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**EASE**  
Enabling Environment for  
Sustainable Enterprises

# ► Review of the EASE Action Plans for Moldova in the context of the COVID-19 crisis





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## ► Abbreviations and Acronyms

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<b>AIM</b>	Alliance of Small and Medium Enterprises of Moldova
<b>ECA</b>	Europe and Central Asia
<b>EESE</b>	Enabling Environment for Sustainable Enterprises
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>FEZ</b>	Free Economic Zone
<b>GDP</b>	Gross Domestic Product
<b>HORECA</b>	Food service and hotel industries
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>IT</b>	Information technology
<b>MDL</b>	Moldovan Lei
<b>MEI</b>	Ministry of Economy and Infrastructure
<b>MSME</b>	Micro, Small & Medium Enterprises
<b>NBM</b>	National Bank of Moldova
<b>NBS</b>	National Bureau of Statistics
<b>NCCCB</b>	National Commission for Consultations and Collective Bargaining
<b>NCEM</b>	National Confederation of Employers of the Republic of Moldova
<b>NPB</b>	National Public Budget
<b>NTUC</b>	National Trade Union Confederation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>SME</b>	Small and medium-sized enterprises
<b>UNDP</b>	United Nations Development Programme
<b>UNFPA</b>	United Nations Population Fund
<b>VAT</b>	Value Added Tax
<b>WB</b>	World Bank



## ► Introduction

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The ILO Decent Work Team for Central and Eastern Europe and the Country Office for Moldova commissioned in 2018 - 2019 the “Enabling Environment for Sustainable Enterprises” assessment based on secondary data, a perception survey with enterprises and focus group discussions with members of the government, employers and workers. The report, together with its conclusions and recommendations, was validated during a tripartite workshop in Chisinau on 12 – 13 September 2019. This workshop was also the opportunity for participants from employers and workers organisation, as well as Ministries of Labour, Economy, Education, the Public Employment Services, the Bureau of Statistics and the SME Development Organisation to discuss action plans for implementing reforms in 3 areas, identified as priorities: enabling legal and regulatory environment; social dialogue; and education, training, lifelong learning. As a follow up to this workshop and the completion and publication of the report, a more thorough consultation process had to take place to refine and elaborate more in details the action plans on the priority areas and identify funding opportunities. This process was suspended as the COVID-19 pandemics disrupted the policy design process.

From its onset in 2020, COVID-19 pandemics has had a significant impact over the socio-economic situation in Moldova. It has been important to ensure that MSMEs remain operational during the sharp downturn and have capacities to restart operations as soon as conditions allow. Strong policy responses need to be put in place to support business continuity. Mid and long term socio-economic impact of the health sector crisis imposes changing priorities in the reform agenda. The goal of this Report is to complete the action plans taking into consideration the newly created context. Report was developed based on analysis of available up to date information and researches on the key impact of the COVID-19 crisis over socio-economic situation in the Republic of Moldova. Report also benefited from opinions presented by

the key stakeholders interviewed in the process of its development<sup>1</sup>.

The report is organized in three sections. The first section is dedicated to the brief exposure of the areas of concern in the current state of the economic environment in the country that served as guiding lines for the identification of the actions necessary to be implemented in order to spur sustainable development of the business sector. This, although brief exposure of the action points, was developed based on broader assessment of the influences of the health sector crisis on the economic and social environment in the country, which is presented in the annex 1 to this Report. In section two of the report current challenges for each of the identified priority domains are analysed. This section makes proposals on specific solutions that have to be applied to overcome such challenges. The second section of the report benefited from valuable opinions collected by interviewing selected number of key government representatives and technical members of ministries and representatives of employers and workers. In the last part of the report the revised version of the action plans elaborated in September 2019 based on the EESE assessment and adjusted according to the findings of the first two sections of the report is presented.

The methodology applied in the development of the report comprised the desk review of the recent statistical data and other available official figures on social and economic development that took place in Moldova during the year 2020, review of the relevant available reports and consultations organized with key stakeholders. Interviews with key stakeholders aimed at: collecting opinions concerning the impact of the crisis on the situation in the Republic of Moldova; discussing the relevance and prioritization of the measures proposed in the draft action plans developed at the end of 2019; and analysing possible new measures that need to be included in the Action plan given the context created as a consequence of the crisis.

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1 See Annex 1 for a detailed list of informants for the report



## ► Highlights of the current state of the economic environment in the country

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The profiled image of the crisis points to the weak points of the national economy. A significant drop in the output of the industrial sector will require increasing the diversification of economy and specifically of the industrial sector in the mid and long term. Vulnerable categories of the population, including high rates of the active population working abroad, often outside legal arrangements, are disproportionately hit by the crisis. This may require not only increasing the flexibility of the job placement programmes but also the integration of the population working abroad into formal social insurance system provided by the national authorities. Developments in the international investment position of Moldova point on the need to improve attractiveness of the national economy for FDI, as well as the development of national policies and tools aiming at increasing the use of the financial resources available on the local market for the investment needs in the national economy. The quickly worsening financial situation of the individual borrowers during the current year reflected by the financial market indicators will require increasing flexibility on the labour market and implementation of support mechanisms aiming at maintaining high level of employment. Additionally, commercial banks supervision mechanisms could be adjusted by the competent authority to ease regulations during the crisis, or, as crisis related consequences.

Sectors of the national economy that attract highly qualified work force and offer flexible working environment managed to avoid significant losses due to the crisis. Such reality points on the need to enforce the institutional framework related to the continuous increase of the labour force competencies and promote selective policies aiming specifically at attracting high value FDI. Low level of the public debt, in a context of diminishing inflation rate provides national authorities enough space to develop financial assistance mechanism for the enterprises. Continuous development of programmes meant to increase confidence in long-term investment of the local enterprises is needed.

Increasing performance of the public services, especially those delivered in the education and health protection areas is an urgent need in order to provide social and economic resilience and also reduce emigration flows of highly qualified work force from the labour market and entrepreneurial sector.

Signals denoting a decrease in remittance flows in Moldova require development of tools aiming to boost employment opportunities in the national economy and provide support to vulnerable group as a significant part of household expenses has relied on such financial resource. Specific support system should be developed for women and families with children that are more vulnerable and pay higher price due to the crisis.

Managing debts, financing operational expenses, bureaucratic barriers and compliance with tax obligations are issues of concern for companies, and require development by the state authorities of support mechanisms such as: reduction of the tax burden; provision of preferential loans and other forms of financial support; delays in the terms of tax compliance.

In addition to the longstanding deficiencies of the national economic environment, crisis in the health sector has generated additional burden for the Moldovan economy. Given the still high degree of uncertainty on the capacity to control how the present crisis unfolds, it is unlikely that pre-COVID-19 'business as usual' models of economic growth will still be relevant in the near future. Following ILO, "Many of the problems experienced by MSMEs as a result of this pandemic are not due to mismanagement, overcrowded markets or a failure in market systems. Instead, they are derived from the policy responses taken by governments to an urgent global health threat. Now, more than ever, government policy must continue to protect society and to guide the economy back towards a more resilient and sustainable future." (ILO, 2020). ILO report "Enabling Environment for Sustainable Enterprises and the Post COVID-19

Rapid Response” argues that increasing resilience of the national economy, given this specific circumstances, requires intervention in a number of priority areas. These areas cover business regulation reform: making it easier to start, grow and close a business; digital reforms: based on digitisation and new technologies; financial reforms: making it easier for MSMEs to access relevant financial services; taxation reform: using taxation to support formalisation and industry growth; trade reforms: improving trade and supply chains; economic reforms: boosting the role of MSMEs in the economic growth.

## ► Tackling the challenges and ways on moving forward

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According to the EESE Report in Moldova, legal and regulatory environment; social dialogue; and education, training and lifelong learning are three key areas of concern among enterprise representatives and employees to put in place an enabling environment for sustainable enterprises. The mentioned areas of concern were reported already in the EESE assessment performed during 2012-2013 in Moldova. The most recent assessment is pointing that “bribery and corruption were major issues, with a high proportion of the enterprises respondents, 87.3%, considering that bribery and corruption represent major obstacles for the development of enterprises in Moldova. The survey highlighted the difficulty of accessing finances to start a small business. Most of those surveyed identified the need for greater access to training, better education, and more support for business development in Moldova. Social dialogue also emerged as a key concern with 40% of enterprises respondents saying that they thought social dialogue was either less efficient or totally inefficient at national, sectoral and territorial levels.” (ILO, 2019).

Initial versions of the Action Plans were developed at the end of 2019 for each of those three areas of concern identified by the respondents in the process of development of the 2018-2019 EESE assessment. The report formulates proposals on defining the draft Action Plans. Key inputs and proposals were collected during the consultations with key stakeholders that were organized during October, 2020. List of the interviewed persons is presented in the Annex 1 of the report.

### Legal and regulatory environment

#### Current situation

The EESE assessment (ILO, 2019) characterizes Moldova as a country that has competitive elections but with a political climate that is often influenced by instability. Regardless of some positive achievements in the functioning of the democratic

institutions, corruption is a long standing hindrance for the Moldovan society and also there is still need to improve government transparency. Excessive centralization exercised by the ruling political elites is manifested in appointment procedure of judges that is a cause of concern, limited progress in administrative and financial decentralization of the local authorities, limited openness of government towards civil society, high degree of media politicization. Interpretation and practical application of laws and normative acts rise serious concerns among enterprises. Government Effectiveness Index stays at low values that did not significantly changed during last years. Further on, the extent to which citizens participate in selecting their government, as well as freedom of expression, freedom of association and a free media register low values in Moldova that are on downhill slope as compared to 2014 values.

In the socio-economic area high poverty rates are worrying and access to public services is limited, specifically for rural areas of Moldova. The country is characterized by a significant rate of migration, which represents an obstacle to economic growth. Long-term failure of the politicians to propose a successful economic development model led to a low level of trust among business community representatives, who no longer believe that government policies will efficiently promote the development of local enterprises. The development of free economic zones is an important reference-element of the economic development policies in Moldova aiming at accelerating socio-economic development; however the effect of this policy choice on domestic firms appears to be limited as the largest companies in FEZs are part of global value chains, with most inputs sourced internationally. Regulatory Quality Index is consistently low in Moldova. Rule of law indicator has declined modestly, Property Rights Indicator though improved, still registers low values as it is the case with Intensity of Local Competition Index. New business density indicator remains at very low value without any noticeable progress since 2011. The indicator of Domestic Credit to Private Sector produces low values, specifically following banking sector crisis. Most of SMEs are concentrated in

urban areas; banks also tend to be concentrated in urban areas while leaving rural SMEs underserved.

The health sector crisis revealed, besides the already mentioned institutional weaknesses of the country, several factors that lead to further vulnerabilities. These factors are related to limited digitization of the local economic environment, high concentration of the exports, reduced diversification of the economy and high vulnerability in face of a crisis affecting a significant share of migrants and their dependents.

Constraints identified in the area of legal and regulatory environment are linked to the quality of the administrative processes in Moldova, covering the entire cycle of policy design. Policy promotion in Moldova seems to be poorly anchored in fact evidence. As a basic rule, line ministries and other governing bodies do not publish regular reports on progress, and usually do not develop nor maintain a database of relevant administrative data for developing and monitoring the policy implementation. Changes in the legislative framework approved without proper consultation process are often revised by the next ruling coalition or face delayed implementation, especially as regard the by-laws and regulations. In order to increase the economic impact of public investments, the process of developing the National Development Program could require implementation of an available resources assessment for public investment over an average period of time and quantify public investment needs for the same period, in order to prioritize public investment spending from the perspective of synergies with other areas of public policy / public spending and regional developments.

### Ways forward

Improving policy design and implementation in Moldova can be achieved through institutionalization of continuous monitoring and reporting on each policy domain, based on relevant statistical/

administrative data collected and continuously updated by the relevant authorities. Assessing the investment needs and the resource framework available under the National Development Program is important in order to increase the synergy of public investment from the perspective of other areas of public policy and developments at regional level. Improving communication practices of the national institutions regarding newly introduced changes in the legislation on business environment could be achieved through regular communication campaigns. Better assess the anticipated impact of a new regulation, refrain from frequent amendments that significantly modify the business rules, and provide the necessary support to the affected parts are measures to be considered in order to secure proper reform implementation. Digitization of activities in both business and public sectors emerged as a pressing necessity during the crisis. Even this year digitization of the communication tools between state authorities and SMEs has played its role as SMEs have already had the opportunity to receive legal permits by accessing the online automated information systems. Use of these services increased from 20-30% in 2019 to 50% in 2020. Submission of mandatory reports to state authorities is also made through information systems, whose rate of SME use is even higher. In 2019, the electronic register of controls was piloted, for 2020 the planned controls are in electronic format. Priority actions for the future comprise easing SMEs insolvency processes to allow those involved in this process adjust their business to other areas<sup>2</sup>. There is room to promote reforms in this area. Develop process automation mechanisms for enterprises in the form of IT solutions provided by the state in order to increase resilience to future crises is seen as a solution to increase business resilience in Moldova<sup>3</sup>. Actions that could be implemented in this field include: retain investors through online communication; strengthen e-commerce platforms; facilitate international trade with paperless transactions; enhance opportunities for remote working (teleworking); make greater use of digital identities; take public-private dialogue online and also strengthen e-finance solutions (ILO, 2019).

<sup>2</sup> Opinion presented during the interview with Cezar Ilias, MEI

<sup>3</sup> Opinion presented during the interview with Vladislav Caminschi, NCEM

Increase funding to support digitization of micro and small business was a measure proposed to overcome the current crisis by Expert Group<sup>4</sup> and also support digitization process and enter on-line market as “on average only one in four companies with 10 or more employees has a website, while the number of e-commerce platforms at national level, according to NBM, accounted for only 412 units in Q1 of this year, without any progress compared to the end of 2018.” Social and Economic Impact Assessment of COVID-19 in Republic of Moldova Report proposes additional actions that include: simplify and clarify the legislation regarding e-commerce, both for transactions in Moldova and for export; introduce express provisions regarding tax deductions for e-commerce related expenses, including software procurement, personnel training and, if the case, subscription to national and international e-commerce platforms; reduce the VAT and / or local taxes for e-commerce transactions; simplify procedure of obtaining permissive acts for performing e-commerce activities and simplify and clarify legislation related to the use of electronic documents and electronic signature (UNDP, UNFPA, 2020). Improving tele-work regulations and providing financial support to businesses have arisen as important areas of concern during this year. In addition to what was mentioned above, regulation of the remote (tele) work needs further refinement as the Labor Code was completed in May 2020 with a view to including a chapter on remote work, which, however, needs further improvements as the regulations are not complete and can be interpreted divergently<sup>5</sup>. Moreover, policies promoted at the national level in the economic domain might be reconsidered to also cover the import substitution approaches, attract investment in high value-added activities as suggested by Expert Group Report. Enterprise access to financing has to be improved and institutional framework needs to be further developed by creating several non-discriminatory intervention instruments addressed to those affected by the crisis<sup>6</sup>. Facilitating companies’ access to capital and liquidity, and providing preferential interest loans and governmental guarantees for MSMEs

were also policy recommendations advanced by Expert Group and by Social and Economic Impact Assessment of COVID-19 in Republic of Moldova Report.

## Social dialogue

### Current situation

The National Commission for Consultations and Collective Bargaining (NCCCB), including the branch and territorial commissions, have been set up in Moldova to regulate industrial relations and social partnership. However NCCCB has limited impact over policy and legislation processes. NCCCB organization and operation are regulated according to Law 245/2006. The law states that the regulatory drafts in the labor and socio-economic areas shall be coordinated together with NCCCB. Its opinion on a regulatory draft accompanies the draft throughout its adoption. The competencies assigned to NCCCB are limited to examining the regulatory drafts in the labor and socio-economic areas and making recommendations in matters within its competence. Such competencies assigned to NCCCB are quite formal and do not differ too much from the competencies assigned to any interested party according to the Law 239/2008 on transparency in decision-making process. Thus, the mentioned law assigns any interested party the right to participate, under the conditions of this law, in any stage of the decision-making process; to request and obtain information regarding the decision-making process, including draft decisions accompanied by relevant materials, under the conditions of the Law on access to information; to propose to the public authorities initiating the elaboration and adoption of decisions; to submit to the public authorities recommendations regarding the draft decisions under discussion. In this respect, the legislation does not assign NCCCB any form of power of attorney over the adopted decisions specifically taking into consideration that decisions are adopted by consensus of all its

4 Republic of Moldova State of the Country Report

5 Opinion presented during the interview with Eugeniu Covrig, NTUC

6 Opinion presented during the interview with Vladislav Caminschi, NCEM

members. In broad terms, the consultation process that take place under the NCCCB framework could be characterized as being a bit empty and formal. Such situation has been revealed during the interviews with the participants in the commission activity who have mentioned that there is no procedural framework to improve the practices in examining, implementing and regulating areas related to the tripartite commission activity<sup>7</sup>. So, the competencies assigned to the commission are formal and require to be further developed. Tripartite Commissions for consultation and collective bargaining have been also established at the local level but the tripartite dialogue still remains poorly developed. There is a lack of employers' organizations in some sectors, while trade unions in private enterprises are missing (ILO, 2019). NCCCB recommendations are often ignored by the state authorities (Government, Parliament). Failure to comply with the commitments made by the social dialogue partners cause low motivation of association and create the perception of a reduced NCCCBs role in social dialogue and the low general perception of the importance of the social dialogue in the society.

### Ways forward

Addressing identified constraints require building capacity of commissions for consultations and collective bargaining at branch and territorial level and increasing overall role of NCCCB in the policy promotion process. A thorough assessment of the constraints and challenges to promote unionization in the private sector – both on the employers and the workers side - would be required as a basis for a strategy to improve industrial relations and social dialogue at the company level<sup>8</sup>. As for the activity of the national tripartite commission, there is a need to develop a procedural framework to make decisions adopted by the NCCCB compulsory for the implementation by the relevant national authorities after their formal endorsement by the government.

## Education, training and lifelong learning

### Current situation

Moldova has a relatively high rate of spending in the educational sector. However, general performance of the sector could be improved. The enrolment ratio in tertiary education is much lower than in neighbouring countries as the demand for secondary and post-secondary vocational technical education is still quite low, and educational programmes are not well aligned with the needs of the market. Situation in the area of adult training and human capital development is even worse: in 2016, only 0.96% of adults in Moldova took part in a training course, which is significantly lower comparing to neighbours and the rest of Europe. Propensity of the local businesses to allocate money for the training of their labour force is limited.

### Ways forward

The mismatch between labour supply and demand on the labour market points to the lack of coordination between vocational training institutions and representative business associations, and also to a weak institutional capacity of the authorities to align labour supply to demand on the market. The role of the MEI in the development of vocational training programs has to be increased while clear and continuous linkage between vocational training programs and structure of the national economy has to be in place; for most of the vocational training programs a list of relevant companies operating in the respective sector of economy has to be compiled and the most relevant enterprises or their associations should participate in the management performance assessment system of the vocational training institutions. Distance learning practices are not adjusted to the current situation. There is a need to perform complex evaluation of the distance learning practices at the national level and to develop subsequent

7 Opinion presented during the interview with Eugeniu Covrig, NTUC

8 Opinion presented during the interview with Vladislav Caminschi, NCEM

actions aiming at strengthening the educational process in the conditions of pandemic. Funding mechanism of the vocational education institutions should be reconsidered, moving towards a performance oriented system to enhance their proactivity<sup>9</sup>. An option would also be to consider giving incentives to the economic agents involved in the dual system by providing fiscal facilities to increase involvement of the enterprises in this process<sup>10</sup>.

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9 Opinion presented during the interview with Sergiu Iurcu, NTUC

10 Proposal derived during the discussions with Sergiu Sainciuc, NTUC



## ▶ Revised Action Plans

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### Reform priority: ENABLING LEGAL AND REGULATORY ENVIRONMENT

#### 1. What are the key constraints related to the priority condition?

- ▶ Low governance effectiveness;
- ▶ Inefficient approaches to economic development, specifically related to setting up high value added economic activities and regional/local economic development;
- ▶ Limited progress in digitization of the economy;
- ▶ Limited access to finances for business.

#### 2. Identify one or more root causes of the identified constraints

- ▶ Inconsistent, sometimes contradictory stances of economic, fiscal, budgetary and monetary policies;
- ▶ Promoting group interests;
- ▶ High rate of informal employment;
- ▶ Poor coordination of institutions in the development of the legal and regulatory framework;
- ▶ Limited accountability and performance monitoring in the public sector;
- ▶ Contradictions of national legislation with international agreements to which the Republic of Moldova is a party.

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### 3. What are the concrete and visible changes you want to have achieved in 2-4 years from now?

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- ▶ Better focus of budgeting based on activities (produces), according to the promoted political priorities, implemented in the public sector and progress in improving the accountability of public institutions;

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- ▶ Important growth of credit to GDP ratio;

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- ▶ Increasing work productivity that would allow significant growth of the average monthly salary at the national level to align it to the average values of the central European region;

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- ▶ Growth in the activity rate indicator/ occupancy rate (percentage of economically active population);

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- ▶ Significant growth in the economically active population included in social insurance system;

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- ▶ Progress in achieving higher results at Regulatory Quality Index, Rule of law indicator, Property Rights indicator, Intensity of Local Competition Index and New business density indicator.

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#### 4. What actions need to be undertaken to address the issue? By whom?

What should be done to address (root cause of) the key constraint?	Who should do it? (please indicate the lead actor as well as other actors)	By when should it be done? (e.g. within 6 months, within 1 year, within 4 years)	Budget implications
<b>Key constraint a) Low governance effectiveness</b>			
<i>Improving the quality of the policy promotion practices in Moldova</i>			
Institutionalize the practice on continuous monitoring and periodic reporting on progress for each policy domain (periodicity to be defined by the relevant authorities)	State Chancellery All authorities responsible for policy development and implementation	6 months	No
Research on the management of the data/ information collected by the state authorities according to the enforced national regulations; improve data exchange among state authorities to reduce redundant burden on businesses and public	State chancellery	1 year	Yes
Improve data management by developing and continuously updating relevant statistical/ administrative data collections by the relevant authorities for the purpose of policy promotion and monitoring according to the present enforced regulations, for each policy domain accessible to public	State Chancellery All authorities responsible for policy development and implementation	1 year	No
Institutionalize annually/biannually independent assessment exercises on the progresses achieved by the line ministries in each policy domain, implemented by relevant civil society organizations through competitive and transparent selection process	State Chancellery	6 months	Yes
Assess the factors that hamper progress in achieving higher results with respect to: Government Effectiveness Index, Regulatory Quality Index, Rule of law Index (WB)	State Chancellery Economic council to the Prime Minister	2 years	Yes
Develop a roadmap for improving country's performance in achieving better results in: Government Effectiveness Index, Regulatory Quality Index, Rule of law Index; (WB)	State Chancellery	1 year	Yes
Map access of the population to public services (in the educational, social assistance and health protection domains) and goods at the national level, assess and continuously monitor their quality	State Chancellery Ministry of Finances	1 year	Yes

Develop a roadmap on improving access of population to qualitative public services	State Chancellery	1 year	Yes
Limit financing sources of the political parties, besides subsidies from the state budget, to the officially registered incomes from which taxes were collected, similar to 2% percentage designation procedure, or to other official sources, in both situations these incomes to be withheld and transferred by third entities such as the tax office or other payment agency to avoid direct payments from any private agent	Ministry of Justice	1 year	No
Improve responsibility and participation of the local public authorities in the development of the local economic environment	State Chancellery Ministry of Economy and Infrastructure		
Revise the budget sources of local public authorities (LPA) by increasing the share of taxes on business activity in the incomes of the local authorities, the same as the corporate income tax	Ministry of Finances	6 months	No
Improve information exchange practices between central and local authorities to enforce policy implementation in the economic development domain at the national and local level	State Chancellery	1 year	No
<i>Improve prioritization on the allocation of the public resources</i>			
Develop the mid-term resource framework for the NDS Moldova 2030 within a National Development Programme that would allow estimation of the available resources (hence better understanding of proper tools for resource collection) and subsequent assess spending requirements so as to improve prioritization of spending according to the strategy provisions. Such provisions will insure the synergetic effect with the economic development at the level of the region where Moldova lies and the private sector investments that would allow the final impact of the public spending to increase and would serve as reference in the process of sectoral strategies development	State Chancellery	1 year	Yes
Develop or adjust sectoral strategies according to the objectives of the NDS Moldova 2030	Line ministries	1 year	No
Further develop budgeting practices based on programmes/activities through a better correlation with policy development documents, increased detailing of the financed measures down to the level of activity (produces) approved according to such policies, that would allow at the end of the budgetary year to present to the general public information on: what are the tangible achieved results (implemented activities and/ or outputs), at which cost and why (long term pursued impact of the actions)	Ministry of Finances	6 months	No
<i>Continuously improve communication practices of the line ministries relevant to the promotion of new regulations that significantly alters the existing ones.</i>			

Assess regulatory burden on MSMEs, on small business	Ministry of Economy and Infrastructure	1 year	No
Implement measures to ensure whenever voting new regulations, that such regulations do not exercise disproportionate or unjustified effects on smaller enterprises	Ministry of Economy and Infrastructure	6 months	No
Simplify and standardise legislation in areas of regulation related to MSMEs	Ministry of Economy and Infrastructure	1 year	No
Establish Task Force on Simplification of Business Environment for MSMEs	Ministry of Economy and Infrastructure	1 year	No
Insure that MSMEs concerns are well understood and debated in the regulatory process by institutionalizing the practice of the Ministry of Economy and Infrastructure presenting annual reports on the regulatory burden of MSMEs	Ministry of Economy and Infrastructure	6 months	No
Disseminate regulatory information and forms for registration, taxation and other regulatory purposes to firms via electronic networks, including interactive Web sites.	Ministry of Economy and Infrastructure	6 years	Yes
Review and simplify insolvency provisions for the MSMEs	Ministry of Economy and Infrastructure	1 year	No
<i>Reorganize the social contribution system to make it more attractive for the inclusion of Moldovan work force employed abroad, specifically those without permanent working arrangements in the host economy and that are not covered by the social assistance services</i>	MEI	2020-2022	
Make more attractive the national social insurance system to cover migrants outside the formal social insurance system in their host states and the labour force employed in the informal sector in Moldova	Ministry of Health, Labour and Social Protection	1 year	No
Improve linkages between paid social insurance contribution and received benefits by improving annual adjustment procedures of the established benefits, examine possibilities to substitute adjustment procedures with reference to the average salary in the economy (both for the payment of contributions and the social benefits)	Ministry of Health, Labour and Social Protection	1 year	No
Examine the opportunity to include bonus-malus principle in the insurance system of temporary work incapacity, transfer this type of insurance to private insurance companies	Ministry of Health, Labour and Social Protection	1 year	No

<p>Insure compliance of the national legislation with the provisions of international acts to which the Republic of Moldova is a party and whose object of reference is state control in the field of labor. In this respect, the state control in the field of work (labor relations, safety and health at work) would be removed from the incidence of the current legislation, regarding the state control over the entrepreneurial activity, and performed according to a special law harmonized with the acts ratified by the Republic of Moldova (International Labor Organization Conventions (81), (129), (150), (155))</p>	<p>Ministry of Health, Labour and Social Protection</p>	<p>1 year</p>	<p>No</p>
<p><b>Key constraint b) Inefficient approaches to economic development, specifically related to setting up high value added economic activities and regional/local economic development; Limited progress in digitization of economy</b></p>			
<p><i>Reconsider policies aiming at fostering economic development</i></p>			
<p>Develop policies to substitute imports and diversify economic activities</p>	<p>Ministry of Economy and Infrastructure</p>	<p>2 years</p>	<p>Yes</p>
<p>Develop fiscal and financial tools aiming at boosting investment in high value-added activities and also attracting high added value FDI</p>	<p>Ministry of Economy and Infrastructure</p>	<p>2 years</p>	<p>Yes</p>
<p>Provide harmonized promotion of budgetary, taxation, commercial, economic and monetary policies</p>	<p>Ministry of Economy and Infrastructure, Ministry of Finances, National Bank of Moldova</p>	<p>1 year</p>	<p>No</p>
<p>Strengthen correlation between the monetary policy development and the goals of economic growth</p>	<p>Ministry of Economy and Infrastructure, National Bank of Moldova</p>	<p>1 year</p>	<p>No</p>
<p>Assess the factors that hamper progress in achieving better outcomes with respect to: Property rights indicator; Intensity of Local Competition Index, New business density indicator(WB)</p>	<p>Ministry of Economy and Infrastructure</p>	<p>1 year</p>	<p>Yes</p>
<p>Develop a roadmap for improving country's performance in achieving better outcomes in: Property rights indicator; Intensity of Local Competition Index; New business density indicator (WB)</p>	<p>Ministry of Economy and Infrastructure</p>	<p>1 year</p>	<p>Yes</p>
<p>Assess taxation burden on Large, Medium, Small and Micro enterprises</p>	<p>Ministry of Economy and Infrastructure</p>	<p>1 year</p>	<p>Yes</p>

Provide fairness of the taxation system correlating the taxation burden with the economic strengths of an enterprise, increase taxation level for sector leaders if the performance gap between leaders and next competitors is high	Ministry of Economy and Infrastructure, Ministry of Finances	1 year	No
Develop fiscal incentives for MSMEs from rural and economically disadvantaged areas (small cities)	Ministry of Economy and Infrastructure	1 year	No
<i>Digitize activities in both business and public sectors</i>			
Develop process automation solutions for the enterprises, in the form of IT tools provided by the state in order to increase resilience to future crises, provide training opportunities for MSMEs and adults participating on the labour market	Ministry of Economy and Infrastructure	1 year	Yes
Develop a system of digitalscoring of the enterprises – according to the quality perception of their customers, specifically for those in the service area that would allow easier reference for customers. Scoring has to be provided by the customers without any state interference in the process, state involvement has to be limited to rules development and enforcement	Ministry of Economy and Infrastructure	1 year	Yes
Develop digital space for niche markets dedicated to local businesses (following the model of Alibaba.com; ebay.com )	Ministry of Economy and Infrastructure	1 year	Yes
Develop a digitization strategy of the national economic environment, that could bring business environment online; maintain investors through online communication; strengthen e-commerce platforms; facilitate international trade of paperless transactions; enhance opportunities for remote working; make greater use of digital identities; promote public-private dialogue online and also strengthen e-finance solutions; simplify and clarify the legislation regarding e-commerce, both for transactions in Moldova and for export; introduce express provisions regarding tax deductions for e-commerce related expenses, including software procurement, personnel training and, if the case, subscription to national and international e-commerce platforms; reduce the VAT for e-commerce transactions; simplify procedure of obtaining permissive acts for performing e-commerce activities; and simplify and clarify legislation related to the use of electronic documents and electronic signature	Ministry of Economy and Infrastructure	1 year	Yes
Increase funding to support digitization of micro and small business and entering e-commerce	Ministry of Economy and Infrastructure	1 year	Yes
Improve and refine teleworking regulations in terms of employee categories and areas of activity	Ministry of Health, Labour and Social Protection	1 year	No

Implement the Electronic Register of Employees for the formal sector of the economy	Ministry of Economy and Infrastructure, Ministry of Health, Labour and Social Protection	6 months	No
<b>Key constraint c) Limited access to finances for business</b>			
Improve access to financing for business			
Assess the possibilities to increase the share of the domestic credit to private sector in GDP	Ministry of Economy and Infrastructure	1 year	Yes
Develop non-discriminatory intervention instruments, addressed to those affected by the crisis	Ministry of Economy and Infrastructure	1 year	No
Provide preferential interest loans and governmental guarantees for MSMEs	Ministry of Economy and Infrastructure	1 year	Yes

## Reform priority: SOCIAL DIALOGUE

### 1. What are the key constraints related to the priority condition?

- ▶ Perception of the low importance of the social dialogue in the society;
- ▶ Lack of social dialogue partners in certain branches and territories.

### 2. Identify one or more root causes of the identified constraints

- ▶ NCCCB has limited impact over policy and legislation processes;
- ▶ The legislation does not assign NCCCB with any form of power of attorney over the adopted decisions specifically taking into consideration that decisions are adopted by consensus of all its members; lack of a mechanism that would establish the responsibility and obligation of the parties to observe the decisions made;
- ▶ Tripartite dialogue at the local level remains modestly developed. There is a lack of employers' representative organizations in some sectors, and trade unions in private enterprises are missing.

### 3. What are the concrete and visible changes you want to have achieved in 2 years from now?

- ▶ The legal framework on national tripartite commission activity to be revised and improved;
- ▶ Increased number of employers' organizations and trade unions.

#### 4. What actions need to be undertaken to address the issue? By whom?

What should be done to address (root cause of) the key constraint?	Who should do it? (please indicate the lead actor as well as other actors)	By when should it be done? (e.g. within 6 months, within 1 year, within 4 years)	Budget implications
<b>Key constraint a) Reduced perception of the importance of the social dialogue in the society</b>			
Increase the role of the national tripartite commission			
Improve the legislation ,with a main goal to assign NCCCB with a form of power of attorney over the adopted decisions	Ministry of Health, Labour and Social Protection, NCEM, NTUC , ILO	1 year	No
Increase the capacity of the Secretariat and the specialized committees of the commissions for collective consultation and bargaining at all levels	ILO	Within 4 years	Yes
Train the members of commissions for collective consultation and bargaining in the field of social dialogue at all levels	ILO	Within 4 years	Yes
<b>Key constraint b) Lack of social dialogue partners in certain branches and territories</b>			
Increase the number of employers' organizations and trade unions			
Provide fiscal incentives for employers' organizations at sectorial/branch level	Ministry of Finances	1 year	Yes
Organize information campaigns on the role and importance of social dialogue	Ministry of Health, Labour and Social Protection, ILO, NCEM, NTUC	Within 4 years	Yes
Identify and promote new services to motivate joining a trade union or employers structure	NCEM, NTUC, ILO	Within 4 years	Yes
Increase the capacity of the social partners in the area of recruiting new members	NCEM, NTUC, ILO	Within 4 years	Yes
Change the provisions on the mechanism of consultations at company level, so as to balance the trade unions right of veto	Ministry of Health, Labour and Social Protection	1 year	No

## Reform priority: EDUCATION, TRAINING AND LIFELONG LEARNING

### 1. What is the key constraint?

- ▶ Low demand for secondary and post-secondary vocational technical education; limited enrolment in training programs of adults;
- ▶ Mismatch between labour supply and demand on the labour market.

### 2. Which is the root cause of this constraint(s)?

- ▶ Limited diversification of the national economy, low level of remuneration and subsequently low motivation to follow vocational technical education;
- ▶ Low quality of the vocational education;
- ▶ Limited control by the relevant state authorities on the existence of the formal qualification of the labour force related to their performed jobs specifically for informal labour market, resulting in a limited demand for training programmes of the labour force;
- ▶ Weak institutional capacity of the relevant authorities to match labour supply and demand;
- ▶ Limited focus of the funding mechanism of vocational education institutions on achieved performance (quality of delivered educational services).

### 3. What is the expected result of the action(s)?

- ▶ Increase of corporate sector spending on labour force training;
- ▶ Funding mechanism of the vocational education institutions is performance oriented;
- ▶ Higher level of the corporate sector involvement in the assessment of the management performance of vocational training institutions;
- ▶ Better inter-institutional coordination in the skills development area;
- ▶ Effective partnerships for qualification (skills) development.

#### 4. What actions need to be undertaken to address the issue? By whom?

What should be done to address (root cause of) the key constraint?	Who should do it? (please indicate the lead actor as well as other actors)	By when should it be done? (e.g. within 6 months, within 1 year, within 4 years)	Budget implications
<b>Key constraint a) Low demand for secondary and post-secondary vocational technical education; limited enrolment in training programs of adults</b>			
Low attractiveness for secondary and post-secondary vocational technical education			
Organize information campaigns on the prestige and role of the technical crafts	ILO, Ministry of Education, Culture and Research, Ministry of Health, Labour and Social Protection, Sectoral Skills Committees	Within 4 years	Yes
Recognize prior learning, learning gaps and opportunities (including financial incentives and support) to acquire missing skills and certification	Ministry of Health, Labour and Social Protection, Ministry of Education, Culture and Research, Sectoral Skills Committees, ILO	1 year	No
Develop "occupational licensing" practice of easier reference for customers	Ministry of Health, Labour and Social Protection, Ministry of Education, Culture and Research	1 year	Yes
Liberalize and reduce legal requirements and incurred costs for individuals providing services on the market	Ministry of Health, Labour and Social Protection	1 year	No
Digitilize the labour force market, with a system of digital scoring of the craftsmen – according to quality perception of their customers, that would allow easier reference for customers	Ministry of Health, Labour and Social Protection; Ministry of Economy and Infrastructure, Ministry of Education, Culture and Research	1 year	No
Smoothen, make more flexible the process/ programmes of adult training, develop on-line modules wherever feasible	Ministry of Health, Labour and Social Protection; Ministry of Education, Culture and Research, ILO	1 year	Yes

Comply with the European Qualifications System (EQF – so that Moldovan qualifications can be made easier reference to EU qualification) and develop competitive Occupational Standards with the active participation of both Social Partners	Ministry of Education, Culture and Research	Within 4 years	No
Instruct social workers to actively identify NEET youth or persons without formal employment (persons of the economically active age group that do not pay social contributions) and popularize the benefits of formal education, formal employment and subsequent enrolment in social protection programmes. It is important to improve the prestige of the social protection system (mentioned in the action plan on Legal and regulatory environment) by changing the population perception of the system as a gain and not as loss as it is in the present	Ministry of Health, Labour and Social Protection, Ministry of Education, Culture and Research	1 year	Yes
Limited enrolment in training programs of adults			
Develop a proposal for a system of lifelong learning, including employed, unemployed and informal labour force, as well as the recognition of prior learning.	Ministry of Health, Labour and Social Protection, Ministry of Education, Culture and Research, Sectoral Skills Committees, ILO		
Develop a system of incentives for businesses investing in labour force training	Ministry of Finances; Ministry of Health, Labour and Social Protection	1 year	No
<b>Key constraint a) Mismatch between labour supply and demand on the labour market</b>			
Mismatch between labour supply and demand on the labour market			
Capacity building of institutions providing vocational training programmes	Ministry of Education, Culture and Research	On a permanent basis	Yes
Provide development of occupational standards based on an active participation of employees and employers representative organizations	Ministry of Education, Culture and Research, Sectoral Skills Committees, ILO	On a permanent basis	No

Provide e continuous training of teachers/ teaching instructors (foremen)	Ministry of Education, Culture and Research, Sectoral Skills Committees,	On a permanent basis	No
External evaluation of vocational training programmes/curricula	ANACEC	On a permanent basis	No
Large-scale implementation of dual education	Ministry of Education, Culture and Research, Ministry of Economy and Infrastructure, Sectoral Skills Committees	4 years	Yes
Conduct annual specialized studies on anticipating skills needs , leading to regular updating of occupational standards, curricula and teacher training	Ministry of Economy and Infrastructure, Ministry of Health, Labour and Social Protection, Ministry of Education	On a permanent basis	Yes
Increase level of MEI involvement in the development and coordination of training programmes/ curricula according to the annual survey on labour market supply and demand	Ministry of Education, Culture and Research, Ministry of Economy and Infrastructure, Sectoral Skills Committees	1 year	No
Provide linkage between each vocational training program at the level of each vocational training institution and the most relevant businesses that operate in the respective sector of economy, secure participation of the identified relevant enterprise or their associations in the performance assessment of the vocational training institutions	Ministry of Education, Culture and Research, Ministry of Economy and Infrastructure, Ministry of Health, Labour and Social Protection, Sectoral Skills Committees,	1 year	No
Perform an assessment of the distance learning practices of the educational institutions in Moldova, identify shortcomings and propose solutions to their resolution	Ministry of Education, Culture and Research	1 year	Yes
Perform an assessment of the currently applied funding mechanism of the vocational education institutions, identify solutions to make it performance oriented	Ministry of Education, Culture and Research	1 year	Yes

Assess the opportunity of providing fiscal incentives to economic agents involved in the dual education system, including adult education (lifelong learning)	Ministry of Finances	1 year	No
Promote the placement of vacancies through the portal <a href="http://www.angajat.md">www.angajat.md</a>	National Agency for Employment	6 months	No
Organize recruitment activities, online job fairs, involve employers in active measures on the labor market (on-the-job training, subsidizing the employment of vulnerable groups, supporting local initiatives)	National Agency for Employment	On a permanent basis	Yes
Promote local employment partnerships	National Agency for Employment	On a permanent basis	Yes



## ▶ Annex 1: List of interviewed persons

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- ▶ Cezar Ilias, Principal Consultant, Business Environment and SME Regulation Section of the Ministry of Economy and Infrastructure

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- ▶ Alexandru Ghetu, Head of policies in the field of labour relations and social partnership division, Ministry of Health, Labour and Social Protection

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- ▶ Gîncu Silviu, Head of vocational education division, Ministry of Education, Culture and Research

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- ▶ Sergiu Sainciuc, Vice President, National Trade Union Confederation

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- ▶ Eugeniu Covrig, Head of the Legal Department, National Trade Union Confederation

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- ▶ Sergiu Iurcu, Head of the socio-economic protection department, National Trade Union Confederation

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- ▶ Vladislav Caminstchi, Executive Director, National Confederation of Employers of the Republic of Moldova

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- ▶ Alina Grosu, Executive Director, Union of Private Medical Institutions of the Republic of Moldova, member of National Confederation of Employers of the Republic of Moldova

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