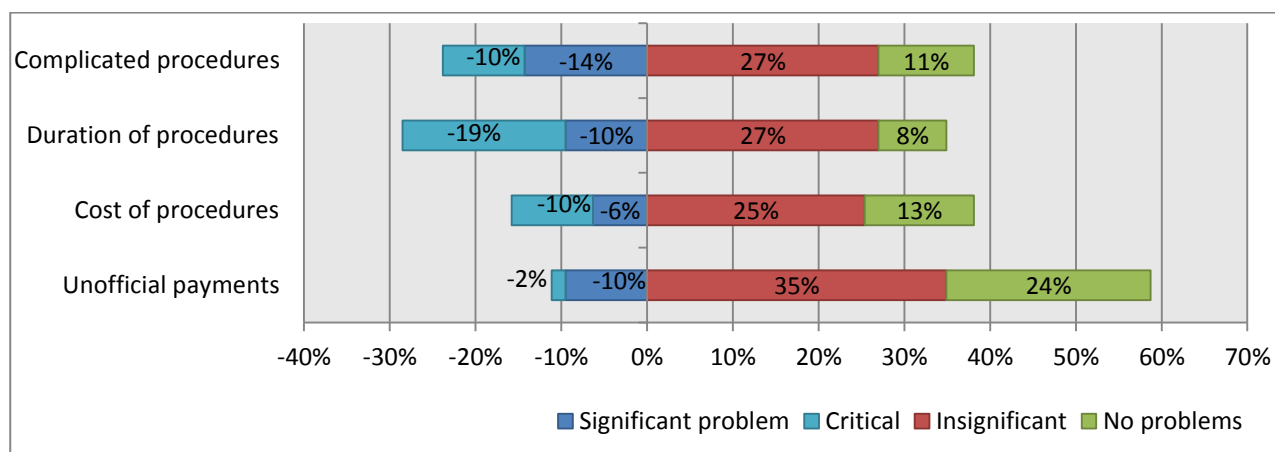
Respondents who started using spaces in the last three years were asked to assess the difficulties related to obtaining construction permissions by scoring from 1 to 5, where 1 - no problems and 5 - significant problems.

The biggest problem revealed by respondents is the lengthy process to obtain permissions (see Table 6). Their share has, however, decreased from 57% to 29%.

Table 6. Problems relating to obtaining permissions for reconstruction and repairs

Problems	Share
Complicated procedures	2,9
Procedures take too long	3,1
High costs	2,8
The need to make unofficial payments	2,3

Figure 11. Problems relating to obtaining permissions for construction and repairs



### 3.4 Summary of analysis

As a result of the actions taken in the past few years to facilitate the construction regulation process, including the elimination of redundant permissions, there is a slight decrease in the amount of time required to obtain construction permissions (see Table 7).

Table 7. Average amount of time to obtain permissions and final approval, days

Survey period	2012	2013	2014	2015	2016	2017	2018
Activity							
Repairs / renovation	38	39	29	31	36	23	20

## 4 Licensing

### 4.1 Regulatory framework

As of 27 October 2017 the licensing activity is regulated through Law no.160 of 22 July 2011, substantially modified by Law no.185 of 21 September 2017.

The law provides for 31 types of licenses, issued by the following bodies:

- Public Services Agency (13 activities);
- Medicines and Medical Devices Agency (1 activity);
- National Bank of Moldova (4 activities);
- National Commission of Financial Market (5 activities);
- National Energy Regulatory Agency (6 activities);
- National Regulatory Agency for Electronic Communications and Information Technology (1 activity);
- Broadcasting Coordination Council (1 activity).

#### *Documents required to obtain a license*

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

a) general information on the company;

b) type of activity;

c) a statement signed by the applicant to comply with the licensing conditions in carrying out the activities for which the license was requested and for the authenticity of the submitted documentation.

The application for license issuance is accompanied by additional documents compliant with the law provisions governing the activity for which the license is applied.

#### *Decision to issue a license or to reject the application for obtaining a license*

The licensing authority decides on the issue/renewal or rejection of the application based on the application and the documents attached, within a maximum of 3 working days from the registration date.

The license shall be deemed granted if the licensing authority does not notify the applicant within the terms provided by law. The tacit approval procedure applies to all licenses except those issued by financial sector regulators (banking and non-banking) and to activities related to the regime on firearms, ammunition and explosives.

#### *Licensing fees*

The standard license fee is MDL 3 250.

#### *License validity period*

Standard licenses have a 5-year validity period. Other types vary between 1 and 3 years.

The validity of licenses for activities that do not fall under the jurisdiction of the Public Services Agency is established by laws governing the respective license activity.

Law no. 26 of 13 March 2014 has introduced the e-licensing procedure. This allows the applicant, via a web interface, to send online applications for the issuance/renewal/reissue of a license. The notice of approval or rejection of the application is also received electronically.

## 4.2 Number of licenses

Around one third (33,8%) of the surveyed companies had a license at the time of questioning. In 25,6% cases companies had one license, in 6,2% cases – two licenses and in 2,0% - more licenses. The average number of licenses per company is 1,4.

The average validity period of a license did not change over the past years: 4,1 years. In 69% of cases the average validity period was 5 years.

## 4.3 Costs to obtain a license

The average amount of time required to obtain a license is 10,8 days. Costs amount to USD 187, of which USD 143 is the license issuance fee. Managers spent a relatively short amount of time on procedures – around 6,8 hours.

The most licensed activities are found in Constructions (66,7%) and Transport (67,4%). The lowest share of licensed businesses (22,8%) are found in Trade.

The share of companies residing in Chisinau that hold a license (33,3%) is similar to the results per the rest of the country (34,8%).

31,4% of the companies with up to 10 employees hold licenses. In companies with more than 10 employees the need to obtain a license is higher - 44,7%.

Table 8. Average costs to obtain a license

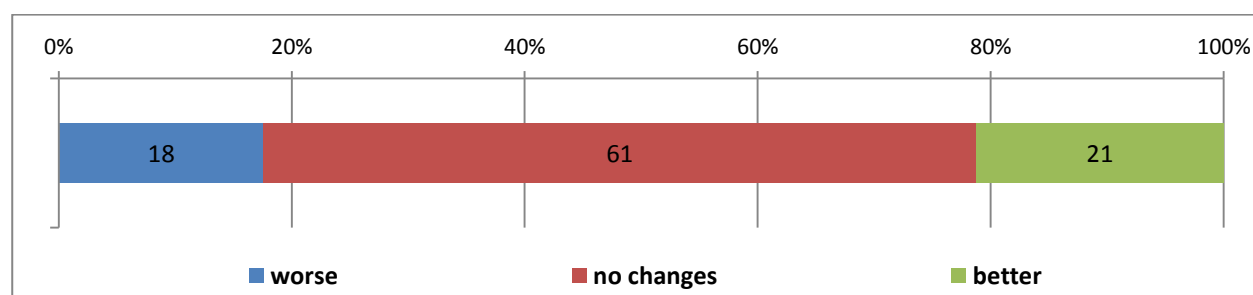
Category of payment	Have made payments, %	Amount, \$
Official payments / license fee	81%	177
Expertise and evaluation	15%	43
Notary services	11%	27
Legal advisers and intermediaries	18%	98
Unofficial payments	17%	68
Transportation expenses	30%	16

The series median was used to determine the central trend for costs. The calculations in the Table above were made using the average exchange rate in the last three years.

## 4.4 Perception of procedures

The interviewed companies were asked to assess the changes that occurred in the licensing procedures over the last year (Figure 12).

Figure 12. Perception of changes in the licensing procedures, %



Slightly more than half of respondents believe that the situation has not changed over the previous year. It is worth pointing out that the share of companies who observed improvements (21%) surpassed the share of companies who mentioned the opposite (18%).

Respondents who have carried out licensed activities were asked to assess the difficulties encountered in the process by scoring from 1 to 5, where 1 - no problems and 5 - major problems. The evaluation results are shown in Table 9 and Figure 13.

**Table 9. Licensing-related problems**

Potential difficulties revealed	Significance
Complicated regulatory procedures	2,4
Procedure takes too long	2,4
High cost of obtaining a license	2,1
Need to perform unofficial payments	1,8

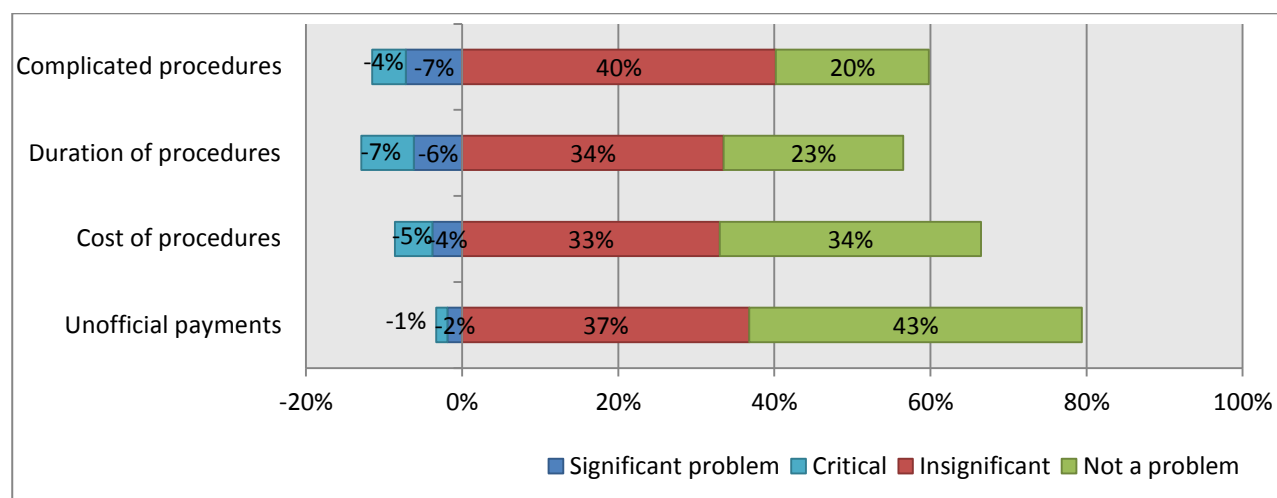
The difficulties relating to the license procedures have diminished compared to the previous year.

Licensing procedures are perceived as difficult by about 11% of respondents (19% according to last year's survey). Less than 10% respondents are affected by the high cost of procedures. About 13% respondents think that it takes too much time to obtain a license.

Most often, complaints about the difficulty of the licensing process were made by:

- Companies located in Chişinău (19,7%) and in the South (19%)
- Companies engaged in the Food industry (42,9%) and Transport (20,7%).

**Figure 13. Problems related to licensing**



## 4.5 Summary of analysis

Both the duration and the cost of obtaining a license remained virtually the same as last year (Table 10). The slight increase in costs was caused by the fall in the exchange rate.

The share of companies that make unofficial payments has returned to the 2016 figure.



Table 10. Evolution of costs related to licensing activities

	2011	2012	2013	2014	2015	2016	2017	2018
Share of companies subject to licensing	61%	52%	49%	37%	47%	43%	42%	34%
Average number of licenses	1,3	1,3	1,4	1,4	1,4	1,1	1,4	1,4
Time to obtain a license, days	18	16	18	14	11	12	11	11
Average cost, \$	240	266	294	401	163	172	179	187
Share of respondents who made unofficial payments, %	7%	9%	8%	1%	15%	18%	13%	17%

## 5 Notifying of the trade activity

### 5.1 General regulatory framework

Trade activities are regulated by Law no. 231 of 23 September 2010 on Domestic trade. The amendments brought by Law no. 153 of 1 July 2016 eliminated the need for authorization of trade activities. Companies under consideration are currently required to submit a notification. The notification to initiate a trade activity is submitted separately for each trading unit and/or place of sale with the local public administration authority, in person or using the online informational resource on trading.

### 5.2 Time required to submit a notification

Nearly half (48%) respondents are engaged in trade activities. About 68% of them filed notifications with LPA on the conduct of trade activity.

The procedures for preparing and submitting the notification took 3,5 days. The amount of time spent to prepare the requested documents was about 4,0 hours.

### 5.3 Perception of the notification procedure

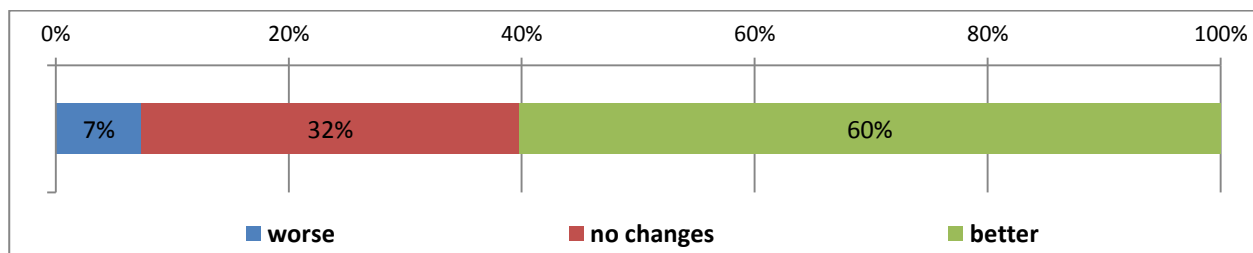
Respondent companies that submitted a notification with local authorities to conduct a trade activity were asked to assess the process compared to the previous years, when they were required to obtain authorizations. The answers are presented in Figure 14.

In Chisinau fewer companies (46,6%) are engaged in trade activities compared to the rest of the country (50,2%).

Significantly fewer companies are engaged in trade activities in the country (excluding Chisinau) - their share dropped from 68,2 to 50,2% YoY.

By sectors, the highest share of companies carrying out trade activities are found in Trade (76,4%) and Industry (50%).

Figure 14. How managers perceive Notification, compared to last year



About 60% respondents think that the notification process is easier compared to last year. Only 7% stated the opposite.

Even if not provided for in the legislation, upon filing a notification, authorities still request the same documentation that was necessary to obtain a trade authorization:

Table 11. Documents requested upon submitting the notification

Requested documents	Share of respondents, %				
	Total	Chisinau	North	Centre	South
Property title / rental agreement	73	67	87	76	75
Registration certificate	88	81	100	92	100

Requested documents	Share of respondents, %				
	Total	Chisinau	North	Centre	South
Excerpt from the PSA	60	45	89	71	83
Copy of administrator documentation	67	53	89	82	92
The „old” authorization	52	39	89	58	50
The planning of commercial spaces	45	56	16	40	50
Other documentation	32	35	8	29	92

Even though the situation in Chisinau has slightly improved, local authorities in the rest of country continue to disregard the provisions of the Law 231 on domestic trade.

## 5.4 Summary of analysis

The elimination of trade authorizations has considerably simplified the regulation procedures on trade activities for most companies. Most respondents (about 60%) hold this opinion.

Thus, most businesses no longer have to:

- "renew" the authorization upon the extension of the lease contract
- obtain sanitary permissions
- obtain approvals from the fire department and the sector praeture (in the municipality of Chişinău).

Managers' poor knowledge of the laws, as well as the predisposition to work "the old-fashioned way" of most local public employees led to weak effects of the Law 153 of 1 July 2016.

## 6 Trading across borders

### 6.1 Regulatory framework

General provisions on customs procedures are contained in the Customs Code of the Republic of Moldova, approved by Law no. 1149-XIV of 20 July 2000, reissued on 1 January 2007.

All import and export activities require their prior registration with the Customs Service in the Republic of Moldova.

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

Repatriation of funds is also covered by import-export operations regulatory area. Even if not directly related to customs procedures, it is a requirement imposed by Law, which affects the import-export activity.

Pursuant to Law no. 1466-XIII of 29 January 1998 on Regulation of repatriation of money funds, goods and services originating from foreign economic transactions, the notion of "repatriation of money funds" is the collection of money means from non-resident businesses, within a set time limit, of the money funds related to exports of goods, provision of services/works to non-residents. The term also covers other foreign operations and transactions in accounts opened with authorized banks in the Republic of Moldova. The amount of funds must be shown in the customs declaration, while the costs of services and works - in the confirming documents (contracts, deeds of works or services, invoices).

Companies that sell predominantly abroad face another procedure – the recovery of VAT.

The refund of value added tax is regulated by Government Decision no. 93 of 01 February 2013. The company has the right to choose the method of repayment: offset against other tax liabilities 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 state tax authority initiates the thematic inspection as soon as the taxable subject files an application. Applicants who meet the following four conditions are exempt from this inspection:

- 1) the subject of taxation has been active for at least two years;
- 2) the subject of taxation was granted refunding of VAT previously at least twice;
- 3) the last thematic inspection on the VAT refund revealed that the amount of the VAT to be refunded, confirmed by the State Fiscal Service, is equal to the amount requested by the payer;

- 4) during the last tax inspection the amount of taxes, duties, compulsory state social insurance contributions and compulsory health insurance premiums did not exceed 1% of the total deliveries made during the verified fiscal periods.

The VAT is refunded within 45 days out of which 30 days are spent on verifications and decision making and 7 days - on the actual refund.

## 6.2 Import transactions

About 10% respondents carried out import operations over the past three years. On average, an importer carries out 8,8 transactions per year. In 2018 the share of importing companies continued the downward trend.

### 6.2.1 Certification costs of imported goods

About 44% importers had to obtain certificates for imported goods compliant with the standards in the Republic of Moldova. In 2/3 cases, companies that had to obtain certificates of compliance with the standards in the Republic of Moldova had already been certified under the requirements of the country of origin. In most cases, the certified goods came from the European Union and Ukraine.

The certification of imported goods took 3,7 days to complete. Managers spent about 4,4 hours for this purpose. Expenses relating to obtaining certificates amounted to USD 109, excluding payments to notaries, intermediaries and bribes. Almost 11% respondents paid bribes to obtain certificates.

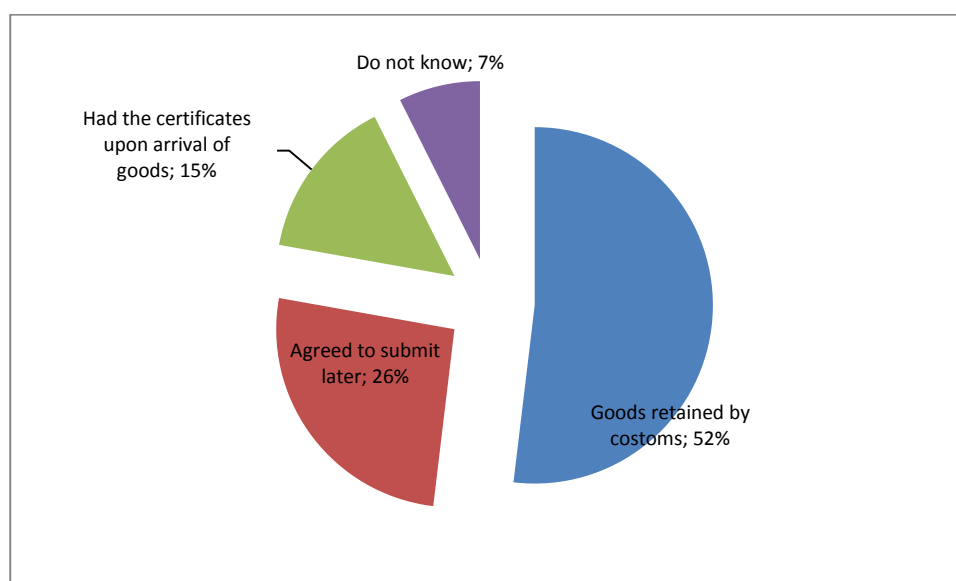
The highest shares of companies that carry out import operations is recorded in Chisinau (11,4%). In the remaining area importing companies account for 8,0%.

The reduction of the importers' share compared to the previous year occurred mainly on the account of the companies in Chisinau: from 17,2% in 2017 to 11,4% in 2018.

The share of importing companies is higher (22%) among companies with more than 10 employees compared to the share of importers per total companies employing up to 10 employees (7,8%).

By type of activity, the largest share of importers are found in the Non-food industry (17,5%) and Trade (15,7%). R&D, science, legal, notarial and consultancy segments produce zero importers.

Figure 15 Handling the situation of lacking the certificate of compliance



More than half of respondents whose activities require certificates of compliance mentioned cases where their goods have been retained by customs because they lacked certificates of compliance. One fourth of respondents obtained the certificate some time later.

Around 17% importers had to obtain sanitary authorizations for the imported goods.

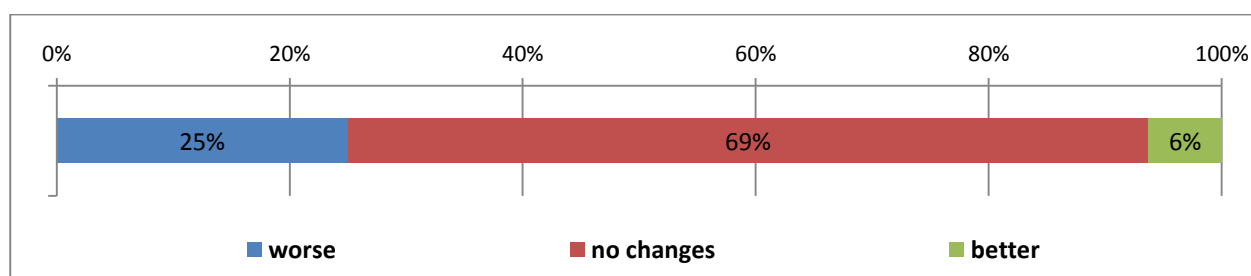
### 6.2.2 Customs costs

In the past three years customs procedures took 2,6 days to complete. The dispersion of values of the amounts of fees paid in customs procedures is very high, varying around MDL 5000 or about USD 272, excluding customs and excise duties. One third of importers paid bribes to facilitate the customs procedures.

### 6.2.3 Perception of import procedures

As in the previous year, about two-thirds of companies did not notice any changes in import conditions (see Figure 16). About 25% of respondents said that procedures became more difficult this year and only 6% mentioned the opposite.

Figure 16. Perception of changes in import procedures



Respondents are least concerned about the sanitary certification upon import. Other issues have approximately the same impact.

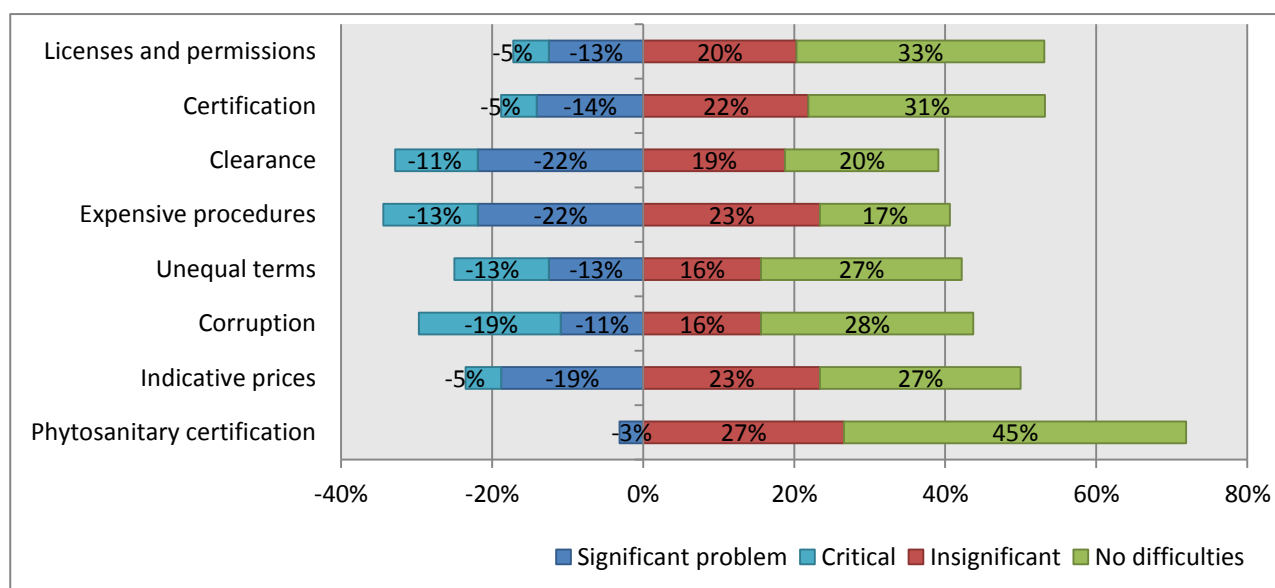
Table 12. Most significant problems on import

Elements	Survey period				
	2014	2015	2016	2017	2018
Difficulties related to obtaining permissions and licenses	1,6	2,1	2,6	2,8	2,4
Difficulties with certification	1,6	2,3	2,7	2,7	2,4
Customs procedures	1,8	2,3	3,2	3,1	2,8
High tariffs on customs procedures	2,3	2,6	3,3	3,0	2,9
Unequal terms for importers	1,9	2,4	3,1	2,9	2,7
Corruption in customs	2,0	2,3	2,9	2,7	2,8
Indicative prices on goods	1,8	2,4	3,1	3,3	2,5
Phytosanitary certification	1,4	1,9	2,1	2,4	1,9

Note: difficulties were scored from 1 to 5, where 1 - no difficulties and 5 - significant difficulties.

About 35% of respondents believe that the customs clearance fees are too high. Less than one-third of respondents are dissatisfied with the degree of corruption in customs.

Figure 17. Perception of difficulties related to import transactions



### 6.3 Export transactions

About 5,1% of respondents carried out export operations over the past three years, with an average of 13 operations per year.

A customs export procedure takes 2,3 days to complete. Costs depend on the value of the goods in the customs and display an overly high distribution to define an average amount.

### 6.4 Summary of analysis

Given the small number of companies that import or export, both the duration and the cost of customs procedures have a large data dispersion. It is therefore difficult to establish a trend for these indicators (see Table 13).

Fewer companies needed sanitary certificates on import compared to previous years.

By field of activity, the largest share of exporting companies is recorded in Industry (19%).

The share of exporters in companies with up to 10 employees is 4,5% and 7,9% among companies with more than 10 employees.

Table 13. Dynamics of import-export procedures and regulations

Indicators	Survey period						
	2012	2013	2014	2015	2016	2017	2018
Duration of customs procedures on import, days per transaction	2,7	2,5	2,0	1,5	2,7	3,1	2,6
Costs of customs procedures on import, \$ per transaction	152	158	261	136	287	307	272
Duration of customs procedures on export, days per transaction	1,7	2,0	2,0	2,1	1,9	2,1	2,3
Costs of customs procedures on export, \$ per transaction	89	152	213	37	172	105	-

## 7 Certification of goods

### 7.1 Regulatory framework

Certification of goods is governed by the following laws:

- Law no. 20 of 04 March 2016 on Standardization;
- Law no. 420-XVI of 22 December 2006 on Technical regulation activity, republished 31 March 2017;
- Law No. 235 of 1 December 2011 on Accreditation and compliance assessment activities;
- Law No. 78-XV of 18 March 2004 on Food goods.

The Standards Institute is the national institution responsible for standardization in the Republic of Moldova. The Institute creates technical standardization committees which develop moldovan standards that are approved by the Standards Institute in Moldova. Moldovan standards are approved or adopted through decision by the Standards Institute in Moldova.

The decision to apply national standards is voluntary. Only then does a standard become mandatory (through a legislative act which makes direct reference to this standard) when public concerns such as protection of life and health, security of people, environment protection and consumers' interests make this action necessary. Application of standards is also mandatory for parties that report compliance with a certain standard through a contract, trademark, declaration, certificate or any other form.

Law no. 235 of 01 December 2011 sets out the regulated areas. In the regulated areas covered by the EU harmonization legislation, national technical regulations transpose this legislation.

### 7.2 Certification costs

Only 4% of the surveyed companies have certified goods.

Businesses have two options in the certification process:

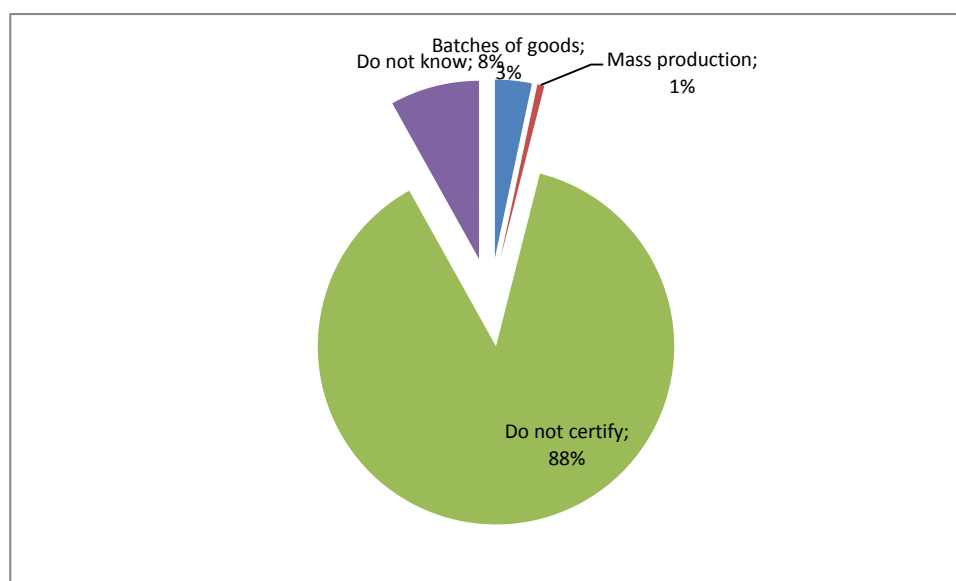
- 1) certify individual batches of goods or
- 2) certify mass manufactured goods.

In the first situation the certificate is granted for a certain quantity of goods, in the second - for a certain period. Around 84% companies certify individual batches of goods, the remaining companies certify mass manufactured goods.

Companies operating in Industry are most familiar with the certification of goods with a 17,8 share. Less than 5% of the companies working in other sectors certify their goods.



Figure 18 Share of companies that certify goods



The certification of batch goods takes on average 6,4 days. Preparation of necessary documents take an average 5 hours.

The official certification costs of individual batches of goods amount to about USD 109. Additional USD 10 transportation costs are incurred by less than half of respondents. Nearly 30% of respondents said they make unofficial payments for certification.

On average, a company certifies batches of goods 1,7 times a year. Most often certificates were valid for 12 months.

The values contained in this chapter have a high degree of data dispersion. The central tendency for costs was therefore determined based on the median, not the arithmetic average.

### 7.3 Perception of certification procedures

Over the past year respondents have not observed changes in the certification conditions.

Figure 19. Changes in the certification process

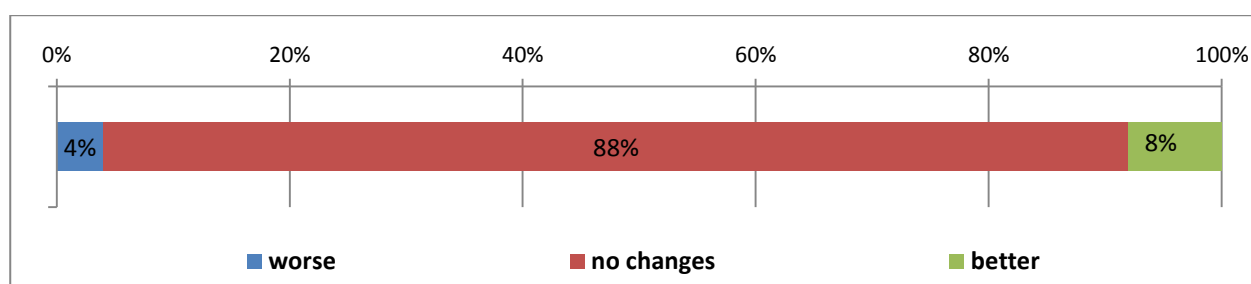
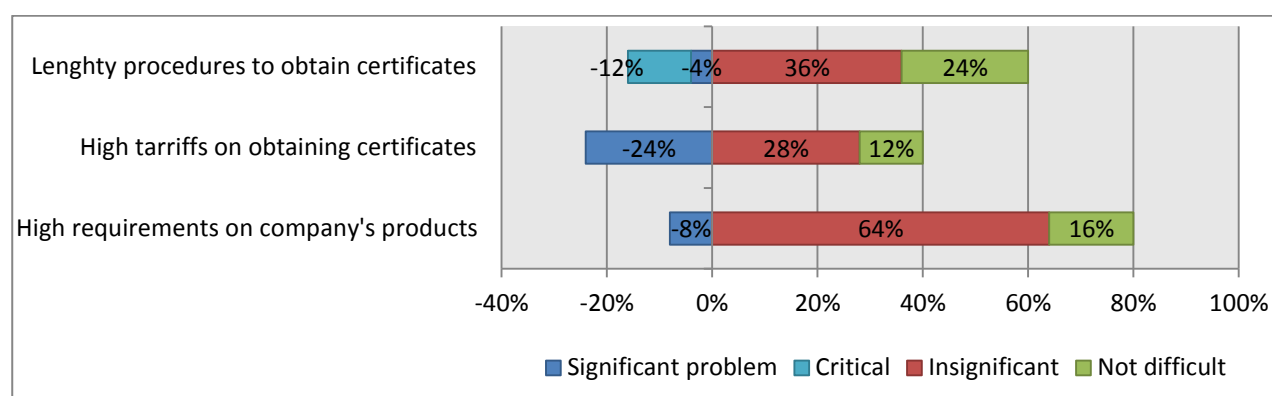


Table 14. Problems faced in the certification process

Problems	Share
Certification procedures take too long	2,4
High tariffs to obtain certificates	3,0
High requirements for company's products	2,2

Nearly one quarter of respondents believe that certification tariffs are high. Only 8% mentioned having difficulties to comply with the technical requirements on goods.

Figure 20. Exporters' perception of difficulties related to the certification procedures



## 7.4 Summary of analysis

Only 4% of respondents were required to certify goods, their share decreasing compared to the previous years.

In 2018 the procedure for certification of individual batches of goods took more time (see Table 15). Due to the small number of observations and the high data dispersion, neither cost nor time trends could be produced.

Table 15. Changes in the process of certification of goods

Indicators	Survey period					
	2012	2013	2015	2016	2017	2018
Processing time to obtain a certificate for individual batches of goods, days	12,1	10,3	8,6	7,6	3,0	6,4
Cost to obtain a certificate for individual batches of goods, \$	145	124	57	46	106	114

The insignificant number of companies contained in the sample that certify mass manufactured goods did not allow for an analysis of the costs involved.

## 8 Sanitary operating authorizations

### 8.1 Regulatory framework

The state sanitary and epidemiological regulation is governed by Law no. 10-XVI of 03 February 2009 on State supervision of public health. Businesses carrying out activities that impact public health are subject to sanitary operating authorization.

Law no. 153 of 01 July 2016 establishes that trading units that carry out activities set out in Annex no. 4 to Law 231 of 23 September 2010 on Domestic trade are required to obtain a sanitary operating authorization.

### 8.2 Obtaining sanitary operating authorizations

Around 37% of respondents had to obtain sanitary operating authorizations.

On average, companies apply for sanitary operating authorizations 1,3 times a year. The process takes 6,0 days. Related costs amount to about USD 77. Preparing and submitting the necessary documents to competent bodies took on average 5,1 hours.

Companies operating in Trade (49,8%) and Industry (47,1%) are most often required to obtain sanitary operating authorizations. Only 9,5% of companies in Construction and 16,3% companies in Transport have this permissive document.

By region, only 35,9% of the companies in Chisinau have sanitary operating authorizations, compared to the 38,3% share in the rest of the country.

Compared to the previous year, there is an increase in the share of companies in Chisinau that need this authorization and a noticeable decrease in the rest of the country (by more than 18 percentage points).

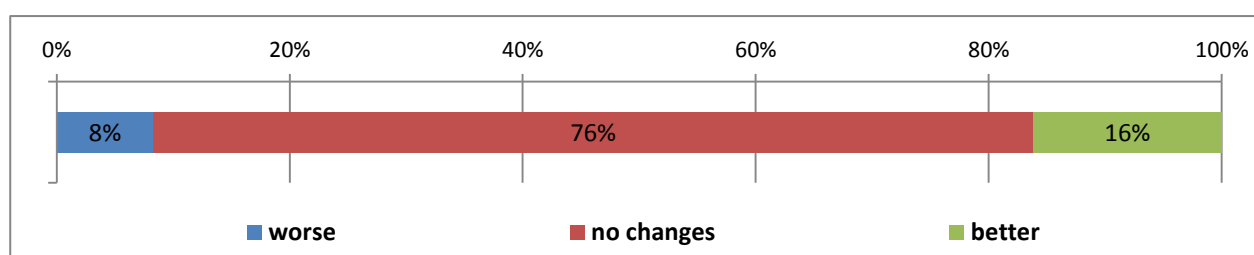
**Table 16. Average expenses incurred by respondents to obtain a sanitary operating authorization**

Survey period Indicators	Have made payments, %				Amount, \$			
	2015	2016	2017	2018	2015	2016	2017	2018
Official payments	88	93	93	87	47	69	68	71
Payments to legal advisers and intermediaries	13	9	9	10	34	13	46	49
Transport expenses	48	34	37	33	19	11	11	14
“Voluntary contributions”	13	9	9	8	17	12	29	24
Unofficial payments	17	9	10	20	16	11	11	18
Total costs, \$	-	-	-	-	60	71	75	77

### 8.3 Perception of the process to obtain a sanitary authorization

Respondents did not observe substantial improvements in the process of obtaining sanitary authorizations in the last year. However, it is important to note that the number of companies who observed improvements is twice as higher as the number of companies who mentioned a worsening of the conditions.

Figure 21. Changes in the process of obtaining sanitary authorizations



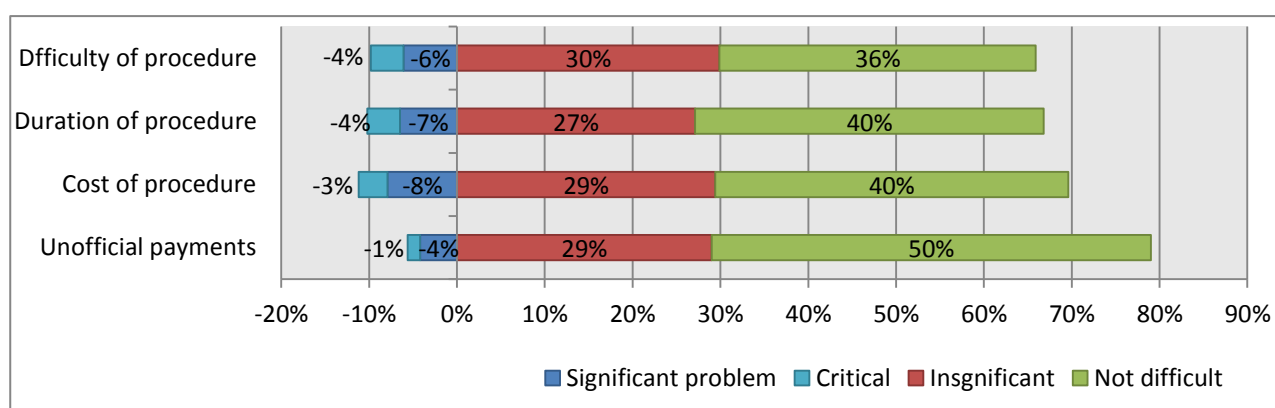
According to the data in Table 17 and Figure 22, companies do not encounter major difficulties in obtaining sanitary authorizations. The situation is similar to the previous years.

Table 17. Problems faced in the process of obtaining sanitary authorizations

Problems	Share
Complicated regulatory procedures	2.1
Long time to complete the process	2.1
High cost to obtain sanitary certificates	2.1
Unofficial payments	1.8

Only 10% of respondents rated the process as being difficult, while 11% think that the process of obtaining sanitary authorizations takes too long. The number of respondents who experience difficulties has practically not changed over the past year.

Figure 22. Problems encountered in the process of obtaining sanitary authorizations



## 8.4 Summary of analysis

Both the duration and costs of obtaining sanitary authorizations remained at the level of last year (Table 18).

Table 18. Changes in the process of obtaining a sanitary authorizations

Indicators	Survey period						
	2012	2013	2014	2015	2016	2017	2018
Duration of obtaining a sanitary authorization, days	8	6	10	9	7	7	6
Cost of obtaining a sanitary authorization, \$	94	71	102	60	71	75	77

## 9 Sanitary certification of goods

### 9.1 Regulatory framework

The state sanitary and epidemiological regulation is governed by Law no. 10-XVI of 03 February 2009 on Government supervision of public health. Sanitary standards that set out human security and safety criteria for environmental and occupational factors, of goods and services, of the requirements to ensure favourable conditions for life as well as sanitary norms are regulated by health regulations developed by the Ministry of Health, Labor and Social Protection and approved by the Government. The law establishes the compulsory adjustment of these regulations to the EU requirements.

Goods and services are subject to the following forms of sanitary authorization:

- a) *Notification*: notifying the authority responsible for supervision of public health on the marketing of a new product or service and on its features relevant to public health;
- b) *Sanitary approval*: required for the following activities, document projects, goods and services:
  - allocation of land for construction/reconstruction;
  - elaboration of urban certificates for planning, in cases set out exclusively in the current legislation;
  - final approval of built/rebuilt constructions financed from state or local budgets;
  - standards for goods and services;
  - production technologies.
- c) *State registration*: compulsory with goods and services potentially hazardous to human health and life - chemical, radioactive and biological substances, new food products, drugs, microbiological diagnostic systems, diagnostics, nutrient media, chemical reagents, biodestructive substances;
- d) *Sanitary certification*: verifying if batches of goods comply with applicable health regulations. Sanitary certification implies laboratory investigations of the batch of goods.

Sanitary authorizations of goods and services are performed on request, submitted by interested legal or natural persons, also based on the sanitary expertise of the documents, goods, services and/or activities.

Sanitary authorizations imply a sanitary expertise charged as per the list and tariffs for public health services approved by the Government. Sanitary opinions, registration certificates, sanitary certificates and sanitary operating authorizations are issued free of charge.

Trading of goods and services subject to sanitary authorization under the applicable laws, but yet unauthorized, is prohibited.

## 9.2 Obtaining sanitary certificates

Just over 5% of respondents had to obtain sanitary certificates for their marketed goods. Their share is continuously decreasing

Half of the respondents obtain certificates 1-2 times a year, another 40% - 3-9 times.

A sanitary certificate is obtained within 3,1 days from the date of application. Managers spent an average of 5,4 hours to prepare and file de necessary documents with the competent bodies.

Companies operating in Industry are most often required to undergo sanitary certification - 11% (of these - 25% are companies in the Food Industry).

By region, companies located in the North (2,7%) and Centre (2,3%) need a sanitary certificate least often. A higher share is noted in Chisinau (5,4%) and much higher in the South (17,9%).

**Table 19. Average costs incurred by respondent companies to obtain a sanitary certificate**

Indicators	Have made payments, %	Amount, \$
Official payments	36	42
Payments to legal advisers and intermediaries	18	-
Transport expenses	15	-
“Voluntary contributions”	3	-
Unofficial payments	0	-

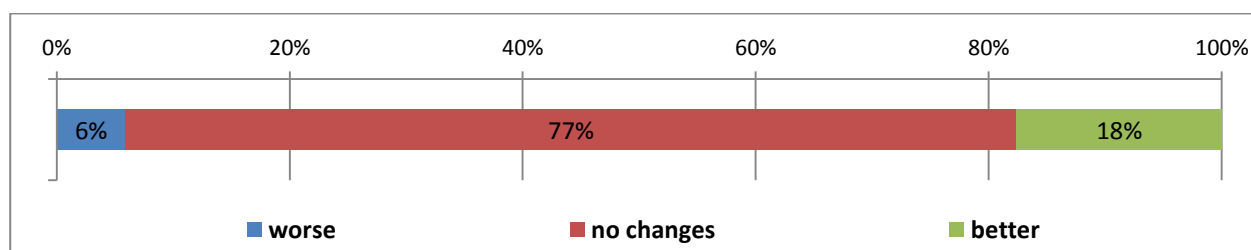
The average fees for obtaining the certificate are about USD 15. The average is calculated for the entire number of applicants, including those who have not paid fees.

The share of respondents who made other payments is insignificant and is not shown in the report. There were no respondents claiming to having paid bribes to obtain the sanitary certificate.

## 9.3 Perception of the procedure to obtain a sanitary certificate

More than three quarters of respondents think that the procedures and conditions for sanitary certification have not changed. A relatively low share of respondents (18%) believe that sanitary certification procedures have been simplified.

**Figure 23. Changes in the process of obtaining sanitary certificates**

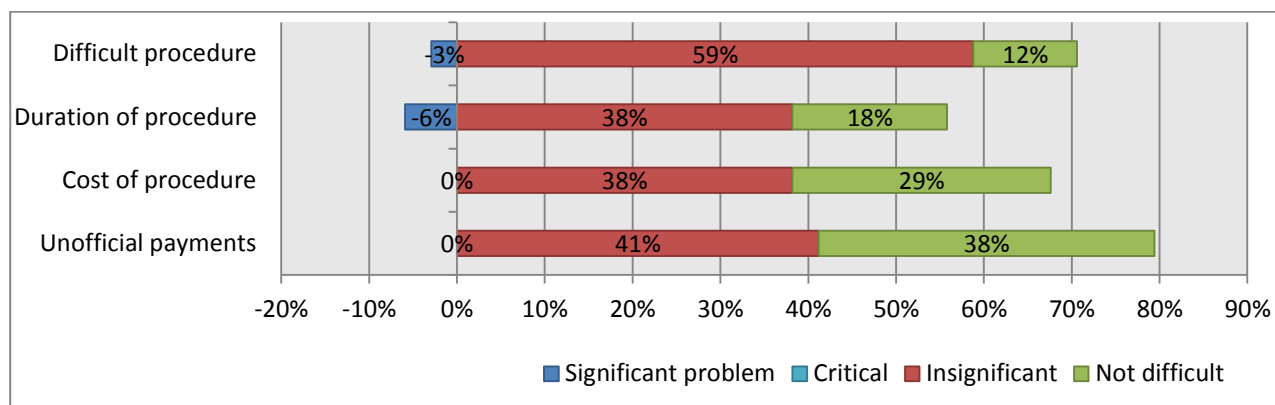


According to the data contained in the table below and Figure 24, the process of obtaining a sanitary certificate does not pose significant problems for companies.

Table 20. Problems faced in obtaining sanitary certificates

Problems	Share
Complicated regulatory procedures	2,2
Long time to complete the process	2,3
High cost to obtain sanitary certificates	2,0
Unofficial payments	1,7

Figure 24. Problems encountered in obtaining sanitary certificates



## 9.4 Summary of analysis

Both the duration and the cost of obtaining sanitary certificates have decreased compared to the previous year (see Table 21).

Table 21. Changes in procedures for obtaining sanitary certificates

Indicators	Survey period		
	2016	2017	2018
Duration of the process to obtain a sanitary certificate, days	5,6	4,9	3,1
Time spent to obtain a sanitary certificate, hours	5,9	6,0	5,4
Costs to obtain a sanitary certificate, \$	59	60	15

The cost reduction was caused by the decrease in the share of businesses who made payments to obtain certificates, both official and unofficial.

## 10 Phytosanitary certification

### 10.1 Regulatory framework

Phytosanitary regulation is governed by Law no. 228 of 23 September 2010 on Plant protection and phytosanitary quarantine.

If the importing countries impose such a requirement, the phytosanitary control body issues phytosanitary certificates. The phytosanitary certificate is issued by the subdivision of the phytosanitary inspection body under whose jurisdiction the goods subject to quarantine are produced. In order to obtain the phytosanitary certificate, the exporter shall submit, at least 48 hours prior to the shipment, the following documents:

- a) a phytosanitary certificate application;
- b) certificate on the use of phytosanitary products, at the request of the importing country;
- c) phytosanitary certificate of the country of origin;
- d) copy of fiscal invoice or of cargo shipping invoice.

The phytosanitary certificate is valid for 14 days from the issue date. If the inspection establishes that phytosanitary requirements have been observed, the certificate is replaced by a phytosanitary passport for the free movement of imported plants and plant products. The fee for the issue of the phytosanitary certificate is approved by Government Decision.

### 10.2 Obtaining phytosanitary certificates

About 3,3% respondents had to obtain phytosanitary certificates.

The phytosanitary certificate is obtained in 2 days. Preparing and submitting the necessary documents to the competent bodies takes an average of 3,3 hours.

The official payments to obtain the phytosanitary certificate amount to about USD 32. These do not include transportation costs. Three respondents said they paid bribes to obtain phytosanitary certificates.

Phytosanitary certificates are required of a number of companies in the Industry (8,2%) and Transport (4,7%). Their share in the remaining sectors is insignificant.

The share of companies with more than 10 employees that hold phytosanitary certificates (6,1%) is higher compared to companies with up to 10 employees (2,7%).

### 10.3 Perception of procedure to obtain a phytosanitary certificate

Of the 21 respondents who obtained phytosanitary certificates, three mentioned that the procedures became simpler, four - more complicated, and the rest - that they did not change.

Overall, this procedure does not generate significant issues in the business environment. Only one respondent mentioned that the procedures are too expensive.



## 10.4 Summary of analysis

Both the duration and the cost of obtaining the phytosanitary certificates remained at the level of previous years.

**Table 22. Changes in the procedures to obtain phytosanitary certificates**

Indicators	Survey period			
	2015	2016	2017	2018
Duration of procedures to obtain a phytosanitary certificate, days	2,0	2,0	2,0	2,0
Time spent to obtain a phytosanitary certificate, hours	3,5	5,0	4,0	3,3
Costs to obtain a phytosanitary certificate, \$	35	37	34	32

## 11 Inspections

### 11.1 Regulatory framework

According to Law no. 131 of 08 June 2012 on State supervision of entrepreneurial activity, substantially amended by Law no. 230 of 23 September 2016, "the only authorities/public institutions entitled to initiate and carry out an inspection are set out in the Annex to this Law, within appropriate limits." The law expressly prohibits the "overlapping of inspections by different inspection bodies."

The bodies responsible for establishing, examining and resolving contraventions, empowered with state control functions according to Law no. 131/2012 on state supervision of entrepreneurial activity are not allowed to carry out searches except assisted by police officers and only if all control channels have been exhausted according to the provisions of the Law no. 131/2012 on state supervision of entrepreneurial activity.

The authorized institution does not have the right to inspect a period longer than 3 years of a business activity preceding the start date of the inspection. Scheduled inspections carried out during the first 3 years from the state registration date of the person engaged in entrepreneurial activities have advisory status and will not result in sanctions or restrictive measures, except for cases where very serious violations of the law are identified.

During the spot inspection the control body does not have the authority to require from the person under review documents and information that have been submitted previously, following a direct request to provide said documentation and information.

A single inspection body does not have the right to carry out scheduled inspections more than once in a calendar year of the same person or object if the person owns several distinct objects, placed separately from the headquarters and other objects, unless a higher frequency of inspections is required in accordance with the control planning methodology based on risk criteria, which applies to the concerned control area.

### 11.2 Number and duration of inspections

As a result of the moratorium on inspections imposed by government authorities, the average number of visits to a company in 2016 has decreased almost twice, from 3,8 to 2,0 visits per company per year. These numbers do not include the checks by Police on vehicles. Following the lifting of moratorium, the number of inspections has increased in 2017 to 2,6 visits per year. In 2018 the number of inspections decreased to 2,3 per year.

The cumulative duration of inspector visits to a company has increased from 11,5 to 14,5 hours per year. It should be noted that the duration of visits decreased from 11,0 to 9,3 hours, if we exclude inspections from "other ministries and departments".

Share of companies subject to State Tax Service inspection:

- By region, only 37% of the companies in Chisinau undergo inspections, compared to 57,7% in the rest of the country.
- By sector, the highest share is recorded in Transports (55,8%) and Construction (54,8%).
- Companies with more than 10 employees (52,6%) are verified more frequently than companies with up to 10 employees (41,7%).

The interviewers were advised to derive from respondents' comments which institutions are the source of inspections under the "other ministries and departments" category. Thus, most often respondents mentioned:

- The National Auto Transport Agency (ANTA) and the International Agency of Auto Transporters in Moldova (AITA)
- Consumer Protection Agency
- Financial Inspection

Although very rarely, the National Public Health Center, the Court of Accounts, the Tourism Agency and the Agency for Intervention and Payments for Agriculture (AIPA) were also mentioned.

It is recommended that the next survey included the most frequently mentioned institutions in the list of control bodies in order to be able to quantify their impact more easily.

The average number and duration of inspections, depending on the control body, are shown in Table 23.

**Table 23. Average number and duration of inspections**

Control body	Share of inspected companies, %			Frequency, visits per year			Number of days per visit		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
State Tax Service	32	47	44	1,5	1,4	1,3	0,37	1,03	0,54
Fire department (emergency situations)	24	38	29	1,2	1,3	1,1	0,24	0,33	0,37
Sanitary epidemiological service	14	15	17	1,2	1,5	1,3	0,30	0,46	0,41
Police	12	12	10	1,5	1,7	1,4	0,20	0,24	0,35
Traffic police (patrol)	8	11	17	2,7	2,5	3,2	0,14	-	-
Price monitoring bodies	4	4	2	1,4	1,3	1,5	0,38	0,31	0,33
Standard monitoring bodies	3	4	5	1,3	1,3	1,2	0,40	0,41	0,76
Environmental inspection bodies	3	13	14	1,4	1,2	1,0	0,26	0,35	0,69
Licensing bodies	7	8	5	1,5	1,3	1,0	0,41	0,31	1,50
National Anticorruption Center	1	3	2	1,0	1,0	1,2	0,31	0,71	1,90
Other ministries and departments	13	7	19	1,8	1,6	1,7	0,41	0,82	2,04
Local authorities	12	18	12	1,6	1,2	1,4	0,23	0,32	0,32
Labor inspection	15	24	26	1,3	1,3	1,1	0,29	0,53	0,95

**Share of companies inspected by the Fire Department:**

- By region, only 19% of the companies in Chisinau were verified. In the North and South regions, on average 3 out of 5 companies were inspected.
- By sector, the highest share was reported in Industry (55%) and Construction (36%).

34% of respondents who own a means of transport claimed that the Traffic Police have stopped their vehicle without any legal reason and proceeded to verify the legality of documents or cargo. Their share has practically not changed compared to last year.

### 11.3 Expenses incurred following the inspection

Most often businesses are fined by the State Tax Service and various ministries and departments – over 30% of the verified companies.

More than 40% of the companies whose means of transport was inspected have paid a fine. Almost 40% paid bribes to the traffic patrol police.

Other institutions with a high share of fines are Labor Inspection, Civil protection service, NAC and the Sanitary-epidemiological service.

Most often bribes are paid following the inspections by local and central public authorities.

Companies verified by the Labor Inspection:

- Every fourth company with up to 50 employees and every second with more than 50 employees
- 21,7% of the Chisinau based companies and 35,8% in the rest of the country
- By sector, companies in the Food industry (50%) and in Construction (45%) were verified most often.

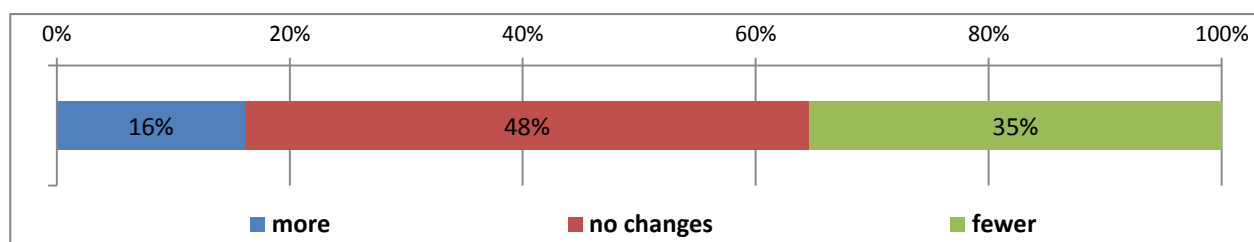
Table 24. Share of companies that incurred payments following the inspections in the last year

	Fines, %				Unofficial payments, %			
	Share per total		Share per inspected companies		Share per total		Share per inspected companies	
Survey period	2017	2018	2017	2018	2017	2018	2017	2018
State Tax Service	18,4	13,3	39,1	31,0	2,7	5,4	5,7	12,8
Fire department (emergency situations)	4,9	4,9	12,9	16,8	2,5	3,8	6,6	13,4
Sanitary epidemiological service	2,5	2,7	16,7	16,2	1,0	3,0	6,7	18,3
Police	4,4	1,3	36,7	12,5	2,2	2,2	18,3	21,2
Traffic police (patrol)	4,3	7,1	39,1	42,9	1,9	6,5	17,3	39,8
Price monitoring bodies	0,5	0,2	12,5	9,1	0,2	0,0	5,0	0,0
Standard monitoring bodies	0,3	0,5	7,5	11,1	0,2	0,5	5,0	10,7
Environmental inspection bodies	1,4	1,7	10,8	11,6	0,5	1,9	3,8	12,8
Licensing bodies	0,5	0,3	6,3	6,1	1,3	0,2	16,3	3,0
National Anticorruption Center	0,5	0,5	16,7	23,1	0,3	0,5	10,0	23,1
Other ministries and departments	2,1	6,5	30,0	33,6	1,6	9,2	22,9	48,3
Local authorities	3,5	1,0	19,4	8,0	4,4	4,1	24,4	34,2
Labor inspection	4,4	4,3	18,3	16,5	4,4	4,8	18,3	18,1

### 11.4 Perception of number of inspections and difficulties

In 2018 businesses felt less pressure in regard to inspections: about 35% of respondents said they were inspected less often and only 16% of the companies said the number of inspections increased compared to the previous year.

Figure 25. Changes in the number of inspections



An insignificant number of respondents (6%) believe that companies are treated equally by the law. Nearly 45% of the total believe that the equality of companies before the law is only partially secured.

Around 44% respondents believe that the law is applied selectively at all times, depending on the attitude of public persons, another 25% partially agree with that statement.

The situation has worsened compared to the previous year, the number of companies who consider that some businesses are favored is on the increase.

Table 25. Impartiality of public servants

	Yes	Partly	No	Do not know
All companies are treated equally by the law	6%	45%	31%	18%
The law is applied selectively	44%	25%	8%	24%

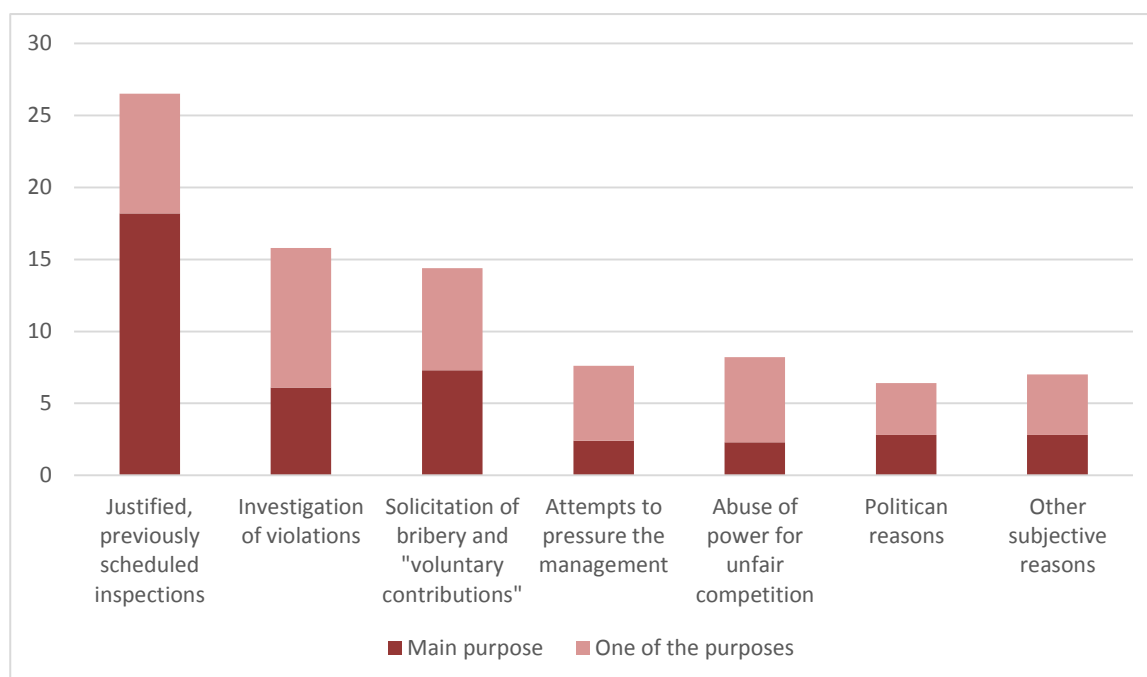
About 27% of respondents believe that in most cases, visits were "scheduled and legally justified". Almost 15% believe the verifications were carried out to extort bribes.

Table 26. Purposes of the inspection visits

Purpose	2013	2014	2015	2016	2017	2018
Inspections were justified, previously announced	3,0	2,1	2,7	2,2	2,7	2,7
Investigation of violations	2,2	1,4	2,0	2,2	2,4	2,3
Solicitation of bribes and "voluntary contributions"	2,1	1,4	2,2	2,2	2,2	2,1
Attempts to put pressure on management to take economic decisions	1,6	1,2	1,7	2,0	2,0	1,8
Abuse of power for unfair competition	1,5	1,2	1,9	2,0	2,0	1,8
Political reasons	1,4	1,1	1,8	1,9	2,0	1,7
Other subjective reasons	1,7	1,1	1,8	2,0	2,0	1,8

Other subjective purposes account for less than 10%.

Figure 26. Purpose of inspection visits, % per total respondents

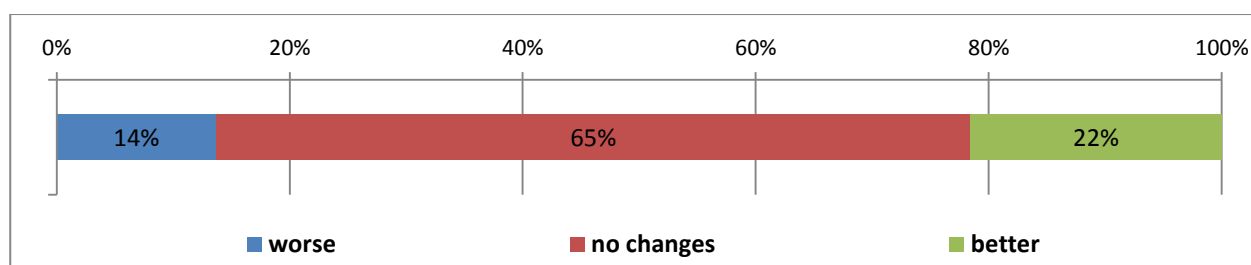


The vast majority of companies believe that state control procedures have not changed substantially over the past year (see Figure 27). Nearly a quarter think that procedures have become simpler.

Perception of changes in the number of inspections compared to last year:

- By region, the share of companies in the South (41%) and in Chisinau (37,3) who said that the number of inspections has decreased is higher than the average per country.
- The largest share of companies that noticed a decline in inspections is accounted for by companies in R&D, science, legal system, notarial and consulting services (54,4%) and Other services (49,3%).
- The largest share of companies who believe that the number of inspections has increased are found in the Food industry (40%) and Trade (22%).

Figure 27. Changes in the perception of state inspection procedures



## 11.5 Summary of analysis

Over the past year, the number of inspections decreased from 2,6 to 2,3 visits per company. The time spent by inspectors with a company has increased from 11,5 to 14,5 hours per year. The increase was

caused by a higher frequency of inspections by central bodies other than those mentioned in the study, as well as by the increase in their duration.

**Table 27. Evolution of inspections**

Survey period	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Indicators</b>									
Average number of inspections per company	7,9	4,2	5,2	3,6	6,5	3,8	2,0	2,6	2,3
Number of days per year with a company	15	6,5	6,3	4,7	4,5	0,95	0,63	1,44	1,82

Both the frequency of inspections by "other ministries and departments" and the inspections carried out by the patrol police have increased.

**Table 28. Changes in the share of inspected companies, % per total surveyed companies**

Survey period	2013	2014	2015	2016	2017	2018
<b>Inspection bodies</b>						
State Tax Service	54	58	51	32	47	44
Fire department (emergency situations)	42	56	35	24	38	29
Sanitary and epidemiologic service	18	48	22	14	15	17
Police	22	41	19	12	12	10
Traffic police (patrol)	20	10	18	8	11	17
Price monitoring bodies	8	5	11	4	4	2
Standard monitoring bodies	10	18	13	3	4	5
Environment inspection bodies	13	22	16	3	13	14
Licensing bodies	9	12	11	7	8	5
National Anticorruption Center	11	8	8	1	3	2
Other ministries and departments	19	10	12	13	7	19
Local authorities	24	20	17	12	18	12
Labor inspection	48	40	32	15	24	26

Table 29. Frequency of inspections (calculated only for companies inspected by respective authority)

Survey period	2013	2014	2015	2016	2017	2018
<b>Inspection bodies</b>						
State Tax Service	1,4	1,9	1,4	1,5	1,4	1,3
Fire department (emergency situations)	1,2	1,4	1,2	1,2	1,3	1,1
Sanitary epidemiologic services	1,6	1,9	1,3	1,2	1,5	1,3
Police	1,5	3,9	1,5	1,5	1,7	1,4
Traffic police	3,8	6,1	5,0	2,7	2,5	3,2
Price monitoring bodies	1,5	1,1	1,1	1,4	1,3	1,5
Standard monitoring bodies	1,3	1,3	1,1	1,3	1,3	1,2
Environment inspection bodies	1,2	1,4	1,3	1,4	1,2	1,0
Licensing bodies	1,1	1,2	1,3	1,5	1,3	1,0
National Anticorruption Center	1,1	1,8	1,1	1,0	1,0	1,2
Other ministries and departments	1,2	1,5	1,3	1,8	1,6	1,7
Local authorities	1,3	2,7	1,2	1,6	1,2	1,4
Labor inspection	1,2	1,4	1,3	1,3	1,3	1,1

Most often, companies are verified by the State Tax Service and the Fire Department (DES):

Table 30. Frequency of inspections, number per year (calculated for all companies contained in the sample)

Survey period	2013	2014	2015	2016	2017	2018
<b>Inspection bodies</b>						
State Tax Service	0.8	1,1	0,7	0,48	0,64	0.57
Fire department (emergency situations)	0.5	0,8	0,4	0,29	0,50	0.32
Sanitary epidemiologic services	0.3	0,9	0,3	0,17	0,23	0.22
Police	0.3	1,6	0,3	0,18	0,20	0.14
Price monitoring bodies	0.1	0,1	0,1	0,06	0,05	0.03
Standard monitoring bodies	0.1	0,2	0,1	0,04	0,05	0.06
Environment inspection bodies	0.2	0,3	0,2	0,04	0,15	0.14
Licensing bodies	0.1	0,1	0,1	0,11	0,10	0.05
National Anticorruption Center	0.1	0,1	0,1	0,01	0,03	0.02
Other ministries and departments	0.2	0,2	0,2	0,23	0,11	0.32
Local authorities	0.3	0,5	0,2	0,19	0,22	0.17
Labor inspection	0.6	0,6	0,4	0,20	0,31	0.29



## 12 Taxes

### 12.1 Regulatory framework

The main document regulating the tax system is the Tax Code approved on 24 April 1997, completed in the subsequent years. Currently it comprises ten titles:

1. General provisions
2. Income tax
3. Value added tax
4. Excises
5. Fiscal administration
6. Real estate tax
7. Local taxes
8. Taxes on natural resources
9. Road traffic taxes
10. Other tax regimes

### 12.2 Administration of taxes

According to the respondents, an average of 6,3 types of taxes are paid in the Republic of Moldova. The number of taxes has slightly increased over the years.

70% of companies employ full-time accountants to calculate and settle all taxes on time (see Table 31). The share of companies keeping their accounts on their own has decreased in the last two years from 8-9% to 3%.

**Table 31. The necessary number of accountants to ensure timely and correct payment of taxes**

Survey period	2011	2012	2013	2014	2015	2016	2017	2018
<b>Resources</b>								
Hire accountants, full time	74%	67%	64%	73%	64%	71%	58%	70%
Average number of full-time accountants	1,2	1,2	1,2	1,3	1,2	1,1	1,1	1,1
Only part time accountants	26%	35%	37%	19%	32%	28%	37%	27%
Keep tax records on their own	9%	5%	8%	8%	9%	8%	5%	3%

Almost 80% respondents say they pay 100% of the taxes imposed on their business. Other 20% pay an average of 82% of the required taxes, using legal or illegal methods of avoiding them.

Almost half of the profit earned in 2017 by interviewed companies was reinvested in 2018. The indicator increased compared to last year, suggesting that businesses hold a positive economic outlook.

The electronic filing of tax returns and tax calculations has reduced considerably the amount of time spent on their preparation. On the other hand, in 2017-2018 the amount of time spent on filling in and submitting the reports has increased (see Table 32).

Table 32. Time spent to submit a report, hours

Type of tax	2015	2016	2017	2018
Value added tax	2,8	1,8	2,6	2,8
Personal Income Tax	2,4	1,7	2,2	2,4
Corporate Income Tax	3,3	1,9	2,5	3,0
Contributions to National Social Insurance Fund	2,2	1,5	2,1	2,2
Landscaping tax	1,6	1,2	1,9	1,9
Contributions to National Health Insurance Company	1,8	1,4	1,8	1,8

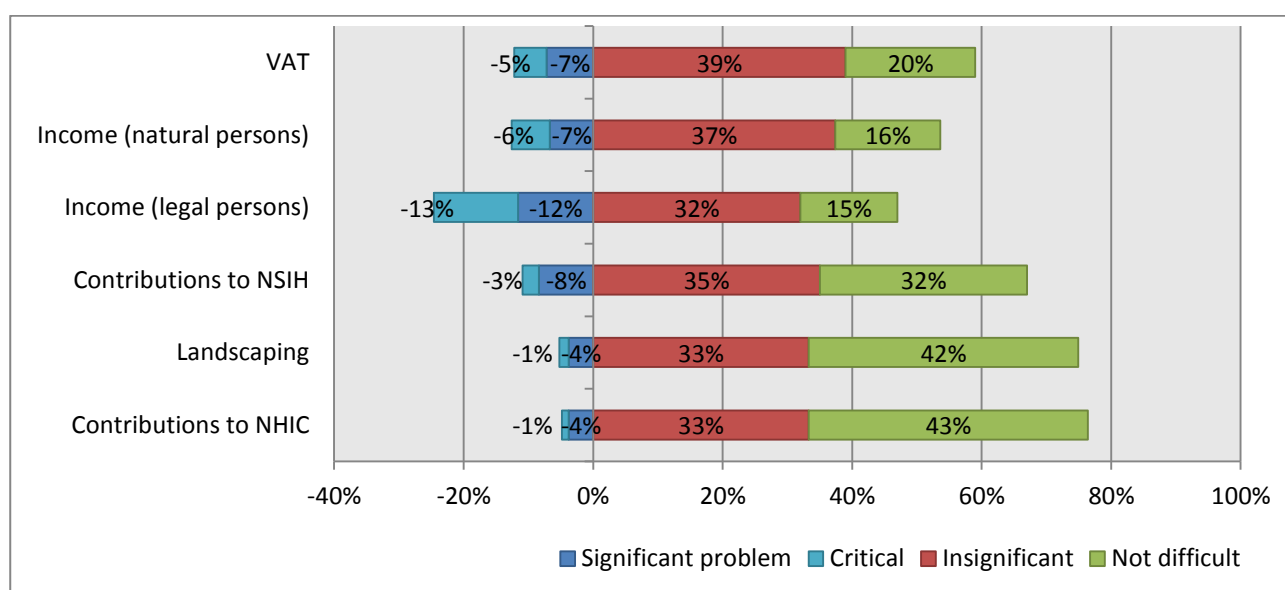
### 12.3 Main difficulties in paying taxes

The procedure to calculate, report and pay the corporate income tax proved to be the most difficult (see Table 33). One fourth of respondents encounter difficulties in paying this tax. Their share has however decreased in 2018.

Table 33. Taxes that generate most difficulties

Problems	2014	2015	2016	2017	2018
Value added tax	1,7	2,4	2,3	2,7	2,4
Personal income tax	1,6	2,4	2,5	2,7	2,5
Corporate income tax	1,8	2,7	2,8	2,9	2,8
Contributions to National Social Insurance Fund	1,7	2,5	2,3	2,5	2,1
Landscaping tax	1,4	1,8	2,1	2,3	1,9
Contributions to National Health Insurance Company	1,6	2,1	2,2	2,2	1,9

Figure 28. Taxes that generate most difficulties



Respondents' opinion on the changes in the conditions and procedures related to the calculation and payment of taxes is divided: 15% consider that they are simpler and 12% say the opposite (see Figure 29).

Figure 29. Changes in the tax system

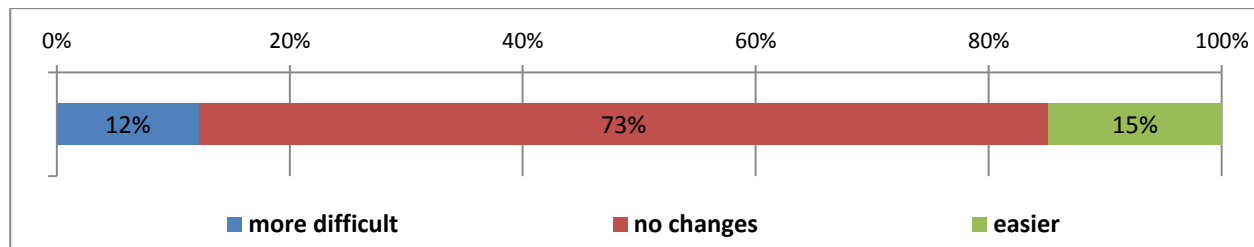


Table 34 shows the main problems related to tax procedures, assessed on a scale of 1 to 5. The biggest problem is the unclearness of fiscal and accounting procedures. It is important to note that most of the difficulties have diminished over the last five years.

Table 34. Problems encountered in the taxation system

Problems	Survey period	2013	2014	2015	2016	2017	2018
Impossibility to project the future number of taxes		3,3	2,2	2,4	2,5	2,9	2,8
The whole fiscal and accounting process is complicated and unclear		3,5	2,4	2,8	2,7	3,1	2,8
High sanctions for errors		3,8	2,8	2,9	2,8	2,7	2,7
Lack of fixed rules		3,1	2,2	2,4	2,7	2,5	2,3
Total dependence on fiscal inspectors, lack of respect		3,0	2,0	2,2	2,5	2,1	1,9
High tax rates		3,6	3,3	2,9	2,8	2,4	2,2
Unofficial payments		2,3	1,3	1,9	2,3	2,1	1,9

## 12.4 Summary of analysis

There have been no significant changes in the last year related to the number of taxes to be paid or the accountants employed by companies.

Table 35. Comparing the tax administration system

Indicators	Survey period						
	2012	2013	2014	2015	2016	2017	2018
Average number of taxes	7,1	7,0	7,5	5,9	5,6	5,7	6,3
Number of full-time accountants	1,2	1,2	1,3	1,2	1,1	1,1	1,1

The most important issues are the lack of clear procedures and of a predictable environment, as well as the excessive sanctions imposed on errors.

## 13 Price regulation

### 13.1 Regulatory framework

Government Decision no. 774 of 20 June 2016 on the pricing of socially important goods is the main document governing the price regulation. In most cases, products can be marketed at free-market prices. Following the approval of the respective Decision, only a few food products are now marketed with regulated additions.

The government keeps the right to regulate prices for socially important domestic and imported goods that are marketed with a trade margin not exceeding 20 percent. Exceptions were set for bread and knot-shaped bread, sold with a trade margin not exceeding 10%.

Socially important goods, both imported as well as domestic, which have undergone processing by trading units, are marketed with a trade margin not exceeding 40% of the total purchase price/delivery price.

If the characteristics of the goods are not altered, even if having undergone some type of technological processing, the seller will not be deemed as a manufacturer.

Regardless of the number of units involved in the supply chain, trade margin's final size should not exceed the limit set from the purchase price/delivery price.

### 13.2 The extent of government's intervention in price setting

In 9% of cases companies said that the government intervenes in setting prices for their products. The share of sales at regulated prices varied between 1 and 90% per total, with an average of 24,5%.

Thus, 2,2% of total sales of the companies in Moldova were carried out at government regulated prices.

### 13.3 Perception of price regulation

In almost half of cases, the state intervenes in companies' pricing by issuing a limit on trade margins (see Table 36). Their share increased due to the considerable decline in the number of companies that reported selling products with limited trade margins.

The largest share of companies that are marketing goods and services at state-regulated prices are found in Transport (18,6%) and Trade (10,9%), the lowest share is accounted for by companies in R&D, science, legal, notarial and consulting services (3,5%).

Most often, the state intervenes in price formation in companies located in Chişinău and South: 10,8 and 10,3%. Only 2,3% of the companies located in the North are found in this category.

Table 36. Methods used by government to form prices

Methods	2011	2012	2013	2015	2016	2017	2018
By limiting profitability	11%	19%	20%	19%	20%	15%	19%
By limiting prices	21%	24%	23%	34%	38%	35%	45%
By limiting the trade margin	68%	57%	57%	47%	52%	50%	36%

### 13.4 Summary of analysis

The share of companies whose products were sold at state regulated prices, as well as the sales volume at regulated prices have declined over the past year.

Instances of regulating prices by issuing a limit on trade margin have decreased considerably.

**Table 37. Price regulation in the Republic of Moldova**

	2011	2012	2013	2014	2015	2016	2017	2018
Share of businesses subjected to price regulation	26%	24%	24%	17%	12%	10%	13%	9%
Share of prices subjected to state regulation	10%	8%	10%	10%	4%	3,5%	3,9%	2,2%

## 14 Regulation of labor relations

### 14.1 Regulatory framework

The main legislative documents governing labor relations are as follows:

- 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;
- Government Decision no. 743 of 11 June 2002 on Salaries of employees in financially autonomous units;
- Government Decision no. 152 of 19 February 2004 on Compensation quantum bonus for work in adverse conditions;
- Government Decision no. 165 of 9 March 2010 on Minimum guaranteed salary quantum in the real sector.

According to the amendments to the Labor Code introduced by Law 254 of 09 December 2011, the employer is obliged to provide employees with the work stipulated in the individual contract and with a nominal access permit to the workplace. In his turn, the employee is required to carry at all times the nominal access permit provided by the employer.

As of 1 January 2018, the employer no longer has to approve the unit's staff structure within the first month of starting the business activity, and further - in the first month of every calendar year. The employer (except for local and central public authorities) no longer has to submit (in written or electronical form), within 2 months from the date the staff structure was approved, a copy to the territorial labor inspectorate under whose jurisdiction the business is located.

As of 1 January 2019, the need to fill in employment record books upon employment or termination of employment will be eliminated.

### 14.2 Availability of workforce

Three quarters of respondents stated that they have the necessary number of employees to meet the needs of the company at the time of interview. An insignificant number of respondents said that their company has staff surplus.

The largest number of companies facing staff shortage are working in Construction (45,2%) and Transport (42%).

By region, the largest share of companies that are short of staff is accounted for by Chisinau (28,2).

Companies with more than 50 employees experience staff related problems more often (36%) compared to companies with up to 10 employees (22,1%).

Table 38. Assessment of labor force availability

	Survey period						
	2012	2013	2014	2015	2016	2017	2018
Staff surplus	2%	5%	3%	8%	5%	2%	4%
Have the necessary number of staff	71%	60%	77%	69%	76%	73%	71%
Staff shortage	26%	32%	18%	20%	19%	25%	24%
Do not know	1%	0,2%	1%	1%	4%	2%	3%

Almost all difficulties related to labor relations are equally important (see Table 39).

In 2018 all problems were assessed as less pressuring.

Table 39 Assessment of main problems related to labor relations regulation

Problems	2013	2015	2016	2017	2018
Obtaining permission from the Labor Inspection to start the company's activities	2,3	2,0	2,1	2,4	2,1
Hiring only under an individual contract of employment	2,4	2,1	2,2	2,5	2,2
Obligation to pay the minimum salary	2,4	2,2	2,3	2,4	2,1
Frequent inspections by labor inspection	2,0	1,8	2,1	2,3	1,9
Complicated process of staff reduction	2,3	1,9	2,5	2,5	2,1
Complicated process of staff record-keeping	2,4	1,9	2,4	2,6	2,1
Obtaining and returning the medical insurance policies within the established deadline	2,1	1,8	2,2	2,2	1,8

## 15 Execution of contracts

Nearly 10% of respondents said that the state intervened in the conclusion and execution of their contracts. The share increased alarmingly compared to previous years (see Table 40).

Most often, the state intervenes in the process of concluding contracts in Industry (17,8%) and Other services (12,2%), and least often in Construction (2,4%).

None of the companies residing the North reported such interventions. At the opposite end are found companies located in the South (20,5%). In Chisinau the indicator stands at 10,3.

**Table 40. Monitoring the execution of contracts in Moldova**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Share of companies whose contracts were monitored	4%	3%	6%	6%	4%	5%	5%	4%	10%



## 16 Promotion of personal interests of public servants

In less than 3% of cases, managers said that public servants have interfered in their business activity. The extent of involvement remained at the last year level.

**Table 41. Promotion of personal interests of public servants**

	2012	2013	2014	2015	2016	2017	2018
Share of companies claiming that public servants interfered in their business activity	4%	8%	4%	8%	3%	3%	3%

## 17 Evaluation of the judiciary system

### 17.1 Regulatory framework

The settlement of conflicts between companies in the Republic of Moldova is carried out through courts, according to Law no. 225-XV of 30 May 2003 on Civil Procedure Code or through arbitration courts, according to Law no. 23 of 22 February 2008 on Arbitration.

Disputes with government authorities are regulated by Law on Administrative Contentious (no. 793-XIV of 10 February 2000), republished on 3 October 2006).

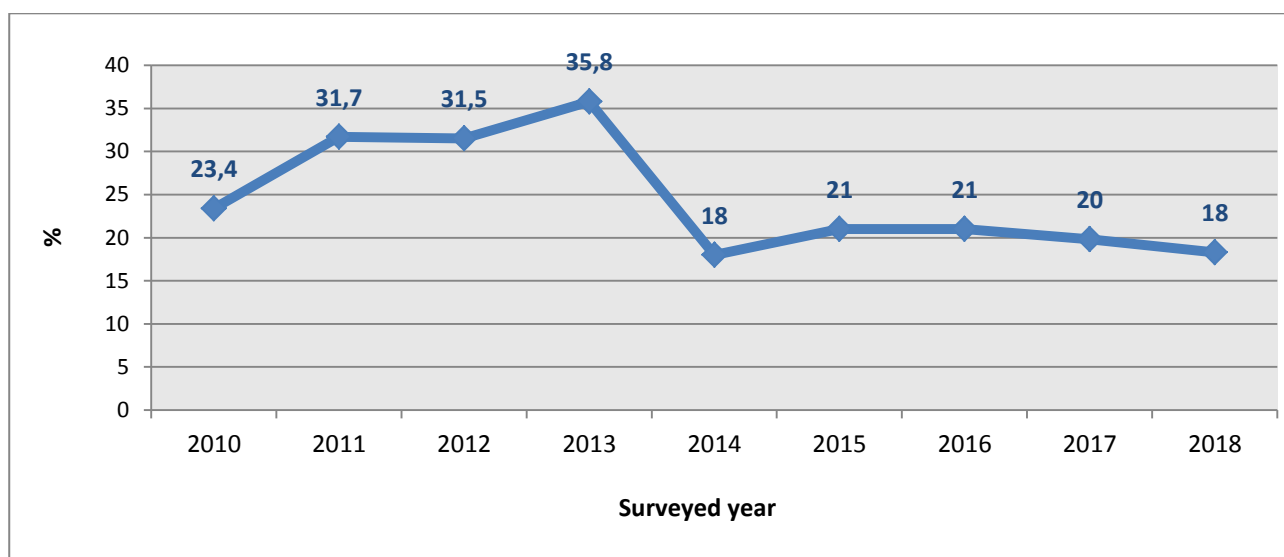
### 17.2 Methods used to settle conflicts

In the last two years, 18% respondents had to settle disputes with state authorities or partners. Their share has practically not changed in the last four years.

The highest share of companies that settled disputes over the past 2 years was noted in Constructions (37,1%) and Non-food industry (24,6%), the lowest – in Other services sector (10%).

By region, this share varies between 7,7% in the South and 24% in the Central region, keeping the last year trend.

Figure 30. Companies that had to settle conflicts



In 73% of cases, companies had conflicts with other business entities, the other 27% – with state authorities.

Table 42. Methods used to resolve conflicts, % of companies that had to resolve conflicts

	2012	2013	2014	2015	2016	2017	2018
Turned to state bodies	35	48	14	25	43	34	40
Took court action	61	49	69	46	64	46	35
Illegal methods				14	8	7	7
Various unofficial, but legal methods				34	27	30	30

In only 35% cases companies have filed a lawsuit to resolve the dispute. In 40% of cases companies decided to seek advice from other state bodies.

The share of companies who resorted to other legal or illegal methods to solve the problems has not changed.

### 17.3 Assessing the efficiency of using courts

The main reasons why businesses do not turn to courts is because the decision making is taking too long. Table 43 shows the results of assessing the reasons by scoring from 1 to 5, where 1- the least important reason and 5- the most important reason.

Table 43. Reasons for not going to court

Reasons	2015	2016	2017	2018
Lawsuits take too long	2,7	2,5	2,5	2,8
Decision will be incorrect because the courts are corrupt	2,4	2,3	1,7	2,2
Decision will be incorrect because the court is incompetent	1,8	2,4	1,7	2,0
High costs of court services	1,8	2,1	1,9	1,9
High costs of legal services	2,0	2,0	1,9	2,1
The dispute is not very serious	2,7	3,2	2,3	2,5
Other methods are more efficient	2,2	2,1	2,4	1,7
Court decisions are not enforced	1,8	1,9	1,5	1,6

Around 34% of companies that resolved their disputes in courts were satisfied with the procedures and the outcome, another 19% were not happy with the result.

On average, respondents rated their satisfaction at 3,08 points on a scale from 1 to 5, which would result in a 52% satisfaction degree. The indicator has slightly declined compare to last year.

### 17.4 Summary of analysis

During the last two years, around 20% of the surveyed economic entities had to settle disputes (with partners, clients or state authorities). In only 35% of the cases they took the problem to court. The main reason for not filing a lawsuit was the long waiting period.

Table 44. Efficiency of resolving disputes through courts

	2014	2015	2016	2017	2018
Respondents who had to settle conflicts,%	18	21	21	20	18
Respondents satisfied with resolving through court,%	33	31	48	41	34
Taking court action, degree of satisfaction	2,90	2,83	3,15	3,17	3,08
Taking court action, degree of satisfaction, %	48	46	54	54	52

The key indicators characterizing the capacity of the judiciary system to resolve the disputes have not changed compared to last year.

## 18 Public procurement

About 14% of respondents provided services / supplied goods under public procurement procedures. In 32% of cases the acquisitions were conducted through public tenders, in 51% of cases - through requests for price quotes.

The most frequent public procurement contracts were carried out by:

- Companies in Construction (45%), Industry (19%) and Trade (13,6%)
- Companies with 11 to 50 employees (19%)
- By region, the share of Chişinău and South-based companies is below the national average (8,9 and 13,2%). The indicator for Central (19,3%) and Northern regions (37,8%) is above the average.

Table 45. Types of public procurement

Type of public procurement	2018
Public tender	32%
Request for price quotes	51%
Other	18%

About 57% of respondents said they were satisfied with their experience, another 17% were not satisfied.

Almost 30% of respondents do not use public procurement procedures because they are not adequately informed. About 14% think the procedures are tampered and they would not win anyway.

Table 46. Reasons why companies did not participate in public procurements

Reasons	2018
I participated in the past, but did not win	13%
I do not deliver products or services that are suitable for public procurement	35%
I am not informed regarding public procurements	29%
Public tenders are tampered and I do not stand a chance to win	14%
Other	8%

## Conclusions

The overall time indicator increased over the past year. The indicator quantifies the general perception of managers and entrepreneurs in terms of attractiveness of the business environment.

Another indicator is the share of businesses who noted improvements in the business environment. The share of companies who saw the situation worsen in the business environment has decreased compared to last year, but also has the share of companies who said the opposite.

About 25% expect the business environment to improve in the next year. Another 27% think that the business environment situation will worsen.

### Registration procedure

Both the primary registration of a company and the amendments to the incorporation documents do not pose an obstacle in setting up and growing a business. Less than 5% of the companies who had to register their business with the state consider that the procedures are difficult or unclear.

### Regulation in construction

The number of businesses that build declined in recent years. Only 2% of the surveyed companies built new spaces in the last three years. Over 4% respondents said they have readjusted or rebuilt the existing spaces.

Overall, the amount of time required to obtain authorizations is declining. A small number of respondents said that the procedures are difficult compared to last year: 24% of the companies that moved into new spaces.

### Licensing

Following the amendments that took effect at year-end 2017, the share of surveyed companies who had a license fell substantially, from 42% to 34%.

Neither the costs nor the duration have changed since last year. Relatively few (11%) respondents consider that licensing procedures are difficult. About 21% respondents saw improvements in the licensing process.

### Notification of a trade activity

Notification procedures have become simpler, according to over 60% of respondents. Only 7% consider that the notification procedure is more difficult than the procedure for obtaining a trade authorization.

There is room for improvement however: in most cases, documents other than those provided for by existing laws were requested. Such cases occur more frequently outside the municipality of Chisinau.

### Regulation of imports

Procedures related to the import of goods are among the most difficult areas. About 30% of respondents are bothered by the corruption in customs, 35% - by the high cost of customs procedures, 33% - by unclear procedures, 24% - by indicative prices applied by customs authorities on tariff calculations. Around 25% respondents said that the situation has worsened compared to last year and only 6% saw improvements in this area.

A positive fact is that most difficulties grew less pressing over the past year, especially with regard to indicative prices on import.

### **Regulation of exports**

The share of exporting companies in the sample is small, thus making it difficult to quantify the increase or decrease of time or cost indicators. The duration of procedures has slightly increased, but given the high data dispersion, we can not speak of an increasing trend.

### **Certification of goods**

The share of companies that certify goods has fallen to 4%. A small number of respondents noticed changes in the procedure over the past year. About 16% of the companies that certify goods consider that the procedures for obtaining certificates take too long.

### **Sanitary operating authorizations**

Changes in the duration or cost of obtaining authorizations have not been observed over the past year. The number of companies who think that obtaining sanitary authorizations has become easier is two times higher compared to the number of companies who think the opposite.

Very few (10%) respondents mentioned having difficulties in obtaining sanitary authorizations.

### **Sanitary certification of goods**

The number of companies that were required to obtain sanitary certificates is insignificant and continues to decline: 5% per total respondents. Both the amount of time and the cost of obtaining sanitary certificates have decreased. Procedures have become simpler according to 18% respondents. About 6% think that they are more difficult.

### **Phytosanitary certification**

The share of surveyed companies that were required to obtain phytosanitary certificates has decreased from 6 to 3,3%. These procedures have not changed during the past year either as time or payments.

### **Inspections**

The number of inspections declined in 2018, but their duration increased. 35% respondents said that the number of inspections has declined. Another 16% believe that inspections are carried out more frequently.

About 22% respondents consider that inspection procedures have become more "friendly" in 2018 compared with 14% who find them more difficult.

### **Taxation system**

The most important problem faced by company accountants is the calculation of corporate income tax. The opinions on changes in tax calculation procedures and reporting are divided: 15% think they are easier compared to last year, 12% believe they are more complicated.

### **Price regulation**

The share of products traded at regulated prices decreased in the current year, especially in the case of products with limited trade margins.

**Regulation of labor relations**

An increasing number of companies face shortage of staff, which left behind other difficulties related to the regulation of labor relations.

**Executions of contracts**

In 2018 the share of companies claiming that several state institutions intervened in the conclusion of contracts increased significantly.

**Judiciary system**

One in five respondents had to settle disputes over the past two years with other economic entities or with state institutions. Only 35% of them took the conflict to court. About 40% turned to state institutions. Only 7% used illegal methods to settle the conflicts, without changes compared to the previous period. Nearly 34% of companies that filed lawsuits were satisfied with the outcome.

Table 47. Comparison of main indicators

Indicators	Survey period						
	2012	2013	2014	2015	2016	2017	2018
<b>General time indicator, %</b>	10	11	11	10	8	8	10,2
<b>Registration, only procedures with SRC/PSA</b>							
Time to register, days				7,1	3,9	4,0	4,0
Costs to register, \$					83	73	82
Time to amend the documents, days				5,0	4,4	3,2	3,2
<b>Construction</b>							
Renovation and reconstruction, days	38	39	30	31	36	23	20
<b>Licensing</b>							
Average number per company	1,3	1,4	1,4	1,4	1,1	1,4	1,4
Time to obtain a license, days	16	18	14	11	12	11	11
Average costs, \$	266	294	402	163	172	179	187
<b>Import</b>							
Time to certify imported goods, days	7,4	5,9	13,2	9,7	6,2	5,7	3,7
Expenses incurred to certify imported goods, \$	83	120	350	76	202	137	109
Time to complete customs procedures, days	2,7	2,5	2,0	1,5	2,7	3,1	2,6
Expenses incurred on customs procedures, \$	152	158	261	136	287	307	272
<b>Export</b>							
Time to complete customs procedures, days	1,7	2,0	2,0	2,1	1,9	2,1	2,3
Expenses incurred on customs procedures, \$	89	152	213	-	172	105	-
<b>Certification of goods and services (individual batches)</b>							
Time to obtain a certificate, days	12	10	11	9	8	3	6
Costs, \$	145	124	167	57	46	106	114
<b>Sanitary operating authorizations</b>							
Share of respondents that obtained sanitary operating authorizations, %	60	53	47	34	34	39	37
Time to obtain an authorization, days	8	6	10	9	7	7	6
Total costs, \$	94	71	210	60	71	75	77
<b>Sanitary certification of goods</b>							
Share of respondents who obtained sanitary certificates, %						8	5
Time to obtain a certificate, days					6	5	3
Total costs, \$					59	60	15
<b>Phytosanitary certification</b>							



Indicators	Survey period						
	2012	2013	2014	2015	2016	2017	2018
Share of respondents who obtained phytosanitary certificates, %	-	-	-	7	6	6	3
Time to obtain a certificate, days	-	-	-	2	2	2	2
Total costs, \$				35	37	34	32
<b>Inspections</b>							
Average number of inspections per company	5,2	3,6	6,5	3,8	2,0	2,6	2,3
Average annual duration of inspections, days	6	5	5	0,95	0,63	1,44	1,82
<b>Administration of taxes</b>							
Employ full-time accountants	67%	64%	73%	64%	71%	58%	70%
Number of permanently employed accountants	1,2	1,2	1,3	1,2	1,1	1,1	1,1
<b>Price regulation</b>							
Companies subjected to price regulation, %	24	24	17	12	10	13	9
Average share of regulated prices	8	10	10	4	3,5	3,9	2,2
<b>Execution of contracts</b>							
Companies subjected to regulation of contracts, %	6	6	4	5	5	4	10
<b>Judiciary system</b>							
Share of respondents that turned to state institutions to settle disputes, %	35	48	14	25	43	34	40
Share of respondents that turned to courts to settle disputes, %	61	49	69	46	64	46	35
Share of respondents that used illegal methods to settle disputes, %	-	-	-	14	8	7	7
Share of respondents that used unofficial, though legal methods to settle disputes, %	-	-	-	34	27	30	30