

2015

Recommendations of the Business Community on Elimination of Constraints to Doing Business in Moldova





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Foreword

The American Chamber of Commerce in Moldova, European Business Association and the Foreign Investors Association address the newly formed Government of the Republic of Moldova, expressing our belief in a better future based on improving the quality of life of citizens, sustainable economic development and quality reforms.

In order to communicate our concerns, members of associations – representing a wide range of economic activities, including, among others, trade, manufacturing, services, agriculture, healthcare – have combined their efforts and developed this document. The recommendations and lines of action refer to the most pressing issues that undoubtedly should become a part of the Government agenda.

Private companies from Moldova want to attract more investments into the country (and have significant potential in this respect), develop technologies and create new jobs, but modest actions taken by state authorities, fiscal and regulatory legal impediments discourage these processes.

We appreciate the actions of the former pro-European government aimed at improving the investment climate, initiatives to promote electronic services, measures aimed at changing attitudes towards tax service and focus on voluntary compliance of entities, initiative to optimize reporting by economic operators and other positive changes. However, in our view, the tempo and the level of these reforms are insufficient.

Members of the American Chamber of Commerce, European Business Association, and Foreign Investors' Association are always open for cooperation with the authorities of the Republic of Moldova in the spirit of mutual respect. We are convinced that the common perception of the interests of society should focus on facilitating business development, which in turn will contribute to budget revenues and, consequently, increase social assistance, salaries in the budgetary sector, financing of infrastructure projects etc.

This document focuses *on the rule of law, corruption, shadow economy, justice reform, cross-sectorial and sectorial perspectives*, emphasizing their primacy in stimulating economic growth. This document identifies the main structural deficiencies, accompanied by concrete recommendations for resolving priority issues in the next 4 years.

We present the vision of the business community with respect to ways of improving the economic situation in Moldova and hopefully this will be a credible and consistent support in the work of the Government.

General Perspective



● **Rule of law** constitutes a mechanism the operation of which involves the establishment of a climate of order, where the recognition and enforcement of the rights of individuals cannot be conceived in absolute and discretionary terms, but only in conjunction with the rights of others and of the community as a whole.

The requirements of rule of law involve ensuring legality, legal security, banning arbitrariness, access to justice in independent and impartial courts, respect for human rights, non-discrimination and equality before the law.

Corruption undermines democracy and the rule of law, leads to violations of human rights, undermines the economy, and erodes quality of life. Therefore, the fight against corruption is integral to ensuring respect for the rule of law.

● Systemic **corruption** remains a major problem. Moldova ranks fairly low on the Corruption Perception Index.

Accelerating the reform of the judiciary and prosecution, capacity building of the National Integrity Commission and implementation of policies related to conflicts of interest are areas that require immediate action based on the principles of transparency and predictability. Promoting a policy of *zero tolerance for corruption* must become an imperative for state authorities.

Corruption negatively influences the aspects of taxation and economic progress, leads to increased general government budget deficit and, consequently, increases the public debt of the Republic of Moldova.

● Corruption reduces the tax base by reducing the formal sector. Thus, the higher the share of corruption and **shadow economy**, the lower the tax base and tax revenue collection.

The share of the shadow economy in Moldova, according to some estimates, already exceeds 30% of GDP. This indicator has a direct impact on the financial and economic situations, as well as on investment and welfare.

The shadow economy, which is not sanctioned by the competent bodies, has put honest and transparent economic operators into unfair competition, because of those who evade the payment of taxes and fees.

Corruption and shadow economy are major problems of our society and should be dealt with as a priority. Legislative and administrative reforms can be implemented only by reducing and carefully monitoring these negative phenomena.

● Ensuring the rule of law, judicial independence, supporting the fight against corruption and shadow economy should all be the top priorities for the next period. Moldova has a unique opportunity to implement the **justice sector reform** until 2016, given the financial support of the European Union. If state authorities lose this chance due to superficial reforms we will all suffer for years ahead and lose credibility with foreign donors. For these reasons, we believe that gradual, systemic, concrete and insistent action is needed.

We want to draw attention to the fact that having courts with a small number of judges mean higher costs for maintenance and do not provide a suitable environment for judges' professional growth. Out of the 44 courts in Moldova, 29 have fewer than seven judges. The workload of judges varies significantly from one court to another, a fact which determines the quality of expertise during the examination of commercial, competition, insolvency disputes etc.

Cross-Sector Perspective

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Regulatory Policy

Highlights

The regulatory framework creates major obstacles to entrepreneurship development and competitiveness of the Moldovan economy. There is an enormous potential to improve things by eliminating unnecessary regulation, increasing transparency of the regulatory framework, reducing costs of compliance with legal provisions, including reducing the number, tariffs, duration, and technical requirements of administrative procedures. Regrettably, there are many cases where public authorities do not respect the principles of good regulation under Law no. 235 of 20.07.2006 on the basic principles of regulation of entrepreneurial activity, Law no. 160 of 22.07.2011 on regulating through authorization of entrepreneurial activity, and Law. 161 of 22.07.2011 on implementing of the one-stop shop for entrepreneurial activity. Moreover,

in some cases, drafts of normative acts regulating business activity are sent to the Government without the Regulatory Impact Analysis Report and without the review of the Working Group for the regulation of business activity. In other cases, after consultations with the Working Group, some authorities do not adjust the content of the impact analysis with draft normative acts. The latest are sent to the Government and approved without a full awareness of the unintended consequences that it might have on the business. As a result, failure to respect principles of transparency in decision-making process and business activity regulation leads to the approval of unjustified regulatory provisions, which provide opportunities for corruption, impose significant costs on business, and affect the competitiveness of the economy as a whole.

It is imperative to respect the approach prescribed by the new Strategy to reform the regulatory framework of entrepreneurial activity for the years 2013-2020, approved by Government Decision no. 1021 of 12.16.2013, which provides for the development of smart regulation. This perspective requires effective regulation, providing flexibility for innovation, which is developed and implemented in close collaboration with business. At the heart of this system is the regulatory impact analysis that takes into account all the principles of good regulation and strengthens a thorough and fruitful cooperation between public and private sectors.

Recommendations

- Ensure a process of development and approval of normative acts with full observance of the regulatory impact assessment (RIA) requirements and of the principles of good governance;
- Exclude overregulation and effectively apply the think small first principle where the interests of business should be considered at the first stages of development of the normative act;
- Create efficient sectorial and thematic platforms for consultation and cooperation with business aimed at developing the regulatory framework and monitoring its effectiveness;
- Reduce the burden imposed on business by authorizations.

Tax and Customs Policy

Highlights

In recent years, business has experienced a significant number of changes in tax and customs laws, which have significantly increased the uncertainty in long-term business activity and imposed frequent adjustment and adaptation of business plans. Moreover, it is well known that the stability of fiscal and customs policy is a key factor in attracting investment in the economy.

Thus, we consider crucial to undertake all measures necessary to ensure stability and predictability of tax and customs policies and administration, and exclude the practice of frequent changes to Tax Code and Customs Code.

Also, one should exclude the situations where tax law changes take effect immediately after publication or have a retroactive effect.

Recommendations

- Develop Regulatory Impact Analysis (RIA) for amendments to tax and customs policy, in compliance with RIA process;
- Implement certain mechanisms that would ensure the stability of tax and customs policy;
- Ensure correlation of tax and customs fines with the damage caused and optimizing related control procedures;
- Review the rules of deductibility from the perspective of corporate income tax;
- Implement the concept of *advance tax ruling*;
- Correlate the terms used in national tax legislation with International Financial Reporting Standards and the new National Accounting Standards;
- Assure the inclusion of provisions that regulate crediting the VAT account for purchased material assets and services;
- Review the mechanisms of capping state social contributions and contributions to mandatory health insurance;
- Encourage the creation of private pension funds and private health insurance funds by redirecting individual contributions at the discretion of employees.

Competition Policy

Highlights

In order to ensure optimal use of available resources for achieving goals with maximum impact over the economic and social development of the country, it is necessary to increase the competitiveness of the national economy, both on the domestic and foreign markets, by ensuring the transition of the country to competitiveness based on efficiency and quality.

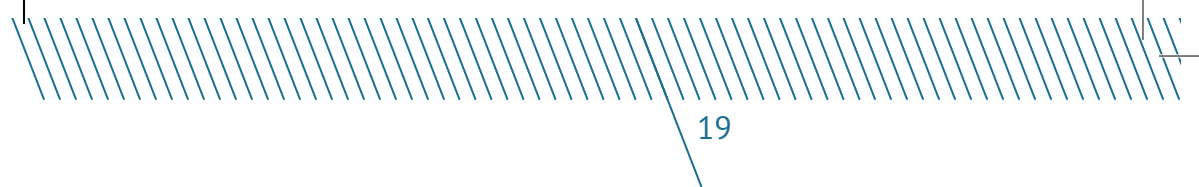
Undermined authority and limited powers of the Competition Council, together with the systemic problems in the legal and court decision-making process, causes deficiencies in the protection of competition.

The World Bank's analysis for determining the most vulnerable sectors from the competition point of view indicates the following priority areas for improvement: insurance and banks; electricity distribution and production; postal services and telecommunications; extractive industry; air transportation; retail trade.

Recommendations

- Liberalize several markets that are currently excessively regulated. At the same time, it is recommended eliminating selective favoritism towards a number of businesses;
- Competition Council should place greater emphasis on preventing anti-competitive practices than on their post-factum fighting. Subsequently, it is required to examine the usefulness to make mandatory the competition expertise of the legislation in terms of the regulatory impact;
- Continue the capacity building of the Competition Council in terms of human and financial resources, so that the institution could perform its competencies efficiently. At the same time, the operational and financial independence of the Council shall be strengthened;
- Constantly promote the culture of competition among civil society, business and civil servants;
- Observe the regular review of the list of socially important goods, under the law;
- Eliminate the discriminatory monthly tax of 2.5% ("luxury services tax") from the proceeds of the mobile telephony sector;
- Increased attention should be directed towards the shadow economy segment by the Competition Council, and medium and long-term measures for its eradication should be applied.

Labor Market and Education Regulations



Highlights

Moldova's competitiveness continues to be severely challenged regionally and internationally by countries that operate more efficiently and have a more business-friendly climate. Strategic thinking and smart public policies are needed to address long-standing structural impediments that hinder businesses at a time when they need much greater flexibility to compete. Labor market rigidity continues to discourage dynamic growth. Restrictions on working hours, hiring and firing

rules, pretended social protection mechanisms are stringent — *The Heritage Foundation Economic Freedom* report assesses Moldova labor freedom with a very low score of 37.9 (out of 100), while country's perception of freedom from corruption is 29.5. The main constraint affecting business development in Moldova, for both Moldovan and foreign companies, refers unanimously to the intensifying labor shortage and the need to attract and retain key employees.

Recommendations

Reform of the Labor Code & improvement of labor regulations: The Labor Code improvement remains to be an imperative necessity. The negotiation process within the Working Group under the Ministry of Labor, Social Protection and Family needs to be bolstered. The numerous outdated provisions of the Labor Code should be amended in order to be in line with the current business environment and ensure a fair treatment of both parties to the labor agreement, thus contributing to the creation of new jobs.

Some important aspects to be amended refer to: fixed-term employment contract; trial period; employment contract cancellation; Apprenticeship Agreement; work regime in shifts; retirement age; leasing of personnel; reducing the time of child's care leave; reviewing arrangements to compensate for supplementary hours; reduce the rate of furlough etc.

Other necessary improvements to the Labor regulations refer to:

- Adopting the Law on fulfillment of some sporadic and unqualified activities by daily workers;
- Reviewing the Law on inclusion of disabled people needs (the Ministry of Labor, Social Protection and Family should work in cooperation with business in this regard);
- Improving the Law on benefits for temporary incapacity to work (there are lot of gaps in the current law);
- Regulating the activity of employee outsourcing (there is no regulation in Moldova in this regard at the moment).

Improvement of education system: Ministry of Education, business and universities and vocational schools must work together to improve the connections between educators and employers to balance supply with demand for skilled jobs and highly skilled occupations.

Eliminating skills shortages & raise productivity: Business and government must work together to upgrade the skills of the existing labor force and better employ under-utilized segments of the population, such as youth, thus preventing the massive migration.

Trade Policy and Market Access

Highlights

Following the ratification of the Association Agreement and the setting up of the Deep and Comprehensive Free Trade Area, the business community expects a number of improvements in trade facilitation between the EU and Republic of Moldova, both due to the process of tariff barriers elimination and the reduction of non-tariff barriers.

Estimations suggest a positive impact of the agreement on the Moldovan economy by increasing Moldovan products capacity to enter the EU market and by increasing Moldovan exports to EU, up to 16% in the long term.

However, in order to benefit from the trade liberalization with the EU, Moldova should ensure the implementation of the best international practices in the key areas of the trade policy, including customs procedures.

Removal of Complicated Customs Procedures

Difficult customs procedures may hinder the development of trade and may block the achievement of some benefits from the trade liberalization with EU.

Ambiguous and inadequate regulations, complicated customs procedures, customs authorities trying to check 100% of the goods, regardless of the risk lane they are distributed to, unregulated customs terminals – all generate significant delays in the clearance and increased foreign trade costs.

This situation is confirmed also by the World Bank indicators: according to the *Doing Business 2015* report, Moldova fell in the rankings compared to 2014, ranking 152 out of 189 countries at the “border trade” indicator.

Quick and simple clearance procedures would generate significant additional gains due to trade cost reductions, thus boosting trade and stimulating economic growth.

A source of contention between customs authorities and companies is related to the treatment of goods for customs purposes, such as the determination of the customs value, classification of goods and determination of the origin of goods – processes that hinder and discourage cross-border trade.

Recommendations

- Simplify customs clearance procedures by decreasing extensive inspections and increasing risk management;
- Determine the legal status of currently operating terminals and introduce clearance processes according to the best international practices;
- Reform the institution of customs brokerage, by reducing the dependency degree of brokers on customs authority, thus ensuring the performance of one of the main function of a broker – representation of the economic agent's or customer's interests in relation with customs authorities;
- Replace the fiscal approach from the bureaucratic one to a customer-oriented or business-oriented one by simultaneously eliminating discretion in the activity of public officials, including application of penalties;
- Facilitate external trade by reducing the number, duration and requirements for issuing import-export permits by public agencies.

Recommendations

Struggles Associated with Product Placement on the Market

Domestic agencies, aimed at monitoring and authorizing product placements on the market, oftentimes overlap their actions resulting in a burden for economic agents, thus slowing the international flow of goods. Often, the domestic agencies do not recognize international certifications proving the quality of goods both in terms of standards and in terms of safety. Even if internationally accredited laboratory tests are recognized, the agency representatives request original documents with stamps and signatures instead of electronically issued documents. All of the above factors greatly impede business, and exposes them to excessive expenditures to honor their contractual obligations.

- Optimize the supervision procedures by the public agencies aimed at monitoring the quality of goods placed on the market;
- Recognize the EU and US standards and certifications attesting the quality of products produced in their jurisdictions;
- Enhance the information flow between public agencies aimed at monitoring the quality of goods placed on the market.

State-Investor Grievances

Highlights

Enterprises that invest in Moldova still face forced expropriation, discrimination, expropriation without adequate compensation, revocation of business licenses and abuses by state ranging from an unfair treatment to the impossibility to make international transfers of capital.

Moldova continues to expose itself to the risk of losing important business-related cases at the ECHR, ICSID and other international courts and arbitrages. Most of the significant grievances raised by foreign investors in the last several years have not been solved, and are interminably protracted. At the same time, we see a significant decrease in the inflows of FDI

in Moldova and a correlation between these two trends is self-imposed. Moldova spends time and efforts to attract new investors, but does not take care to make the life and activity of existing investors acceptable. Categories of issues range from expropriations and infringement of property rights, to abusive interpretation of legal requirements on collections (taxes, customs duties etc.), to infringement by state agencies of legal requirements on market regulations, pricing etc.

Recommendations

- An ombudsman office can function as an institutional interlocutor within the host country, which investors can approach to have their grievances heard and addressed. Establish an independent mechanism to address business concerns and complaints about instances of ill-treatment or unfair competition;
- Overhaul the current domestic arbitration courts so as to reduce corruption, or form a credible arbitration institution with a modern set of rules and an uncontroversial roster of arbitrators;
- Enhance the capacities of courts to judge the cases related to investor's protection, including infringement of rules on managers' responsibility, transactions with related parties, disclosure of and access to information etc.
- Create a voluntary investor-state settlement mechanism for disputes that have reached an advanced level, that would allow, with full state participation, for an impartial advisory opinion by a qualified third party as to the merits of the case under applicable international and investor-protection legislation;

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Financial Sector

Banking Industry

Highlights

The lack of transparency in shareholder structures and the failure of the National Bank to ensure efficient corporate governance within banks are the critical challenges to the banking sector that, today, threaten the stability of the entire Moldovan economy.

NBM delayed action on ensuring the integrity of the banking sector joined with the high degree of 'offshoring' of the shareholding structures of local commercial banks leads to deficiencies in corporate governance, unethical business practices and the distortion of competition. Despite the recent reforms, aimed at counteracting money laundering, local authorities fail to combat this phenomenon, and the banking system remains attractive for this type of activities.

Recommendations

- Ensure the security of investments and fair competition in the financial sector;
- Enhance the transparency in ownership structure of the insurance industry;
- Enhance the real independence of the central bank;
- Prevent court interference in management and operations of Moldovan banks and effectively sanction judges committing such interferences. Clearer regulation of legal practice in banking and establishment of a prompt and effective mechanism of sanctioning judges, in order to prevent illegal, abusive and discretionary decision of courts are necessary;
- Harmonize the domestic legal framework on preventing and combating money laundering with the best international practices in the field.

Insurance Market

Highlights

Even though the insurance market of the Republic of Moldova has seen a growth during the recent years, the market is still characterized by a high degree of uncertainty. The business community has witnessed alleged cartel-like actions by some of the market players by withdrawing their direct competitors' authorization to issue Green Card international insurance certificates.

Recommendations

- Provide the insurance market regulator authority with the full mandate of monitoring and supervision of the market players;
- Enhance the transparency in ownership structure of the insurance industry;
- Ensure sound regulation and supervision of the green card insurance market to strike a proper balance between the interests of insurers and policyholders.

Microfinance & Leasing Industry

Highlights

The microfinance and leasing industries in Moldova remain underdeveloped as companies face difficulties in securing long-term funding. Additionally, the lack of modern regulatory framework governing the markets discourages foreign investors to massively invest in the industry. This affects the availability of alternative financing sources for local businesses, slowing the development of the private sector.

Recommendations

- Reform the legal framework regulating leasing relationships and set the stage for sustainable development of the micro-finance sector;
- Set the level playing field for all non-banking financial institutions and ensure their fair competition with banks.

Healthcare

Highlights

Healthcare is one of the most important areas in the economic development of a country, and reforms in this area are an imperative necessity.

Private sector is contributing a lot by jointly financing the common access to the medical assistance, therefore, is expecting a better health infrastructure, as well as improvement of the healthcare system.

Since the investment in healthcare is usually made, in the long term, as an investment in the labor force potential, health is a concern not only of the Ministry of Health or National Healthcare Insurance Agency, but also of other institutions responsible for the economic growth, as well as private sector.

On the other hand, currently, healthcare authorities are hostile for the transparent and constructive dialogue with the representatives of private sector in order to identify the critical problems in this area and also adopt modern solutions to overcome these problems.

Often, in the process of elaboration and reformation of the legal framework in healthcare, the responsible authorities are not taking into account the opinion of the private sector that have expertise, therefore generating poor and unpredictable regulatory framework. Hence this phenomenon, in the long run, can force multinational companies that are used to transparency, non-discrimination, and fair play, to leave the Republic of Moldova, thus depriving its citizens of the access to efficient, qualitative and innovative products.

Recommendations

- Establish a regulated, open and constructive dialogue between the decision makers and the healthcare private companies' representatives, in order to identify the critical problems and elaborate modern solutions to overcome these problems;
- Offer access to the innovative and qualitative medicine, medical equipment and medical services through establishment of a market that should be non-discriminatory, transparent and friendly to the investments in healthcare in the Republic of Moldova;
- Encourage ethical promotion of drugs and elimination of corrupt practices through adoption of a legal framework inspired by the best European practices.
- Improve the existing mechanism of medicines' price registration and ensure the application of existing legislation;
- Ensure the efficient usage of the financial resources and improve the mechanism of medicines compensation;
- Improve the mechanism of public acquisition of medicines and other medical products in order to ensure the continuous supply of medicines and medical equipment to the healthcare institutions by granting a fair, non-discriminatory and propitious participation of a higher number of economic agents in public tenders;
- Improve the existing mechanism for authorization of the medical equipment.

Energy

Highlights

Under the ongoing geopolitical situation and a dependence of the country on import of energy, energy security issues remain to be imperative. Nevertheless, besides this overarching issue, there are still important obstacles related to primary and secondary legislation as well as other issues, which do not make the sector transparent and attractive for foreign investors.

The main challenges related to energy security are: the political and economic dependence of ANRE, which is absolutely important in the implementation of energy packages II and III and modernization of the sector, the methodology for calculating tariffs and illegal consumption of electricity.

Renewable energy sub-sector does not benefit from a general legal framework, and this law has been in the Parliament for two years. Moreover, the non-discriminatory access of foreign investors to renewables is doubtful, particularly solar and wind. In the process of adopting the law one should consider the experience of other European countries (France, Germany) in order to avoid repeating possible mistakes.

Recommendations

- Provide the principles of tariff setting for wind power and other renewable sources in the legislation and ensure a stable and transparent functionality thereof;
- Ensure a transparent tariff calculation methodology;
- Impose and ensure independence of ANRE;
- Prevent attempts to monopolize the market. (i.e.: Do not allow a person or a group of persons to hold control over the renewable energy sources in the country);
- It is necessary to amend the legal framework (Offences Code and the Criminal Code) to restrict illegal consumption of electricity.

Agriculture and Food Safety

Highlights

Agriculture is one of the most important sectors of Moldovan economy. It accounted for nearly 40% of the country's GDP in 1989 but has dropped to 10% by 2012. Nevertheless, 25% of the working population is employed in agriculture.

As a result of the Association Agreement and DCFTA, signed between Moldova and EU, Russia has imposed a series of restrictions on imports from Moldova. Moldovan producers and exporters will have to comply with the requirement of the future potential trading partner – the EU. Key changes are inevitable in several areas, including primary agriculture and agricultural infrastructure.

Unfortunately, from the very beginning authorities were not prepared (provisional implementation of the Association Agreement). ANSA has not been fully accredited

in the structures of the EU and therefore meat products cannot be exported to the EU market.

In the National Action Plan for the Implementation of the Association Agreement for 2014-2016, Moldovan authorities will take appropriate actions for a full and timely implementation of the actions from the Plan. At the same time, in the period 2014-2020, authorities will have to annually adopt about 2500 standards, 60 of which are related to the agro-food sector. However, in 2013 only 20 standards from those 2609 planned were adopted, which indicates a very limited capacity or willingness to respect the Plan.

Moldova has to use all the efforts on all levels to be able to export on the very promising EU market.

Recommendations

- Promote the associations of agricultural producers, which would represent them on different levels and help create distribution networks for export. In this context, it is necessary to analyze gaps in legislation on the functioning of business cooperatives and producers group – VAT issue in the activity of agricultural producers associations;
- Expand the support in export procedures, starting from consultancy and information and up to technical assistance in implementation of agro-food networks on local markets and relations;
- Develop and create modern financial instruments. Taking into consideration that EU funds (ENPARD) are distributed on post-investment basis, agricultural producers will require credits and loans at lower interest rates and longer grace periods;
- Create loan guarantee funds for co-financing programs offered from EU funds;
- Liberalize the import of new agricultural plant varieties without restrictions. Currently, the list of allowed varieties is not competitive with those of EU countries;
- Modernize production and quality standards in line with EU requirements;
- Revise the subsidy policy. Small and medium farmers are not benefiting fully from state aid;
- Analyze the possibility to support companies on the left bank of the Nistru river;
- Reduce the number of authorizations issued by ANSA and other related institutions.

Environmental Protection

Highlights

In the context of the ongoing reforms in Moldova, there is a perception that the issue of environment is not a priority. In the context of the EU Integration vector and in order to harmonize the legislation of the Republic of Moldova to the requirements of the *Acquis communautaire*, there is a whole list of directives and regulations in the area of environmental sustainability to be reflected in the national legislation, having a direct impact on business environment development.

Moldova faces serious environmental problems, including solid waste management. There are investors in Moldova who

are forced to export solid waste to other countries. Moldova lacks a comprehensive and interconnected system for solid waste management that would include businesses, CPA and LPA, and ordinary citizens by implying a sound and functional taxation and infrastructure. The Solid Waste Management system should first imply a fair and efficient taxation supporting a functional solid waste collection and transportation system with processing, burning, disposal units well equipped for solid wastes treatment. Thus, companies are facing problems related to the management of recyclable items (glass, waste polyethylene, polypropylene, construction materials etc.). Some companies are considering the possibility of building waste processing systems in the premise, but it is not a systemic solution.

Recommendations

- Re-consider the area, proposing Environment Protection Sector as a priority in the Government program and include the issues in discussions with donors, international institutions etc.;
- Align the national environmental legislation to EU requirements, but taking into account the realities of the country and the lack of functional systems and mechanisms enabling the application of law;
- Develop and approve the Law on Waste Management and Law on Environment;
- Create a comprehensive and functional waste management system which, on one hand, shall provide for a financial sustainability, by levying a tax/fee and ensure its functionality at the CPA and LPA levels on the other hand, thus implying the whole business process starting from tax/fee collection, transportation and processing/treatment of solid waste;
- Ensure the functionality of Water Quality Control System (for drinking water and water used for irrigation) throughout the Republic of Moldova. (In more than 90% of wells in Moldova water is NOT allowed for drinking);
- Review the Regulation on polychlorinated biphenyls (PCBs);
- Conduct and promote national programs with civil society and business, focused on environmental protection. (The Example of EU countries where there is a *Memo of understanding* signed with private sector, NGOs on supporting initiatives together with the Ministry of Environment related to environment protection).

Conclusions

Protracted negotiations to form a pro-European government, corruption stifling the society, the situation in the autonomous and separatist territories and geopolitical instability problems, the economy and banking sector issues are major challenges for Moldova. In the context of the backdrop of these developments, the national economy structure dominated by low added value activities, with a large proportion of the population employed in subsistence agriculture without tax contributions, with a low degree of development of physical and social infrastructure and underperforming educational and health systems, are all major constraints to economic growth and sustainable public finances.

Summarizing the above-mentioned document, we should emphasize the importance of the problem of corruption, which covers all socio-economic aspects and represents a barrier to sustainable growth, especially in the context of facilitating the development of the shadow economy. Supporting and promoting the rule of law and judicial reform is key to overcoming this situation.

Recommended adjustments in the area of regulatory policy, tax, customs, competition, labor market, and education are important. Sectorial perspectives, presented in the document, relate largely, not only to the industry, but also to the general activity.

The transformation agenda is huge in terms of the number of issues that need to be urgently addressed and the complexity of the existing problems. Macroeconomic problems, like heavy ballast, slow down particular efforts of the business community. In addition, specific sector-related problems eliminate potential business enthusiasm and create conditions for the enlargement of the shadow economy, which, in turn, once again conducts to macroeconomic imbalances. This vicious circle can be interrupted by impressive common efforts of the state institution with support of the business community and genuine political will.

The business community in Moldova traditionally preserves a dose of optimism and is ready to still take many risks, relying on the continuity of reforms launched and supported by a strong political will.

There is a strong belief that all aspects mentioned in the document can be solved in the near future in order to contribute to the welfare and prosperity of the Republic of Moldova.

European Business Association of Moldova (EBA)



What is EBA

The European Business Association of Moldova (EBA) is a non-profit, non-political organization created in 2011 by ten one of the biggest investors in Moldova under the auspicious of EU Ambassador in the Republic of Moldova. (www.eba.md)

In more than 3 years EBA became a business hub for almost 50 of its members, big local and international companies and for the many other businesses that benefited from the EBA Services.

In almost 3 years' time EBA has participated in 5 international projects (USAID, IFC, EU, GIZ, WB) focused on improving national legislation, business support services, practical and hands on training for Moldovan agro-producers and processors aimed at exporting into the EU market, match-making missions to Sweden, Netherlands, Ukraine, Israel, Romania.

The EBA Vision

To enable & drive the full establishment of European business practices and values in Moldova wishing to promote and contribute to the harmonization of economy of Moldova and the EU.

- Business Support Services (through match-making and practical trainings and coaching, etc);
- Lobby and Advocacy;
- Support to Young Entrepreneurs.

Foreign Investors Association (FIA)



Foreign Investors Association (FIA) is a non-profit association from Republic of Moldova, founded in September 2003 by eight foreign investors, with the support of the OECD through a project that aimed to stimulate the reforms and the improvement of the business environment in the countries of the Southeastern Europe.

FIA is part of the regional network of Foreign Investors Councils, institutions that have registered numerous successes in the countries where they are operating.

The Association has among its members 14 largest companies with foreign capital in the country, companies that offer a wide variety of goods and services, covering the whole range of fields of activity of the economy – agriculture, industry, banking sector, telecommunications, distribution and audit.

The members of the association are also some of the oldest foreign investors in Moldova. Some FIA members are in this country for more than a decade.

The objectives of the association are the representation and the promotion of its members views; the defense of the common interests and the attraction of new investments; the cooperation with public authorities of Moldova to overcome the difficulties and obstacles that may exist in the relations with the foreign investors; the defense of the interests of the international business community in Moldova; providing information to its members, but not only, about the investment climate in the country; sharing to potential investors the experience of the FIA members in the country etc.

The main mission of the Association is to facilitate the dialogue between relevant decision makers and investors in order to create a positive investment environment for the foreign direct investment.



American Chamber of Commerce in Moldova (AmCham Moldova)

AmCham Moldova Mission

The Mission of AmCham Moldova is to promote American trade and investment in Moldova and to work with the Moldovan Government and business leaders to foster a more favorable business climate in Moldova for foreign trade and investment.

AmCham Moldova Background

The American Chamber of Commerce in Moldova (AmCham Moldova) is a non-government non-profit organization, founded in 2006. As a member of a large international network of AmChams in more than 100 countries worldwide, AmCham Moldova connects businesses and business leaders to share the common goal of bringing the entrepreneurial spirit and cultures of Moldova and the United States closer together. AmCham Moldova currently represents more than 100 member companies, ranging from large foreign investors to small goods producers and service providers that operate within Moldova, as well as Moldovan companies of all sizes that are pursuing trade with the United States.

AmCham Moldova develops its activity in 4 main areas: Advocacy and Lobby, implying an active participation of members in topical Committees and Working Groups; Business Networking, Member Services & Information Exchange and Investment Attraction in Moldova.