

INVEST IN MOLDOVA

Dear Reader,

This newsletter is written and sent to you by the **Investment Attraction Team (IAT)**, working in the **Prime Minister's Office**. Our Team will be sending the newsletter once in three months. The publication will contain the newest and most important information for investors, both existing and future ones. You will receive a summary of the latest developments in the business climate, legislative changes and information about events related to investment.

Please find more information on IAT on the last page.

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FDI Stock 2013

- According to the National Bank, the Stock of Foreign Direct Investment in the national economy increased from 2.6 billion dollars in the last quarter of 2009 to 3.3 billion dollars in the last quarter of 2012. This represents an increase of 23.7% from 2009 to 2012 over this period of time.
- According to World Bank, Net FDI declined twice from 4 percent of GDP in 2011 to 2.2 percent in 2012, equaling the nominal terms the low entries in 2009.

Current economic situation

- In 2012, real GDP decreased by 0.8 percent and Moldova entered into a recession in the second half of the year. The economy was hit by two shocks: weaker external demand and severe drought. Eurozone crisis reduced demand of domestic products exported and remittances from the EU. Meanwhile, agriculture was affected by a drought that caused the decrease of the value added in the sector by 23 percent, reduced the grain harvest in half. This was offset to some extent by the increase in minor value added in industry - 0.5 percent. In addition, the increase in robust remittances from CIS countries (18 percent annually) and wage growth fueled real consumption growth by 0.9 percent.
- Up till now the 2013 picture is mixed: there has been some improvement in relation to a few indicators, such as exports and remittances and a decrease in industry production. (World Bank)
- Despite a weak economic activity, in 2012 was pursued further fiscal consolidation. General government deficit declined from 2.4 percent in 2011 to 2.1 percent in 2012, mainly due to strong growth in revenue (+ 11.2 percent) generated by reintroduction of income tax for businesses (the rate of 12 percent) and the additional tax revenue introduced in the middle of last year. In January-February 2013, continued a strong growth of budget revenues (up to 14.9 percent), which resulted in a further reduction in the deficit compared to the same period last year.
- World Bank anticipates that in 2013 GDP growth will account for 3%, as a result of agricultural recovery. During the first half of the year, there will be a modest growth. However, improved external conditions and the recovery of the agricultural sector will likely lead to an accelerating growth in the second half of 2013.
- World Bank growth expectations amount for 4-5 percent in 2014-2015, due increased external demand of products exported by Moldova, resulting in greater confidence of consumers and investors.
- Inflation is expected to remain within the Bank target of more or less 5%.

Free Economic Zones activity 2012

- As of January 1st, 2013, in the 7 Free Economic Zones were registered 157 residents. At the end of 2012, the number of employees within the residents of the Free Economic Zones was 6512 people, an increase of 10.8% compared to the end of 2011. Of the total number of employees, 2805 people work in FEZ "Balti", 2159 people FEZ "Ungheni-Business", 685 people in FEZ "Expo-Business-Chisinau", 410 people FEZ "Valkaneş", 319 in FEZ "Tvardița", 118 in FEZ "Otaci-Business" and 16 in FEZ "Taraclia".
- On January 1st, 2013, the total volume of investments in FEZ amounted U.S. \$ 169.4, of which U.S. \$ 24.9 million were invested in 2012 invested , or 1.6 times more than in 2011.
- In FEZ industrial activity is the main type of production. The share of industrial production grew, accounting for 84.4%, or 2.8 billion LEI.
- The volume of net sales of industrial output in FEZ in 2012 increased significantly by 17.8% (in current prices) over the previous year and amounted to 2366.4 million LEI or 6.6% of industrial output produced in the same period of the industrial enterprises in Republic of Moldova of all forms of ownership. Most of the industrial output produced in FEZ accounting for 1976.6 million LEI or 83.5% was exported. The total volume of exports of goods and services in FEZ in 2012 increased by 4/5 and constituted 2278.5 million LEI or 8.7% of Moldovan exports in 2012.
- In 2012 residents of FEZ produced: 2.9 million pcs. car seat covers, car electrical wiring articles accounting for 286 million LEI, 0.7 million dal of wine grapes, 439 100 dal of divine, 2471.4 million units of articles of cork for bottling alcoholic beverages, electronics and gas burners totaling 2.0 million LEI, furniture accounting for 65.9 million LEI, 1.2 million pcs. PET preform, polymer film 445 - tons, 8500 tons of fuel oil, 975 tons wool wire and 4.0 million m2 of carpet. Last year was started the production of new types of products- synthetic wire, glass fiber net, parquet.

(Ministry of Economy)

Improvements of investment opportunities

- **Changes in VAT on sugar production**

Parliament voted on March 21st in the first reading, a legislative initiative to which 12% of the 20% VAT tax are to remain available to farmers in special accounts, and this money should be used only in the agricultural production process. The project also includes that the 12% VAT on sugar production in the standard quota, which came into force at the beginning of the year, will remain at the discretion of sugar producers to be invested in agricultural production.

- **Simplified customs procedures**

Beginning of January 1st, 2013 businesses can benefit from simplified customs procedures, obtaining one of the 4 statutes: low risk economic agent, economic agent undertaking local clearance, credible economic agent, reliable carrier.

The simplified procedures provide operators more advantages that comply with the expectations of the companies - importers / exporters, and providing international freight services.

The list of simplified customs procedures includes: crossing the border as a priority, on a special line for authorized economic operators, reduced number of physical controls, reduced number of papers presented at customs clearance, the possibility of customs clearance of goods in weekend and over working hours; exemption from nondestructive customs inspection, provision of consultations.

- **International Port “Giurgiulesti”**

It was launched the cargo corridor Black Sea-Baltic Sea through the port Giurgiulesti with intermodal infrastructure.

The project is developed by SE “Railway of Moldova” (CFM) in partnership with Danube Logistics and provides the delivery of goods by river from China or Turkey to Giurgiulesti, where they are transshipped to rail for shipment to Ukraine, Poland, the Baltic States.

Events

- **Moldo-italian enterprise “Eurotextile**

Prime Minister, Vlad Filat, visited the Moldo-italian enterprise “Eurotextile”, operating in the textile industry.

The company founded in 2002, employs 80 workers and operates on a 1500 sq. production facility. Main products are protection clothes and the export markets are Italy and Germany. Currently, the company produces uniforms for police in Germany.

- **Bakery and bread production company “Panifcoop” of URECOOP**

Prime Minister, Vlad Filat, visited the bread production company, which produces 5-6 tons of bread daily, and 500-600kg of bakery and confectionary products.

During the visit, it was stressed the importance of this type of production work for the society.

- **“Balkan Pharmaceuticals”**

Acting Prime Minister Vlad Filat visited the manufacturing plant of medicines “BalkanPharmaceuticals” from Sîngera. The company operates on the domestic market since 2007. It currently employs 80 workers and produces 127 items of drugs.

Plant director assured that since the company appeared on the Moldovan market, many of products prices fell by 50 percent.

The new factory will train about 400 employees, and the number of products produced will be much higher. On the same facility it is planned to produce antibiotic drugs. The plant meets international standards and rules of Good Manufacturing Practice of Medicinal Products (GMP).

Total area of the factory is 18,000 square meters and the total investment amounts to about 38 million Euro.

- **Nefis**

Prime Minister Vlad Filat visited the factory “Nefis” in Cojuşna village, district Străşeni. The company registered 15 years of activity and currently employs more than 400 workers.

The factory “Nefis” is a company largely represented at international exhibitions. It has today 8 branches and produces more than 100 types of biscuits, which are exported to Romania, Serbia, the Baltic countries, Russia, Africa, USA and Cyprus. The contribution to the state budget in 2012 amounted to 18 million lei.

- **International port “Giurgiulesti”**

Acting Prime Minister Vlad Filat visited the International Free Port Giurgiuleşti. The terminal works since November 2011, with a storage capacity of 6000 metric tons and can receive vessels with a deadweight of up to 10 000 tones. The terminal is an example of effective cooperation with foreign investors. The total value of investments made by the Group in GIFP Trans Oil is around \$ 35 million. Annually, vegetable oils that can be exported through the terminal amount over 100 thousand tons of sunflower oil and soya. The value of exports in the period January 2013 - April 2013 amounts over 5 million USD.

- **"Business Opportunities with partners in the U.S.", organized by the U.S. Embassy and American Chamber of Commerce in Moldova**

The event was attended by the U.S. Ambassador to Moldova, William H. Moser, president of the U.S. Chamber of Commerce in Moldova (AmCham Moldova), Cristina Hare and several businessmen.

During the seminar were addressed issues related opportunities in the US-Moldova relationship, success stories in this regard, but also provided information on U.S. government programs specialized in business empowerment

- **"Rihpangalfarma" (Gideon Richter)**

Acting Prime Minister Vlad Filat sent a congratulatory message on the occasion of the inauguration of the new pharmaceutical warehouse of the Moldovan-Hungarian Joint Venture "Rihpangalfarma" (Gedeon Richter) in Balti.

The expansion of the company "Gedeon Richter" in Moldova will increase the population's access to quality medicines. Moreover, this event is a signal that businesses are investing with confidence in Moldova.

- **Trainings for Commercial Attaches**

The Investment Attraction Team, together with the Ministry of Foreign Affairs of the Netherlands through the Centre for the Promotion of Imports from Developing Countries (CBI) and the Ministry of Foreign Affairs of Republic of Moldova organize a session of trainings for Commercial Attachés on foreign direct investment attraction. The main topics include: instruments for FDI, implementation and monitoring, introduction to international business promotion, decision making process in investment decision, etc.

Investment Attraction Team

The Investment Attraction Team works under the direct mandate of the Prime Minister of Republic of Moldova and it is located in the Prime Minister's Office. Our mission is to promote and facilitate Foreign Direct Investment in Moldova.

We provide professional services for potential and existing investors, as well as promote an investor-friendly image of Moldova, and help improve legislation regarding investments.

We provide professional services for investors interested in setting up operations in Moldova.

For potential investors, we provide individual assistance throughout the investment decision process, provide general information about the investment environment, as well as targeted and industry-specific information and advisory services.

For existing investors, we are their main partners in extending their operations, and helping them to overcome bureaucratic issues.

New or existing investors – we support and make sure your best performance in Moldova.

Our team consists of permanent investment attraction staff; sector related consultants, as well as regional officers. Combining our experience, we are able to provide you with information relevant for your decision making, as well as with links to businesses and government.

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