

# **SURVEY**

## **Cost of Doing Business 2020**

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**Chişinău, December 2020**

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

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## Abbreviations

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

## **Executive summary**

This study was carried out with the support of the Ministry of Economy and the World Bank. The Survey on the Cost of government regulation of business activity is carried out annually and it is currently in its 19th edition.

### **Survey timeframe**

The data collection period was from October - November 2020. The survey 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. Where possible, interviewers travelled to respondent's business offices to conduct face to face interviews with company managers. Given the limited movement of people due to the pandemic, 35% of companies were surveyed by phone.

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

The data was analyzed using the SPSS software. To ensure the representativeness of the obtained results, 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, 631 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.

Most of the surveyed companies (68%) are located in Chisinau. Nearly 94% respondents are limited liability companies. Companies employing up to 10 people account for 83% of the total number.

### **General time indicator**

The general time indicator describes how companies perceive the degree of government interference in their activity. In 2020 this indicator decreased from 8,8 to 6,2%.

Only 7% of respondents believe that the business environment has become friendlier compared to the previous year. Another 54% think that the conditions have worsened.

Approx. 31% respondents think that the business environment will improve in the next year, another 33% believe it will become more difficult.



## Registration

During the last three years, the registration of a company was accomplished in about 3,0 days after filing the documentation with the Public Services Agency, with no changes compared to the previous period. The process to amend the incorporation documents decreased from 3,7 to 3,0 days.

Only 7% businesses encountered problems during registration.

## Construction

In the last three years, only 16% respondents moved into new spaces. Their share continues to decline every year. About 19% of them built the respective spaces, another 14% altered or rebuilt them. In less than 13% cases, respondents released the constructions into use without obtaining the required permits to start them. Among the cited reasons for failing to obtain the permits were the long process and the unfamiliarity with procedures.

Nearly 21% respondents that moved to new spaces without having to alter them had to obtain permits to use the premises.

Almost half of respondents encountered difficulties in obtaining building permits.

## Licensing

The share of businesses that had a license increased slightly, from 31 to 34%, returning to 2018 figures. A company had an average of 1,5 licenses.

The cost of obtaining the license has hardly changed in recent years, at 199 USD. The duration of obtaining the license remained at last year's level: 8 days.

## Notification

Half of the surveyed companies are engaged in trade. The share of companies that notified local public authorities of their trade activities was 61%: up 10 p.p. over the previous year.

The amount of time to prepare and submit a notification increased from 2.7 to 3.9 days. Managers spent on average 3,3 hours on this procedure, also an increase compared to the previous year.

## Import

About 11% of respondents carried out import transactions in the last three years, without changes from the previous study.

The share of importers who had to obtain compliance certificates conforming to Moldovan standards for imported goods increased from 21 to 26%. The certification process took 3,3 days.

The share of importers who had to obtain sanitary authorizations for imported goods decreased from 22% to 15%.

An import customs procedure takes 2,8 days, with no changes compared to the previous years.

## Certification of goods and services

Nearly 12% businesses certified their products. Half of them certify batches of goods, the other half - mass-produced products.

The average duration of obtaining the certificate for batches was 3,6 days.

The process of obtaining certificates for serial mass production takes 7 days. Related certification costs amount to 74 USD, excluding shipping costs and unofficial payments.

### **Sanitary operating permits**

Around 36% companies had to obtain sanitary operating permits. Their share has virtually not changed compared to previous years. The time to obtain a permit remained at 6,3 days, while the overall cost increased from 71 to 92 USD.

### **Sanitary certification of goods**

About 7% respondents had to obtain sanitary certificates for their marketed goods. Obtaining a certificate takes up 3,4 days, an increase from 2019. The average cost of obtaining the certificate decreased from 49 to 30 USD.

### **Phytosanitary certification**

Over 7% of the companies had phytosanitary certificates at the time of questioning.

A certificate is obtained on average within 3,0 days and costs 52 USD. Both indicators reveal an upward trend in recent years.

### **Inspections**

The annual number of inspections per company increased from 1,9 to 2,4 visits. The increase was caused by a higher frequency of inspections by NFSA, local public authorities, labor inspection and the fiscal service.

The cumulative duration of inspections decreased from 13,1 to 11,4 hours per year. Less than 20% respondents believe that inspections were justified and planned in advance.

As in the previous period, businesses are most commonly fined by the Fiscal Service, NFSA and the labor inspectorate. The share of fined enterprises decreased in the current year.

Only 7% of respondents believe that companies are treated equally before the law, with 39% mentioning that the law is applied selectively.

### **Price regulation**

Nearly 17% respondents said they are selling at government-set prices. About 1,7% of the sales by all surveyed companies were made at regulated prices, virtually unchanged since the previous year. In most cases the regulation is done by issuing a limit on trade margins.

### **Regulation of labor relations**

The situation in labor relations has not changed from last year. Most businesses have the necessary number of staff. One in five interviewed companies claimed to face staff shortage.

### **Contract monitoring**

During the last year, the share of companies claiming that the government intervened in the process of concluding or executing contracts decreased from 13 to 7.5%.

### **Judiciary system**

The share of companies who had to resolve conflicts has not changed significantly in the last four years. Around 19% respondents said they had conflicts they could not solve amicably. Most of the conflicts were with other companies: 72% of the cases, another 28% - with state institutions.

The share of companies that turned to courts to resolve disputes increased from 40 to 68%. As a result, the share of businesses that resorted to unofficial, either legal or illegal methods, has decreased.

In 31% cases, businesses that filed a lawsuit were satisfied with the court decision - fewer than in the previous study (40%).

### **Public procurement**

About 21% respondents provided services through public procurement procedures. More than half of them were satisfied with the experience.

More than 25% respondents do not apply for public procurement contracts because they do not have the pertinent information. Nearly 12% believe that the tenders are rigged and therefore impossible to win.

## **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.

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 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.

In view of the pandemic conditions, the operators were logistically equipped with all the necessary protection materials to visit the companies. At the same time, about 35 percent of the surveyed companies provided answers by phone.

About 25% of the contacted companies refused to be interviewed, another 28% were either not found at the address or no longer active. The refusal rate increased by about 8 percentage points compared to the previous survey and was influenced by the epidemiological situation and the presidential election campaign. The share of companies not found also decreased slightly, by 3 p.p.

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

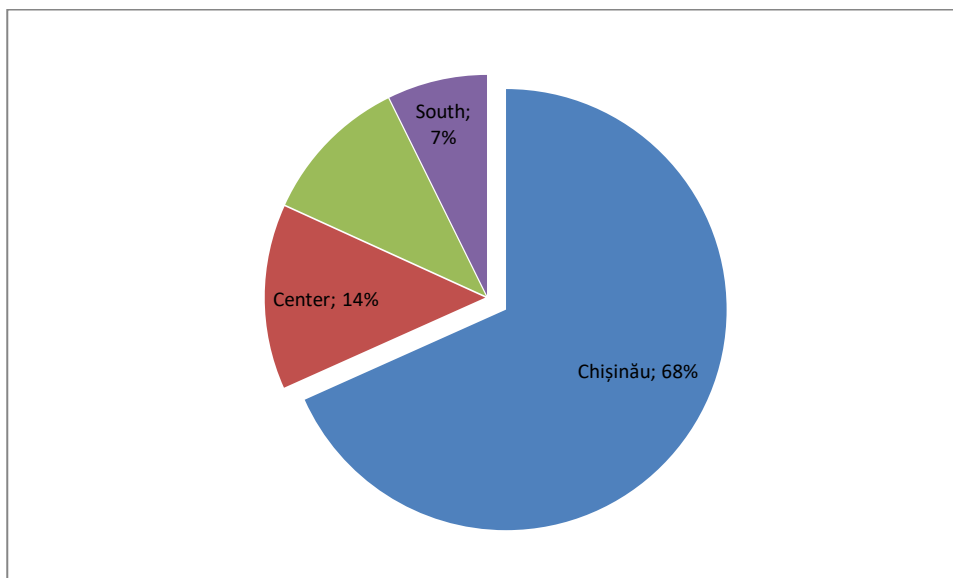
### Sample

The sample includes 631 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, center and south. Chisinau municipality was analyzed separately.

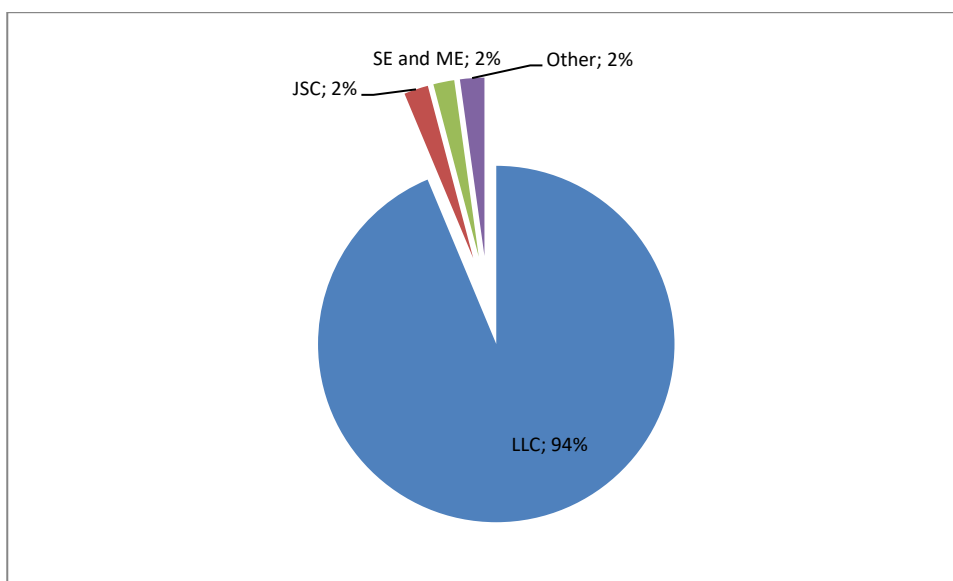
**Table 1. Distribution of companies participating in the study**

Region	Companies	Share
Chisinau	431	68,3%
North	69	10,9%
Center	85	13,5%
South	46	7,3%
Legal form		
Limited liability companies	591	93,7%
Joint stock companies	14	2,2%
State or public enterprises	12	1,9%
Other	14	2,2%
Number of employees		
1 – 10	524	83,0%
11 – 50	85	13,5%
51 – 200	19	3,0%
> 200	3	0,5%
Type of activity		
Food industry	15	2,4%
Other industries	82	13,0%
Trade	234	37,1%
Transport	39	6,2%
Constructions	43	6,8%
Services (excluding transport)	139	22,0%
Other companies (management consultancy, scientific activity, legal advice, research, IT, etc.)	79	12,5%

Most of the interviewed companies (68%) are located in Chisinau (see Figure 1). The Center included the raions south of Soroca, Florești, Fălești and those located north of Cimișlia and Căușeni.

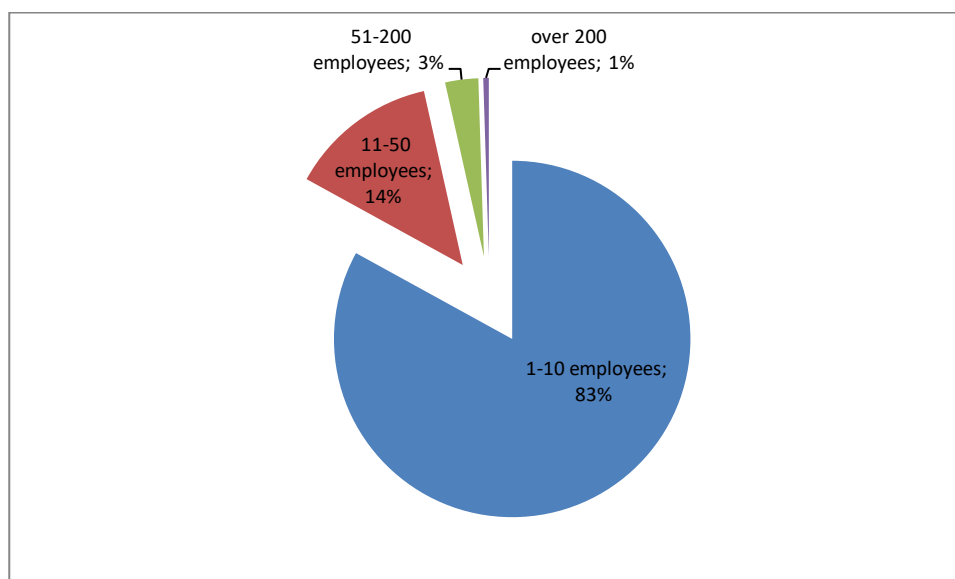
**Figure 1. Geographical distribution of companies**

The distribution by organizational and legal form largely follows the distribution obtained in the previous year. The share of limited liability companies in the total number of companies surveyed decreased insignificantly (to 94%). The share of joint stock companies, state and municipal enterprises account for approximately 2% each (see Figure 2).

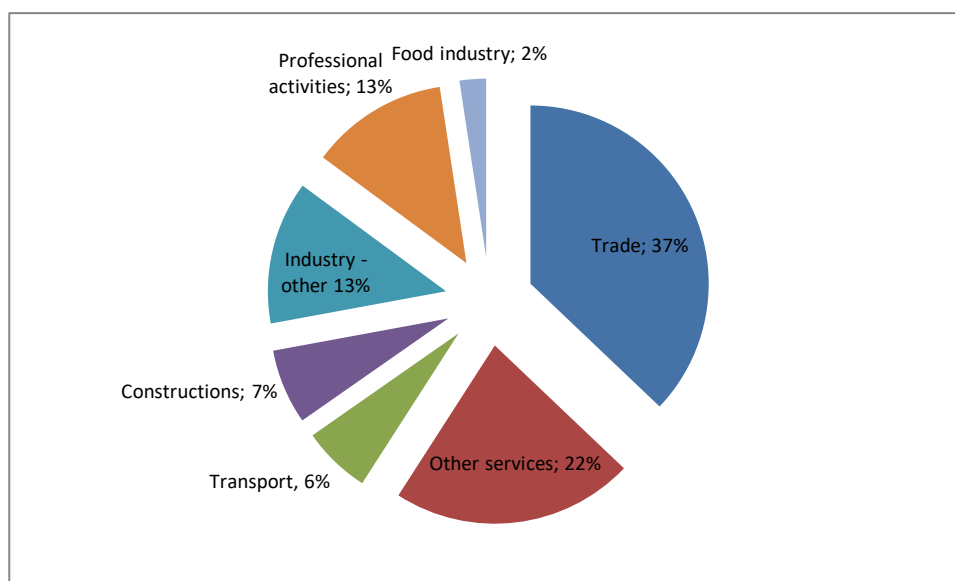
**Figure 2. Distribution by legal and organizational form**

The distribution by size of company did not change significantly from last year. Most companies have up to 10 employees (see Figure 3).



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


Nearly 40% of the surveyed companies were engaged in trade. Services, excepting those expressly listed, account for about 22% of the total. Professional activities, which include management consulting, legal, notary, research & development and information technology represent roughly 13% of all surveyed companies.

**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. For precautionary reasons, a number of companies open to participate in the survey expressed the desire to be interviewed remotely, which was done by phone. 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. The questionnaire also contained references to subsequent 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:

2018	- 16,80
2019	- 17,58
January-November 2020	- 17,33

## 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

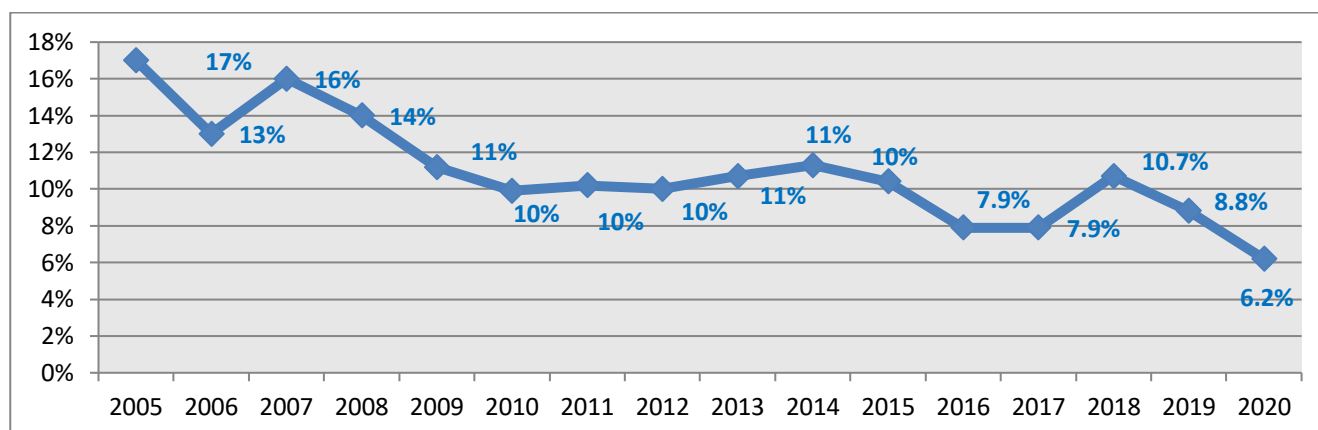
The *general time indicator* is a synthetic indicator broadly describing the extent of the influence the government bodies have over a company. It represents the perception of the amount of time the company management spends to communicate with representatives of the state bodies. Throughout 2010-2015, the indicator did not change essentially, oscillating between 10% and 11%; it decreased to 8% in 2016-2017. In 2018 the indicator returned to the level of 2010-2015 – 10,7%. The median was 10%. In 2019, the general time indicator started to decrease, reaching 6.2% in 2020, the lowest level recorded between 2002-2020.

The evolution of the indicator, shown in Figure 5, suggests that the manager perception regarding the business environment has improved.

Companies engaged in Trade (5.1%) spend the least amount of time to communicate with state bodies, while companies in the Non-food industry and Transport spend the longest time - 7.8% and 8.5%, respectively.

Managers of companies with up to 10 employees, which account for over 80% of the sample, spend on average 5.7% of the time on communication with state bodies. Companies with more than 10 employees interact more with state bodies (8,4%).

By region, the best situation is observed in central raions (4.9% of the time), the North is at the opposite end - on average 9.1%.

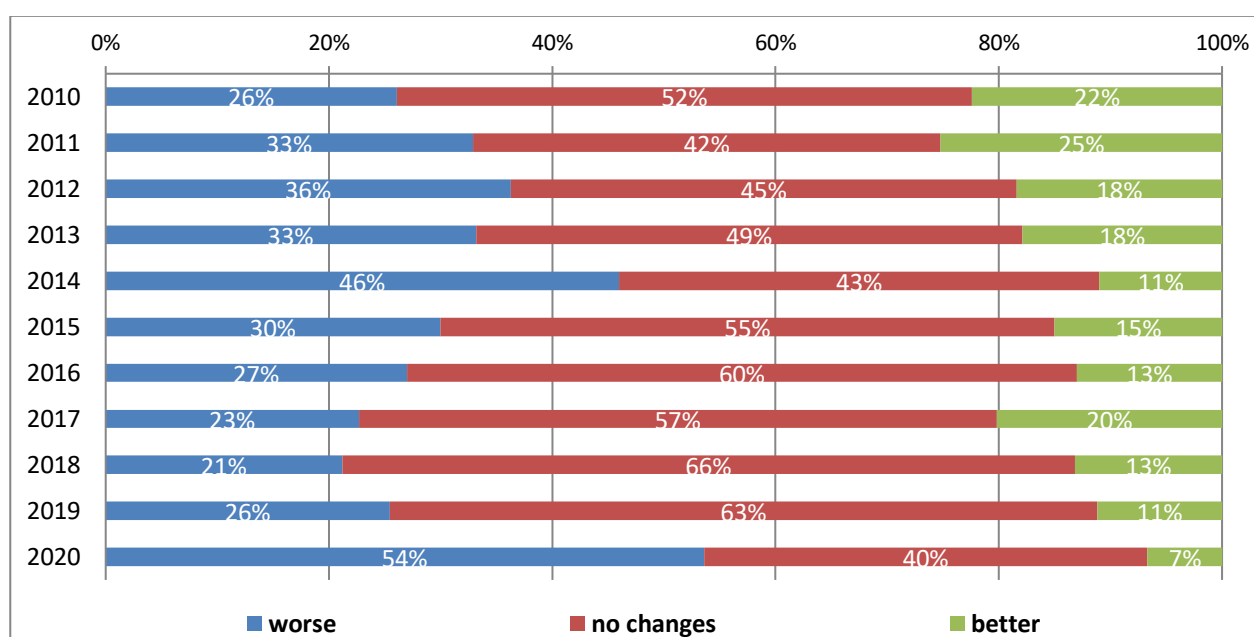
**Figure 5. Share of time spent to comply with regulation requirements**


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

Even though the general time indicator shows an improvement of the confidence that managers and entrepreneurs place in government institutions, overall, the share of respondents that notice improvements in the business environment is on a downward trend. In 2020, the number of respondents who think that the business environment has become less friendly compared to the previous year reached the highest level recorded in the period 2010-2020. The result is to a great degree a direct reflection of the pandemic crisis.

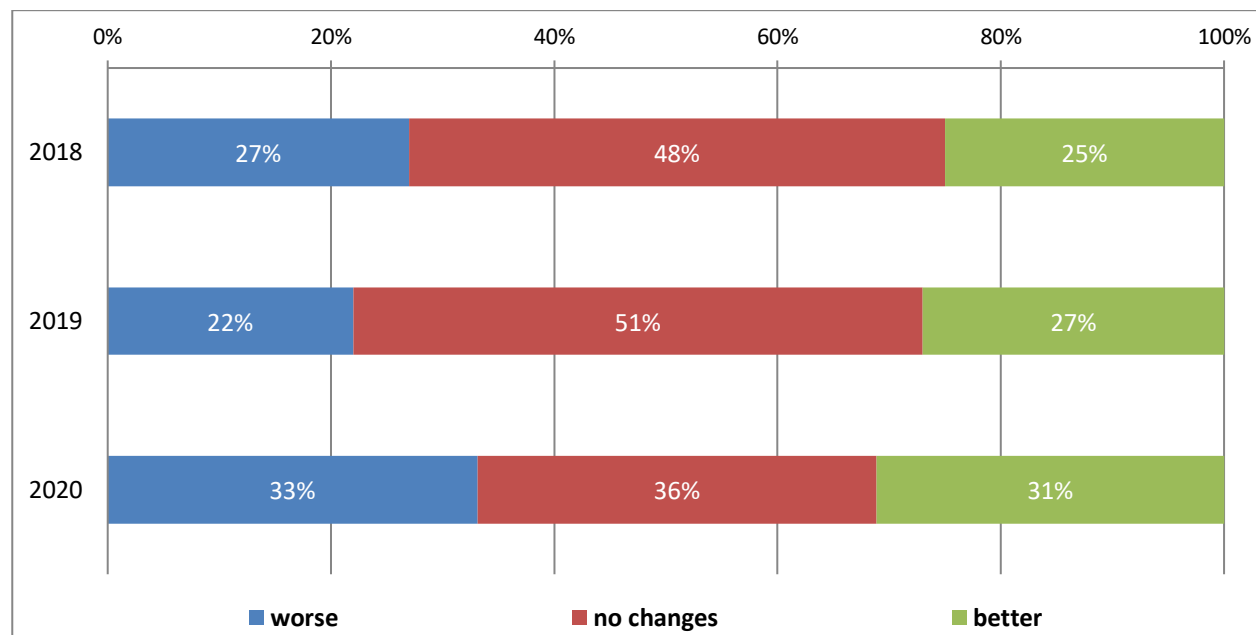
Companies in Trade (61,5%) and Transport (74,4%) account for an overwhelming share of businesses that perceive the business climate as more difficult.

Chisinau-based companies felt the worsening of the business environment to a greater extent (60%) compared to companies in the rest of the country (39%).

**Figure 6. Assessment of changes in the business environment compared to last year**


About 31% managers believe that the efforts made by the state will facilitate their activity in the following year. One third of them believe that the situation will get increasingly worse (Figure 7).

**Figure 7. Expectations regarding the business environment**



## 1.4 General assessment of various business aspects

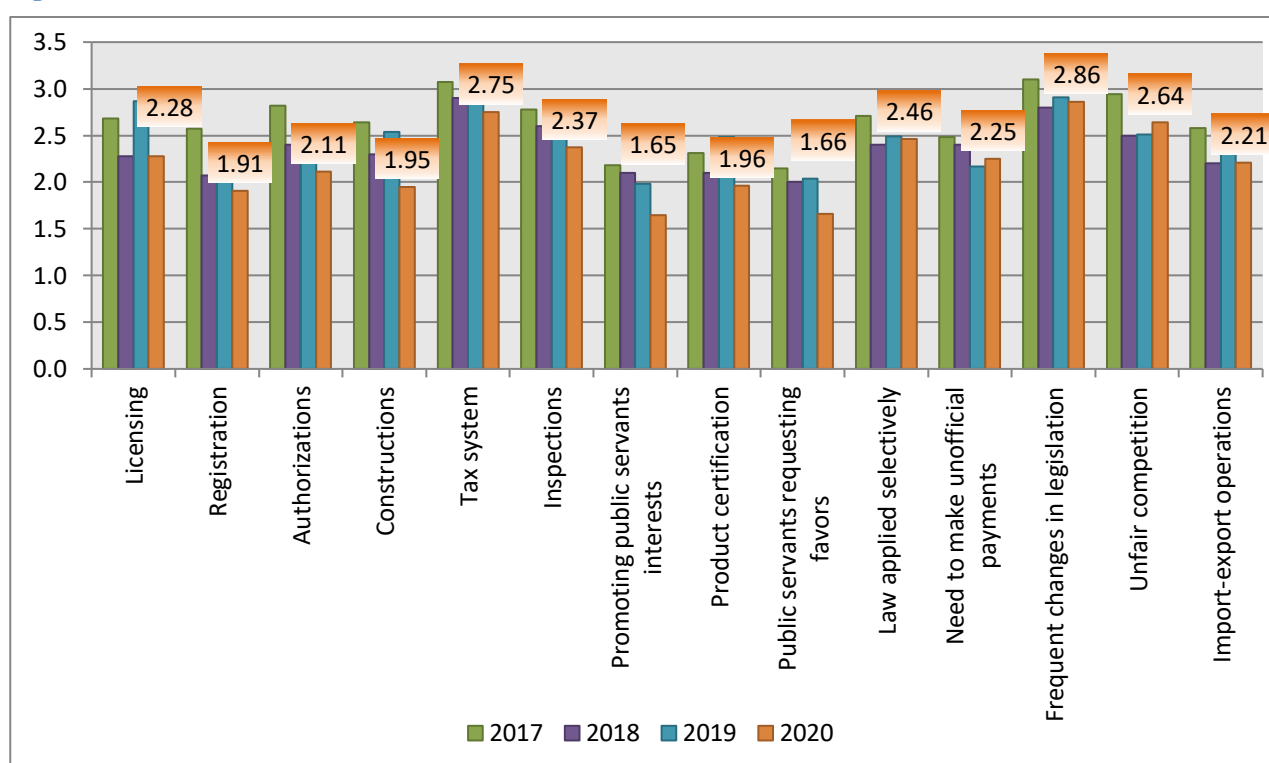
Managers believe that the biggest difficulties are posed by the frequent changes in the legislation and the tax system.

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

Areas that generate fewest problems are the promotion of public employees' interests and the favors requests by state bodies. The perception of these areas improved significantly.

During the analyzed period, the impact of the licensing system, construction regulation, product certification and import-export operations has improved. At the same time, business leaders had to deal with informal payments and unfair competition to a greater extent than in the previous year.

Figure 8. 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.

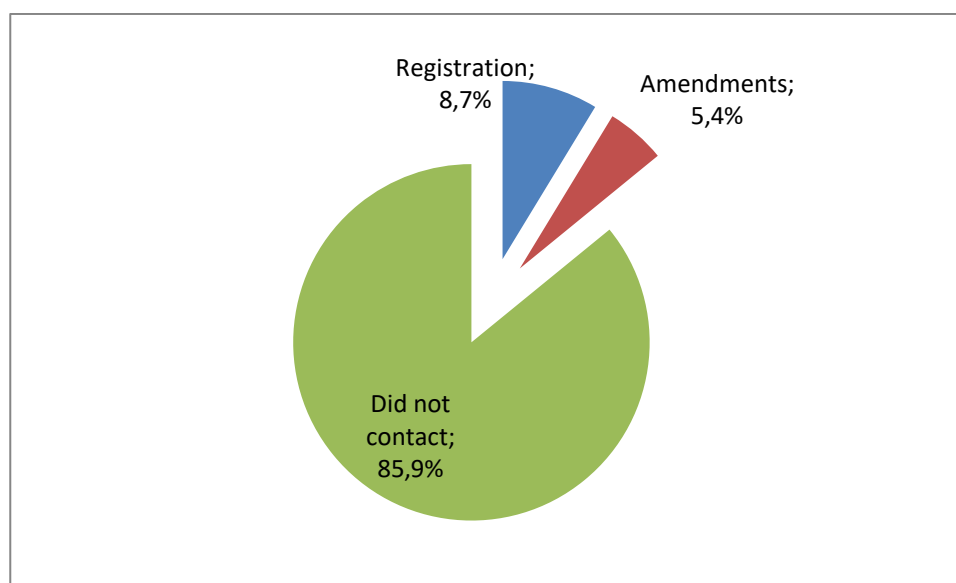
Law no. 288 of 15 december 2017 amended the procedure for suspending the activity and for the liquidation of companies whose activity was suspended. As a result, the procedure has become easier and clearer.

## 2.2 Registration timeframe

Around 14,1% of the interviewed companies have contacted the Public Services Agency over the past 3 years, slightly fewer compared to the previous study (15,3%).

About 62% of them registered their business, another 38% made changes to the incorporation documents.

**Figure 9. Share of companies that contacted the Public Services Agency over the last three years, % of total respondents**



Around 33% respondents registered or changed the incorporation documents through an intermediary. The average duration of registration in those cases was 8.5 days for the primary registration and 12 days - for changes in the incorporation documents.

During the period under review, the registration of a new company with the Public Services Agency took 3,0 days. Managers spent 2,0 hours on the registration procedures.

The above figures cover the timeframe from the filing date 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 days. The time spent to complete the procedures was 4 hours. The amount of time and duration reflect only the procedures with PSA.

The largest share of registrations / amendments to the incorporation documents were accounted for by the companies in Other services (21%). Fewest registrations / amendments were requested by Transport (5%).

By region, companies located in Chisinau were the most involved with the State Registration Chamber (PSA) (17,4%). Companies outside of Chisinau were the least involved (7%).



The data on time and duration of proceedings are highly dispersed. The median was used to calculate the mean value.

## 2.3 Registration costs

Business owners spent around 135 USD to register a company with the Public Services Agency. Amendments to the incorporation documents cost 89 USD. Costs include notary as well as state registration fees.

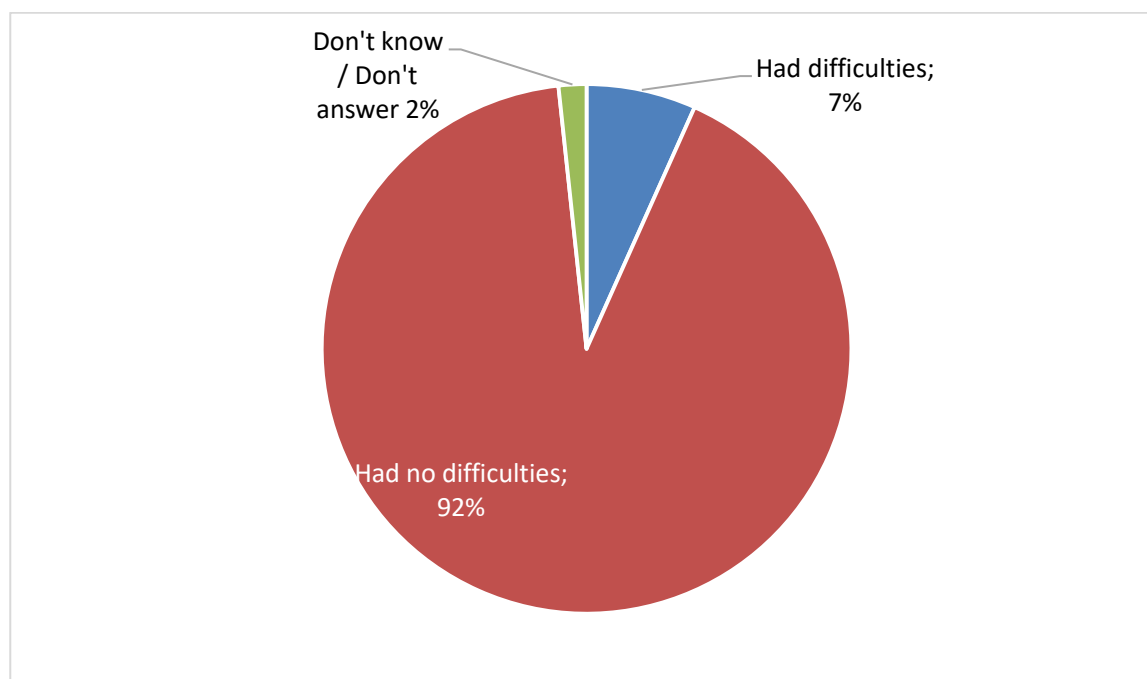
Through an intermediary, registration costs were 232 USD, changes to the incorporation documents – 116 USD.

One respondent mentioned having made unofficial payments to PSA and a second one - to the notary office to facilitate the registration process.

## 2.4 Perception of procedures

Less than 7% registrants encountered difficulties in the registration process.

**Figure 10. Difficulties encountered in performing the registration procedure, the last 3 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 3,0 days. Amendments to the incorporation documents took around 2.0 days. The data do not cover eventual registrations with other state institutions.

About 33% respondents turned to intermediaries for help in completing the registration procedures. Both the time and the cost figures were higher compared to the in-person registration.

Few companies encounter difficulties in the registration process – 7% (four companies).

**Table 2. Duration and time spent registering with the PSA in recent years**

Indicators	Survey period	2016	2017	2018	2019	2020
Duration of registration process, days		3,9	4,0	4,0	2,9	3,0
Duration of amendments to the incorporation documents, days		4,4	3,2	3,2	3,7	3,0
Time spent on registering, hours		4,2	4,0	4,0	3,4	2,0
Time spent on amending the incorporation documents, hours		5,1	2,7	-	2,7	4,0

The average values for 2020 were calculated based on the median due to the high data dispersion.

## 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. 3 of 6 February 2020, the construction can start only after the project was verified by accredited verification bodies. This law provides for the repeal of the requirement to possess an authorization for companies that render construction project verification services.

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.

Following the amendments brought by Law no. 3 of 6 February 2020, the appointed mayor is responsible for:

- performing the procedure of strategic environmental assessment prior to the process of drafting the urbanism and spatial documentation;
- elaboration and issue of the Urbanism Certificate for design and of the Building Authorization.

In the absence of urban and spatial planning documentation, in accordance with the amendments introduced by Law no. 3 of 6 February 2020, the issuer is no longer required to develop a layout of the building / land and utility networks, approved by the chief architect, the state supervisory bodies (National Public Health Agency, Environment Agency, supervisory body of fire protection measures jointly with the rescue and fire service), INCP “Urbanproiect” or IMP “Chişinăuproiect” for projects in the Chisinau municipality.

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, upgradings 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 Number of construction permits

According to the survey, 16% of the interviewed companies moved into new premises in the past three years. Around 19% of these built the spaces, 14% repaired or adjusted them, while 67% used them without making any changes. Approx. 21% of the companies that used the spaces without modifying them had to obtain permits to release them into use.

To obtain all permits required to start the repair, respondents

Companies located in Chisinau (17,8%) and Center (18,8%) moved more often into new or recently repaired spaces compared to those in the North – 3%.

22% of the companies in Industry and 19% in Trade moved to new / recently repaired spaces, the lowest share was recorded in the Construction sector with 7%.

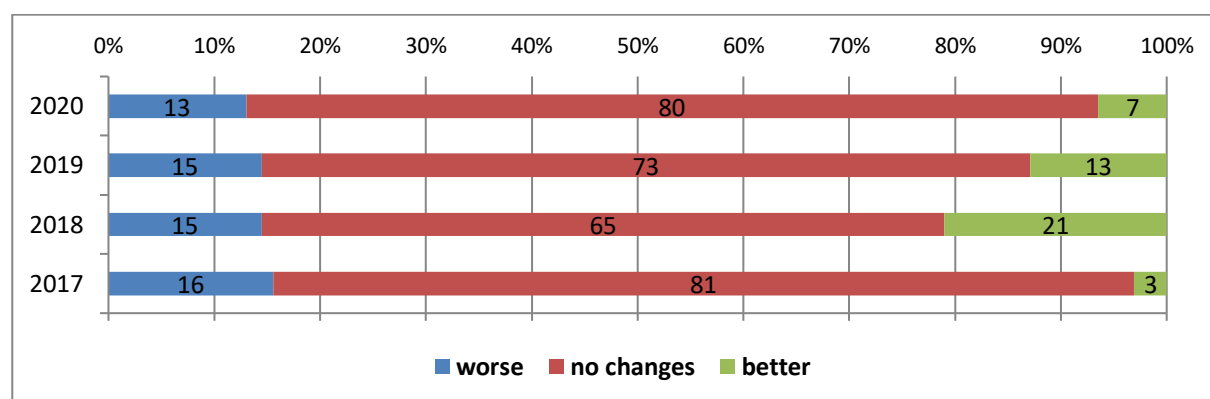
spent on average 4.2 hours. The procedure took between 1 and 20 days: a median of 3.5 days. Associated costs amounted to 144 USD. An insignificant number mentioned having made unofficial payments.

The authorization to release the repairs into use took 4,0 hours of work, the procedure lasted between 1 and 40 days, the median being 2.5 days.

### 3.3 Perception of procedures

The share of respondents that noticed improvements in construction sector has decreased over the last 3 years. During the analyzed period, only 7% companies noticed a simplification of the procedures (Figure 11).

Figure 11. Perception of changes in procedures governing the use of spaces



The share of respondents who started using the premises (constructions and reconstructions) without having the necessary permits to start building decreased from 23.3% in 2019 to 12.8% in 2020. Among most common reasons - long or unfamiliar procedures.

More than 42% respondents encountered difficulties in obtaining building permits.

Respondents who started to use 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 length of time to obtain permissions (see Table 3).

Table 3. Problems relating to obtaining permissions for reconstruction and repairs

Problems	2019	2020
Complicated procedures	3,2	2,9
Procedures take too long	3,7	3,4
High costs	3,2	2,7
The need to make unofficial payments	2,2	2,6

\* - problems were evaluated on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

The data reflects only the perception of companies that encountered difficulties.

### 3.4 Summary of analysis

More than 40% respondents still face difficulties in obtaining building permits. Nearly 13% of these put constructions into operation without having the necessary permits to start them. The main reason is the long process to obtain the permits.

**Table 4. Duration and time to obtain permits for reconstructions**

Indicators	Survey period	2017	2018	2020
Duration of obtaining an authorization, days		9,0	9,0	3,5
Duration to release into use, days		14,0	6,0	2,5
Time spent to obtain an authorization, hours		6,5	7,0	4,2
Time spent to release into use, hours		9,0	8,0	4,0

*\* - the 2019 data for this indicator were not representative*

Mean values were calculated based on the median.

## 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

One third (33,8%) of the surveyed companies had a license at the time of questioning. In 24,6% cases the companies had one license, in 7,0% cases – two licenses and in 2,2% - more licenses. The average number of licenses per company is 1,46.

The average validity period of a license is 3,6 years. In 55% cases the average validity period was 5 years.

## 4.3 License costs

The average amount of time required to obtain a license is 8,2 days. Costs amount to 199 USD. Managers spent a relatively short amount of time on procedures – on average 4 hours.

**Table 5. Average costs to obtain a license**

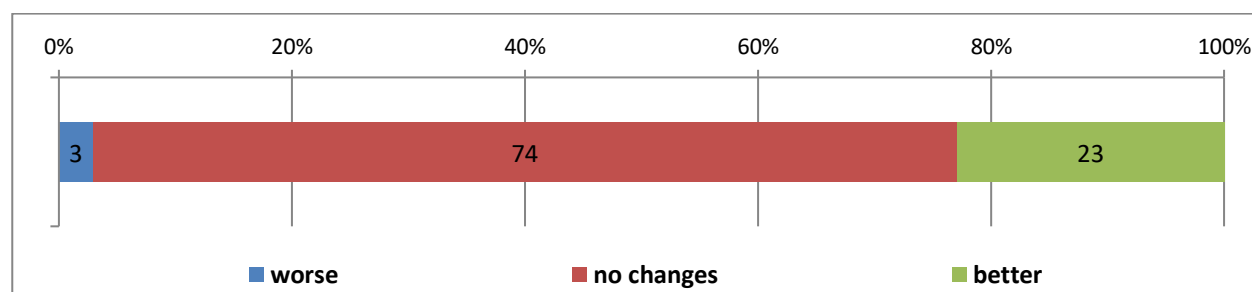
Type of payment	Made payments, %	Amount, \$
Official payments / license fee	85%	174
Expertise and evaluation	33%	58
Notary services	22%	58
Legal advisers and intermediaries	10%	87
Unofficial payments	13%	55
Transportation expenses	27%	12

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, %**



The perception of licensing procedures and conditions has changed compared to last year. The share of respondents who noticed improvements is 23%, similar to the previous year, and far exceeds the share of those who believe the opposite (3%). Almost three quarters of the interviewed companies believe that the situation has remained unchanged compared to 2019.



Only 11% respondents encountered difficulties in obtaining a license - half the number of last year.

Respondents who had difficulties were asked to assess them by scoring from 1 to 5, where 1 - no problems and 5 - major problems. The evaluation results are shown in Table 6.

**Table 6. Issues relating to licensing**

Problems	2019	2020
Complicated regulatory procedures	3,2	2,2
Procedure takes too long	3,0	2,4
High cost of obtaining a license	2,2	1,6
Need to perform unofficial payments	1,9	1,8

\* - problems were evaluated based on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

The data presents only the perception of businesses who encountered difficulties.

Most respondents that encountered problems perceive the licensing process as being long and complicated.

## 4.5 Summary of analysis

The cost of obtaining a license increased slightly, to 199 USD (Table 7). The duration of obtaining licenses did not change.

**Table 7. Evolution of costs related to licensing activities**

	2013	2014	2015	2016	2017	2018	2019	2020
Share of companies subject to licensing	49%	37%	47%	43%	42%	34%	31%	34%
Average number of licenses	1,4	1,4	1,4	1,1	1,4	1,4	1,3	1,5
Time to obtain a license, days	18	14	11	12	11	11	8	8
Average cost, \$	294	401	163	172	179	187	183	199
Share of respondents who made unofficial payments, %	8%	1%	15%	18%	13%	17%	14%	13%

## 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 the authorization to carry out 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

Half (50,1%) of respondents are engaged in trade activities. More than 61% of them filed notifications with LPA on the conduct of trade activity.

The procedures for preparing and submitting the notification took 3,9 days. The average amount of time spent on paperwork was 3,3 hours.

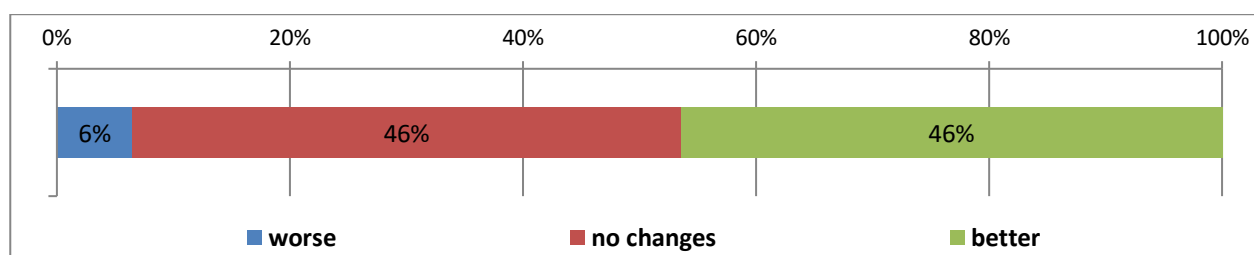
In Chisinau fewer companies (48%) are engaged in trade activities compared to the rest of the country (54%).

By sector, the highest share of companies carrying out trade activities are found in Trade (87%) and Industry (57%).

### 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 in comparison with the previous years. The answers are presented in Figure 13.

**Figure 13. How managers perceive the notification procedure, compared to last year**



The perception of notification procedures has slightly changed - fewer respondents noticed a simplification of the process (46%); the share of businesses that saw no changes has increased (to 46%).

Upon filing a notification, authorities still request the same documentation that was necessary for a trade authorization, even though not provided by law, as stated by 45,1% respondents. Their share increased compared to the previous year (33.6% in 2019).

Most often companies were asked to present the registration certificate, the deed of ownership or the rental agreement and the old authorization. Their share is presented in the table below.

**Table 8. Share of respondents who were requested other documents than those provided by law, %**

Requested documents	Share of respondents
Property title / Rental agreement	69
Registration certificate	74
Excerpt from the PSA	59
Copy of administrator documentation	58
The „old” authorization	74
Planning of commercial spaces	42
Other documentation	8

*Important:* The percentage is calculated only for the companies that were asked to submit additional documents.

## 5.4 Summary of analysis

The notification procedure has been simplified, as mentioned by most respondents who submitted one. Indicators that measure the implied effort show a worsening of the procedure:

Indicators	Survey period			
	2017	2018	2019	2020
Duration of submitting a notification, days	6,0	3,5	2,7	3,9
Time spent on filing a notification, hours	4,6	4,0	3,0	3,3

The amount of time to prepare the necessary documents for notification increased close to the levels of 2018.

About 45% companies were asked for additional documents at the time of submitting the notification.

## 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 refund is carried out within 45 days, of which: 30 days are intended for the verification and adoption of the refund decision, 7 days for the preparation of payment documents and their transmission to the State Treasury. Another 8 days are allocated for the actual refund.

According to Government Decision 418 of 24 June 2020 the reimbursement of VAT to taxpayers who filed a disagreement as to the verification act is carried out within 60 days from the date the application for refund was submitted.

## 6.2 Import transactions

Over the last three years, almost 11% of respondents carried out import operations. An importer makes an average of 7.8 transactions per year.

### 6.2.1 Import certification costs

Around 26% importers had to obtain certificates of compliance with the standards in the Republic of Moldova.

Import certification took 3,3 days. Managers spent 3,1 hours on the procedure. Expenses relating to obtaining certificates amounted to 80 USD, excluding payments to notaries, intermediaries and bribes. Only one respondent mentioned having paid a bribe to facilitate the import certification procedure. A quarter of respondents certifying imported goods stated that their products were stopped at customs because they did not have certificates of conformity.

The share of importers who had to obtain sanitary authorizations for imported goods decreased from 22% to 15%.

Companies spend 2,9 hours to obtain a sanitary authorization, which is issued in 3,5 days.

### 6.2.2 Customs fees

In the past three years customs procedures took 2,8 days to complete. The customs procedure fee is directly proportional to the customs value of the imported goods. As a result, the dispersion of values on paid fees in customs procedures is relatively large, with a median of 116 USD, excluding customs and excise duties. Around 10% importers paid bribes to facilitate the customs procedures. Nearly 9% were fined for violating the law on import procedures.

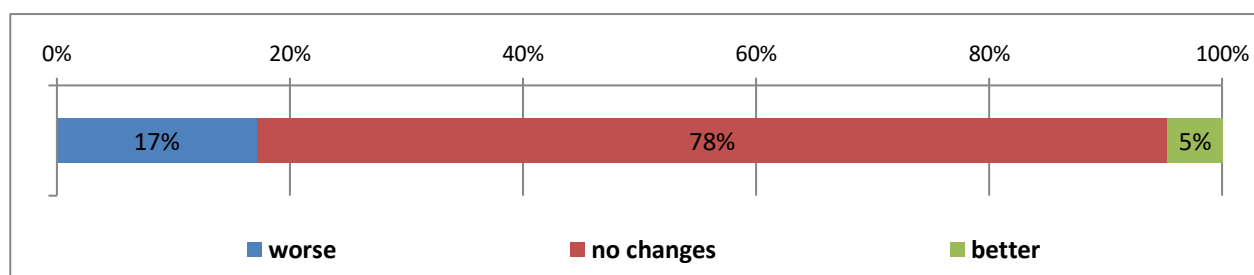
### 6.2.3 Perception of import procedures

More than three quarters of companies do not notice any changes in import conditions (see Figure 14). About 17% respondents said that in the current year the procedures became more difficult, compared to 24% in the previous year. Fewer companies think that the procedures are easier, from 18% in 2019 to 5%.

The highest share of companies that carry out import operations is recorded in Chisinau (13,9%). In the remaining country importing companies account for just 4,5%.

The share of importers is higher among companies with more than 10 employees (15%) compared to the share of importers per total companies employing up to 10 employees (10%).

By type of activity, the largest share of importers are found in the Food industry (20%) and Trade (17,5%). Among R&D, science, legal, notarial, consulting and Other services, only 4,3% are involved in import activities.

**Figure 14. Perception of changes in import procedures**


Close to 38% respondents encounter difficulties in import procedures. The perception has deteriorated compared to the previous period.

Respondents are mostly inconvenienced by the indicative prices on imported goods, the high cost of customs procedures, the difficulty of procedures and the customs corruption.

**Table 9. Most common problems on import**

Elements	Survey period					
	2015	2016	2017	2018	2019*	2020
Difficulties related to obtaining permissions and licenses	2,1	2,6	2,8	2,4	3,1	2,6
Difficulties with certification	2,3	2,7	2,7	2,4	3,1	2,6
Customs procedures	2,3	3,2	3,1	2,8	3,4	3,0
High tariffs on customs procedures	2,6	3,3	3,0	2,9	4,0	3,0
Unequal terms for importers	2,4	3,1	2,9	2,7	2,5	2,5
Corruption in customs	2,3	2,9	2,7	2,8	2,1	3,0
Indicative prices on goods	2,4	3,1	3,3	2,5	3,5	3,6
Phytosanitary certification	1,9	2,1	2,4	1,9	2,6	2,1

\* - problems were evaluated on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

The data from the 2019 and 2020 studies present only the perception of respondents who encountered difficulties.

### 6.3 Export transactions

Just 2,7% respondents carried out export operations in the last three years

The average duration of an export customs procedure was approx. 2.1 days.

Due to the small number of exporters, as well as the fact that the payment for customs procedures depends on the declared value of goods, no representative indicators on customs costs were determined.

### 6.4 Summary of analysis

Given the small number of companies that import or export, the cost of customs procedures has a large data dispersion. It is therefore difficult to establish a trend for these indicators (see

Table 10).

The duration of customs procedures has changed insignificantly.

**Table 10. Dynamics of import-export procedures and regulations**

Indicators	Survey period							
	2013	2014	2015	2016	2017	2018	2019	2020
Duration of import customs procedures, days per transaction	2,5	2,0	1,5	2,7	3,1	2,6	2,8	2,8
Cost of import customs procedures, \$ per transaction	158	261	136	287	307	272	170	116
Duration of export customs procedures, days per transaction	2,0	2,0	2,1	1,9	2,1	2,3	-	2,1
Cost of export customs procedures, \$ per transaction	152	213	37	172	105	-	-	-

Following an improvement in the perception of import procedures in 2019, in the current year 78% companies stated that the situation did not change; only 5% saw the procedures improve.

## 7 Product certification

### 7.1 Regulatory framework

Certification of goods is governed by the following laws:

- Law no. 20 of 04 March 2016 on National Standardization;
- Law no. 420-XVI of 22 December 2006 on Technical regulation activity, republished 31 March 2017 and amended by Law no. 40 of 6 March 2020;
- Law No. 235 of 1 December 2011 on Accreditation and compliance assessment activities;
- Law No. 306 of 30 November 2018 on Food Safety.

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.

### 7.2 Certification costs

Nearly 12% of the surveyed companies have certified products.

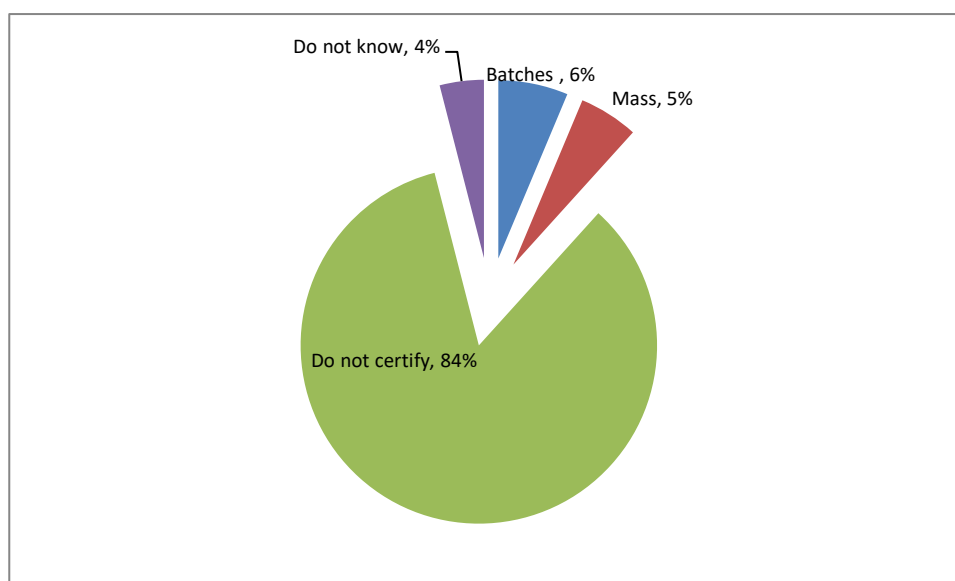
Businesses have two options in the product certification process:

- 1) certify individual batches – the certificate is granted for a certain quantity of goods  
or
- 2) certify mass production – certificate is granted for a certain period of time.

54% of the surveyed companies certify individual batches of goods, 46% – mass manufactured goods.

Companies operating in Industry are most familiar with the product certification process (27%), (45% in 2019), followed by Trade 12% (6,6% in 2019) and Other services – 11,7% (1,3% in 2019)). Less than 5% of the companies working in other sectors certify products.



**Figure 15 Share of companies that certify goods**


The certification of mass production takes on average 7 days. Preparation of necessary documents takes an average 5,5 hours.

The official cost of certifying mass manufactured goods amounts to 74 USD. Around 12% companies that certified mass-produced goods made unofficial payments (22% of companies that responded to respective question).

On average, a company certifies mass production 2,6 times a year. In half of cases, the certificate validity period is 12 months.

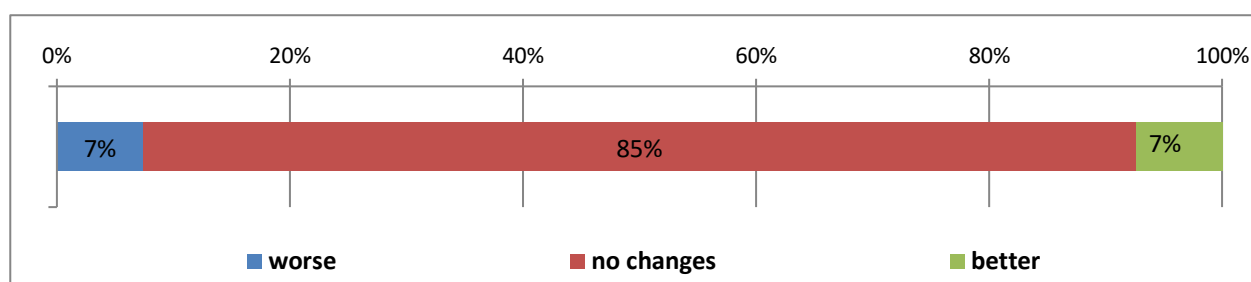
Certification of batches takes an average 3,6 days. Related paperwork takes 3,2 hours.

The official costs of certifying individual batches of goods vary to a great extent, depending on the nature of the product, the batch size, etc. Three companies mentioned having made unofficial payments for certification.

On average, a company certifies batches of goods 3,0 times a year; indicator calculated based on the median.

### 7.3 Perception of certification procedures

Over the last year, fewer companies deemed the certification procedures as more complicated compared to 2019. The share of companies that observed a simplification of procedures also decreased.

**Figure 16. Changes in the certification process**


Nearly 22% respondents had some difficulties with product certification procedures.

The table below presents the results on the evaluation of the difficulties related to product certification. Companies face high costs for obtaining certificates and believe the requirements for products subject to certification to be too demanding.

**Table 11. Problems posed by certification procedures**

Potential problems	Significance
Long procedures for obtaining certificates	2,2
High fees for obtaining certificates	3,0
High requirements for company products	3,6

\* - problems were evaluated on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

## 7.4 Summary of analysis

Product certification has a major influence on the business environment. About 12% respondents had to certify goods. The share of companies that encountered problems in the certification process has increased to 22%.

Companies, especially those that certify multiple products are concerned by the costs. The certification requirements are seen as too strict.

**Table 12. Changes in the process of certification of goods**

Indicators	Survey period						
	2013	2015	2016	2017	2018	2019	2020
Time to obtain a certificate for Mass production, days	11,7	13,2	10,3	10,0	-	7,0	7,0
Cost to obtain a certificate for Mass production, \$	158	63	84	122	-	113	74
Time to obtain a certificate for individual batches of goods, days	10,3	8,6	7,6	3,0	6,4	2,0	3,6

## 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 36% respondents had to obtain sanitary operating authorizations. The breakdown by sectors is presented in Table 13.

Table 13. Share of companies owning sanitary operating authorizations

Type of activity	Total companies	Have sanitary operating authorizations	Share of companies having authorizations
Food Industry	15	6	40%
Industry - other	82	46	56%
Trade	234	91	39%
Transport	39	7	18%
Construction	43	7	16%
Services (excl. Transport)	139	57	41%
Other companies (R&D, science, legal, notarial and consultancy, IT etc.)	79	12	15%

On average, companies apply for sanitary operating authorizations 1,9 times a year. The process takes 6,3 days.

Table 14. Average expenses to obtain a sanitary operating authorization

Survey period Indicators	Made payments, %					Amount, \$				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Official payments	93	93	87	83	92	69	68	71	71	81
Payments to legal advisers and intermediaries	9	9	10	10	13	13	46	49	57	41
Transport expenses	34	37	33	28	26	11	11	14	10	15
“Voluntary contributions”	9	9	8	9	11	12	29	24	28	49
Unofficial payments	9	10	20	14	17	11	11	18	11	18
Total costs, \$	-	-	-	-	-	71	75	77	71	92

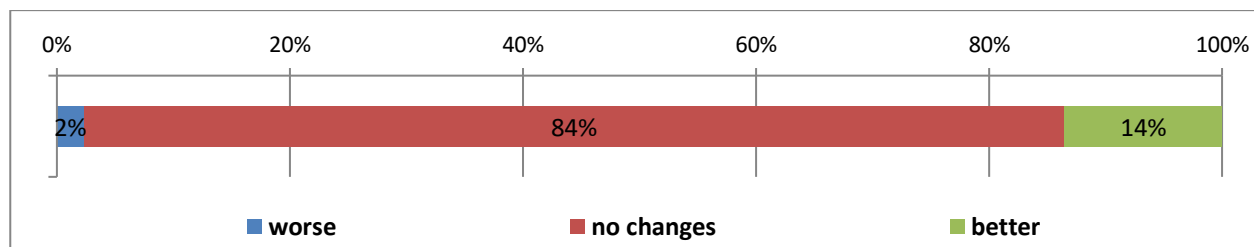
The costs of obtaining the authorization amount to approximately 92 USD.

Preparing and submitting the necessary documents to competent bodies took on average 3,7 hours.

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

During the analyzed period, the number of companies that did not notice major changes in the procedure for obtaining the sanitary authorization increased to 84%. Improvements in this area were reported in 14% of cases, a decrease compared to the previous period. Only 2% respondents think that the procedure is more complicated.

Figure 17. Changes in the process of obtaining sanitary authorizations



Only 22% companies have difficulties in obtaining sanitary authorizations. Most of them rated the procedures as being complicated and the costs as too high:

Table 15. Problems faced in the process of obtaining sanitary authorizations

Problems	2019	2020
Complicated regulatory procedures	3,7	2,9
Long time to complete the process	2,9	2,3
High cost to obtain sanitary certificates	1,9	2,5
Unofficial payments	1,6	1,8

\* - problems were evaluated on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

The data covers the perception of companies that encountered difficulties.

### 8.4 Summary of analysis

The costs of obtaining sanitary authorizations have increased slightly, with the duration remaining almost the same (Table 16).

Table 16. Changes in the process of obtaining a sanitary authorization

Indicators	Survey period							
	2013	2014	2015	2016	2017	2018	2019	2020
Duration of obtaining a sanitary authorization, days	6	10	9	7	7	6	7	6
Cost of obtaining a sanitary authorization, \$	71	102	60	71	75	77	71	92

## 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;

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

Nearly 7% respondents had to obtain sanitary certificates, on average 3 times a year.

A sanitary certificate is obtained in 3,4 days from the filing date. Managers spent an average 2,6 hours to prepare and file the documents.

Mandatory sanitary certification of products is most common in Industry 11.3% and Trade (8.5%).

By region, companies in the North (1.4%) and the South (4.3%) need a sanitary certificate least often. A slightly higher share is attested in Chisinau (7.9%).

Table 17. Average costs incurred by respondent companies to obtain a sanitary certificate

Indicators	Made payments %	Amount, \$
Official payments	67	45
Payments to legal advisers and intermediaries	3	-
Transport expenses	19	-
“Voluntary contributions”	7	-
Unofficial payments	14	14

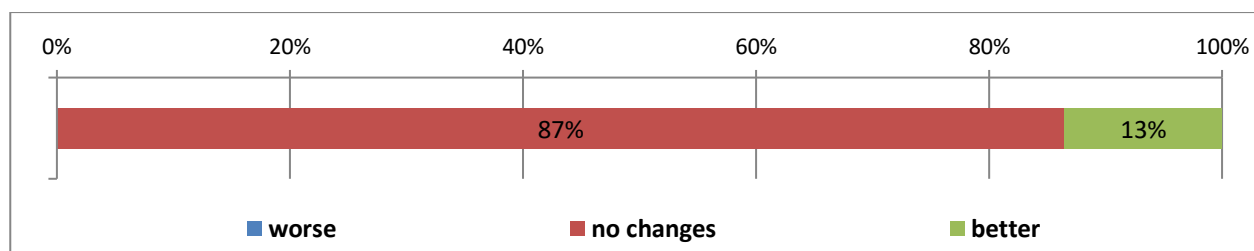
The average fees for obtaining the certificate amount to 30 USD. The average is calculated for the entire number of applicants, including those who have not paid the fees.

The number of respondents who obtained sanitary certificates is relatively small, therefore the average of other payments is representative to a lesser extent.

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

Nearly 87% respondents think that the procedures and conditions for sanitary certification have not changed. None of the companies referred to the procedure as more complicated compared to 2019. The simplification was mentioned in 13% of cases.

Figure 18. Changes in the process of obtaining sanitary certificates



The share of businesses who faced difficulties in obtaining the sanitary certificates for products decreased significantly - 22%.

The perception of the impediments in obtaining the sanitary certificate has changed. If last year companies deemed the cost of certification as too high, this year difficulties were caused by the complexity and duration of the procedures.

Table 18. Problems faced in obtaining sanitary certificates

Problems	2019	2020
Complicated regulatory procedures	3,3	3,6
Long time to complete the process	3,2	3,4
High cost to obtain sanitary certificates	3,5	2,8
Unofficial payments	2,1	1,9

\* - problems were evaluated on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

The data presents only the perception of companies that encountered difficulties.

## 9.4 Summary of analysis

The duration of obtaining sanitary certificates increased (see Table 19). The time spent by business leaders to obtain sanitary certificates has been slightly reduced.

**Table 19. Changes in procedures for obtaining sanitary certificates**

Indicators	Survey period				
	2016	2017	2018	2019	2020
Duration to obtain a sanitary certificate, days	5,6	4,9	3,1	2,8	3,4
Time spent to obtain a sanitary certificate, hours	5,9	6,0	5,4	2,9	2,6
Costs to obtain a sanitary certificate, \$	59	60	15	49	30

## 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 7,1% respondents had to obtain phytosanitary certificates.

A phytosanitary certificate is issued in 3,0 days. The preparation and submittal of required paperwork to competent bodies takes an average of 2,9 hours.

Table 20. Average costs to obtain a phytosanitary certificate

	Made payments, %	Amount, \$
Official payments	78	67
Payments to legal advisers and intermediaries	25	60
Transport expenses	20	33
“Voluntary contributions”	9	10
Unofficial payments	9	8

Phytosanitary certificates are most often required of companies in Trade (10,9%) and Non-food industry (9,9%).

Companies in the South (13,0%) and Center (8,6%) apply for a certificate more often compared to companies in the North (7,5%) and Chisinau (6,2%).



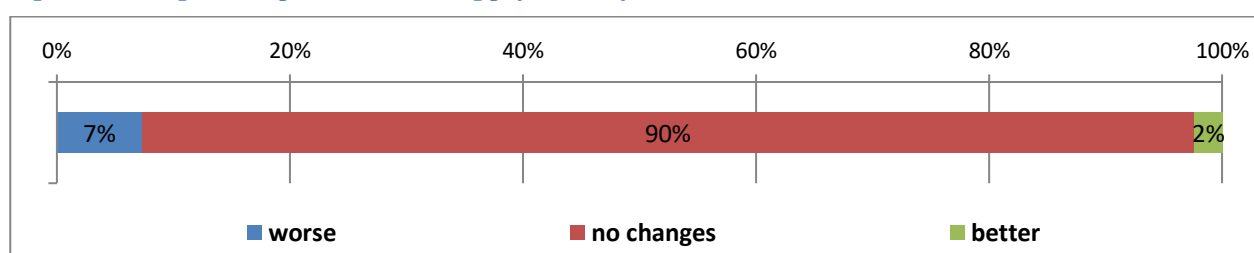
The official fees to obtain a phytosanitary certificate amount to about 52 USD. These do not include shipping costs, payments to third parties and are calculated for all respondents who obtained phytosanitary certificates, not only for those who have paid fees.

Less than 10% respondents said they paid bribes or made "voluntary contributions" to obtain phytosanitary certificates.

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

During the analyzed period, the share of respondents who think that the procedure for obtaining a phytosanitary certificate was more complicated decreased (only 7.3%), as did the share of companies who noticed a simplification of the procedure (2.4%). The majority of respondents (90%) did not notice changes compared to the previous period.

Figure 19. Changes in the process of obtaining phytosanitary certificates



The number of companies that faced difficulties in obtaining phytosanitary certificates decreased significantly. Of the 19%, most complained about the high costs for obtaining certificates – both unofficial and official.

### 10.4 Summary of analysis

In 2020 the phytosanitary certificate was obtained on average in 3.0 days, almost 1 day longer than in the previous year. The time spent by managers to comply with the requirements on phytosanitary regulation remained unchanged.

Fees for obtaining a phytosanitary certificate have increased.

Table 21. Changes in the procedures to obtain phytosanitary certificates

Indicators	Survey period					
	2015	2016	2017	2018	2019	2020
Duration of procedures to obtain a phytosanitary certificate, days	2,0	2,0	2,0	2,0	2,2	3,0
Time spent to obtain a phytosanitary certificate, hours	3,5	5,0	4,0	3,3	2,8	2,9
Costs to obtain a phytosanitary certificate, \$	35	37	34	32	40	52

## 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.

According to Law no. 137 of 16 July 2020, starting with 07 February 2021 the inspection division of the State Labor Inspectorate will also cover the observance of legal provisions regarding labor intermediation as well as the activity of private agencies and unlicensed intermediaries involved in overseas job placement of Moldovan nationals.

### 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. Following the lifting of the moratorium, the number of inspections has

Share of companies subject to control by the **Inspectorate for Emergency Situations**:

- By region, only 15% of companies in Chisinau were verified, while outside the capital the indicator stands at 22%.
- By sector, the highest share is found in Industry (25.8%), Construction (23.3%) and Trade (21.6%).

Share of companies subject to State Tax Service inspection:

- By region, 51% of the companies in Chisinau undergo inspections, compared to 61% in the rest of the country.
- By sector, the highest share is recorded in Industry (61%), Transport (61%) and Trade (57%).
- Companies with more than 10 employees (66%) are verified more frequently than companies with up to 10 employees (52%).

increased in 2017 to 2,6 visits per year. In 2018 the number of inspections decreased to 2,3 per year and further to 1,9 in 2019. In 2020, the frequency of controls increased to 2.4 visits per year, close to 2017 figures.

The cumulative duration of inspector visits to a company decreased from 13,1 to 11,4 hours per year.

The average number and duration of inspections carried out by inspection bodies are presented in Table 22.

**Table 22. Average number and duration of inspections**

Survey period Inspection bodies	Share of inspected companies, %			Frequency, visits per year			Number of days per visit		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
State Tax Service	44	46,6	54,0	1,3	1,2	1,3	0,54	1,57	0,91
Customs Service	-	5,6	5,7	-	1,3	1,4	-	0,38	0,34
Inspectorate for Emergency Situations	29	17,9	17,0	1,1	1,1	1,2	0,37	0,54	0,24
Sanitary epidemiological service	17	9,9	9,5	1,3	1,1	1,3	0,41	0,49	0,35
Police	10	12,5	13,2	1,4	1,4	1,4	0,35	0,31	0,30
Competition Council	-	0,8	1,7	-	1,4	1,4	-	-	0,22
Technical Supervision Agency	-	4,9	3,3	-	1,2	1,1	-	0,5	0,63
Inspectorate for Environmental Protection	14	6,9	8,2	1,0	1,0	1,1	0,69	0,66	0,43
National Food Safety Agency (ANSA)	-	11,2	14,6	-	1,2	1,6	-	0,68	0,46
The National Auto Transport Agency (ANTA)	-	8,5	7,3	-	1,3	1,6	-	0,63	0,37
Financial Inspection	-	5,1	3,6	-	1,1	1,1	-	0,81	0,49
Consumer Protection Agency	-	3,6	5,4	-	1,1	1,2	-	0,58	0,75
Local authorities	12	10,7	17,9	1,4	1,1	1,3	0,32	0,57	0,39
Labor inspection	26	15,3	22,3	1,1	1,1	1,1	0,95	0,71	0,55
National Center for Personal Data Protection (NCPDP)	-	0,3	2,5	-	1,5	1,0	-	-	3,38
Other ministries and departments	-	2,5	1,3	1,7	1,1	1,1	2,04	1,00	0,78

Companies that are most often inspected by LPAs come from:

- Transport and Constructions: 38,5%, respectively 30,2%
- North and Central regions with 30,4% and 20,7%
- Companies with more than 10 employees (33,6%) compared with 14,5% in companies employing up to 10 people.

26% of the respondents who own a means of transport were stopped by the traffic police without a legal reason for checks of vehicle documentation or cargo. Another 42% stated that they were never stopped for no reason.

### 11.3 Inspection-related expenses

Most often businesses are fined by the State Tax Service (18,9% in total companies, including unverified), NFSA (3,8%), Labor inspection (3,2%), Inspectorate for Emergency Situations (2,7%) and Police (2,7%).

Calculated as percentage of inspected companies most often fines are paid to the Tax Service (34,9%) and NFSA (34,8%).

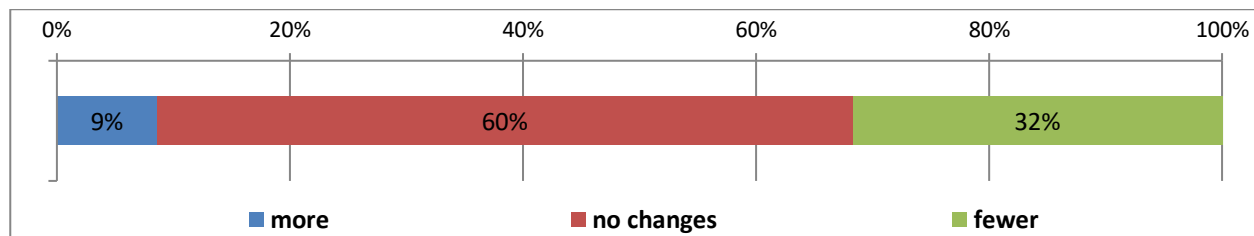
**Table 23. Share of companies that incurred payments following the inspections in the last year**

	Fines, %				Unofficial payments, %			
	Share per total	Share per inspected companies	Share per total	Share per inspected companies	Share per total	Share per inspected companies	Share per total	Share per inspected companies
Survey period	2019	2020	2019	2020	2019	2020	2019	2020
State Tax Service	23,5	18,9	50,2	34,9	4,6	9,5	9,9	17,6
Customs Service	0,5	0,5	8,1	8,3	0,3	0,8	5,6	13,9
Inspectorate for Emergency Situations	1,1	2,7	6,5	15,9	2,0	1,3	11,2	7,5
Sanitary epidemiological service	2,3	2,5	23,3	26,7	1,6	1,3	16,7	13,3
Police	2,1	2,7	17,3	20,5	2,5	4,3	20,3	32,5
Competition Council	0,2	-	20,0	-	0,3	0,0	40,0	
Technical Supervision Agency	0,7	0,5	12,9	14,3	0,0	0,2	0,0	4,8
Inspectorate for Environmental Protection	0,8	1,6	11,9	19,2	0,7	0,6	9,5	7,7
National Food Safety Agency (ANSA)	4,9	3,8	44,1	26,1	0,3	4,4	2,9	31,1
The National Auto Transport Agency (ANTA)	2,0	2,5	23,1	34,8	2,0	0,8	23,1	11,1
Financial Inspection	0,2	0,8	3,3	21,7	0,3	0,3	6,7	8,7
Consumer Protection Agency	2,3	0,8	63,6	14,7	0,5	0,2	13,6	3,0
Local authorities	0,3	2,1	3,2	11,5	1,8	3,5	17,7	19,5
Labor inspection	3,4	3,2	23,1	14,2	2,1	5,4	14,0	24,1
National Center for Personal Data Protection (NCPDP)	0,0	0,5	0,0	18,8	0,0	0,3	0,0	12,5
Other ministries and departments	0,8	0,5	29,4	37,5	0,3	0,5	11,8	37,5

## 11.4 Perception of number of inspections and difficulties

In 2020, 60% of companies saw no changes in the frequency of inspections by state bodies. Only 9% of companies said that the number of inspections was higher compared to the previous period; 32% say they were inspected less often.

Figure 20. Changes in the number of inspections



An insignificant number of respondents (6,7%) believe that companies are treated equally by the law. About 34% believe that the equality is only partially secured. Around 36% respondents think that the equality is not secured.

Around 39% respondents believe that the law is applied selectively, another 33% partially agree with this statement. Only 7.2% respondents do not consider that the law is applied selectively.

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

- By region, over 30% of companies in Chisinau, Center and South saw a reduction in the number of inspections and only 6.3% of entities in the North noticed fewer inspections.
- The largest share of companies that noticed a decline in inspections is accounted for by companies in R&D, science, legal system, notarial, consulting and IT services (36,6%) and Other services (37%). At the other end, companies in Industry (18,6%) and Transport (14,3%) account for the largest number of respondents claiming that the number of inspections has increased.

Table 24. Impartiality of public servants

	Yes	Partly	No	Don't know
All companies are treated equally by the law	7%	34%	36%	23%
The law is applied selectively	39%	33%	7%	21%

Less than 20% respondents think that, in most cases, visits were "scheduled and legally justified". Nearly 12% think that the purpose of inspections was to detect possible violations. About 12% believe the verifications were carried out to extort bribes.

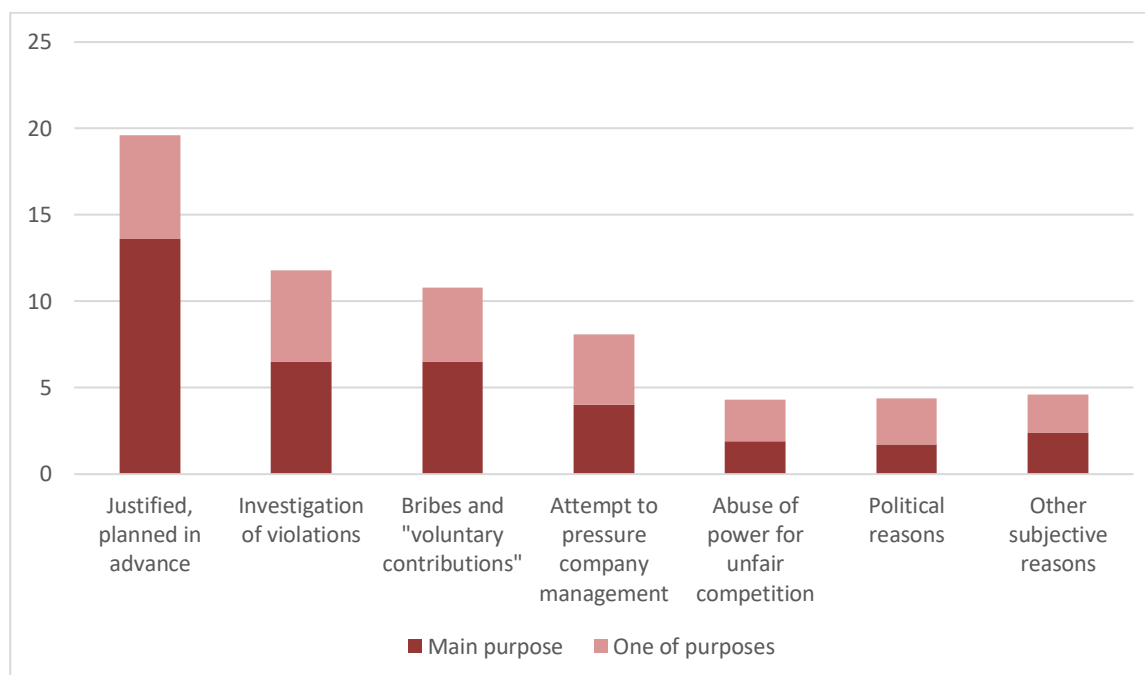
Table 25. Purposes of the inspection visits

Purpose	2014	2015	2016	2017	2018	2019	2020
Inspections were justified, previously announced	2,1	2,7	2,2	2,7	2,7	2,6	2,3
Investigation of violations	1,4	2,0	2,2	2,4	2,3	2,2	2,2
Solicitation of bribes and "voluntary contributions"	1,4	2,2	2,2	2,2	2,1	2,0	2,1

Purpose	2014	2015	2016	2017	2018	2019	2020
Attempts to put pressure on management to make economic decisions	1,2	1,7	2,0	2,0	1,8	1,7	1,7
Abuse of power for unfair competition	1,2	1,9	2,0	2,0	1,8	1,6	1,6
Political reasons	1,1	1,8	1,9	2,0	1,7	1,8	1,6
Other subjective reasons	1,1	1,8	2,0	2,0	1,8	1,7	1,6

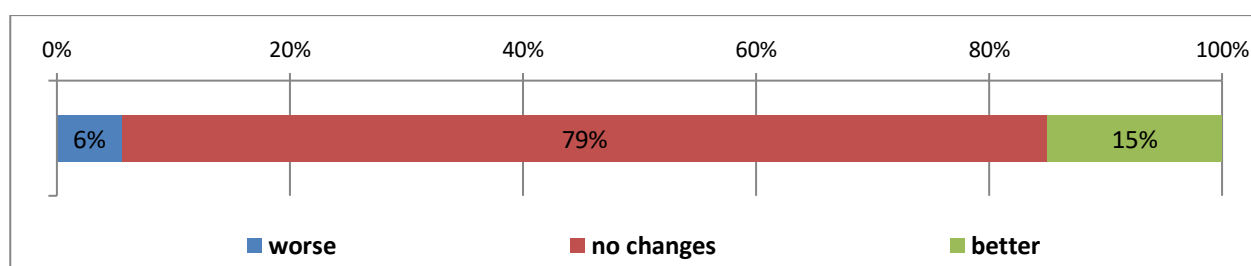
Other subjective reasons account for less than 10%.

**Figure 21. Purpose of inspection visits, % per total respondents**



More than three quarters of companies perceived the inspection procedures as unchanged compared to the previous year (see Figure 22). Only 6% companies believe that the procedures became more complicated. The share of companies that saw the procedures become easier decreased to 15%.

**Figure 22. Changes in the perception of state inspection procedures**



## 11.5 Summary of analysis

In the last year the number of inspections increased from 1.9 to 2.5 visits per company. The time allotted by inspectors for a company has decreased from 13.1 to 11.7 hours per year. The decrease was due to the smaller number of verified companies, as well as shorter visits.

Table 26. Evolution of inspections

Survey period	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Indicators</b>									
Average number of inspections per company	5,2	3,6	6,5	3,8	2,0	2,6	2,3	1,9	2,4
Number of days per year with a company	6,3	4,7	4,5	0,95	0,63	1,44	1,82	1,64	1,42

The share of companies verified by the Tax Service, NFSA, the Competition Council, the Labor Inspectorate, the Agency for Consumer Protection has increased.

Table 27. Changes in the share of inspected companies, % per total surveyed companies

Survey period	2014	2015	2016	2017	2018	2019	2020
<b>Inspection bodies</b>							
State Tax Service	58	51	32	47	44	46.6	54,0
Customs Service						5.6	5,7
Inspectorate for Emergency Situations	56	35	24	38	29	17.9	17,0
Sanitary epidemiological service	48	22	14	15	17	9.9	9,5
Police	41	19	12	12	10	12.5	13,2
Competition Council						0.8	1,7
Technical Supervision Agency						4.9	3,3
Inspectorate for Environmental Protection	22	16	3	13	14	6.9	8,2
National Food Safety Agency (ANSA)						11.2	14,6
The National Auto Transport Agency (ANTA)						8.5	7,3
Financial Inspection						5.1	3,6
Consumer Protection Agency						3.6	5,4
Local authorities	20	17	12	18	12	10.7	17,9
Labor inspection	40	32	15	24	26	15.3	22,3
National Center for Personal Data Protection (NCPDP)						0.3	2,5
Other ministries and departments	10	12	13	7	19	2.5	1,3

Table 28. Frequency of inspections (calculated only for companies inspected by respective authority)

Survey period	2014	2015	2016	2017	2018	2019	2020
<b>Inspection bodies</b>							
State Tax Service	1,9	1,4	1,5	1,4	1,3	1.2	1,3
Customs Service						1.3	1,4
Inspectorate for Emergency Situations	1,4	1,2	1,2	1,3	1,1	1.1	1,2
Sanitary epidemiological service	1,9	1,3	1,2	1,5	1,3	1.1	1,3
Police	3,9	1,5	1,5	1,7	1,4	1.4	1,4
Competition Council						1.4	1,4

Survey period	2014	2015	2016	2017	2018	2019	2020
<b>Inspection bodies</b>							
Technical Supervision Agency						1.2	1.1
Inspectorate for Environmental Protection	1,4	1,3	1,4	1,2	1,0	1	1,1
National Food Safety Agency (ANSA)						1.2	1,6
The National Auto Transport Agency (ANTA)						1.3	1,6
Financial Inspection						1.1	1,1
Consumer Protection Agency						1.1	1,2
Local authorities	2,7	1,2	1,6	1,2	1,4	1.1	1,3
Labor inspection	1,4	1,3	1,3	1,3	1,1	1.1	1,1
National Center for Personal Data Protection (NCPDP)						1.5	1,0
Other ministries and departments	1,5	1,3	1,8	1,6	1,7	1.1	1,1

Most often the companies are verified by the State Tax Service, NFSA, Labor Inspectorate, local public authorities and the Inspectorate for Emergency Situations:

**Table 29. Frequency of inspections, number per year (calculated for all companies contained in the sample)**

Survey period	2015	2016	2017	2018	2019	2020
<b>Inspection bodies</b>						
State Tax Service	0,7	0,48	0,64	0,57	0,56	0,70
Customs Service					0,07	0,08
Inspectorate for Emergency Situations	0,4	0,29	0,50	0,32	0,20	0,20
Sanitary epidemiological service	0,3	0,17	0,23	0,22	0,11	0,12
Police	0,3	0,18	0,20	0,14	0,18	0,18
Competition Council					0,01	0,02
Technical Supervision Agency					0,06	0,04
Inspectorate for Environmental Protection	0,2	0,04	0,15	0,14	0,07	0,09
National Food Safety Agency (ANSA)					0,13	0,23
The National Auto Transport Agency (ANTA)					0,11	0,12
Financial Inspection					0,06	0,04
Consumer Protection Agency					0,04	0,06
Local authorities	0,2	0,19	0,22	0,17	0,12	0,23
Labor inspection	0,4	0,20	0,31	0,29	0,17	0,25
National Center for Personal Data Protection (NCPDP)					0,00	0,03
Other ministries and departments	0,2	0,23	0,11	0,32	0,03	0,01



## 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 Tax administration

According to the respondents, an average of 5,0 types of taxes are paid in the Republic of Moldova. The number of taxes remained practically unchanged over the past year.

The share of companies that employ full-time accountants to settle all taxes in due time fell to 36,8% (see Table 30), in favor of outsourcing (51,1%) or keeping the accounts on their own (12,1%).

**Table 30. The necessary number of accountants to ensure timely and correct payment of taxes**

Survey period	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Resources</b>									
Hire accountants, full time	67%	64%	73%	64%	71%	58%	70%	51%	37%
Average number of full-time accountants	1,2	1,2	1,3	1,2	1,1	1,1	1,1	1,2	1,3
Only part time accountants	35%	37%	19%	32%	28%	37%	27%	45%	51%
Keep tax records on their own	5%	8%	8%	9%	8%	5%	3%	4%	12%

Over 91% respondents say they pay 100% of the taxes imposed on their business. Other 9% use legal or illegal methods to pay on average 77,7% of the amount due.

In 2020 businesses reinvested almost 36% of the profit obtained in 2019. The figure decreased compared to the previous period, when companies reinvested an average of 42% of profit.

The electronic filing of VAT declarations reduced the time spent preparing them. The downward trend continues - 1.5 hours for a company to file VAT returns. Filing the annual report on the corporate income tax and the monthly summary report on the employee income, contributions to NHIC and NSIH take slightly more time (see Table 31). These reports were submitted in less time compared to 2019.

**Table 31. Time spent to submit a report, hours**

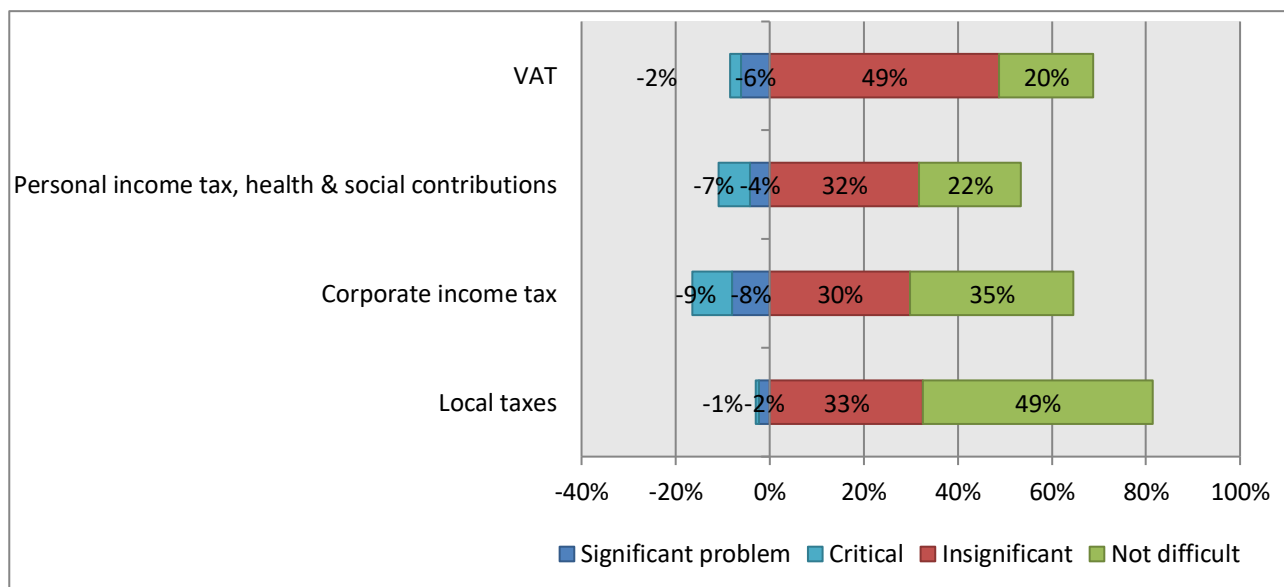
Type of tax	2016	2017	2018	2019	2020
Value added tax	1,8	2,6	2,8	2,3	1,5
Personal Income Tax, medical and social contributions				2,7	2,1
Corporate Income Tax				2,8	2,4
Local Taxes				1,5	1,3

### 12.3 Main difficulties in paying taxes

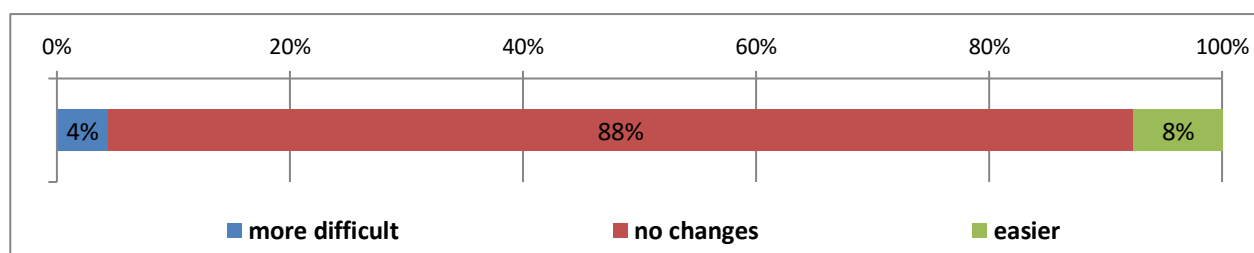
The procedure to calculate, report and pay the corporate income tax proved to be the most difficult for 17% respondents (see Table 32). Their share is however on a downward trend and the report is filed annually, unlike other reports that are required to be filed more frequently.

**Table 32. Taxes that generate most difficulties**

Problems	2015	2016	2017	2018	2019	2020
Value added tax	2,4	2,3	2,7	2,4	2,2	1,9
Personal Income Tax, medical and social contributions					2,5	2,4
Corporate Income Tax					2,5	2,3
Local Taxes					1,7	1,7

**Figure 23. Taxes that generate most difficulties**


A relatively small proportion of respondents noticed changes in the tax system (see Figure 24). Only 4.4% faced more complicated procedures. The share of companies who think the process is simpler increased to 7.6%.

**Figure 24. Changes in the tax system**


Around 35% respondents encountered difficulties in the taxation process. The biggest difficulties remain the complexity of tax and accounting procedures, the impossibility to forecast the size of taxes and high penalties for errors. The degree of difficulty is broken down in Table 33.

**Table 33. Problems encountered in the taxation system**

Problems	Survey period	2014	2015	2016	2017	2018	2019*	2020
Impossibility to project the future number of taxes		2,2	2,4	2,5	2,9	2,8	3,3	3,1
The whole fiscal and accounting process is complicated and unclear		2,4	2,8	2,7	3,1	2,8	3,5	3,8
High sanctions for errors		2,8	2,9	2,8	2,7	2,7	3,1	2,9
Lack of fixed rules		2,2	2,4	2,7	2,5	2,3	2,3	2,4
Total dependence on fiscal inspectors, lack of respect		2,0	2,2	2,5	2,1	1,9	2,1	2,5
High tax rates		3,3	2,9	2,8	2,4	2,2	2,4	2,5
Unofficial payments		1,3	1,9	2,3	2,1	1,9	2,1	2,2

\* - problems were evaluated on a scale from 1 to 5, where 1 - no issues and 5 – major issues.

The data from the 2019-2020 reports present only the perception of companies that encountered difficulties.

## 12.4 Summary of analysis

In 2020 the number of taxes has not changed significantly compared to 2019. This is the second year in a row that the number of companies opting to hire full-time accountants is declining.

**Table 34. Comparing the tax administration system**

Indicators	Survey period							
	2013	2014	2015	2016	2017	2018	2019	2020
Average number of taxes	7,0	7,5	5,9	5,6	5,7	6,3	4,8	5,0
Number of full-time accountants	1,2	1,3	1,2	1,1	1,1	1,1	1,2	1,3
Share of reinvested profit in total profit generated							42%	36%

Business leaders did not notice major changes in the tax system. Most often difficulties are posed by the lack of clear procedures and of a predictable environment, as well as by the excessive penalties 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.

Government Decision no. 130 of 26 February 2020 provides for the introduction of medical masks, medical gloves, biocidal products (medical disinfectants) in the list of socially important products.

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

The government interferes in setting prices for products in 14,7% cases. The share of sales at regulated prices varied between 1 and 70% of the total volume sold, with an average of 11,7%.

Thus, 1,7% of the total sales by companies in Moldova are carried out at government-set prices.

### 13.3 Perception of price regulation

In over 62% cases the state interferes in companies' pricing by issuing a limit on trade margins (see Table 35). Most often, the limitation of trade margins is imposed on socially important products.

The largest share of companies that are marketing goods or services at state-set prices are found in Transport (35,9%) and Trade (20,4%), the lowest share is accounted for by companies in Construction (4,7%).

Most often, the state interferes in price formation in companies located in Chişinău and South with 17,3 and 15,2% respectively. Only 4,3% of the surveyed companies located in the North are found in this category.

**Table 35. Methods used by government to form prices**

Methods	2012	2013	2015	2016	2017	2018	2019	2020
By limiting profitability	19%	20%	19%	20%	15%	19%	13%	10%
By limiting prices	24%	23%	34%	38%	35%	45%	36%	28%
By limiting trade margin	57%	57%	47%	52%	50%	36%	51%	62%

### 13.4 Summary of analysis

The share of companies whose products were sold at state regulated prices grew over the past 2 years, while the volume of sales at regulated prices has declined.

Overall, the share of products sold at regulated prices has not changed significantly compared to 2019.

**Table 36. Price regulation in the Republic of Moldova**

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Share of businesses subjected to price regulation	24%	24%	17%	12%	10%	13%	9%	12%	15%
Share of prices subjected to state regulation	8%	10%	10%	4%	3,5%	3,9%	2,2%	1,6%	1,7%

## 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 was eliminated.

Under the Labor Code amendments approved by Law no. 115 of 09 July 2020, the employee - employer relations were defined more clearly in regard to flexible working hours.

The largest number of companies facing staff shortage are working in Construction (45%), R&D, science, legal system, notarial, consulting and IT services (23,7%), while Transport and Trade companies face surplus staffing.

By region, Chisinau accounts for the largest share of both companies that are short of staff (24,9) and those that have surplus labor (14,9%).

### 14.2 Workforce availability

Two thirds of respondents stated that they have the necessary number of employees to meet the needs of the company at the time of interview. Their number decreased slightly. Meanwhile, more companies claim they face labor surplus. The number of companies facing challenges filling jobs remained virtually unchanged over the previous year.

**Table 37. Assessment of labor force availability**

	Survey period							
	2013	2014	2015	2016	2017	2018	2019	2020
Staff surplus	5%	3%	8%	5%	2%	4%	5%	12%
Have the necessary number of staff	60%	77%	69%	76%	73%	71%	72%	66%
Staff shortage	32%	18%	20%	19%	25%	24%	23%	20%
Do not know	1%	0,2%	1%	1%	4%	2%	3%	2%

The biggest impediment to complying with labor relations regulations is the need to hire only under an individual employment contract, followed by the obligation to pay the minimum wage and the complexity of staff record-keeping procedures (see Table 38).

**Table 38. Assessment of main problems related to labor relations regulation**

Problems	2015	2016	2017	2018	2019	2020
Obtaining permission from the Labor Inspection to start the company's activities	2,0	2,1	2,4	2,1	1,9	1,9
Hiring only under an individual contract of employment	2,1	2,2	2,5	2,2	2,1	2,1
Obligation to pay the minimum salary	2,2	2,3	2,4	2,1	1,8	2,0
Frequent inspections by labor inspection	1,8	2,1	2,3	1,9	1,6	1,8
Complicated process of staff reduction	1,9	2,5	2,5	2,1	1,8	1,9
Complicated process of staff record-keeping	1,9	2,4	2,6	2,1	2,0	2,0

## 15 Execution of contracts

Following an alarming increase in previous years, the share of companies that claim that the state intervenes in the process of concluding and executing contracts has decreased to 7.5% (see Table 39).

Most often, the state intervenes in the process of concluding contracts in Transport (28,2%) and Construction (23,3%), and least often in R&D, science, legal, notary, consulting and IT - with zero cases.

In the Central region only one of the interviewed companies reported such interventions. The South region is at the opposite end (23.9%). In Chisinau the indicator stands at 7.0%.

**Table 39. Monitoring the execution of contracts in Moldova**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Share of companies whose contracts were monitored	3%	6%	6%	4%	5%	5%	4%	10%	13%	8%



## 16 Promotion of personal interests of public servants

In nearly 5% cases, managers said that public servants have interfered in their business activity for personal reasons. Over the last three years, the extent of interference slightly increased. In most cases (80%) public employees initiated the contact. In more than half of such occurrences, respondents claimed that the degree of interference is higher compared to the previous year.

**Table 40. Promotion of personal interests of public servants**

	2014	2015	2016	2017	2018	2019	2020
Share of companies claiming that public servants interfered in their business activity	4%	8%	3%	3%	3%	4%	5%

## 17 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 state authorities are regulated by the Administrative Code published on 19 July 2018.

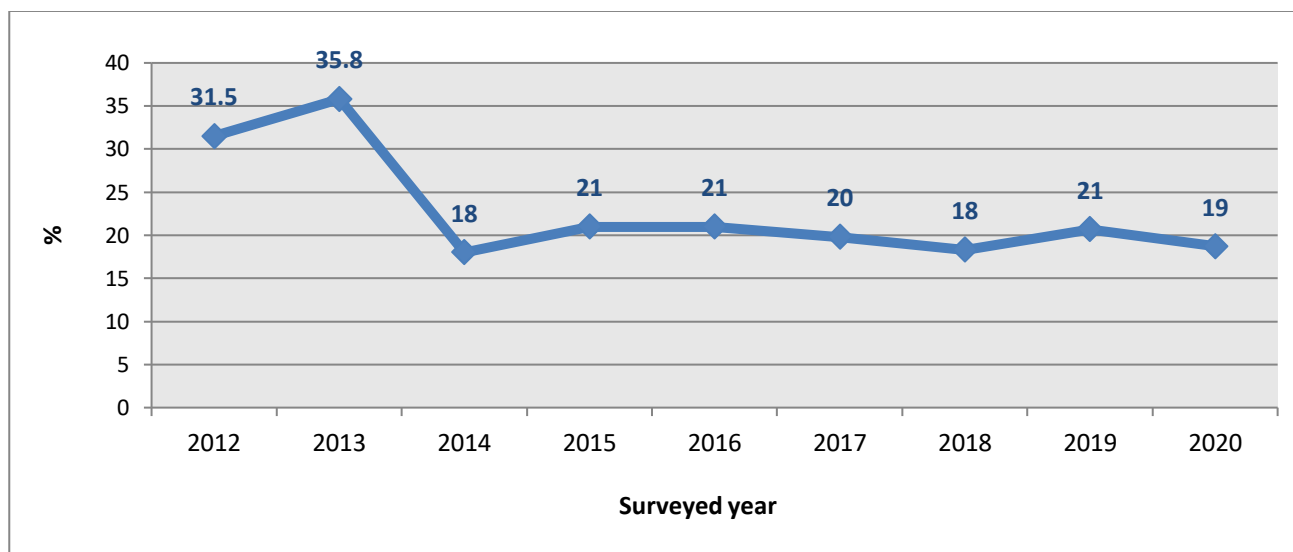
### 17.2 Methods used to settle conflicts

Over the past two years, nearly 19% respondents reported disagreements with state authorities or partners that they could not resolve amicably. The share underwent minor changes during the last six years.

The highest share of companies that settled disputes over the past 2 years was noted in Transport (35,9%) and Construction (30,2%), the lowest share - in R&D, science, legal, notary, consulting, IT (11,4%).

By region, this share varies between 17,4% in the South and 23,2% in the Center.

Figure 25. Companies that had to settle conflicts



In 71,6% of cases, companies had conflicts with other business entities, the other 28,4% – with state authorities.

Table 41. Methods used to resolve conflicts, % of companies that had to resolve conflicts

	2014	2015	2016	2017	2018	2019	2020
Turned to state bodies	14	25	43	34	40	31	28
Took court action	69	46	64	46	35	40	68
Illegal methods		14	8	7	7	7	3
Various unofficial, yet legal methods		34	27	30	30	34	20

In 2020 the share of companies that appealed to the courts to resolve disputes increased considerably - 68.4%. The number of companies that resorted to illegal methods is insignificant. Various informal legal methods were preferred in fewer cases than in 2019.

### 17.3 Assessing the efficiency of using courts

The main reason why businesses do not turn to courts is the long decision-making time, as revealed by 53% respondents. Compared to last year, companies seem to be less concerned by the costs of legal services. In 2020 more companies distrust the fairness of the decision-making due to court incompetence. Table 42 presents the results of an evaluation of the reasons by assigning a score from 1 to 5, where 1 - the least important reason, 5 - the most important reason.

**Table 42. Reasons for not going to court**

Reasons	2016	2017	2018	2019	2020
Lawsuits last too long	2,5	2,5	2,8	3,0	3,3
Decision will be incorrect because the courts are corrupt	2,3	1,7	2,2	1,7	1,9
Decision will be incorrect because the court is incompetent	2,4	1,7	2,0	1,3	1,7
High costs of court services	2,1	1,9	1,9	1,7	1,9
High costs of legal services	2,0	1,9	2,1	1,8	1,4
The dispute is not very serious	3,2	2,3	2,5	2,4	2,0
Other methods are more efficient	2,1	2,4	1,7	2,1	1,2
Court decisions are not enforced	1,9	1,5	1,6	1,3	1,2

Around 31% of companies that resolved their disputes in courts were satisfied with the procedures and the outcome, another 39% were not happy with the result.

On average, respondents rated their satisfaction at 2,92 points on a scale from 1 to 5, which would result in a 48% satisfaction degree. The indicator decreased slightly compared to previous years.

### 17.4 Summary of analysis

During the last two years, around 19% of the surveyed economic entities had to settle disputes (with partners, clients or state authorities). The share of disputes taken to courts has increased from 40% to 68%. The main reason for not filing a lawsuit was the long decision-making period.

**Table 43. Efficiency of resolving disputes through courts**

	2015	2016	2017	2018	2019	2020
Respondents who had to settle conflicts, %	21	21	20	18	21	19
Respondents satisfied with resolving through court, %	31	48	41	34	40	31
Taking court action, degree of satisfaction	2,83	3,15	3,17	3,08	3,13	2,92
Taking court action, degree of satisfaction, %	46	54	54	52	53	48

The key indicators characterizing the ability of the judiciary system to resolve business disputes have slightly worsened compared to previous years.

## 18 Public procurement

About 21% respondents provided services under public procurement procedures. The methods of assigning public procurement contracts did not change significantly from the previous period: in 27% cases the procurements were carried out through public tenders; in 53% of cases - through requests for quotation.

Most often public procurement contracts were carried out by:

- Companies in Construction (60%), Industry (35%) and Transport (28%)
- Companies with more than 10 employees (34,2%)
- By region, the share of Chişinău-based companies is below the national average (13,6%). The indicator for companies outside of Chisinau (35,7%) is above the national average.

Table 44. Types of public procurement

Type of public procurement	2018	2019	2020
Public tender	32%	29%	27%
Request for price quotes	51%	57%	53%
Other	18%	14%	20%

About 52,7% respondents said they were satisfied with the experience, another 19,5% were not satisfied.

Around 1/4 respondents do not bid for public procurement contracts because they lack pertinent information. Nearly 12% think the procedures are tampered with and they would not win regardless. Over 10% were disappointed with their experience in the previous years.

Table 45. Reasons why companies did not participate in public procurement

Reasons	2018	2019	2020
I participated in the past, but did not win	13%	10%	11%
I do not deliver products or services that are suitable for public procurement	35%	51%	48%
I am not informed regarding public procurements	29%	29%	26%
Public tenders are tampered with and I do not have a chance to win	14%	7%	12%
Other	8%	3%	2%

## Conclusions

The overall time indicator decreased over the past year. The indicator quantifies the general perception of managers and entrepreneurs in terms of attractiveness of the business environment. Its decline denotes a greater confidence among business managers.

Another indicator is the share of managers who noted improvements in the business environment. Their number has reached the minimum value recorded in the last 11 years: only 7%. Another 54% said that the business environment has deteriorated compared to last year.

About 31% respondents expect the business environment to improve in the next year. Another 33% believe that the business environment will worsen.

### Registration procedure

The procedures for registering a company, including amending the incorporation documents, are relatively simple. Less than 7% of businesses that registered encountered difficulties in the registration process.

### Regulation in construction

About 3% of the survey participants built new spaces. Just over 2% have rebuilt or adjusted them. Almost half of them encountered difficulties in obtaining building permits.

The share of companies that built or adjusted spaces and released them into operation without the required permits fell by 50%.

Only 3% of the companies that moved to new spaces mentioned some improvements in the field.

### Licensing

Quantitative indicators - the time and cost of obtaining licenses - have worsened in the recent period. However, 23% respondents mentioned improvements in licensing conditions and only 3% saw the situation worsen.

Only 11% of respondents encountered difficulties in obtaining a license: half the number of last year.

### Notification of a trade activity

Over 60% of businesses involved in trade submitted notifications regarding their activity.

As in the case of licensing procedures, the quantitative indicators of notification procedures have worsened, but the perception of companies is different: almost half of respondents stated that notification procedures have become simpler. Only 6% believe that the notification procedure has become more difficult in the last year.

Contrary to current legislation, authorities still require the documentation that was necessary for the now replaced trade authorization, as confirmed by 45,1% respondents. Their share increased compared to the previous year (33.6% in 2019).

### Import regulation

Nearly 38% respondents face difficulties related to customs clearance procedures. It is a relatively high indicator compared to other areas of regulation. The number of businesses who noticed improvements in this regard is negligible.

### **Export regulation**

The share of exporting companies in the sample is small. The duration of export customs procedures is practically unchanged in the past 11 years.

### **Product certification**

Almost 12% of the surveyed companies have certified products. Very few noticed changes in this field.

### **Sanitary operating authorizations**

A large number of respondents (36%) are required to obtain sanitary operating authorizations. No changes in the duration of obtaining permits were observed over the last year. About 14% respondents, however, think that the procedure for obtaining sanitary operating permits has improved.

### **Sanitary certification of products**

The number of companies required to obtain sanitary certificates is insignificant: 7% in total respondent companies. The procedures became simpler according to 13% of respondents. None of the respondents deemed the procedures as more difficult.

### **Phytosanitary certification**

Almost 7% of the surveyed companies were required to obtain phytosanitary certificates. Both the cost and the time of obtaining a phytosanitary certificate have increased. This is the regulatory area where the lowest number of respondents (2%) noticed improvements.

### **Inspections**

The number of inspections has increased in 2020. Their duration has been slightly reduced. The share of companies that saw the number of inspections decline is low - 32%. Only 9% believe that inspections are more frequent.

About 15% respondents claim that inspection procedures became “friendlier” in 2020, compared to 6% who found them more difficult.

### **Tax system**

Most companies (88%) did not notice any changes in the taxation field that would facilitate or complicate their activity. The number of companies that employ full-time accountants has decreased.

### **Price regulation**

In 2020 both the share of companies that sell at regulated prices and their volume of transactions have increased.

**Regulation of labor relations**

Labor relations regulation is an area where companies face relatively few difficulties.

**Execution of contracts**

In 2020 fewer companies claimed that various state institutions interfered in the process of contract concluding.

**Judiciary system**

Nearly 19% respondents had to settle disputes over the past two years with other economic entities or with state institutions. The majority (68%) of them took the conflicts to court. About 28% turned to various state institutions. Only 3% resorted to illegal methods of settlement, without changes compared to previous periods. Just 31% respondents who sued were satisfied with the court decision.

**Public procurement**

About 21% respondents provided services via public procurement procedures. Almost 53% respondents were satisfied with the experience.

Table 46. Comparison of main indicators

Indicators	Survey period						
	2014	2015	2016	2017	2018	2019	2019
<b>General time indicator, %</b>	11	10	8	8	10,7	8,8	6,2
<b>Registration, only procedures with SRC/PSA</b>							
Time to register, days		7,1	3,9	4,0	4,0	2,9	3,0
Time spent to prepare for registration, hours			4,2	4,0	4,0	3,4	2,0
Time to amend the documents, days		5,0	4,4	3,2	3,2	3,7	3,0
Time to amend incorporation documents, hours			5,1	2,7	-	2,7	4,0
<b>Licensing</b>							
Average number per company	1,4	1,4	1,1	1,4	1,4	1,3	1,5
Time to obtain a license, days	14	11	12	11	11	8	8
Average costs, \$	402	163	172	179	187	183	199
<b>Import</b>							
Time to certify imported goods, days	13,2	9,7	6,2	5,7	3,7	3,1	3,3
Expenses to certify imported goods, \$	350	76	202	137	109	124	80
Time to complete customs procedures, days	2,0	2,1	1,9	2,1	2,3	-	2,1
Expenses on customs procedures, \$	261	136	287	307	272	170	116
<b>Certification of goods and services (mass produced)</b>							
Time to obtain a certificate, days	12	13	10	10	-	7	7
Costs, \$	158	63	84	122	-	113	74
<b>Certification of goods and services (individual batches)</b>							
Time to obtain a certificate, days	11	9	8	3	6	2	4
Costs, \$	167	57	46	106	114	-	-
<b>Sanitary operating authorizations</b>							
Share of respondents that obtained sanitary operating authorizations, %	47	34	34	39	37	38	36
Time to obtain an authorization, days	10	9	7	7	6	7	6
Total costs, \$	210	60	71	75	77	71	92
<b>Sanitary certification of goods</b>							
Share of respondents who obtained sanitary certificates, %				8	5	6	7
Time to obtain a certificate, days			6	5	3	3	3
Total costs, \$			59	60	15	49	30
<b>Phytosanitary certification</b>							
Share of respondents who obtained phytosanitary	-	7	6	6	3	6	7



Indicators	Survey period						
	2014	2015	2016	2017	2018	2019	2019
certificates, %							
Time to obtain a certificate, days	-	2	2	2	2	2	3
Total costs, \$		35	37	34	32	40	52
<b>Inspections</b>							
Average number of inspections per company	6,5	3,8	2,0	2,6	2,3	1,9	2,4
Average annual duration of inspections, days	5	0,95	0,63	1,44	1,82	1,64	1,42
<b>Tax administration</b>							
Employ full-time accountants	73%	64%	71%	58%	70%	51%	37%
Number of permanently employed accountants	1,3	1,2	1,1	1,1	1,1	1,2	1,3
<b>Price regulation</b>							
Companies subjected to price regulation, %	17	12	10	13	9	12	15
Average share of regulated prices	10	4	3,5	3,9	2,2	1,6	1,7
<b>Execution of contracts</b>							
Companies subjected to regulation of contracts, %	4	5	5	4	10	13	8
<b>Judiciary system</b>							
Share of respondents that turned to state institutions to settle disputes, %	14	25	43	34	40	31	28
Share of respondents that turned to courts to settle disputes, %	69	46	64	46	35	40	68
Share of respondents that used illegal methods to settle disputes, %	-	14	8	7	7	7	3
Share of respondents that used unofficial, though legal methods to settle disputes, %	-	34	27	30	30	34	20