

MOLDOVA



MAIN INDICATORS

Population (2017) : 3,550,900 citizens (except Transnistria)
 GNI per capita (2016) : 2,120 USD
 GDP (2016) : 6,75 billion USD
 Growth rates (2017): 4,0% (2018 estimate: 3,7%)
 Inflation rates (2017): 6,5% (2018 estimate: 5,3%)
 Average rate of hourly cost of labor (2015): 1,80€ (Bulgaria: 4,1€ / Romania: 5,0€)
 Average monthly salary (2016): 220€ (Bulgaria: 451€ / Romania: 576€)
 Export to France (2017): 50,832.82 thousand USD (+3,23%)
 Import from France (2017): 112,676.73 thousand USD
 Position of France (2017): 10th supplier and 11th client
 FDI Stock (2016): 3,581 million USD (2016)
 Doing Business Ranking (2017): 44th world rank (55th in 2016)
 Corruption Perception Index (2017): 122nd / 181 countries (123rd / 176 countries in 2016)



Moldavie



COUNTRY PRESENTATION

Situated between Romania and Ukraine, the Republic of Moldova benefits from a truly privileged geographical location at the gates of the European Union. Foreign investors are attracted by the convenient labor force they find here. Being bilingual, Romanian and Russian, there are many Moldovans who speak French and English as well. This country is the most Francophone one in Central and Eastern Europe.

The country claims, after 2005, its willingness to join the EU. It has signed an Association Agreement with the EU on June 27th, 2014, that has been reinforced on September 1st, 2014. An important part supporting the creation of a Deep and Comprehensive Free Trade Area. This agreement should come hand in hand with a consolidation of European aids. It unveils a new horizon of opportunities for foreign investors. It allows the reinforcement of commercial trade between the country and the EU, which has already become palpable in figures. Actually, the country has seen a major historical increase in export to the EU in the first two months of 2018, compared to the same period in 2017. Since 2016, the export to the EU keeps rising continuously after the crisis from 2015.

The economy is mainly supported by small and middle processing and service companies (business and distribution, textile, agri-food, IT etc.) and by agriculture.

Distribution of main activity sectors in the GDP in 2016 : Agriculture – 14.1% ; Industry – 21.2% ; Services – 64.7%



POLITICAL AND SOCIAL DEVELOPMENT

Politically, and after the political and social turmoil surging from the banking crisis from 2014 and the parliamentary elections from 2015, the country is presently lead by a “Pro-European” majority of the Democratic Party. The President of the Republic elected back in 2016 was, however, delivered by the Socialist Party. Therefore, the present social status quo is quite serene.

The results of the upcoming electoral deadlines from the end of 2018 remain uncertain, but the pragmatism proven by the political leaders brings about the hope for long social stability.

The Transnistrian chapter follows some positive developments after the re-launch of negotiations between the parties. They are mostly caused by the need of openness for the region to the EU. Transnistria represents an actual 30% of the overall industrial potential of Moldova and its export is oriented towards the EU since the Ukrainian crisis.

AN IMPROVING ECONOMIC SITUATION

Generally speaking, the political, social and economic environment of Moldova is improving, even though the country is still facing several challenges, specifically in the growth of investment, removal of obstacles for exporters, conversion of the diaspora’s monetary transfers into productive investment and in the development of a reliable financial sector. Administrative and judiciary reforms are equally essential.

The ranking of Moldova in the Doing Business Report of the World Bank improved reasonably: ranked 55th in 2016, the country was ranked 44th in 2017.

The GDP growth, negative in 2015 (-0.5%) due to the political, social and banking crisis at the time, to the drought, the halt in industrial production and the decrease of household consumption because of the fall in the worker’s remittances following the economic recession in Russia, started to rise.

After the recovery from 2016 (+4.1%), it reaches 4% in 2017 and it is expected to remain robust in 2018, approaching the 4%.

Unfortunately, it is still mainly based on consumption, being mostly financed by worker’s remittances (about 20% of the GDP in 2017).

The figures, still insufficient due to delays, are encouraging nonetheless in the regional context. Following behind Romania and its 4.8% of growth, Moldova is ahead Belarus (-2.6%), Russia (-0.2%), Ukraine (2.3%), Georgia (2.7%) and Bulgaria (3.4%) as well.

INTERNATIONAL AID RE-LAUNCHED

At the end of 2016, international aid has been re-launched after a two-year hiatus, with the launch of an IMF program (for three years).



Moldova was, up until 2015, considered as the “star pupil of Eastern Partnership” and was the first beneficiary of European aid per capita.

Nowadays, the budget rests under pressure but the monetary policy has been gradually alleviated. Following a colossal fraud at the end of 2014, the banking sector has remained under the scrutiny of the Central Bank, whose governor is Franco-Moldovan. The Central Bank’s capacity of surveillance and its independence have been substantially reinforced, offering reassurance to the foreign investors and international funders.

The IMF has validated a program of 179 million USD over three years, out of which 36 million USD were immediately disbursed. Subsequently, it has released, under existing programs, 45 million USD from the World Bank and 45 million EUR from the European Union. Among the main international funders, Romania has released a loan of 150 million EUR announced in 2015, progressively disbursed starting 2016.

FINANCES UNDERGOING CONSOLIDATION

The value of Moldovan currency (leu) was depreciated with 35% over 2015-2016 in the wake of the value depreciation of the currencies of partner countries (Russian rouble and Ukrainian grivna) and due to the banking crisis as well. It has strengthened in 2017 (+15.4% compared to the dollar). The monetary policy has improved but the inflation persists within the high limit of the target corridor (6.5% for 2017). It should remain in the proximity of 5.3% in 2018.

The public debt has reached 44.2% of the GDP at the end of 2016, compared to the 35.4% at the end of 2015. The government has set in motion a budgetary consolidation in 2015 owing to the lack of international funding, since tax revenue has been decreasing following the economic crisis. This consolidation has been pursued in 2016 with a budgetary deficit of 2.4% of the GDP (compared to the estimated 3.1%).

The private sector represented 65% of the GDP in 2010. The privatization of substantial assets was initiated (telecommunications, airline, electricity) but these will not be carried out before the 2018 elections.

A WELL-STRUCTURE FRENCH PRESENCE

If the commercial relations between France and Moldova are stable and durable, even though there is still room for improvement, the presence of French investors in the country is nevertheless remarkable.

Mostly regrouped within the CCI FRANCE MOLDOVA which “institutionalizes” the French economic presence in the country, the French investments contribute to the structuring of the local economy and have become an attractive factor for the country.

The CCI FRANCE MOLDOVA, the French Embassy in the Republic of Moldova and its multiple services (Economic services in Kiev, Financial mission in Moscow, Customs attaché in Sofia and Business France



in Bucharest) work together for the reinforcement of French commercial trade and investments in the country. An Economic Council has been established in 2018 with the Embassy.

The CCI FRANCE MOLDOVA has partnership agreements with Business France Romania and AWEX for Wallonia. It is a member of the CCI France International network with 120 CCI France representatives in over 90 countries.

The CCI FRANCE MOLDOVA also has multiple local partnerships (MIEPO, CCI of the Republic of Moldova, CCI of Transnistria, the Association of the Moldo-German Economic Partnership, ODIMM, Invent Moldova, CEED-MOLDOVA and AOAM) and other useful contacts with the local Moldovan authorities who are equally interested in developing the presence of French and foreign investors in the country. It is also a member of the Economic Council with the Prime Minister of the Republic of Moldova and of the Advisory Committee of Moldovan Customs.

COMMERCIAL RELATIONS TO DEVELOP

The commercial relations between France and Moldova are solid and long-lasting, but are still humble despite of numerous existing opportunities, notably after the initiation of the Association agreement between the EU and Moldova and the free trade it brings about.

The country has recorded a historical increase in its export to the European Union in the first two months of 2018, compared to the same period in 2017.

After 2016, the export towards the European Union is in continuous growth following the crisis from 2015.

Furthermore, the Republic of Moldova has signed Agreements of Free Trade with 43 countries: those from the EU, of the CIS (Armenia, Azerbaijan, Belarus, Kazakhstan, Russia, Tajikistan, Uzbekistan), Turkey, Macedonia, Albania, Serbia, Montenegro, Bosnia and Herzegovina, Kosovo, Georgia and Ukraine, making up a market of over 880 million habitants. A new agreement with China is on the table.

Moldova is also the beneficiary of several preferential commercial agreements with developed countries (outside Europe), such as the United States, Japan and Canada. Therefore, it represents a platform of developing for commercial trade with these countries.

Regarding France, it was the 10th supplier in 2016 (the 5th within the EU, after Romania, Germany, Italy, Poland) of Moldova with 2.33% of the total importation in a country where the growth is mostly marked by consumption. The French exportations consist of capital goods, notably electronics and automobiles. Textile and agricultural goods follow, especially in the sector of viticulture.

Still the same year, French was the 11th client of the country (the 7th within the UE, after Romania, Italy, Germany, the United Kingdom, Poland and Bulgaria) with 2.10% of Moldovan exportations. The French importations are mainly composed by agricultural and textile goods.



However, these figures should be treated objectively, notably those concerning our exportations. Numerous French products are actually distributed nowadays via Romanian or German suppliers and they do not appear in the statistics of commercial trade between France and Moldova.

The commercial balance of the Republic of Moldova with France is negative, but nonetheless there is substantial prospect of improvement for French products.

FRANCE: 3rd FOREIGN INVESTOR IN MOLDOVA

French investments are particularly consistent. France is one of the first countries to invest in Moldova towards the end of the 90s, owing to the status of the French language in the country.

It was the 3rd foreign investor in Moldova in 2015 preceded by Russia, Netherlands and with a similar percentage to Cyprus and Spain, and before Romania, Germany and Italy.

However, this rank does not reflect entirely the reality of the influence of French investment in the country, the importance of “off-shore” investments remains substantial in the ranking of the FDI, in the lead of which Netherlands and Cyprus can be found.

The launch of negotiations announced in 2018 for the ratification of a new tax treaty between France and Moldova should allow the clarification of the origin of covert French investments as those found nowadays.

French investments benefit from an Agreement of Mutual Protection of Investments signed on September 8th, 1997 and which came into effect on November 3rd, 1999.

French investments are also well structured and transparent for the country: telecommunications sector (Orange), construction (LafargeHolcim), banking (Mobiasbanca - Groupe Société Générale) and, starting 2018, human services (Up - Groupe Chèque Déjeuner). The arrival of the latter reflects the emergence of a middle class as well and the willingness of authorities to opt mostly for transparency.

Orange has tested and/or launched successfully the 4G and HD voice in Moldova before France. The enterprise showcases a revenue corresponding to 2.5% of the Moldovan GDP and holds 65% of the mobile phone market. The country’s first operator, this enterprise has just acquired the first TV cable supplier from Moldova to ensure the convergence of its offers.

Lafarge possesses the most important cement plant of Moldova and supplies 55% of the country’s needs. The group keeps on pursuing its investments and has just opened an innovation center in Chisinau.

The Société Générale is the 4th bank of the country and seeks development. It was the first foreign bank before the acquisition of stakes of Transilvania Romanian Bank and the BERD in the capital of the first Moldovan bank in 2018.



Lactalis, Barges Agro-Industrie (Groupe Maître Prunille) and Le Bridge (Sandra Ice Cream et Duty Free) are equally present in Moldova with production units or points of sale. Bucher-Vaslin (solutions for viticulture) and Bongard (bakery items) commercialize their products here successfully.

Multiple French enterprises from the IT sector, call centers and BPO are also present: Pentalog, Youmesoft, Netizencall, Prestacall, Cyssea, Lagrange. Pentalog is nowadays considered to be a French success story in its domain.

More recently, in 2014, Sade (Groupe Véolia) in the domain of water and civil engineering and Eco-Delta - Groupe JC Montfort in the domain of renewable energy, in 2017 and 2018, Cabling Integration System (Groupe Sofimeca) and T-Concept in the domain of electrical wiring for the automobile industry, or JVG Trading (Sourcing), have all chosen to settle in Moldova.

The IDEC group (Real estate developer, promoter, investor) should open shop in 2018 in Chisinau and will already ensure the development of the plant for the Sumitomo group in the country.

Several French enterprises outsource successfully from their activity in Moldova, mainly in the textile and industrial sector, often relying on specialist French outsourcing companies and on CCI FRANCE MOLDOVA.

WHY INVEST IN MOLDOVA?

Foreign investments are encouraged, overall, by the geographical location of the country (two days by truck from France, for instance, 440 kilometers from Bucharest), the European proximity of the country, qualified, hard-working and often multilingual human resources – numerous French and English speakers –, attractive workforce cost (average salary per month: 220€ in Moldova, 451€ in Bulgaria, 576€ in Romania) and following specific governmental measures favoring foreign investors, from a fiscal and economic point of view. Moreover, the authorities' willingness to acquire foreign investors and a structured French economic present, open a plethora of possibilities to international enterprises, particularly French ones.

The launch of negotiations announced in 2018 for the ratification of a new tax treaty between France and Moldova will, once again, lay the foundation for the arrival of French investors.

Apart from that, Moldova also has one of the lowest tax burdens in the region. The tax rate for the individual income ranges from 7 to 18% (16% in Romania, 32% in Poland). The general tax rate for corporations is 12% (16% in Romania, 19% in Poland), with reduced tax (7% for agricultural enterprises, 6% for free economic areas, 3% for the Free International Port of Giurgiulesti). The tax for social security make up 6% for the employee and 23% for the employer. The standard TVA tax is 20%, 8% for pharmaceutical goods and 0% for international transportation. Specific tax advantages are offered to the IT sector.

Moldova has closed numerous free trade agreements (with 43 countries in 2018), which allows the amplification of the trade capacity, notably between Europe and Asia.



GROWTH MARKETS

Investment and commercial trade opportunities involve nearly all the economic sectors:

- ▶ Conception, equipment building and management of public infrastructure
- ▶ Management of basic services to the population
- ▶ IT investments and outsourcing, call centers and back-office
- ▶ Textile and industrial outsourcing
- ▶ Industrial investments (automobile or aviation outsourcing)
- ▶ Commercialization of health equipment and pharmaceutical products
- ▶ Commercialization of consumer goods
- ▶ Commercialization of agricultural and wine machines, equipment and supplies
- ▶ Mass and specialized distribution
- ▶ Hotel and catering, retail trade
- ▶ Franchises
- ▶ Investments in the agriculture and wine industry
- ▶ Renewable energy

The Moldovan authorities also display the willingness to pursue a program of privatization (telecommunications, airline), which are bound to open brand new opportunities. Nonetheless, it is sensible to wait for the results of the 2018 elections to see whether these privatization programs will truly be active.

International funders support and finance several programs in the domain of construction, maintenance or rehabilitation of great infrastructures and of improvement of quality of basic services to the population. This funding offers many opportunities to the foreigners enterprises. Furthermore, Moldovan authorities call for international competition.

AGRICULTURE AND THE AGRI-FOOD SECTOR

Due to favorable climate conditions and the fertility its black soil (Tchernoziom), the agriculture and the agri-food are essential sectors of the Moldovan economy despite their weakened influence on the GDP. The country was considered the shepherd and vineyard of the former USSR. The agricultural land makes up about 75% of the country's territory and the agri-food products constitute 60% of the value of exportations.

The main productions are cereal, sunflowers, beets, potatoes, tobacco, vine, fruit, nuts, vegetables, and biological agriculture has also begun receiving interest. Vineyards can be found all over the country, especially in the center and in the South. The nucleus of its production was exported to Russia and the CIS. Russia's first embargo on the Moldovan wine in 2005, followed by different sanctions applied by Russia, have contributed to the fall of exportations to this country and to a crisis in the Moldovan viticulture, which later on translated into the quality its products and into the diversification of its market towards the East and China. Moldovan wines are still mainly exported to the CIS countries.

France is present in the sector, through the commercialization of vine plants, material and equipment. French enterprises commercialize fertilizers and seeds. Following the ratification of the Association



Agreement, Russia has enacted a temporary embargo in July 2014 on Moldovan fruit (apples, apricots, peaches, nectarines, quinces, cherries, pears, plums and sloes) which looked for new markets and opportunities elsewhere.

In the agri-food industry, the main investment is the one of Lactalis. There are many more opportunities to explore in the domain of cannery and ready cooked meals.

The inability to acquire farmland by overseas investors constitutes a great obstacle in the development of essential investment in this sector, now that there are numerous opportunities and demands to upgrade the sector.

Moldova is the beneficiary of European and American financial aid for the sustainability of the agricultural sector, for the improvement of the quality of local produce and the reinforcement of norms, the final objective being to help Moldova discover new opportunities.

INDUSTRY

The industry, the establishments of which were dictated by Moscow, offers privilege to the greater cities (Chisinau, Balti), especially to those situated on the left bank of Dniestr (Tiraspol, Bender, Ribnitsa).

It is mostly focused on the transformation of raw agricultural material, because the food industry is the flagship of the Moldovan industry. However, it is also represented by the light industry, the one of wood, construction of machines and equipment, but textile as well: soft furnishing applications, clothing, carpets, footwear, leatherwork. Moldova is considered the “textile workshop of Europe” and many famous brands choose to manufacture a part of their produce here.

The heavy industry (cement, metalwork plants), the outlet of which was typically Russia, is concentrated in Transnistria, the Eastern region of the country, with the exception of group LafargeHolcim, which possesses a cement plant on the right bank of Dniestr. The mechanical industry essentially produces electronic, medical equipment, tools for the pharmaceutical industry, machines for the agribusiness complex and telecommunications equipment.

Furthermore, a great number of enterprises equipped with high technologies existed in Moldova, with qualified workforce, who used to be part of the military complex of the former Soviet Union. Their production ground focused on advanced military technology, beginning with systems of intelligence research of targets, up to high-performance technology of the space program of the ex-USSR. This competence, and the accessible cost of qualified workforce, facilitates nowadays the settlement of various international investors (Germans, Americans, Austrians, Italians, and French) in the country, notably in the outsourcing and automobile equipment sectors.

This could also offer outsourcing perspectives to the French aviation industry seeking to reduce its development costs in a market of strong growth or to secure their investments.



INFRASTRUCTURES AND BASIC SERVICES TO THE POPULATION

Moldova offers a multitude of opportunities in the domain of infrastructures or in the management of basic services to the population. It equally benefits from important aid programs and international funding prone to being redirected in these sectors.

The nucleus of infrastructures and basic services calls for an upgrade. The local competences and expertise are absent, notably in terms of montage and project management.

Urban heating, water, sanitation, waste, transport, routes, generally the management of basic services to the population, offer a spectrum of options in the framework of development of the Public-Private Partnerships, or open local tenders, or international funding. France possesses many assets.

HEALTH

Under the influence of international partnerships, several national programs have been launched to modernize the healthcare system.

International aid is presented in the form of technical assistance, budgetary support and donations for the development of the healthcare system, of maternal and child healthcare, and transmittable disease (HIV/AIDS, tuberculosis).

Despite of the reinforcement of structured changes, the downsides with which the health sector is faced are still plentiful: the obsolescence and outdatedness of the public healthcare equipment and infrastructure, lack of means, the unavailability of medicines or consumable, shortage of vaccines, counterfeit of pharmaceutical products, underpayment of medical staff and endemic corruption, inequality before the health and nearly inexistent social security etc.

The inability of the State to ensure a good level of public health and care service has led to the opening, throughout these last years, of multiple private medical practices, care centers and clinics, using local or foreign capital. These centers have reception and care conditions living up to the European and Western standards. However, they are only accessible to a financially privileged clientele or expatriates.

A development in medical tourism has also been noticed, following the establishment of multiple private healthcare and denture practices.

France is present in the health sector, notably through the commercialization of pharmaceutical products and medical tools. It also contributes expertise within the program of cooperation.



COMPUTING, TELECOMMUNICATIONS AND IT

The Moldovan broadband network is one of the fastest ones in the world and the country has proven HR competences in the sectors of computing and Internet technologies. Moldova is ranked among the first countries in the world based on their Internet connection speed. The 3G and 4G mobile network cover 96% of the country's inhabited territory.

The ICT industry has marked a quick growth the last years, with a volume of 7,7 billion lei in 2015 and with a significant contribution to the country's GDP (8.9% in 2012). The exportation volume of software products has multiplied nearly four times between 2007 and 2013.

Drawing on its assets and incentive legal dispositions, nowadays the country attracts multiple international companies, many of which French "success stories" in the domain of telecommunications, call centers and back-office, and finally, of computing development.

SOME TIPS ON APPROACHING MOLDOVA

Tip 1

Do not arrive in Moldova with prejudices, size of the market included. The country generally surprises positively business visitors.

Tip 2

Avoid approaching directly individuals, organizations or companies the competences of which are either unknown or not proven. Do not hesitate to contact CCI FRANCE MOLDOVA, it will offer you all the necessary information and will connect you with competent and trustworthy contacts.

Tip 3

Notwithstanding the reforms carried out in the last years and the strong willingness of authorities to simplify and facilitate the procedure of establishment of international investors, and to reinforce the commercial trade, Moldova remains a country marked by slight administrative formalities. The excess of bureaucracy is often a synonym of corruption. Avoid "yielding" to "facilitating". One solicitation leads to another. Do not hesitate to report such cases or attempts to CCI FRANCE MOLDOVA or to the French Embassy, so action can be taken by the authorities. CCI FRANCE MOLDOVA can also aid you with your procedures through service and consulting offering adapted to the needs of enterprises.

Tip 4

Even though Moldova has made an adamant entrance to market economy, it remains a developing country where certain political and administrative lobbies subsist. At times, they can distort competition and halt the implementation of reforms. International institutions are particularly vigilant



and reactive in this aspect. CCI FRANCE MOLDOVA responds regularly to the concerns of foreign investors alongside with the French Embassy, international authorities and institutions.

Tip 5

The Transnistria region holds an essential industrial potential. Nevertheless, it is faced with a particular situation, which should encourage greater prudence in its approach. The CCI FRANCE MOLDOVA has contacts and interlocutors on site.

CCI FRANCE MOLDOVA

It is the 'by-product' of Club France created in July 2008 encouraged by French entrepreneurs in Moldova, with the support of the French Embassy and the French Alliance of Moldova. It has become a French Chamber of Commerce and Industry overseas in September 2010, member of CCI France International.

Its objectives are to federate, host, inform, promote, and assist the French business community – and more generally Francophone -, in Moldova and reinforce the connections with the Moldovan enterprises maintaining a flow of commercial and economic trade with France.

CCI FRANCE MOLDOVA "institutionalized" the French economic presence in the country, promotes it and defends its interests in close conjunction with the French Embassy in the Republic of Moldova. It has multiple contacts with local authorities and agents of economic development present in the country. It unites enterprises, French, Belgian or Moldovan, of all proportions and domains of activity.

It organizes informational and promotional events of France and of Networking.

It supports the development of its investments and economic and commercial trades between France and Moldova. It facilitates the arrival and reception of new enterprises on the Moldovan market offering them a wide range of informational, prospecting and support services, as well as contacts with enterprises, institutions and partners within its network.

CCI FRANCE MOLDOVA contributes to:

- ▶ The facilitation of meetings and exchanges of experience between its members, as well as with other overseas investors
- ▶ The defense of the interests of French enterprises and its members
- ▶ The gathering and dissemination of sound and reliable information about the country, as well as offering services of support and administrative, legal or commercial assistance to its members and enterprises willing to invest or develop current business between France and Moldova.

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