

## Key Priorities identified by Business Community for the new

### Parliament and Government of Moldova:

#### OVERALL COUNTRY'S DEVELOPMENT PRIORITIES

##### - Improvement of Justice Sector and Rule of Law

Insufficient independence of judges and lack of control of the prosecutor's activity raised the following concerns by the business community:

- **Selective and politicised justice**, where certain court files are examined as a matter of priority while the examination of others lasts for years without sufficient justification;
- **Judicial bias and favouritism towards certain parties**; unbiased judicial review is critical for a trustworthy judiciary system;
- **Hostile take-over attempts** facilitated by state authorities and Moldovan courts;
- **Interpretations of customs regulations** by the customs authorities supported by courts, uncommon in the international trading business;
- Failure to comply with commitments made to European investors under Investment Agreements;
- **Need to provide consistent and sustained training to judges as well as a proper and improved qualification process for judges** in all areas of law that are important for business, as well as in judicial assessment of economic decisions made by business decision-makers, including with respect to the manner of drafting and content of any and all court decisions;

##### - Ensure Infrastructure Development

- Poor road infrastructure must be upgraded and high quality roads constructed that would connect primarily the EU Exports corridors to make the logistics cost even lower;
- Ensure access to quality water and sanitation systems on the entire territory of the country;
- Poor railway connections throughout the country must be upgraded in order to increase and to diversify transportation of goods and mobility of people;
- Ensure energy security, interconnection and diversification of energy sources as well as ensure no state interference and transparency in energy procurement;
- Support the development of Telecom sector by excluding obsolete taxation system;

##### - Access to finance and overall financial sector's stability

- **Significant legal divergences** in different legal acts [*specifically between the Law no. 202/2017 on banking activity and Law no. 1134/1997 on joint stock companies, in particular related to rights of shareholders to submit candidates to the Council of Banks*].

- **Anti-money laundering (AML) issues: several considerable barriers have to be considered in the implementation of the AML framework such as:** ambiguous requirements for keeping/ archiving clients' data and documents (new AML law no. 308 of 22.12.2017); Service for Prevention and Combatting Money Laundering (SPCML) requires banks to send specific reporting of limited and cash transactions. However, requirements regarding certain data are difficult to fulfil as it depends on the information given by other international banks which cannot be influenced by local banks, which sometimes leads to refusing of performing international transfers by certain banks; streamline the KYC regulations;
- **Communication with bailiffs:** ensure facilitation in communication with bailiffs by implementation of IT solutions;
- **Access of one credit history office to the data gathered by another commercial bank:** According to the recent amendments of the Law on credit history office no.122/2008, a credit history office (CHO) is obliged to ensure automatic access for another CHO to the information gathered from commercial banks. This is not acceptable from the perspective of a free market economy, as well from the perspective of fair competition principles;
- **Amendments to the Civil Code:** The new edition of the Civil Code entered into force without a proper term given to get acquainted with the new provisions. This fact is valid not only for banks, but also for notaries or even the Government;
- **Insurance sector:**
  - Avoid creation of market monopolisation trends done through unpredictable and constant legal adjustments, while the supervisory authority is lacking capacities and good will to intervene;
  - Accelerate and finalise the fraud investigation related to embezzlement of assets from MD's Green Card Bureau and measures to ensure the recovery of these assets;
  - Reform the actuary system in Moldova by enhancing its capacity and increasing its transparency, especially by increasing the professional requirements for actuaries (auditors of insurance companies);
  - Ensure unbiased controls of companies, in particular concerning their long-term solvability and liquidity, in order to avoid any issues in advance.

## HUMAN RESOURCES DEVELOPMENT

### EDUCATION UPGRADE

- Ensure a better match between the education curricula and demands of the private sector by a more consistent involvement of the private sector in the education program/curricula development
- Ensure international evaluation and accreditation of the educational institutions and their teaching staff;
- Fight against corruption in the education institutions by introducing e-exams and encrypted systems of verifications of results;
- Streamline the state budget funding mechanism of the education institutions by focusing the funds towards education infrastructure development and increase of salaries;
- Implement dual education at all levels by strengthening co-operation between academia and the private sector; improve and streamline the internship process;



- Develop R&D Centres involving partnerships between academia and the business community/foreign donors;
- Ensure development lifelong learning programs with accreditation systems for various specialities

## TAX POLICIES

- Harmonisation of the indirect tax framework with the EU one. Specifically, as per the DCFTA, Moldova has to transpose the EU rules in its legislation within the agreed time frame. While some minor changes in the legislation have been made, it is crucial to ensure that all commitments are followed;
- The lack of correlation between the newly adopted civil code regulations and the tax and accounting regulations must be done immediately (the European term of “branch” was regulated by the Civil Code but NO tax and accounting provisions have been put in place);
- The implementation of IFRS 9 for banks generated an unreasonable level of costs for the banking system which is not in compliance with EU regulations. It is unreasonable to impose a new provisioning system without allowing compliant banks to deduct expenses related to the duly and timely implementation of such new systems;
- The recommended EU general taxation system (for example corporate income tax rules) should be observed by the Moldovan regulations (for example, necessary transportation provided to employees should be fully deductible thus encouraging investors to gather work force from rural areas which otherwise have no employment chances).

## DCFTA RELATED ACTIONS

- Enhance functional capacities and laboratory infrastructure of the national food safety agency;
- Fight against informal control over certain areas of activity such as export of metal; import of meat, export of walnut etc.;
- Progress on mutual recognition of Authorised Economic Operator status with the EU;
- Ensure compliance with international rules on competition under the domestic trade legal framework;
- Ensure proper management of quota distribution mechanism, especially for the imports from EU;

### - Waste management system

- Develop an overall concept for waste management and environment protection that will consider solid/food/animal wastes' segregation, collection, processing/treatment by clear allocation of roles and responsibilities to the Local Public Authorities, business and citizens;
- Devise a sound fiscal/financial system to cover waste collection and treatment costs. In this regard, it is important to amend the Law no. 1540/1998 and ensure that the collected tax is earmarked for waste management purposes. To accelerate Extended Producer Responsibility's principle implementation with a clear segregation of roles and responsibilities in order to increase efficiency and avoid double taxation;
- Ensure legal harmonization related to waste processing instruments such as incineration and co-incineration for solid and food/animal wastes;
- Ensure proper conditions are respected in the design of the land fields, especially in rural areas. Most of the existing land fields are not properly isolated and built without respecting international rules and safety standards.



## - Enhance the quality of the public services

- Implement digitalization of public services;
- Introduce the electronic registry of controls and inspections;
- Upgrade the policy development process of public institutions driven by private sector needs;

## DATA PROTECTION

Currently, the Data protection legislation is in the second reading of the Parliament pending its final approval. Therefore, the EBA has identified several potential constrains which could affect its proper implementation. They are related to:

- appropriate timeframe for new provision's implementation and disproportional penalties in case of infringements,
- overall issues related to security in handling with personal data, exaggerated requirements concerning personal data management *[current draft provides that every entity would have a data protection dedicated staff member, regardless the size of the company],*
- sectorial capacity building for stakeholders, including the supervisor.