



Moldova

Discover our opportunities

Investment and Business Opportunities in the Republic of Moldova

Ministry of Economy of the Republic of Moldova

www.mec.gov.md

Republic of Moldova: overview

(preliminary data, approx.)

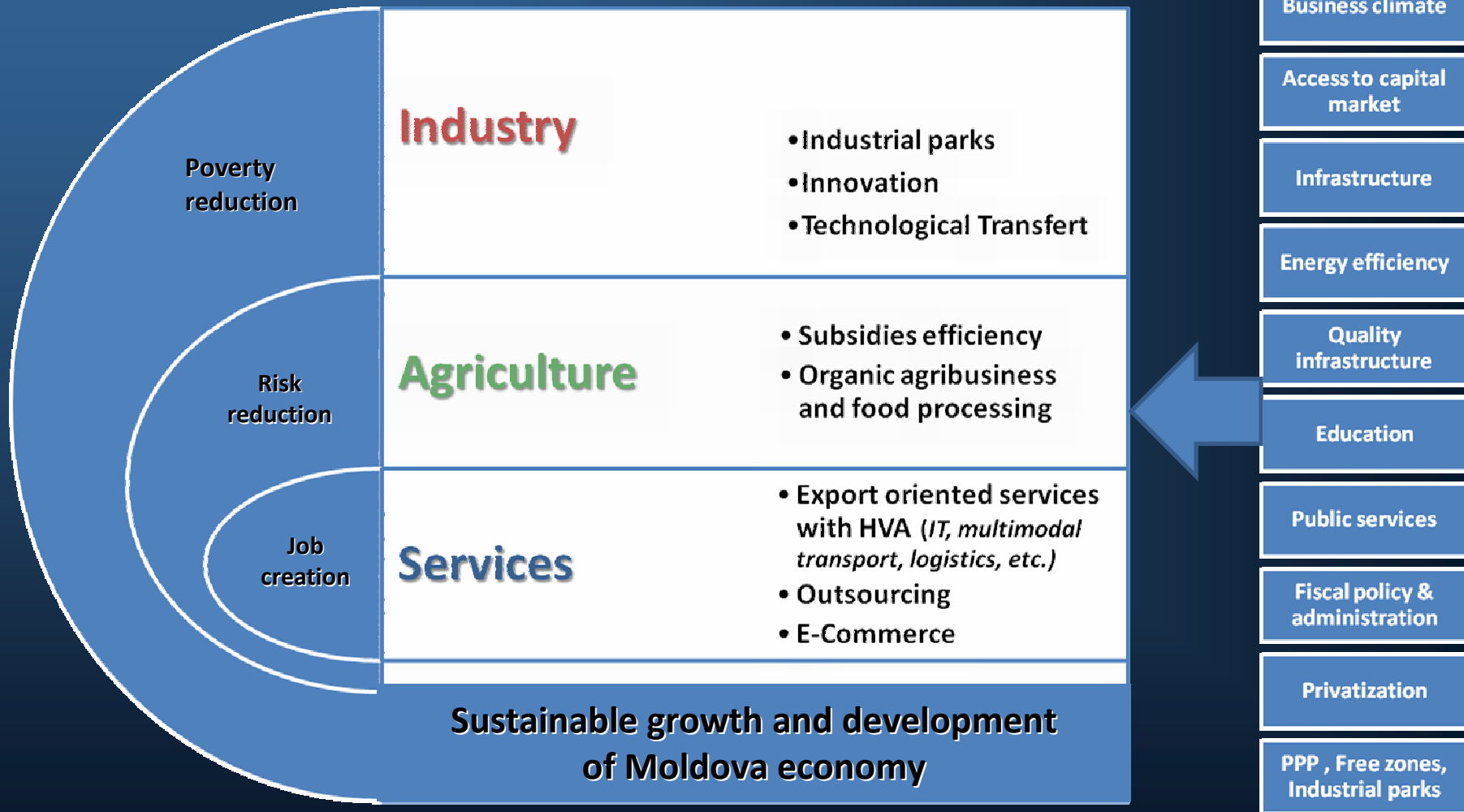
Government	Republic, Declaration of Independence - August 27, 1991
Population	3,56 million people (1 Jan. 2012)
Literate Population	96%
Economically active Population	1, 26 mln (2011)
Unemployment rate	6,7 % (2011)
Inflation Rate (medium annual)	7,6 % (2011)
GDP	\$ 7,0 billion (2011)
GDP per capita	\$ 3338 (2011)

Total recovering of the national economy from the economic crisis

Indicators	2009 to 2008, %	2010 to 2009, %	2011 to 2010, %	2011 to 2008, %
GDP	94,0	107,1	106,4	107,1
Agricultural production	90,4	107,9	104,6	102,0
Industrial production	78,9	109,3	107,4	92,6
Export	80,6	120,1	143,8	139,3
Import	66,9	117,6	134,7	106,0
Investment in long-term tangible assets	66,5	116,4	109,3	84,6
• including construction and assembling works	66,5	109,5	99,4	72,4
Transported goods by specialized transport companies	48,8	103,6	117,2	59,3



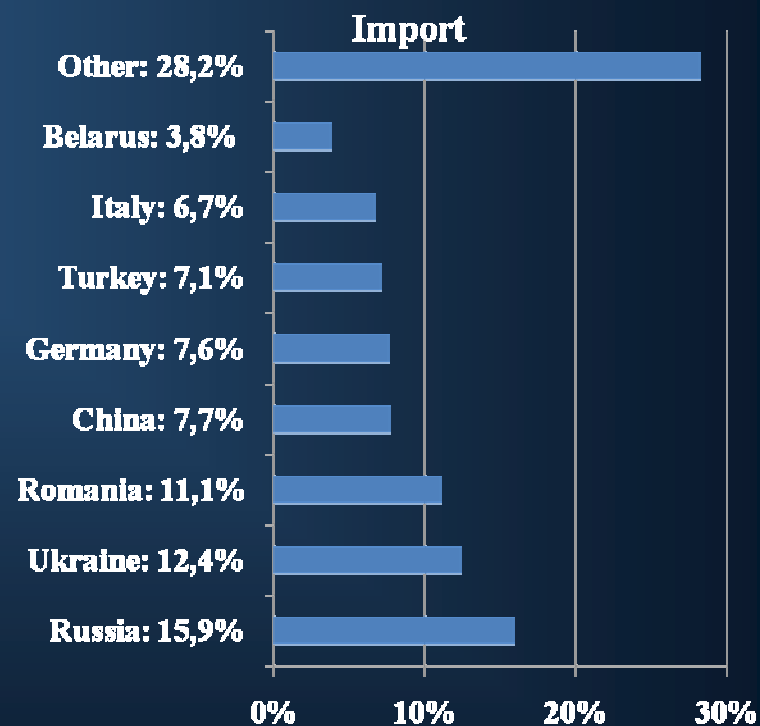
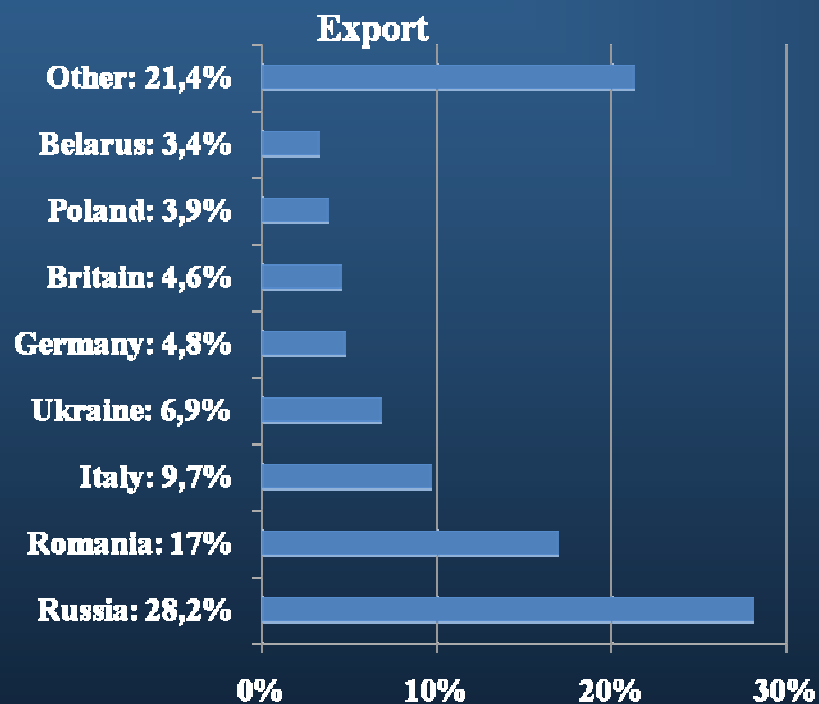
New economic development paradigm based on investments and export



Trade partners

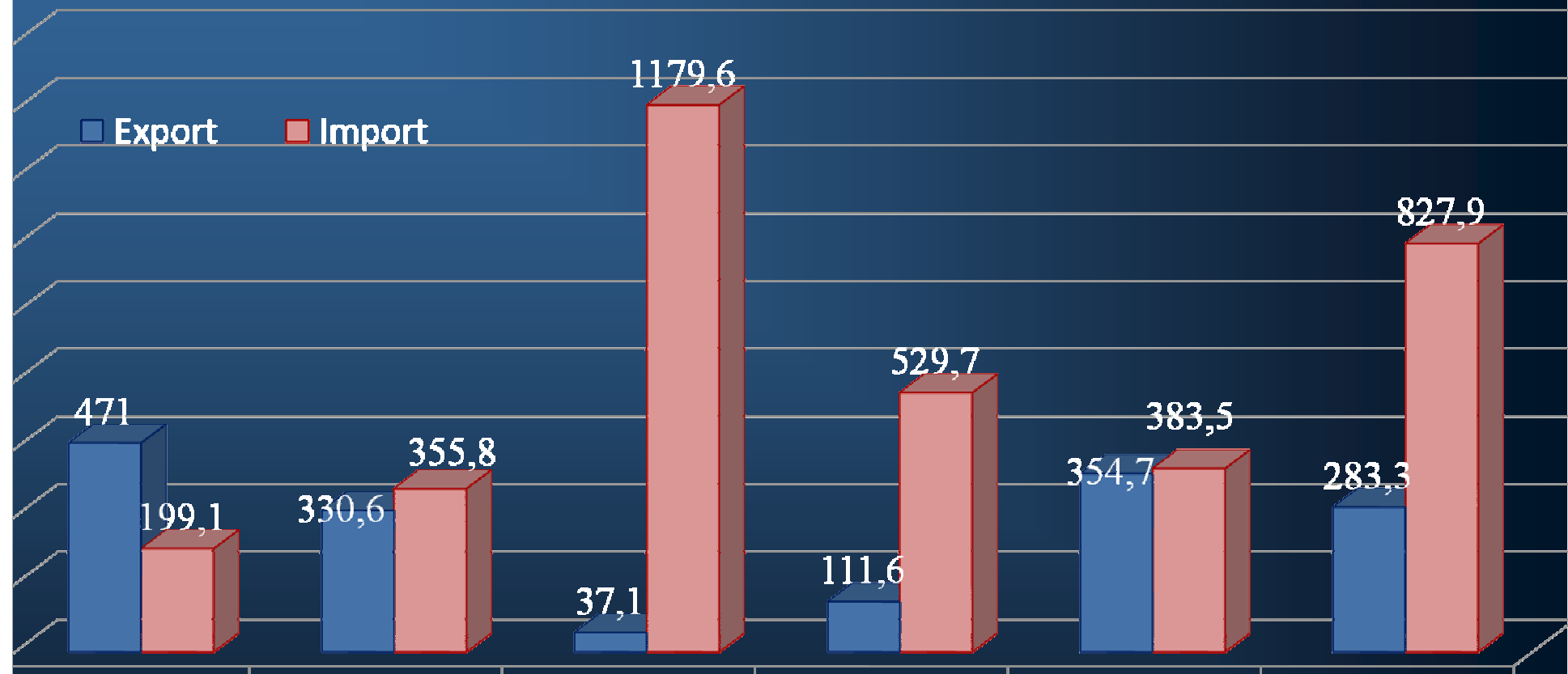
(Source: NBS, 2011, Moldova)

2011, mil.\$			
Export:	2216,8 mil. \$	Import:	5191,3 mil. \$
UE:	1083,0 (49 %)	UE:	2256,3 (43,5%)
CSI:	919,3 (41,5%)	CSI:	1713,4 (33%)



Foreign trade by type of product

2011, mil. \$

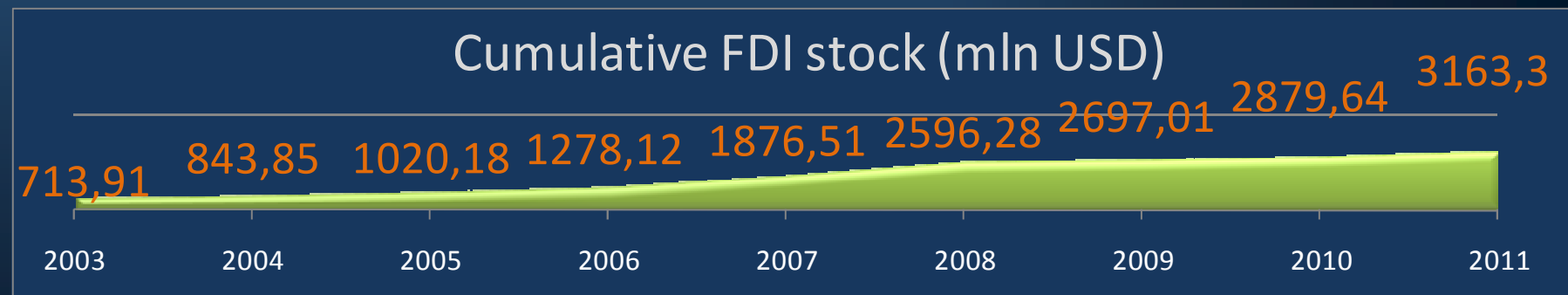


Vegetable products, foodstuff, beverages, tobacco products, products of the chemical industry, textiles and textiles, machinery and mechanical appliances

Source: NBS, 2011

Foreign Direct Investment in Moldova

Annual FDI (mln. USD)





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Benefits of Investing in the Republic of Moldova

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Openness to foreign investment

- The Government provides equal rights for all investors;
- 89 states have invested in Moldova, including all EU member-states;
- The amount of capital investment of the EU states is 64% of total FDI

Rankings on the ease of Doing Business (2012)

- Change in the Rank, Moldova: **18 points higher.**
- Economies that improved the most across 3 or more areas measured by Doing Business:
 1. Morocco
 - 2. Moldova**
 3. Macedonia, FYR
 4. Sao Tome and Principe
 5. Latvia, etc.

Fiscal incentives

A. Incentives when starting a business

- VAT refund for capital expenses on long-term investments, except for housing and vehicles (not applicable in Chisinau and Balti)
- VAT and customs tax exemption for assets to be included in the share capital of the company

B. Benefits when operating

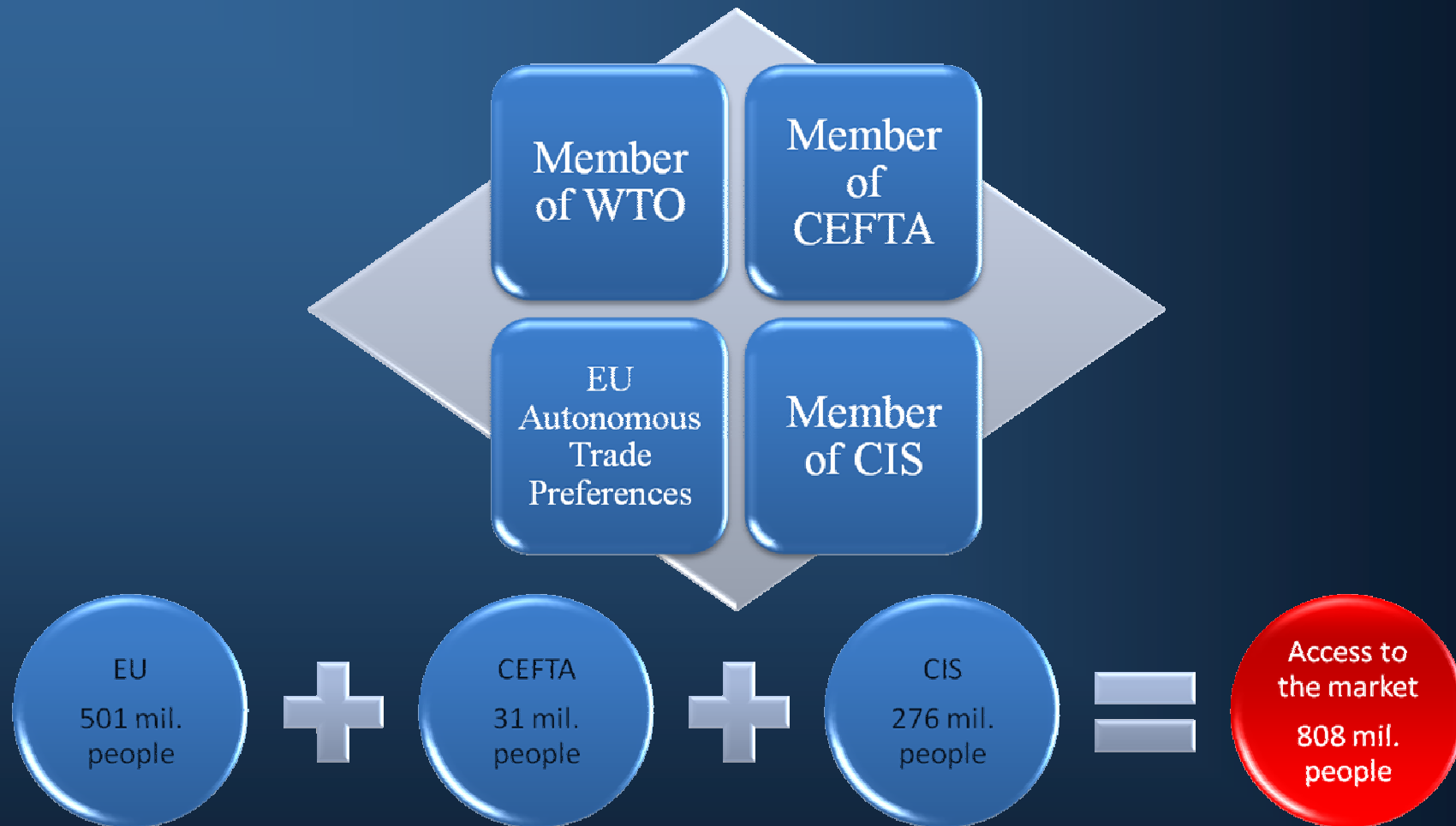
- 12% Corporate Income Tax – since 2012, with incentives for investors

Corporate Income Tax in the Region

Romania	16% flat rate
Ukraine	30% for non-residents
Bulgaria	10%

- Double Taxation Avoidance Agreements (DTAA) with 45 countries

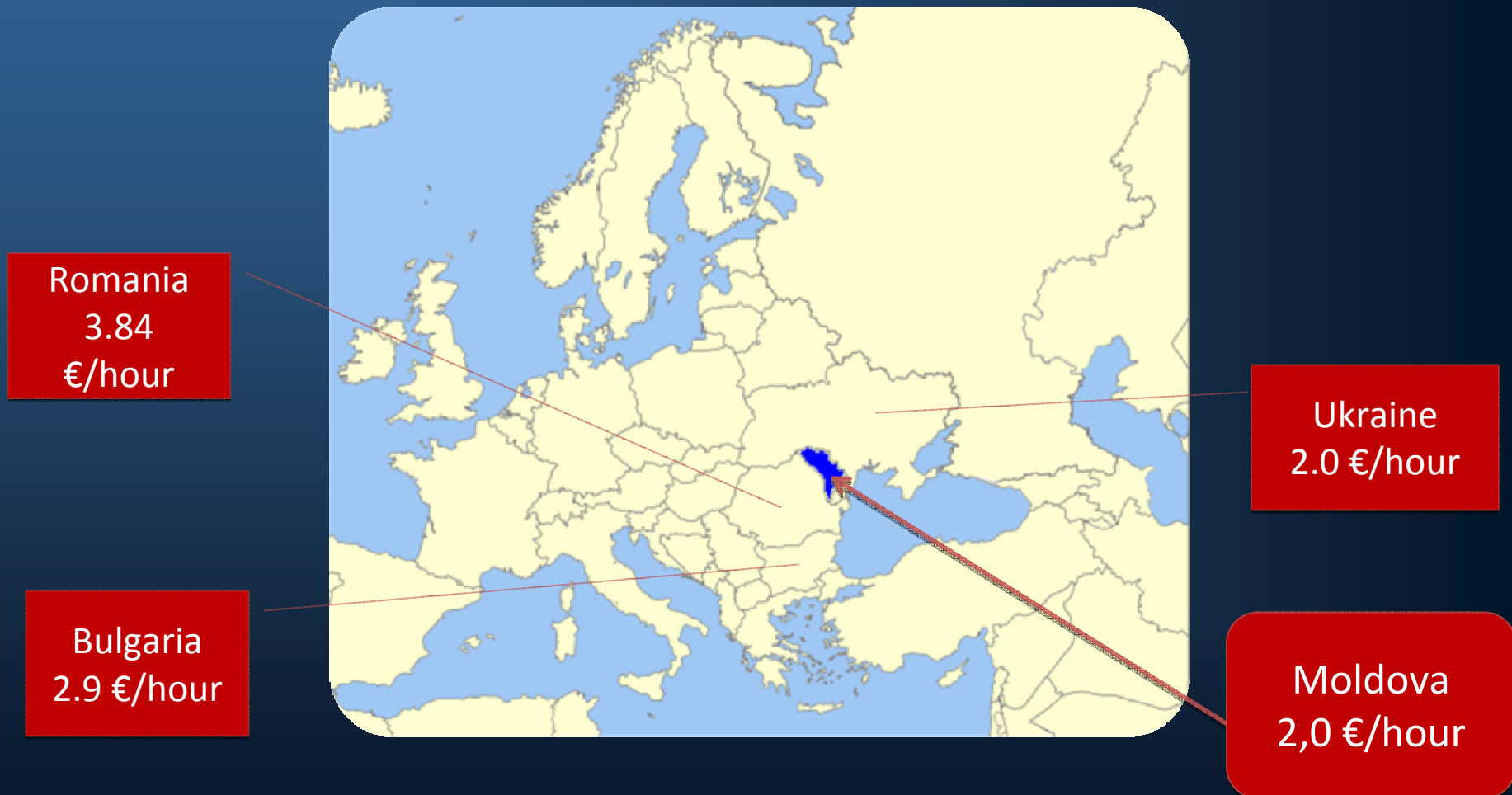
International trade benefits of the RM



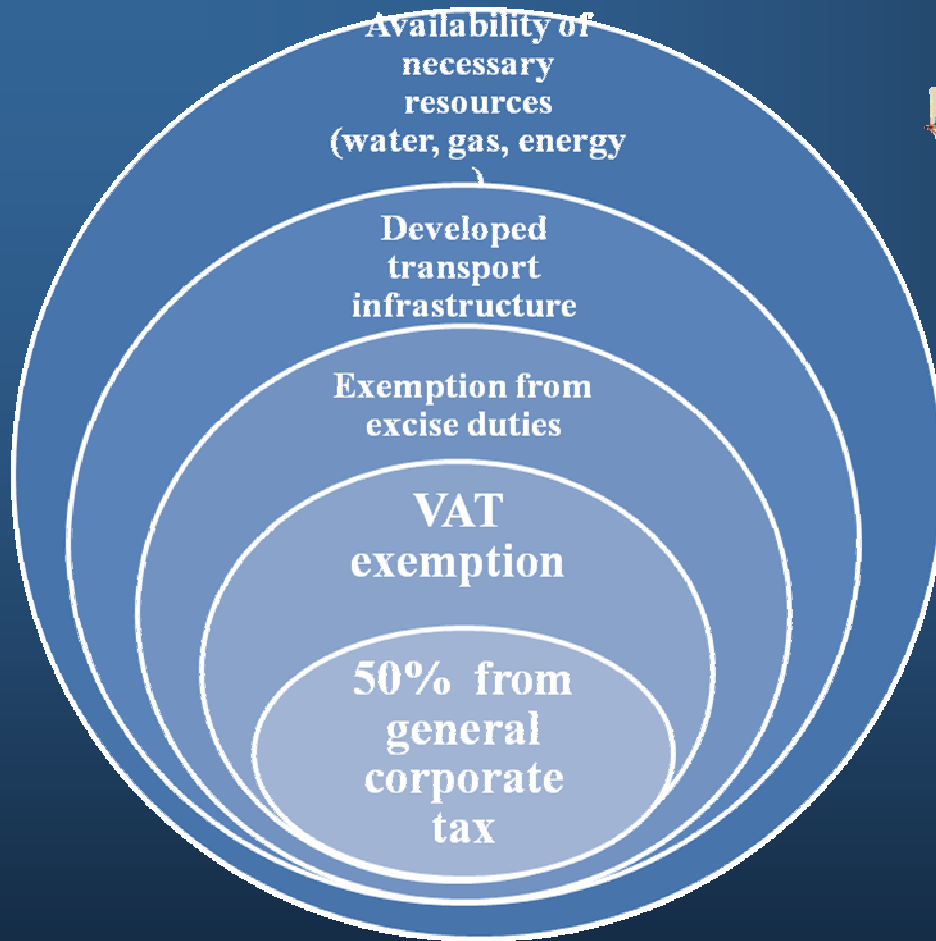
VAT reimbursement on export activities;
12% corporate income tax –2012;
<http://www.fisc.md/en/lege/>

Competitive Labor & Operational Costs

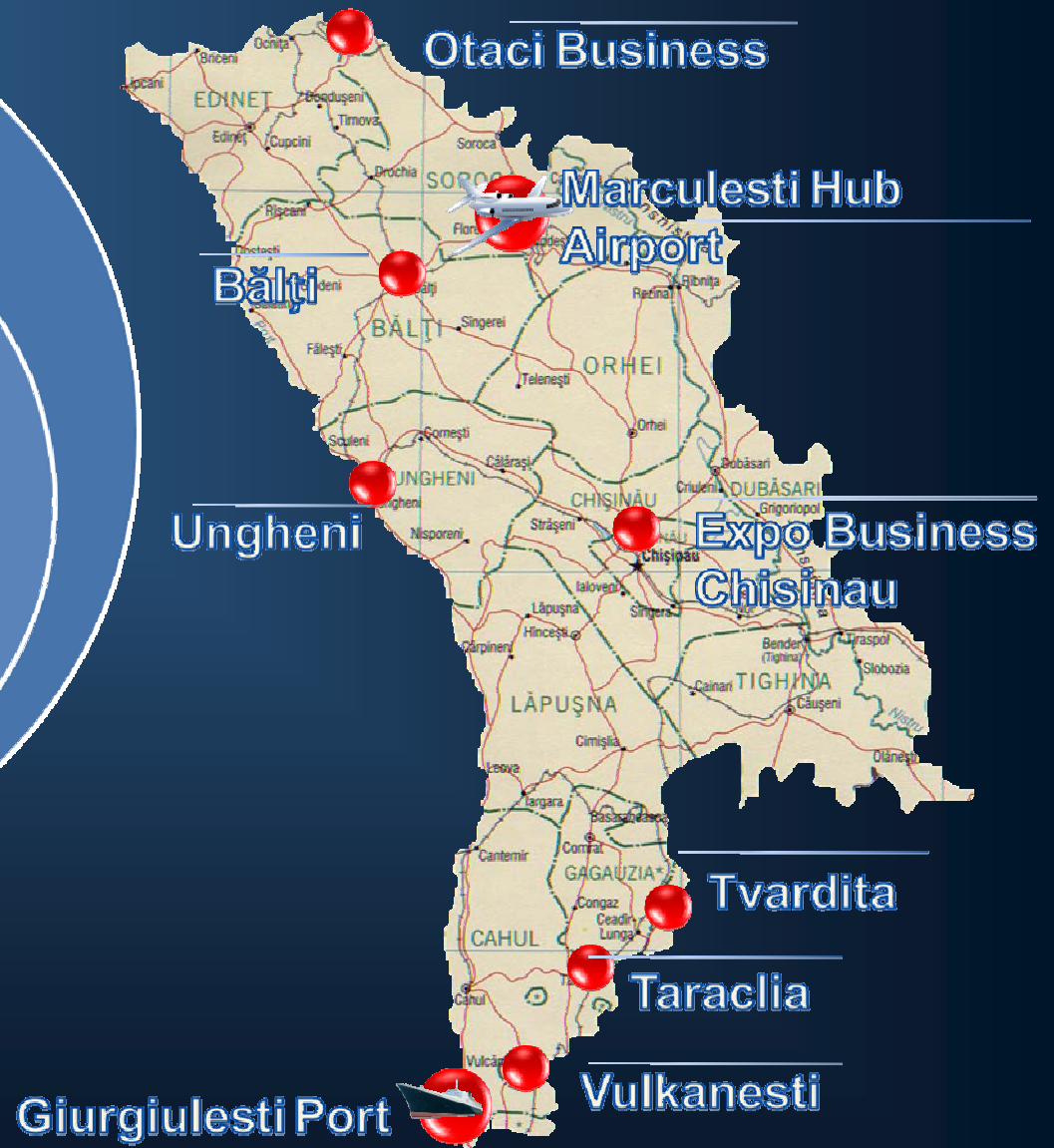
Workforce costs in the region



Free Economic Zones



0 % corporate income tax for investments in fixed assets/FEZ infrastructure:
for 3 years – 1 mil.\$ investments
for 5 years – 5 mil. \$ investments



Industrial Parks

□ The Law on Industrial Parks (№ 182 from 15 July 2010):

- 30-year term for the industrial park;
- Free change of land use;
- Free transfer of state land to the company administrator;
- Opportunity to lease state land with a 30% discount;
- State contribution to the infrastructural and technological development;
- Limited by and controlled Government inspections;
- Assistance from local authorities and the Council to promote investment projects of national significance;



Promising location of the industrial parks in the regions of Moldova



12 projects for establishment and operation of industrial parks :

- 3 – based on the joint stock companies with the majority state capital
- 5 – based on the public property assets
- 3 - based on the private property assets
- 1 – within subzone no.3 of the FEZ „Balti”

from which:



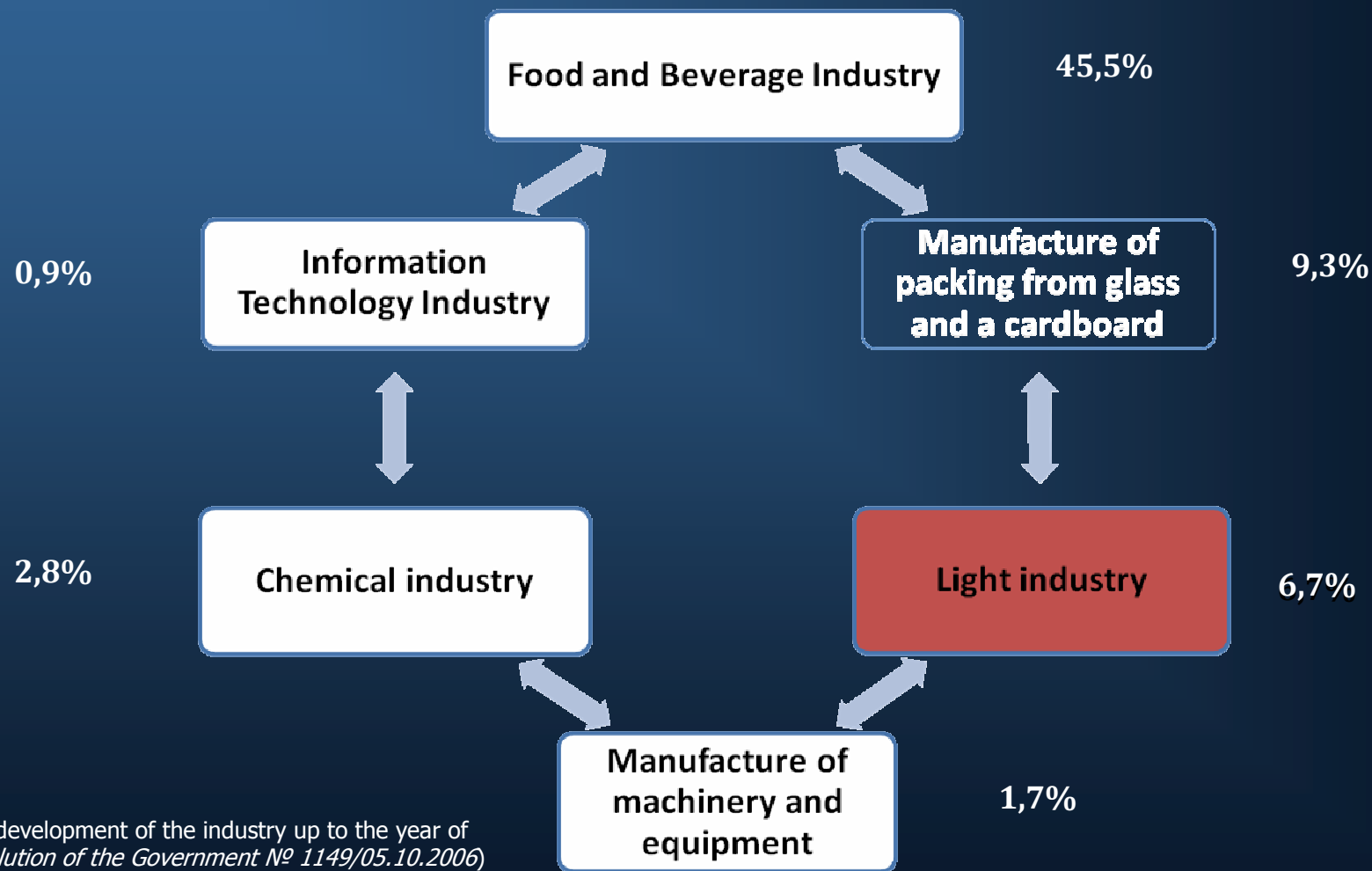
3 – are obtained the Title of Industrial Park, *including 1 park is in construction phase, registered according to the Law 182/2010*

Successful Investors of the RM



LIGHT INDUSTRY OF THE REPUBLIC MOLDOVA
INVESTMENT POSSIBILITIES,
DEVELOPMENT AND COOPERATION PROSPECTS

Priority industries



(Strategy of development of the industry up to the year of 2015 . (Resolution of the Government № 1149/05.10.2006)

Light industry

Benefits

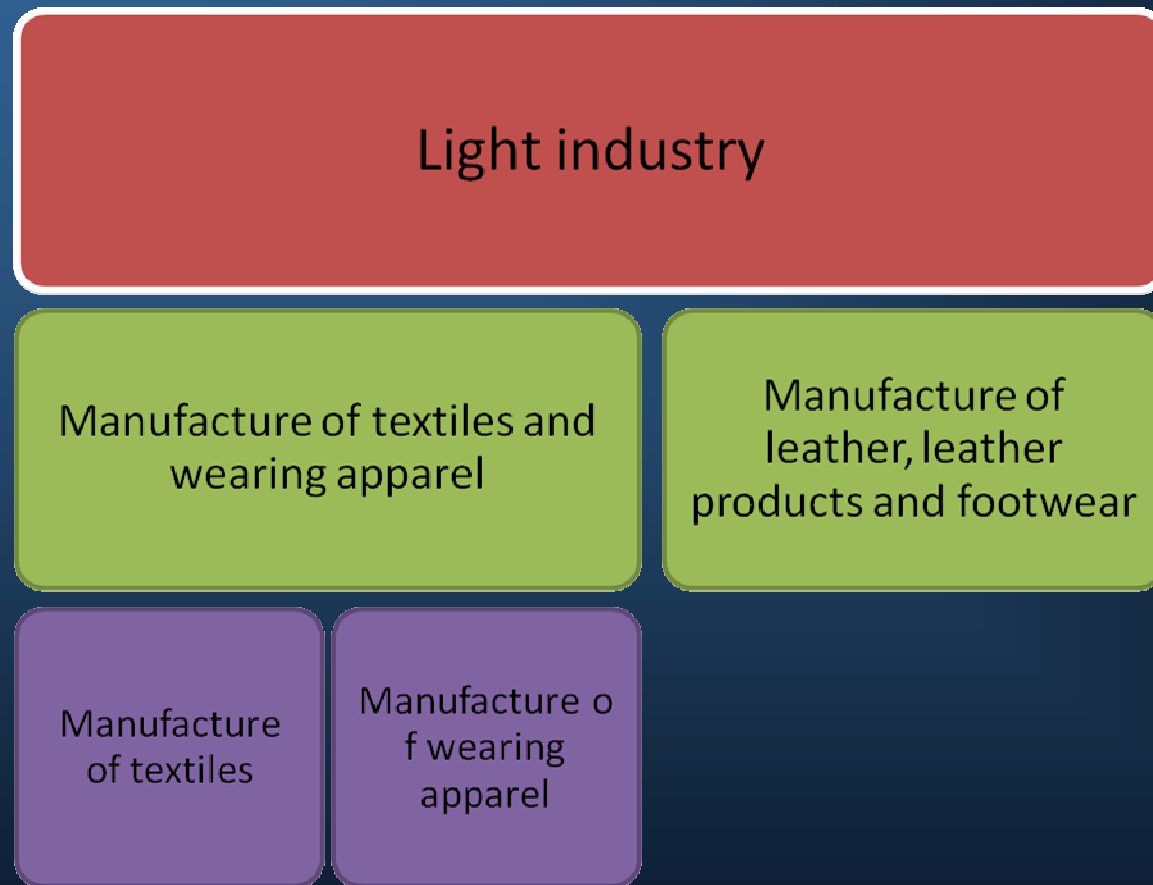
Opportunities to engage in activities a large number of labor force

Rapid turnover of working capital

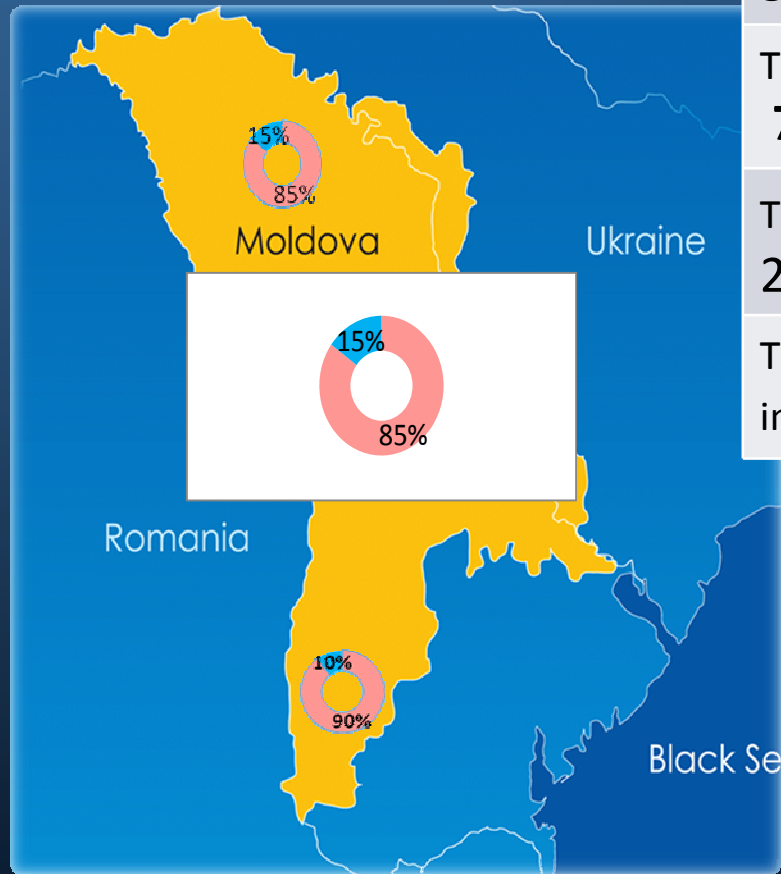
No need in large investments

Availability of a vocational training system of any level

The structure of the sector



Territorial disposition




The number of enterprises of light industry - **more than 393**


The share of light industry in total industrial enterprises - **7.45%**

The number of employees - more than 20.7 thousand

The share of output of light industry in total industrial production - **6.7%**

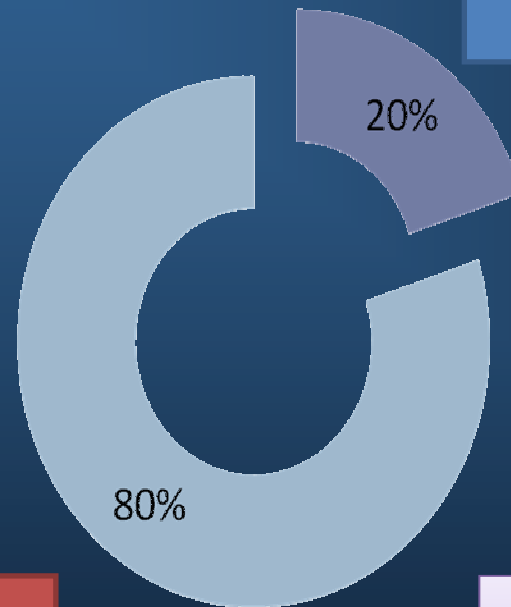
Legend

 Manufacture of textiles and wearing apparel

 Manufacture of leather, leather products and footwear

Forms of activity

Private Label – production, provision of raw materials, design and patterns development



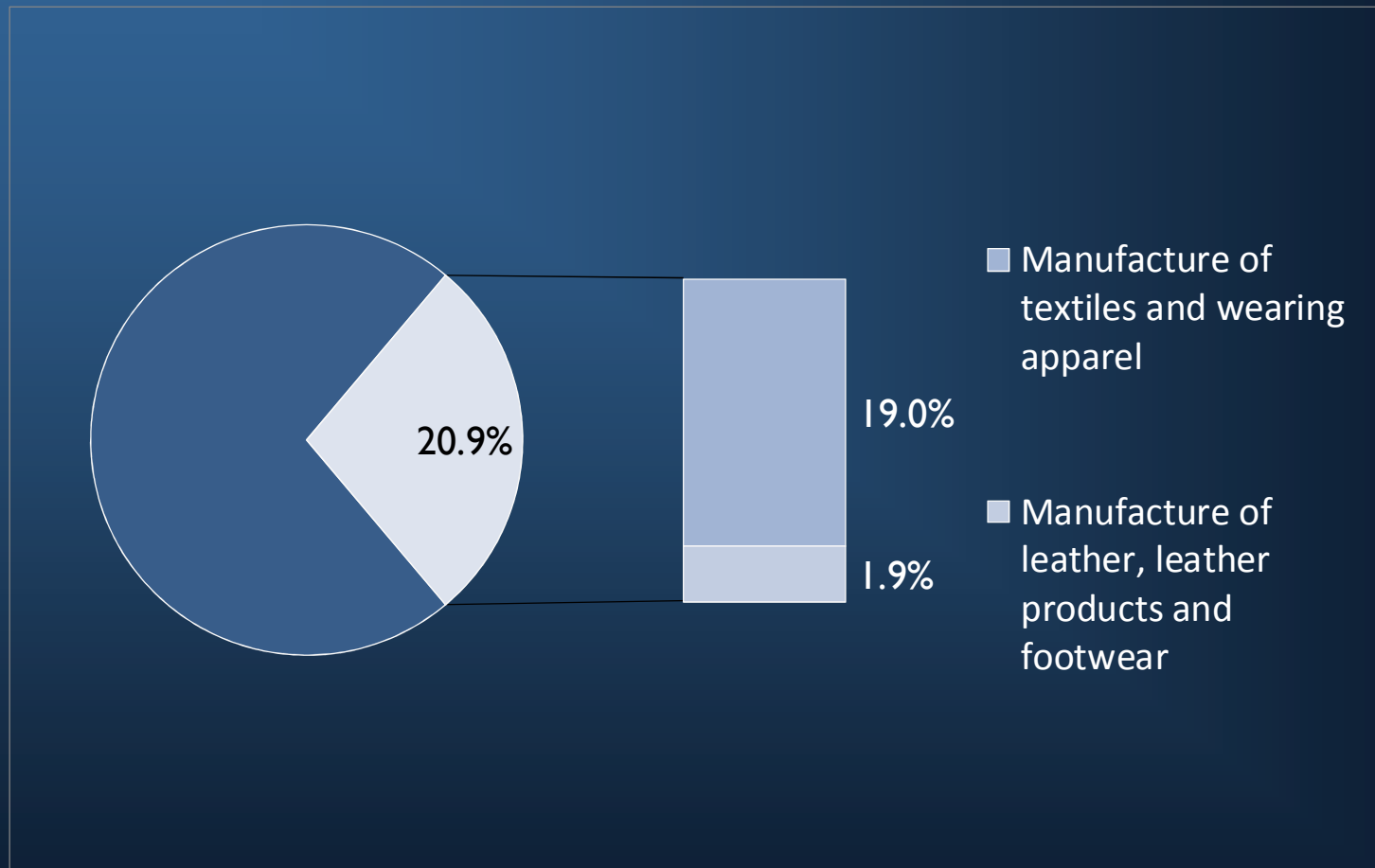
CM – processing of raw material (the system that covers the production cycle)

CMT - system, which covers the production cycle, and provides accessories and package

Output, mln \$



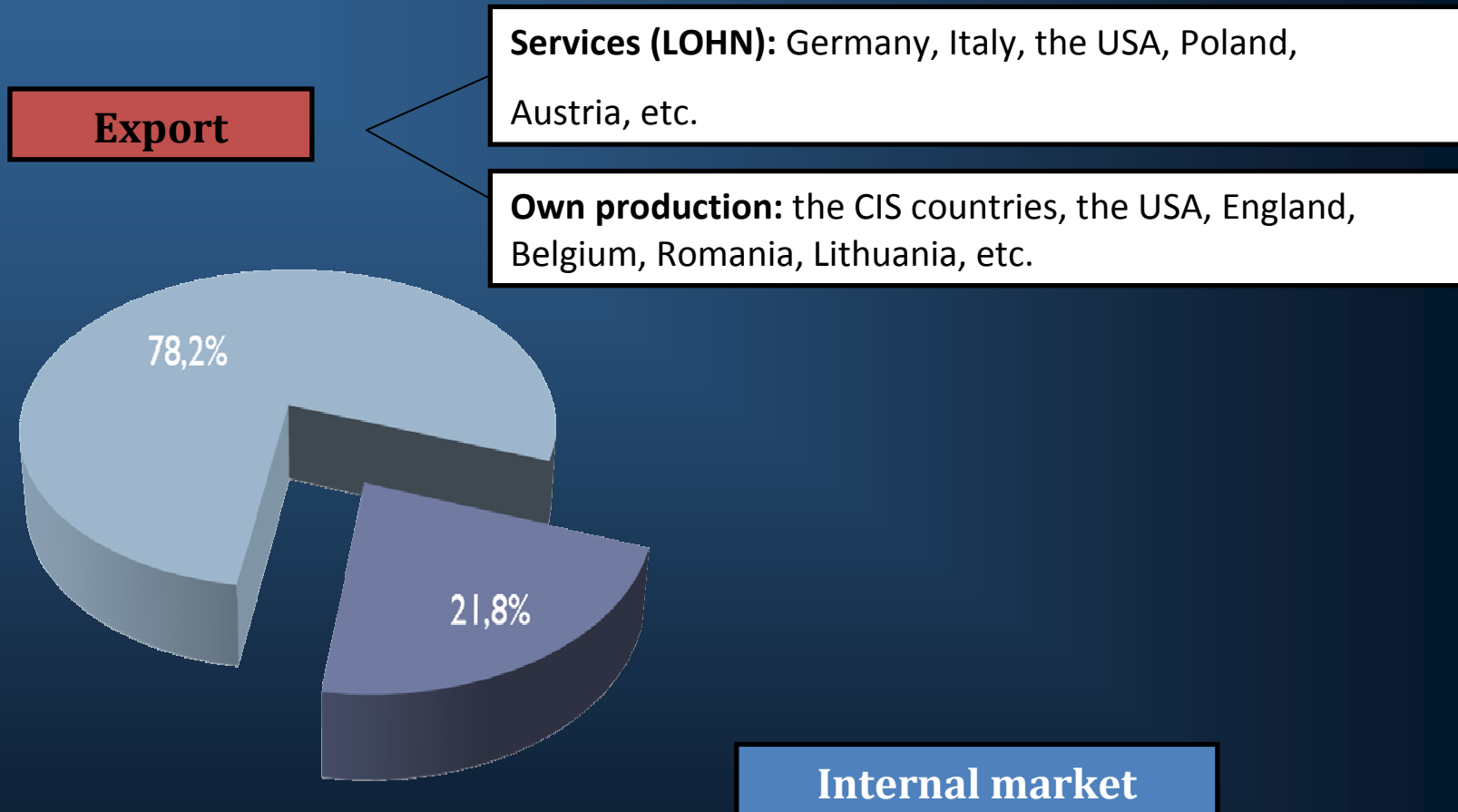
The share of exports



Exports of textiles materials and articles of these: main countries

Countries	2009	2010	2011
Italy	90,04	89,47	110,19
The Russian Federation	17,35	21,66	65,45
Britain	44,62	57,21	51,77
Germany	21,93	21,96	33,21
Turkey	23,31	23,24	32,17
Romania	26,52	18,85	28,03
Poland	15,04	16,31	16,67

Structure of deliveries of production



Tax exemptions (I)

The zero customs duties for import of raw materials for light industry (the law “About custom duties” № 1380-XIII from 20.11.97)

VAT exemption of tangible assets following to be included in the authorized capital (art.103, p.23), of The Tax Code № 1163-XIII from 24.04.97)

VAT at zero rate - services provided by enterprises of light industry sector on the territory of the Republic of Moldova(art.104, g), of The Tax Code № 1163-XIII from 24.04.97)

Tax exemptions (II)

VAT exemption on raw material (art.103 , p. (3), of The Tax Code № 1163-XIII from 24.04.97))

VAT exemption on the supply of goods and services under a lease agreement (art. 103, p.231 of The Tax Code № 1163-XIII from 24.04.97)

Exemption from VAT payment and from customs duties on raw materials and components supplied on base of the industrial cooperation (agreement with the CIS countries on industrial cooperation)

Autonomous Trade Preferences

Grant the right of duty-free export of the Moldavian goods in the countries of the European Union and are applied to Moldova since March, 1st, 2008

Performance of 3 basic conditions is necessary

The goods should be made in Moldova

The goods should be delivered directly from Moldova in the countries of the European Union

The goods should have the certificate on origin EUR 1

Moldovan Energy System overview (I)

— Power supply system:

- Power market - partially open (3 eligible customers, equivalent to ~10%);
- According to the Law on Electricity, opening of the power market shall be performed in stages:
 - 1st for non-household customers till Jan 1, 2013;
 - 2nd for household customers till Jan 1, 2015.

Moldovan Energy System overview (II)

- Natural gas supply system/“market”:
 - De jure, natural gas market - fully opened;
 - De facto, no alternative suppliers (natural gas imported from one source only).
- District heating supply systems;
 - 15 regulated companies, which generate up to 3 mil. Gcal of heat;
 - One supplier per locality (no alternative suppliers), except Chişinău and Bălţi.
- Petroleum products supply market:
 - Fully opened market;
 - 168 licensees (import, wholesale and/or retail trade of petroleum products)
 - Full competition between participants ensured.

Moldovan Power System

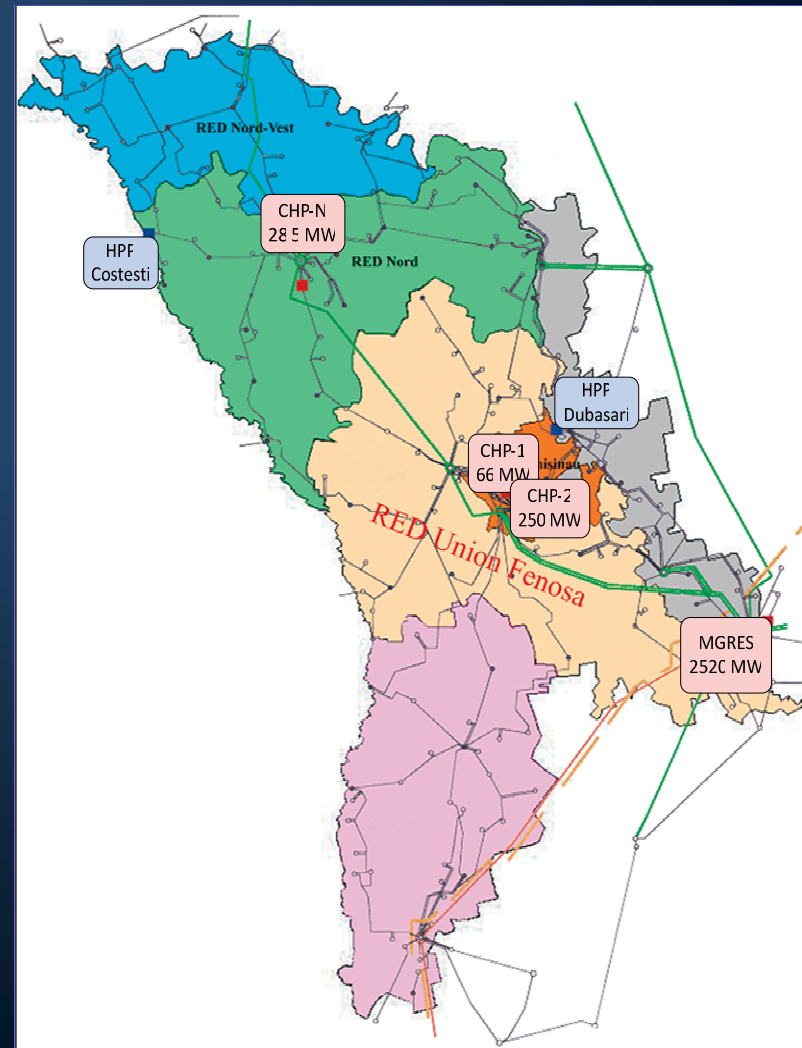
Electricity Generation

- ❑ Three co-generation Power Plants:
 - CHP-1 (66 MW)
 - CHP-2 (240 MW)
 - CHP-North (24 MW)

- ❑ Two Hydro Power Plants
 - HPP Costesti (16 MW)
 - HPP Dubasari (48 MW)

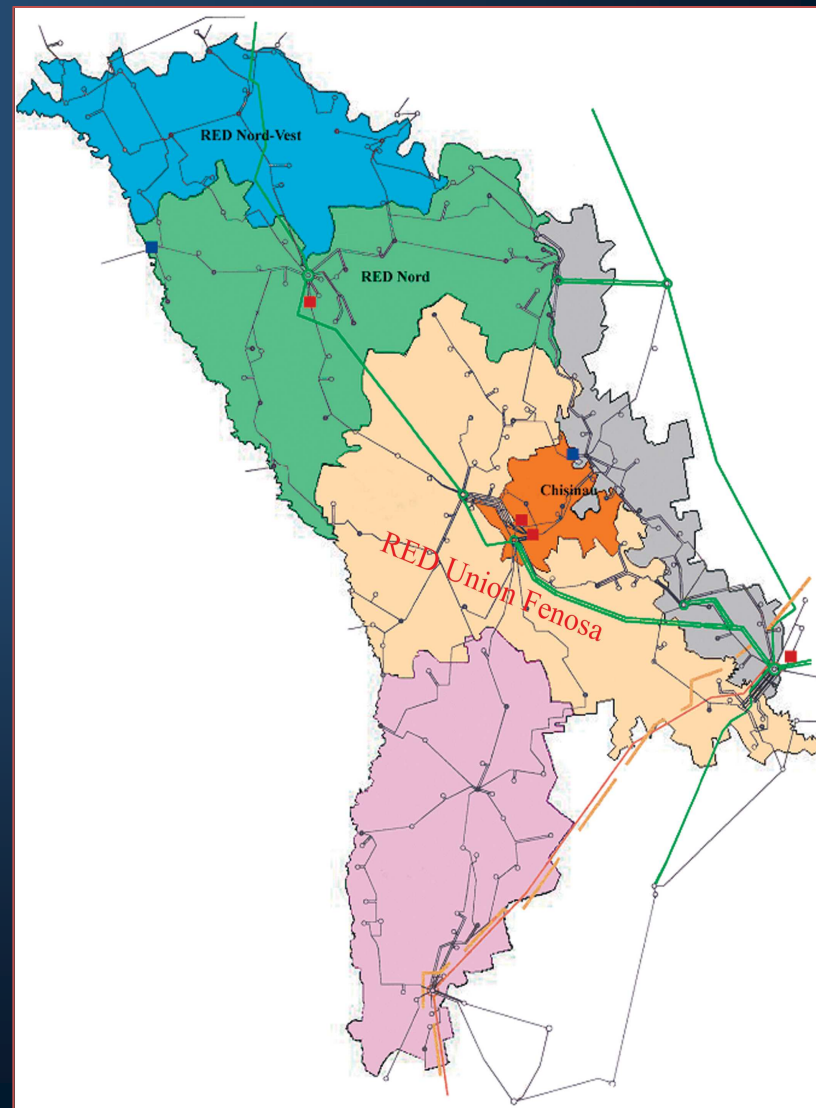
- ❑ Kuchurgan Thermal Power Plant (MGRES, 2520 MW)

- ❑ 10 CHPs at Sugar Factories (98 MW)



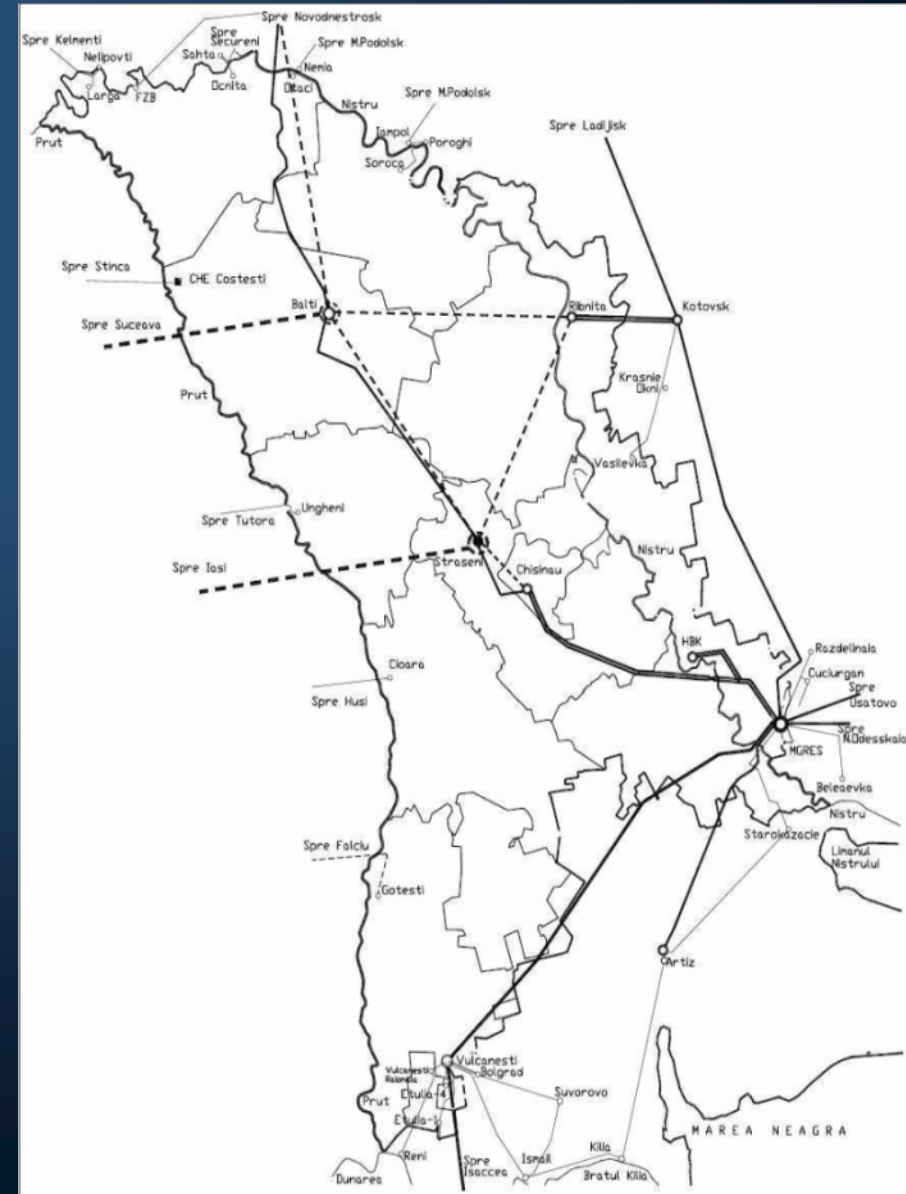
Transmission and Distribution of Electricity

- ❑ Transmission and dispatch:
SE „Moldelectrica”
- ❑ **RED Union Fenosa:** 65% of the total number of customers and 70% of the total supply of electricity (private company);
- ❑ **RED Nord:** 22% of the total number of customers; 20% of the total supply of electricity (state-owned company);
- ❑ **RED Nord-Vest:** 13% of the total number of customers and 10% of the total supply of electricity (state-owned company);



Interconnection electric networks

- Seven 330 kV and 14 110 kV overhead power lines ensure parallel operation of Moldova's power grid with Ukraine's power system;
- Moldovan network is interconnected with Romanian power network through three 110 kV and one 400 kV line.

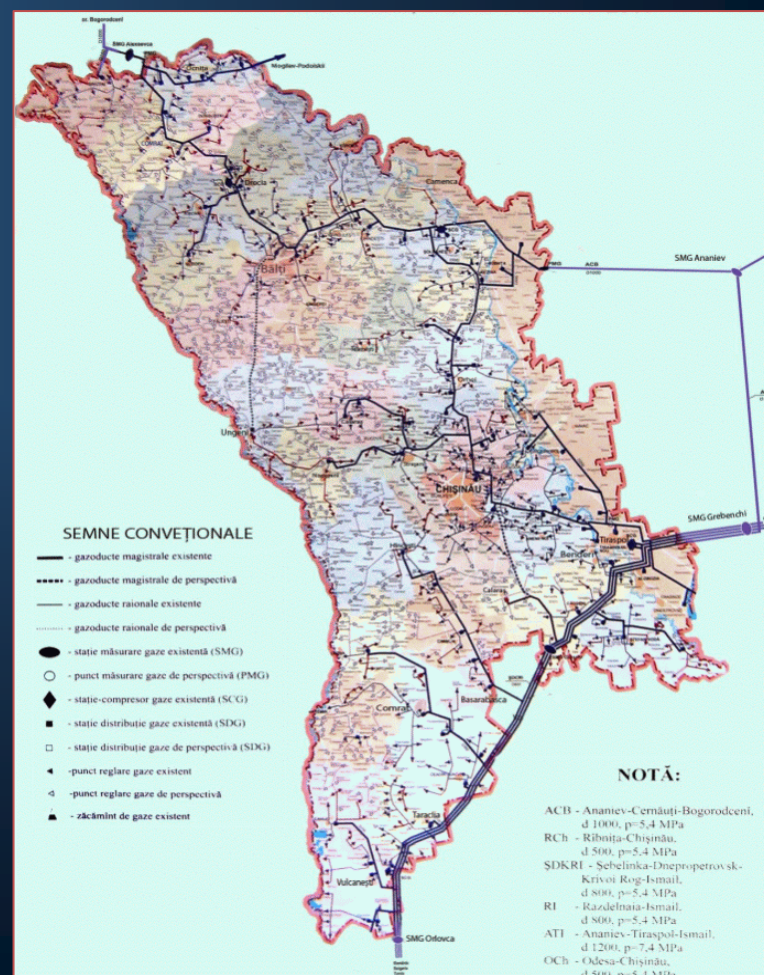


Gas Infrastructure in Moldova



Transmission and distribution of natural gas

- TSO: LTD “Moldovagaz”:
 - 50% shares owned by “Gazprom” (Russia),
 - 35.6% - Government of the Republic of Moldova and
 - 13.4% by “Tiraspoltransgaz”
- 27 DSOs (12 owned by JSC “Moldovagaz”);
- 4 natural gas transmission pipelines (for transit of natural gas);
- 4 compressor stations: Drochia, Tiraspol (2), Vulcanesti;
- 18000 km gas pipelines, including cca. 570 km of transit pipelines;
- Over 60% of localities have access to the natural gas;



Energy System of the Republic of Moldova: review and challenges

- Lack of own energy resources (natural gas, oil, coal) - 94% of the energy consumption is covered from import;
- High energy intensity and poor energy efficiency;
- Low level of renewable energy sources utilization;
- Fuel mix deviation from the optimal one (the imported natural gas prevails);
- Insufficient investments in the energy sector, etc.

The lack of own resources and high energy intensity sets the energy efficiency and use of renewable energy sources as a top priority

Energy Security Objectives

- Promotion of energy efficiency measures and use of renewable energy sources;
- Strengthening energy interconnections with Ukraine and Romania;
- Accession to ENTSO-E (UCTE);
- Improvement of investment climate in energy sector;
- Diversification of fuel types used on the territory of the country as well as the sources of imports of energy resources.

Security of Energy Supply - Legal framework

- **Law on Electricity, no. 124 from 23.12.2009** to transpose the Directive 2003/54/EC concerning common rules for the internal market in electricity.
- **Law on Natural Gas no. 123 from 23.12.2009** to transpose Directive 2003/55/EC concerning common rules for the internal market in natural gas.
- **Law on energy efficiency no. 142 from 02.07.2010** to transpose Directive 2006/32/EC on energy end-use efficiency and energy services.
- **Other legal acts** to address the problems of heat supply and ensure legal harmonization with EU *aquis*

Legal and institutional framework for promotion of EE and RES

1. **Law on renewable energy** (No. 160 as of July 12, 2007)
2. **Law on energy efficiency** (No. 142 as of July 2, 2010)
3. **Energy Community Treaty** – accession as of May 1, 2010;
4. **Energy Strategy until 2020** – to be updated and extended until 2030;
5. **National Energy Efficiency Program 2011-2020** - approved by Government Decision No. 833 as of November 10, 2011;
6. **Energy Efficiency Agency** – created by the Government Decision No. 1173 as of December 21, 2010;
7. **Energy Efficiency Fund** – to be put in place in 2012.

Measures undertaken by the Government to ensure the security of energy supply

- The process of synchronous accession of Moldovan and Ukrainian electricity systems to ENTSO-E was launched;
- Negotiations regarding the financing opportunities for feasibility study concerning the accession to ENTSO-E were carried out;
- The designing of the 400 kV HVL Balti -Suceava was started
- Reconstruction of substation of 330 kV from Balti was performed;
- The construction of HVL 110 kV Falciu (RM) – Gotesti (Romania) was performed;
- The construction of gas pipeline Ungheni-Iasi with a length of 18 km, ensuring the connection with Romanian Gas Supply System, is under implementation.



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Thank you

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