



GAGAUZIA

360°



Business Process Outsourcing

**Connecting with
new markets**

Edition 2017/2018



KEY FACTS



Official name:
**The Republic of Moldova
Autonomous Territorial Unit
of Gagauzia (ATU)**



Area:
1,848 km²



Population:
162,000 inhabitants



Language:
Gagauzian (*Turkic Language Family*),
Russian and **Romanian** are most
commonly spoken languages in
Gagauzia



Capital of ATU Gagauzia:
Comrat (*26,200 inhabitants*)



Currency:
Moldovan Leu (MDL)



Inflation rate, 2016:
6.4 %

**Unique tax of 7%
for IT park residents**



Corporate tax: in Free Economic Zones:
12 % **6%, 0%**

VAT: in Free Economic Zones:
20%, 8% **0%**



Employment rate:
32%



The average gross monthly
wage in IT sector: *
650 EUR

*Source: www.statistica.md

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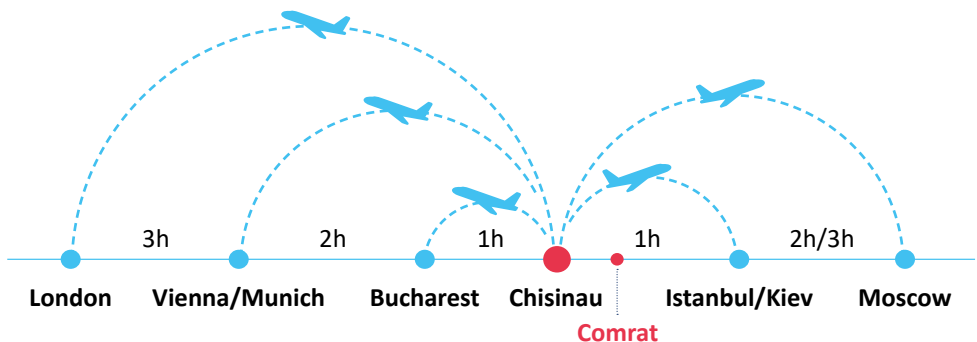
WHY BUSINESS PROCESS OUTSOURCING TO GAGAUZIA?

Human capital

- Gagauzia is an autonomous region of the Republic of Moldova. The region has a population of 162,000 inhabitants. Comrat municipality is the administrative center of Autonomous Territorial Unit with 23,556 inhabitants. Over 80 percent of the total population speaks Gagauz language which is closely linked to Turkic language family. That enables Gagauz people to speak and understand Turkish and Azerbaijani languages. Russian and Romanian are second most spoken languages in Gagauzia. English is widely spoken and understood by the youth;
- Work force – the employable population constitutes 104.8 thousand people, which make up for 64.8 % of total population;
- Yearly, circa 750 students graduate from the State University of Comrat, two colleges and three vocational schools.

Location

- Comrat municipality is located at 100 km distance to the capital city of the Republic of Moldova, Chisinau;
- Direct flights to Chisinau from: Vienna, Munich, Frankfurt, Rome, Milano, Paris, London, Istanbul, Moscow, etc.;
- Time compatibility with all European countries and most of the CIS Countries. Central European Time + 1 hour;
- USA, EU, Turkey and CIS citizens can travel visa-free to the Republic of Moldova.



Cost efficient destination

Monthly net wages, 2016 (EUR)



Low operational cost – rent prices for offices, utilities;



Lowest labor costs in Europe;



Small Tax load – personal and corporate income taxes, social security contributions;



Corporate Income Tax (CIT) – is as low as 12%, while incentives for the IT sector exempt from most taxes on gross salaries above USD 680;



One of the best wired Internet connections in the world as well as one of the cheapest in terms of price per Mbit.

	Romania	466
	Bulgaria	383
	Serbia	377
	Macedonia	361
	Albania	347
	Moldova	180

Source: National Bureau of Statistics of each country

CERTAINTY FOR INVESTORS

- Stable and predictable economic situation in the region;
- Openness and flexibility of regional authorities in regard to the stimulation of investment activity;
- Support provided to investors by the Governor of Gagauzia and her team;
- Well-developed infrastructure of modern means of communication.

INCENTIVES FOR INVESTORS IN GAGAUZIA



Provision of natural grants – transfer of land, buildings, structures, machinery and equipment;



Tax incentives – refund of Corporate Income Tax every calendar year for a period of 5 years;



Investment subsidies – reimbursement of up to 30% (*not more than 5 million MDL*) of the actual costs for construction and installation works, purchase of equipment without VAT; reimbursement of up to 50% of the retraining costs of personnel for manufacturing industry;



One-stop-shop – assistance provided to investors at documents collection and preparation, by reducing the permits issuing time.

BUSINESS PROCESS OUTSOURCING AND ICT

Servicing new markets

You are able to service your customers from Gagauzia in EU, Turkey and CIS markets with inherent cost advantages and in various languages. The Republic of Moldova has one of the best-wired internet connections in the world, as well as one of the cheapest in terms of price per Mbit.

Business Process Outsourcing (BPO) in Moldova is developing fast due to its multilingual population and excellent internet and telecommunication infrastructure. Major international companies present in Moldova have developed contact centers for the Moldovan and various markets. The number of companies that are opened specifically to serve other markets is constantly growing. Major areas of BPO are call centers and contact centers, processing of payrolls, accounting, business intelligence, data entry, and IT servicing. Most of the companies have started operations in Chisinau, the capital city, but they are looking to new locations in Moldova where university education is present. Comrat is one of 5 other major locations in Moldova that are educating workforce at university level.

Gagauzia is a location that can provide BPO services with the lowest operational costs in Europe. BPO have potential to become the fastest growing segment under the Information Technology sector in Gagauzia. Based on the availability of a talent pool and infrastructure, BPO in Gagauzia has

potential to grow and can turn out to be an employment generator, especially for young people.

Gagauzia also has put fundamentals for IT education to support development of BPO, but as well to grow into more value adding subsectors of ICT: software development, application and infrastructure administration, web platforms development, etc.

ICT sector in Moldova and development perspectives in Gagauzia







The Moldovan ICT sector has improved significantly in the last 6 years registering a rapid growth, with a volume of circa 460 million EUR in 2015 and with a significant contribution to the country's GDP (*circa 7% in 2015*). The export volume of software products has increased almost four times during this period. Furthermore, an International Data Corporation (IDC) study (*March 2015*) indicates that the ICT sector is one of the main development opportunities in Moldova. Gagauzia has a great potential to contribute to ICT and BPO sector development in Moldova.

Yearly, circa 25 specialists in Information Technology and Mathematics graduate from Economic faculty of the State University of Comrat. To respond to high demand for IT specialists for rapidly growing ICT sector in Moldova and to foster the ICT investment opportunities in the region, Gagauzian authorities are determined to

provide proper academic environment for ICT specialist's education. By academic year 2018-2019 the State University of Comrat will set up an ICT faculty which will enroll a larger number of students studying the areas of Information systems, Computer Science, Communication and Computer Engineering, Programming, etc.

The ICT specialization and ICT faculty will be promoted among high schools graduates of Gagauzia.

Utility costs

 Internet: Rent price per 1 Gbit of bandwidth is as low as 15 EUR/month	 Water: 0.726 EUR/m ³ in Comrat 1.7 EUR/m ³ in the region
 Water: 0.726 EUR/m ³ in Comrat 1.7 EUR/m ³ in the region	 Electricity: 0.10 EUR/kWh
 Sewerage: 0.586 EUR/m ³	 Gas: 0.34 EUR/m ³



According to ICT Development Index, Moldova is ranked 66 out of 167 countries in 2016

EDUCATION

- The State University of Comrat is organized into four faculties with a 4 years cycle study. As of 2017, the total number of enrolled students in Comrat University is 1580. During the 2015-2016 academic year, Comrat University reported 423 graduates.

Languages studied in the foreign languages department: Gagauzian, Romanian, English, German, and Greek. Many of high schools (*lyceums*) graduates (29 *lyceums*) from Gagauzia are also enrolled in universities in Chisinau and abroad, like: Russia, Turkey, Romania, Bulgaria, Ukraine, and other countries.

- Two colleges. As of 2017, the total number of students in College of Comrat and Agriculture Technical College in Svetlii village is 883. The total number of graduates in 2015-2016 academic year was 193.



The State University of Comrat

- Three vocational schools with a total number of 595 students. A number of 141 students graduated during 2015-2016 academic year.

Russian is the language of instruction in all educational institutions in Gagauzia, although Gagauzian and Romanian are taught as compulsory languages. English and German languages are taught as foreign languages.

TELECOMMUNICATIONS

Communication infrastructure in Gagauzia is maintained at high performance level achieving excellent coverage in both wired and wireless communications. Landline is available in all settlements, nonetheless the amount of mobile subscriptions is growing very fast compared to the landline.

The telecommunication subsector is well developed in Gagauzia. There are 3 telecommunication companies offering 3G/4G to their customers.



KEY FACTS

The penetration rate of a fixed line internet connection has reached 47.76 % in Gagauzia (in Moldova – 45%);

International companies, like Orange and Teliasonera, are present in the local telecoms market for around 20 years;

5th in the world for lowest fixed broadband costs;

Number of users of 4G services in 2016 in Moldova has grown 2 times compared to 2015;

4G territory coverage in Moldova have grown 2.5 times reaching 84 %;

Number of users of internet services in Moldova both fixed lines and mobile has reached 2 million 294 thousand;

Mobile internet in Moldova has reached the penetration rate of 49.4 %.

TELEPHONY



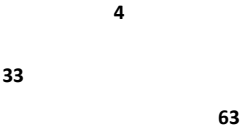
The fixed telephony market is dominated by Moldtelecom – a joint-stock company with the state being the unique stockholder. The company provides fixed telephony and internet services of national coverage.

Mobile telephony market (%)



MOBILE TELEPHONY

The mobile market in Moldova as well as in Gagauzia is served by two international groups: Orange (*French*) and Teliasonera (*Swedish*). Moldtelecom is also present on mobile telephony market with its subsidiary UNITE. With a total number of 4,366,000 subscriptions and 85.4% active users in Moldova, Mobile Telephony reached 123 % penetration level, in 2016.



INTERNET

In 2016, the capacity of Internet access channels from Moldova increased 4.6% over 2015, from 326 to 341 Gbps. This evolution was caused by an increase of investments in the development of fiber and 4G networks, based on a growing demand.

Fixed line internet

The market structure by type of connection also is a prove that wired internet services in Moldova are at an advanced stage of development, since Fiber Optic is the most common type of connection.

Largest providers of internet services:

Moldtelecom	63.8%
Starnet	19.9%

FTTx (Optic fiber) Download speed

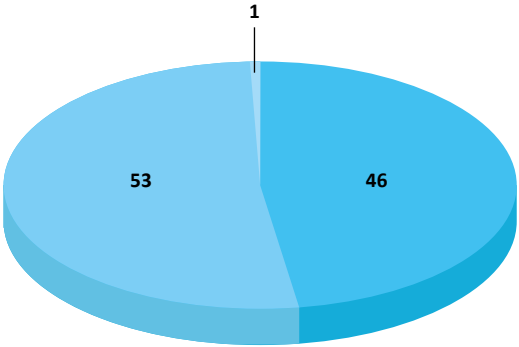
Country	Speed (Mbps)	Rank
 Moldova	41.78	19
 Bulgaria	38.28	25
 Russia	29.88	37
 Slovakia	29.78	38
 Czech Republic	29.59	39

Source: Ookla.com

FIXED INTERNET SUBSCRIBERS BY TYPE OF ACCESS IN GAGAUZIA

Fixed internet subscribers by type of acces, 2016 (%)

- xDSL (Cooper line)
- FTTx (Optic Fiber)
- Other

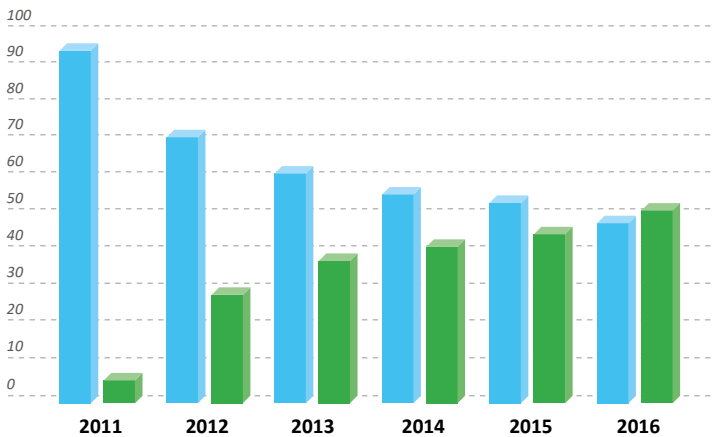


Source: www.anrceti.md

Penetration rate in Gagauzia – 13.71%

Dynamic structure of number of subscriber in Gagauzia 2011-2016 (in %)

- xDSL (Cooper line)
- FTTx (Optic Fiber)



Source: www.anrceti.md

MOBILE INTERNET

KEY FACTS



Since 2008, all mobile network operators offer 3G High-Speed Downlink Packet Access (*HSDPA Internet access*) throughout the country including Gagauzia region;



Long-Term Evolution (*LTE*) standard for high-speed wireless communication for mobile phones and data terminals was launched in 2012 by Orange Moldova and Moldcell and at the moment it can be accessed in 65 localities throughout the country at 150 MBps;



Penetration level 49.48 %, which means the market still has a lot of room to grow;



Orange Moldova, Moldcell and Moldtelecom are the main operators of mobile internet services.

INCENTIVES IN ICT SECTOR

During 2012 – 2016 Moldovan companies, whose main activity is software development (IT companies) and their employees benefited from a range of tax incentives (subject to specific conditions being met). The early incentives were valid through 31.12.2016 and as a devotion proving to this course it was approved the extension of tax incentives for IT professionals by 2020.

The law no. 77 on IT parks regulates the creation and functioning of information and technological parks. The purpose of the law is to stimulate development of the IT industry in Moldova by offering incentives for the IT park resident companies. The law enters in force on 01.01.2017. The major incentives provided to domestic and foreign

investors – residents of IT parks – are the following:

- Unique tax of 7 percent from the turnover, which is to replace: Corporate Income Tax (*CIT*); Personal Income Tax (*PIT*); social security and medical insurance taxes; local and real estate taxes;

7%

- Income Taxes
- Social Security
- Medical Insurance
- Local Tax
- Real Estate Tax
- Road Tax

- State controls over the IT park residents' activity are conducted every three years (*as required by the law*) and simultaneously by all control authorities;
- The State provides five years guaranty on the activity under preferential regime prescribed by law.

The law stipulates the following activities which can be performed in the IT Parks under preferential regime¹:

- ✓ Client-oriented software;
- ✓ Computer games editing;
- ✓ Editing other kind of software;
- ✓ Management and operation of hardware;
- ✓ Data processing, web pages administration and related activities;
- ✓ Web portals activities;
- ✓ Information technology consultancy;
- ✓ Other services in information technology.

Notable is that the parks shall be “virtual” and the residents shall work from their own offices situated on the territory of the Republic of Moldova. IT companies will become virtual residents in the IT parks after registration as residents and assumption of all the obligations stipulated in the law.

BUSINESS PARTNERS

Although sophisticated hardware is not produced locally, international companies as well as local companies specialize in hardware maintenance and supply. Moldovan ICT business environment benefits from the presence of international powerhouses, like Hewlett-Packard, Intel, Microsoft, IBM, and local established companies, like Daac System Integrator and MCS.



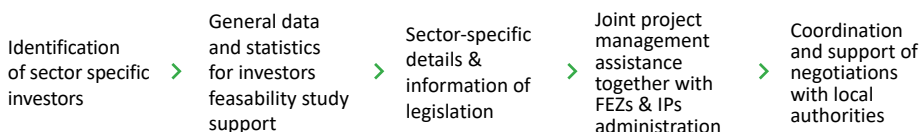
The Moldovan Association of ICT Companies promotes the development of the ICT sector in the Republic of Moldova through partnerships between private companies, state institutions, and international organizations in order to enhance the competitiveness and development of the sector and company capacities, enlarge the market, attract investments in the country and participate in the decision making and regulatory process on the national and international level.

¹ Companies that provide BPO services enabled by Information Technology may also become the residents of IT parks and benefit from incentives, provided that company type(s) of activity (registered at the State Chamber of Registration) correspond to type(s) of activities stipulated in the law on IT parks.

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**196, Lenin str., Comrat mun., MD-3805,
ATU Gagauzia, Republic of Moldova**

☎ +373 (298) 2-46-36

📠 +373 (298) 2-20-34

🌐 www.investgagauzia.md

✉ investgagauzia@ato.md



Moldova Investment and Export
Promotion Organisation

**65, A. Mateevici str., Chişinău mun.,
MD-2009, Republic of Moldova**

☎ +373 (22) 27-36-54

🌐 www.miepo.md

✉ office@miepo.md

