

MOLDOVA

Statement by Mr. Igor DODON
First Deputy Prime Minister of Moldova, EBRD Governor
EBRD Board of Governors Annual Meeting, Kiev, 18-19 May 2008

*Dear Chairman, Mr. President, Fellow Governors,
Delegates, Ladies and Gentlemen,*

On behalf of the Republic of Moldova's delegation, first of all I would like to express my deepest gratitude to the Government of the Republic of Ukraine and to the European Bank for Reconstruction and Development for the invitation, hospitality and excellent organization of the event.

It is my great pleasure to be here today, especially when the Annual Meeting of the EBRD Board of Governors takes place in a neighboring country – such as Ukraine, which is a strategic partner for my country, while EBRD being one of the main development partners for Moldovan economy.

At the very beginning I would like to mention that one of the highest priorities for the Republic of Moldova is building a modern democratic state, based on the European values, and external policy vector being oriented towards European integration. This, of course, involves considerable efforts in implementing reforms such as poverty reduction, private sector development, with special emphasis to SMEs, improving investment climate and national economic competitiveness.

I would also like to stress that in 2007 *[two thousand and seven]*, the Government of Republic of Moldova approved the National Development Strategy for the next 4 years, that focuses on a rather limited number of strategic priorities:

- building a democratic state;
- reintegration of the country;
- improvement of national economic competitiveness;
- development of human resources;
- and the last one is regional development.

The key objective of the Strategy is to ensure a better quality of people's lives by securing a sustainable economic growth. The Strategy aspires to Moldova's alignment to European standards and values, and consequently, to the accomplishment of the final goal of European integration.

Today, Moldova strives to become a comparatively attractive place first of all for foreign investors. Thus, in 2007 *[two thousand and seven]*, foreign investment flows amounted to 500 mil. USD *[five hundred million united states dollars]*, total accumulation of FDI rising to 1.8 bil. USD *[one point eight billion united states dollars]*,

which represents an increase of 39% [*thirty nine per cent*] if compared to the end of 2006 [*two thousand and six*]. Moreover, in 2007 the Moldovan Government initiated broad reforms of economic liberalization consisting of three main components:

1. Capital legalization, that enables legal and physical persons to declare and legalize their capital;
2. Fiscal amnesty, represents the abolishment of the taxpayers' debts to the state budget, accumulated by January 2007; and the last but not the least one is
3. "0" income tax for companies, meaning unconditioned exemption from corporate income tax. We anticipate that the implementation of this reform will provide incentives to companies to reinvest their profits into the extension and further development of their business activities, as well as the reform is expected to fight to a certain degree the shadow economy, by making useless different schemes of tax evasion.

It is also important to mention, that the Republic of Moldova has been granted the advantage to export to the West and to the East a large number of commodities within the free trade regime. So far, Moldova signed FTAs with CIS countries, with South-Eastern European Countries (CEFTA), and Turkey. Starting with March 2008 Moldova reached a new level of cooperation with European Union - Autonomous Trade Preferences. This new facility enables the free entry to the EU market of 12000 [*twelve thousand*] tariff items originating from Moldova, with some exceptions like quotas on sugar and wine.

In this context, Moldovan Government highly appreciates the EBRD assistance in implementation of economic reforms, in developing the banking sector, contributing to small and medium enterprises development, as well as for the support provided for our agriculture, energy, water supply and transportation sectors. It is important to mention that with the assistance of EBRD up till now there were implemented 49 projects in the Republic of Moldova, at total cost of 205 mil EUR [*two hundred and five million EURO*]. Within the list of successful EBRD projects in 2007, we can name: Credit Line for SMEs obtained by Banca Sociala; construction of a large Trade Centre in Chisinau; Road rehabilitation project in Moldova.

And finally, I would like to state that my country counts very much on the continuous support of our strategic development partners, such as European Bank for Reconstruction and Development, in promoting further reforms aimed to confront the challenges of transition period for the Republic of Moldova.

Ladies and Gentlemen, thank you for your kind attention and I would like to wish success and all the best to the Board.