

Audiovisual Media from the Republic of Moldova between the Need for Investments and Maintaining Editorial Independence. Risks and Solutions

Dragoş VICOL¹

Dumitru TARA²

Natalia NASTAS³

¹"Dunarea de Jos" University of Galati

Institute of Physical Education and Sport/MSU

²Media project manager, independent researcher

³"Dunarea de Jos" University of Galati

Institute of Physical Education and Sport/MSU

Corresponding author: natalia.nastas@ugal.ro

Abstract

The Republic of Moldova is undergoing an extensive transformation of its media legislation and regulations. This transition generates new challenges in the field of media and content production, and requires new visions, approaches and solutions for the development of media and the expansion of audiovisual and film production capacities.

Many problems, as well as opportunities and pitfalls, exist in this process, and many countries in Southeast Europe have already faced them. The media and film industry is and must be profitable. An example is Germany, where the creative industry is third after the automotive and metallurgical industries, with receipts in GDP of 68 billion Euros per year.

The media must be reinvented due to technological developments. For film, the cash-rebate system is vital. Serbia offers a 20% cash rebate for local spending. The same is true in Macedonia and Croatia. Example - 5 out of 7 seasons of Game of Thrones were filmed in Dubrovnik (Croatia), and soon the first Bollywood blockbuster will be filmed in Macedonia. Both films receive a 20% cash rebate.

It is necessary to create a functional and transparent data platform, in order to see what the audience is doing, not only in TV, but also in other media - radio, online, print, etc. If we can measure correctly, we will also be able to show investors the directions of benefit. Moldova has a significant shortage of objective, accurate statistical data, including information on which newspapers and magazines are published and how many are published.

Keywords: Audiovisual media, mass media industry, foreign investments, rebate, one-stop shop, platforms.

Introduction

The strong and independent media industry depends on appropriate legislation that takes into account not only local needs but also international experience. After the Russian content was removed from the media space in Ukraine, TV series lost ground to several broadcasts

and TV shows, because their production is less expensive. At the same time, in the last 4 years, the local product in Ukraine increased from 47% to 70%. The share of Russian content consumption in Ukraine decreased to 15%, down from 76%. The media industry must be oriented towards producing products that are interesting to local consumers, as well as to those from abroad.

Ukrainian legislation protects the local media market from foreign influence, especially from Russia. Changes in legislation must provide tools to produce content in the country. Domestic production generates more jobs and more local content.

Ukraine has adopted the Cash-rebate Law, which provides a 17% reimbursement to producers and further strengthens the film industry. To attract foreign investments, you have to communicate to the world about yourself, what is happening here, and what the success stories are. TV products and films must be presented at all international festivals.

One of the important things for an investor is the size of the market. A three-million-person market is small. Another criterion is freedom of information. The presence of foreign investors inevitably contributes to the transfer of experience and know-how, thereby increasing the quality of the local journalistic and audiovisual product (Chișu, 2002).

Film production must be a priority for both private individuals in the field and the state. To produce more and develop the field, it is necessary to introduce fiscal incentives, especially to attract international productions. Such projects are not possible without the initiative of the private sector and the availability of the state. The beneficiaries are production companies and collateral industries; jobs are created and foreign investments are attracted; the level of local production increases, and the volume of taxes collected by the state increases. The economic impact of such projects is very high, and the growth potential is continuous. Procedural barriers of any kind must be removed, on the temporary entry or exit of equipment from the country, the removal of authorizations for filming in public spaces, etc... all must be limited to simple notifications by letter. This is not only the interest of the state or only the private sector, but also the interest and benefit of the whole country. Transparency, the openness of the government, financial incentives, not just tax reductions and the creation of a friendly environment for foreign productions, are very important for attracting investments in this sector. An important tool for the development of the field is the Cinematography Fund. The state must financially support film productions. A mutually beneficial mechanism must be established with film producers (Stephens, Lanson, 2006).

Attracting foreign investments in the field is a regional and international competition. We have to fight to be able to attract investors to the Republic of Moldova. Governmental support is necessary, but not at the level of state command, but on the basis of contests, grants, so that creativity and creation in general are stimulated as a priority.

The development experience of the IT and automotive sectors can serve as a model for the media. If in the automotive sector the results are due to the creation of Free Economic Zones, then in the IT sector virtual IT parks were created, based on a single tax per domain and a set of facilities - a model that can also be adapted to media investments.

A field study is needed to demonstrate the effects of the development of the given fields - the increase of the tax base through the application of tax and procedural facilities. In the end, the goal is to increase total receipts to the budget. Plus, in this sector, not only budget receipts are important. It is a complex and strategic sector and fiscal incentives, subsidies, infrastructure must be ensured. The most appropriate thing is to create conditions, including fiscal ones, for investments to become attractive.

TV stations have lost their uniqueness as content broadcasters, this is why now the most

important role belongs not to the broadcaster, but to the content owner. Now, many production houses create their own TV stations. Soon, content that can be broadcast through several channels will be profitable. The content must be able to be repeated many times. You have to get the viewer used to the product's brand, not the channel that broadcasts it. The basic idea is that TV stations that do not produce their own content are doomed to failure. Only channels that produce content will survive. It is necessary to start not with bans, but with support at the state and legislative levels, because now everything is more complicated and faster. The experience of neighbouring countries must be taken over, but adapted to the existing realities (Pride, Ferrell, 2001).

There are 3 methods by which we attract foreign investments: 1. The rebate. 2. The Hub. 3. Creativity. In some countries, the rebate is around 50%, but all facilities are used only in that country. On the one hand, money is given, and on the other, it is returned. A second factor to consider in attracting foreign investment is the organisation of HUBs. Examples: the shows *Fort Boyard* and *Survivor*. In terms of creativity, if the domestic market is too small, we must try to export and orient ourselves towards a larger market. An investment in creativity would be easy. The presence at fairs and festivals is very important for Moldova.

Moldova could develop collateral businesses for international production and provide segmental services – video dubbing, sound, subtitling, etc.

The rise in domestic production levels directly boosts wages in audiovisual and film production, and companies supplying equipment for TV and film content are in high demand.

Anyone entering a new market must invest heavily in promotion. A first step would be a comprehensive mapping of the resources of the Republic of Moldova, infrastructure, human resources, artistic resources, and geographical space. All these elements matter a lot in the cooperation with other countries, which is sometimes based on a cultural necessity, other times, on a financial one.

The cash-rebate system vis-à-vis television would also apply in cinematography. Moldova is in a moment of great opportunity. Being outside the EU, Moldova has fewer restrictions on what tax measures can and cannot be applied. This freedom can be used very creatively, but at the same time, care must be taken with transparency and its implementation. It's an opportunity; at first, everyone is willing to help you.

Cultural events have a direct impact on the local economy. A film festival is an opportunity to promote tourism. You have to promote yourself. Film can put you on the map, and film investments are money-generating investments.

To attract American film investment is simple and clear. You have tax incentives/facilities - we are coming. You do not have - we do not come. All countries with tax incentives are considered primarily by big film studios when it comes to production.

Collaboration with the state is crucial for foreign film productions; without it, it is challenging to do anything. There is a need for a Film Commission, which exists in more advanced countries, which is a one-stop shop, used by any foreign producer to be assisted with all questions from the very beginning, from production company names, procedures regarding filming in the city, obtaining visas, work permits, etc.

An industry based on co-production can be developed by attracting external investments, which will contribute to the field's development. As far as co-productions are concerned, the first step must be taken by the government, because facilities are needed to work together and collaborate.

The lack of communication between filmmakers and state institutions is wrong. A

permanent dialogue mechanism must be developed. Now the state gets nothing. We produce zero. The state will continue to receive zero, and we will develop and when we get back on our feet, we will start paying. We can only function if we collaborate.

As the market develops, RM will also gain a reputation as a content producer. The problem is not that Moldova is not known as a content producer. Moldova is not generally known. RM can participate in co-productions and be a generator of intellectual property (Randal, 1998).

In recent years, several local TV stations have succeeded in producing quality domestic content through exclusive products for Moldova or by purchasing several international formats. The autochthonous public reacts very well to local production. At the same time, in the current media market, viewers are prevented from watching local content. Many TV stations only rebroadcast content from other countries.

The state must support the autonomous product. If we do not change the legislation, we will neither be able to attract investment nor improve product quality. The audience's preference must be educated.

There are 3 critical moments in co-productions: qualified human resources must be trained in the field of film and TV production; the deficit of scenarios and ideas must be overcome; and the state must help through legislation and facilities to stimulate commercial interest among potential investors. Television as art, as production and as business, most of the time, exists independently of each other (Roșca, Coman, 2001).

There is a need to clearly delineate the Moldovan audiovisual market, including what is meant by independent broadcasters and by rebroadcast television stations. TV stations from other countries must be distributed in their original language. Autochthonous stations must have local content, except for the productions they buy, such as films, series, formats, etc. One way to support domestic production would be to regulate advertising to appear only in programs with domestic content. The claim that advertising is also placed in programs not produced in Moldova is incorrect.

On the advertising and customer attraction side, the domestic product must be of good quality and have a strong audience so that customers can profit from it. If the projects are very good, popular, and well-promoted, customers will certainly invest in them. We have to learn to create local content that consumers like, then increase it little by little. The public perceives the quality of local products very well. Audience data show that the public enjoys informative shows, and good talk shows are watched. But as far as entertaining shows are concerned, we still have room to grow.

Solutions

The state is the biggest beneficiary of creating the conditions and supporting audiovisual and film production. When promoting domestic products, a brand must be created, and a story about these products must be sold. Collaboration with other sectors - tourism, economy - must also be strengthened. A long-term strategy must be developed, outlining what we want to achieve, the impact on other industries, and how they can benefit from participating in this mechanism.

At this stage, a study must be conducted to determine the industry's volume, the volume of foreign investment, and the field's potential.

The European Commission says that audiovisual works are not only goods that generate jobs, progress, and well-being, but also convey cultural values and reflect the countries where they are made. These productions are not sustainable. It involves very large budgets,

special materials, and human resources. A considerable contribution from the state is necessary in order to be exploited in the long term. They represent a high risk, that's why there are various fiscal measures, subsidies, grants, etc.

It is necessary to invest in the infrastructure that can be made available to large-scale international productions. When evaluating all the benefits, PWC Romania concluded that the Romanian cinematographic industry could have a growth index higher than that of the construction industry, so that for \$1 invested in this sector, it can generate \$4 in income.

Central European countries have measures that grant subsidies, in the form of non-refundable amounts covering about 20-30% of the costs of international film productions in the respective country. VAT rate exemptions, tax exemptions for what is produced there.

Others would be to provide facilities for individuals involved in the cinematography industry, similar to those in the IT industry. Since we are talking about individuals, it can serve as a model for any European country seeking to develop creative industries.

Another measure is the granting of a 20% exemption for legal entities for expenses related to foreign production in the country, with an additional 5% if the locations are specified and traditional national elements/materials are used.

The direct benefits include annual sector growth, direct fees, and taxes paid by legal entities and the individuals involved. On the other hand, there are indirect benefits, such as jobs created and the professionalisation of those involved in production.

The conclusion is that this industry cannot exist without real support from all the factors involved. A much larger number of beneficiaries stand to gain from the growth of cinematographic production and this market than in other areas of the real economy. The most important thing is for the industry itself to realise what it needs to be supported and to attract foreign investments.

The interest of cash-rebate investors lies in the fact that they can recover 25% immediately upon completion of the work, rather than after 3 years of commercial effort.

Another important tool is the development of the national TV and film production infrastructure.

Another important aspect is the simplicity with which large producers can work in the country. No one will come if company registration takes 2 weeks, customs procedures are complicated and excessive, labour laws, unions, restrictions, daylight hours, etc. All of these can drive away investors. One of our problems is quality. Quality of services and quality of system operation. Estonia is attractive not only because it offers a 30% cash rebate, but also because problems are solved very quickly.

Some films look for specific locations, but most look for any location where they can do the work cheaply and easily, because they can adapt their script. Many Bollywood producers are looking for European locations. Through facilities, many investors can be attracted.

One solution could be the creation of a common audiovisual and film production fund, clearly structured with simple application and benefit conditions.

There are two directions: financial support from the state and fiscal facilities, which must work for the entire industry. The fiscal facilities offered will bring many studios out of the dark economy and into legal operation (Dobrescu, Bărgăoanu, 2001).

The macroeconomic framework is very relevant for attracting investments. The government must ensure that the country goes in the right direction, that the economy grows, and that the advertising and media markets also grow.

Looking at the 8 hours of content, it is extremely little, but not everyone can provide it. Solutions must be found to increase this production volume. Even if the public is looking

for Russian products now, in the end people will appreciate local content.

One solution is the transfer of know-how. The arrival of specialists who transmit know-how means a small revolution in the media market in the Republic of Moldova. Through programs supported by the state, embassies, NGOs or any other bodies that can finance such productions, the media market in the Republic of Moldova can be transformed through a real transfer of know-how.

A potential investor in audiovisual and film that wants to expand its media production in the Republic of Moldova will analyse the following aspects: 1. A transparent legislative framework, for the predictability of the business. 2. The existence of local creative people. Moldova must focus on creativity. An example is the Netherlands, which exports know-how. It is not heavily industrialised, but it is a very creative country that delivers great results.

Any investor entering the media market should be guaranteed certain things, such as zero import duties on equipment. The state can get involved directly through rebates, state grants and state orders. Obviously, in a transparent and honest procedure.

The media is a strategic tool of the state. The media gives direction; it imprints values on you, and television imprints values, social behaviours, and choices. The media is critical. If the state of Moldova does not take care of its media, it means that it does not know in which direction it is going, which is wrong.

The Moldovan advertising market is 22 million Euros, of which 11 million Euros is in TV. In the TV market, the top 20 clients account for 60% of television revenues. If we suddenly switch to local content, production costs will increase and, consequently, prices will rise. The price increase may lead to a reduction in TV advertising volume.

There are provisions in the legislation that could boost investment volumes. Excluding the provision that a brand cannot appear on a broadcast hour more than twice would allow increasing the volume of advertising for brands with more than 10 products. The removal of this restriction could lead to a 10% increase in advertising volume from these top 20 clients.

Any producer will invest money in a media channel only if that channel will ensure its audience. The local content must be gradually increased in volume and necessarily in quality. Producing advertiser broadcasts is not complicated. Investments in content production are directly dependent on its quality.

There was no independent production house in Moldova. All TVs work in-house. Everywhere in the West, only news and sports are produced in-house; the rest of the content is outsourced.

The working subgroup on fiscal facilities has the mission of identifying and proposing fiscal facilities for the mass media. The complexity of this mission requires a three-pillar approach: Purpose, Subjects, and Forms of Achievement. The purpose of the proposals is to create conditions for attracting investments and to realise the concept of economic efficiency, by increasing revenues, decreasing expenses and simplifying tax and customs procedures. Subjects of the facilities - 3 groups: the audiovisual sector (TV and radio stations, service distributors and producers of audiovisual works), periodicals and press agencies, and the cinematographic industry. The example of facilities in the IT sector can be applied to the media sector. A special approach is required by the film industry. We propose creating a new law that takes into account international practices and local specifics.

Although facilities are available in some areas, they are not well developed. The fiscal facilities themselves are budget expenditures. We are open, but the tax facility is not a primary tool to stimulate the respective industry (Media și societatea, 2001).

Conclusions

- The opening of state institutions, but also the support of the USA and European and international partners, is extremely important for the development of audiovisual and film production, and after 25 years of independence, it is imperative to develop a native and authentic audiovisual market.

- The media is a strategic tool of the state. The media gives direction, the media prints values, television prints values, social behaviours, and elections. The media is essential. If the state of Moldova does not protect the national media from external control and influences, it means that it does not know in which direction it is heading.

- National legislation must support domestic audiovisual and film production and must protect the local media market from external influences. Legislation must provide tools to produce content in the country. The legislation must take into account not only local needs, but also the appeal of foreign investment in the field. It is a complex and strategic sector, and fiscal incentives, subsidies, and infrastructure must be put in place. It is a money-generating field.

- There are two ways of support from the state: 1. Through the legal framework and fiscal and procedural facilitation schemes, and 2. Direct support from the public budget, through a Cinematography Fund.

- The possibility of establishing a Cinematography Fund, through which the state would financially support film productions or the creation of a Common Fund to support audiovisual and film production, must be examined.

- This is not only the interest of the state or only the private sector; it is the interest and benefit of the whole country. The economic impact of such projects is very high, and the growth potential is continuous.

- A field impact study is needed to demonstrate the effects of the development of the given fields. The impact of supporting the fields of domestic audiovisual and film productions directly influences: The growth of domestic audiovisual and film productions; Development of the domestic audiovisual and film fields; Increase employment in the fields; Increase in spending and consumption; Stimulation of foreign investments; Increasing contributions and taxes to the state budget; The development of other areas of the economy – tourism, transport, trade, services, the banking system, etc.

- The implementation of the cash rebate system is an optimal solution for attracting quick investments in film and audiovisual productions. Investors' interest in cash rebates stems from the opportunity to recover 25% immediately upon completing the work. To attract film investment, investors examine whether tax incentives are offered - come, if not, do not. All countries offering tax incentives are considered primarily by major film studios when it comes to production.

- There may also be many other fiscal and procedural incentives (applied by other countries): VAT rate exemptions, tax exemptions for what is produced in the country, facilities for natural persons involved in domestic productions, exemptions for legal entities for production-related expenses foreign, simplifying or eliminating customs procedures in some instances, etc., a list of proposals is being drawn up within Sub-group 7.

- It is necessary to invest in the modern national infrastructure of audiovisual and film production that can be made available to large-scale international productions. In some states, the impact has reached a point where 1 \$ invested in this sector can generate 4 \$.

- The state benefits the most from creating conditions and supporting audiovisual and film production. To increase output and develop the industry, it is essential to introduce fiscal and procedural incentives, especially to attract international productions. Transparency,

government openness, financial incentives, tax cuts, and a welcoming environment for foreign productions are crucial for attracting investment in this sector.

- A comprehensive mapping of Moldova's resources—including infrastructure, human, artistic, and geographical elements—is essential. All these factors are crucial when collaborating with foreign investors. There is a need for a One-Stop Shop platform accessible to any foreign or local producer to support all operational requirements, such as production company names, filming procedures in the city, as well as obtaining visas and work permits.

- The presence of foreign investors inevitably contributes to taking over experience and know-how, to increasing the quality of local audio-visual and film products (Lipovetsky, Serroy, 2008).

- Moldova can participate in co-productions and serve as a creator of intellectual property. It could develop related businesses for international production and offer segmental services – video dubbing, sound, subtitling, etc.

- Excluding the provision according to which a brand cannot appear in a broadcast hour more than twice would allow for an increase in the volume of advertising for brands with more than 10 products by about 10%.

- The domestic product must be of good quality and have a good audience. The public perceives the quality of local products very well. One way to support domestic production would be to regulate advertising to appear only in programs with domestic content.

- It is necessary to create a functional and transparent data platform to see what the audience is doing, not only in TV, but also in other media - radio, online, print, etc.

- The domains must be promoted to participate in international speciality fairs and exhibitions. When promoting domestic products, a brand must be established, and a story about these products must be communicated.

Recommendations

1. The elaboration of the "Cash-rebate Law", with the involvement of responsible state institutions and representatives from the film productions and audiovisual fields.

2. Examining the possibility of establishing a Common Fund to support audiovisual and film production.

3. Identifying solutions to strengthen the audiovisual and film production infrastructure to which the TV and film market has access.

4. Conducting the impact study, which demonstrates the effects of supporting the development of the domestic audiovisual and film production fields?

5. Creation of an online platform that includes all resources in the Republic of Moldova for film and audiovisual productions: infrastructure, filming locations, human resources, artistic resources, geographical space, a list of production companies and others, which will also represent a One Stop Shop platform, used by any national or foreign manufacturer.

6. Elaboration of a strategy for the promotion of the national film and audiovisual product at international specialised fairs and exhibitions. Creating a brand to promote the domestic product.

7. Identifying solutions to create a functional and transparent data platform of TV, radio, online, print, etc. audiences.

8. Regulation in the Audiovisual Media Services Code of the right to place advertising only within programs with local content. Removal from the Advertising Law of the restriction on placing advertising of the same brand in one broadcast hour more than twice.

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