



**EUROPEAN BUSINESS ASSOCIATION  
REPUBLIC OF MOLDOVA**

**DCFTA – BUSINESS CLIMATE UPDATE**



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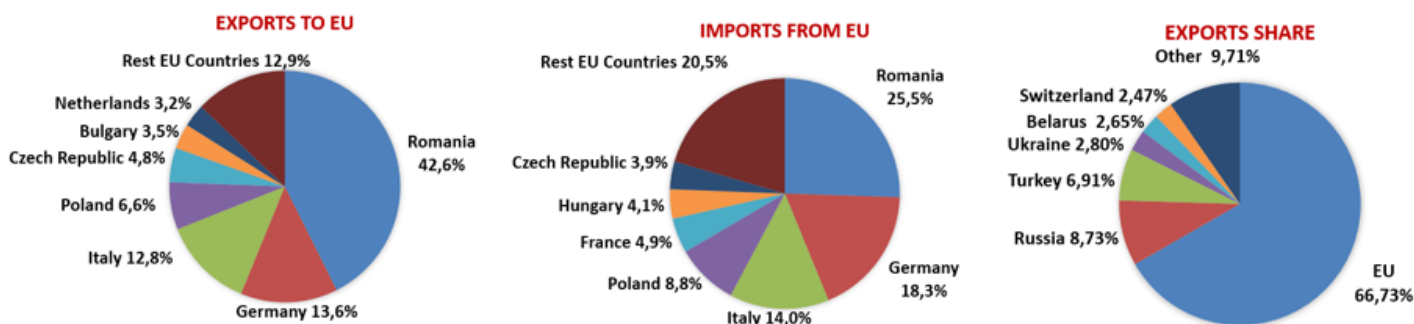
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## Macroeconomic outlook

### Review of 2020

- **GDP** amounted to 206.3 bn MDL (around 9.6 bn Euro) and decrease by 7% compared with 2019;
- **Foreign Direct Investments** registered the accumulated value of 4 851.4 M USD (around 3 980.6 M Euro) and increased by 2.5% compared with 2019);
- **The Trade flow decreased by 8.4%** and amounted 7.9 bn USD (around 6,4 bn Euro);
- **Exports of the Republic of Moldova decreased by 10.6%** and reached 2.48 bn USD (around 2.03 bn Euro). **Export to the EU** has reached 66.7% of total exports;
- **Imports decreased by 7.3%** and reached 5.4 bn USD (around 4.43bn Euro). **Imports from the EU** stand at 45.62% of total imports;
- **Average monthly salary per employee constituted 8107.5 MDL** (around 377 Euro) and increased by 10.2% compared to 2019;
- **Annual inflation rate decrease of 5.3 p.p.** compared to the same period of previous year (December 2020 vs December 2019) and constituted 1.6;
- **Public Debt** amounted to 67.8 bn MDL (around 3.15 bn Euro) and registered an increase by 29.2% compared to 2019;
- **Main Sectors:**
  - **Industry** (the manufacture -7.2%, energy supply +0.7%, extractive industry +7.9%)
  - **Agriculture** - decrease by 2.71%
  - **Tourism** - decreased by 75.9%
  - **Transport of goods** - decreased by 12.5%
  - **Transport of passengers** - decreased by 46.1%



### Post-Covid redemption trend in Q1, 2021

According to the statistical data provided by the National Bureau of Statistics, in Q1 of 2021 (compared with Q1 2020) the following trend is noted:

- The volume of **industrial production increased by 3%**
  - ↑ Energy sector + 24.2%
  - ↑ Light industry +13.7%
  - ↑ Furniture manufacturing +26.6%
  - ↑ Non-metallic mineral products +15.7%
  - ↑ Machinery and equipment + 32.9%
- **Budget revenues increased by 11.1%** and constituted 16.7 bn MDL (around 7.7 M Euro);
- **Public Debt increased by 32.1%** and amounted 31.5 bn MDL (around 1.5 bn Euro);
- The volume of **agricultural production decreased by 13.3%**, being further affected by the consequences of drought and pandemic;
- **Exports increased by 1.4%, imports increased by 13.6%.**

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## INTRODUCTION

Due the fact that 2020 was heavily impacted by the Covid Pandemic and hydrological drought, both severely affecting the economy of the Republic of Moldova, as well as political instability in the country. The statistical data for 2020 shows a decrease of all important sectors of the economy. The public debt of Moldova has reached an all-time high level of around 3.15 bn Euro which increased by 29.2% compared to 2019. Exports and imports decreased by 10.6% and 7.3 %.

In order to support its members, in policy and advocacy agenda EBA Moldova focused on addressing issues caused by the pandemic in such areas as: digitalization and e-commerce, labor relation provisions and adjustment to the Covid situation, justice sector reform, waste management system, food safety aspects, GDPR legislation harmonization, etc.

However, the situation in Q1 2021 has improved and important redemption trends were registered – industrial sector increased (energy +24%, light industry +13.7%, furniture manufacturing +26.6%, etc.)

Still – the current political crisis and issues related to a weak rule of law and justice system obstruct economic development of the country as well as the investment attractiveness due to low country's credibility.

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## I. RULE OF LAW

The EBA observes widespread corruption in the juridical sector where certain judges, prosecutors and bailiffs seems to be in collusion with state authorities and private actors:

- Deficient judicial control of prosecutors' activities, which leads the virtual unaccountability of prosecutors;
- Selective and politicised justice;
- Lack of prioritization policies in the judiciary. It results in urgent cases being dragged until the impact of the eventual verdict is of a little practical relevance;
- Judicial bias and favouritism towards certain parties, that can be a consequence of corruption or insufficient independence of the judiciary;
- Hostile take-over attempts facilitated by state authorities and Moldovan courts in the interests of politically affiliated groups;
- Lack of control of bailiffs' actions, an infringement of competencies by the bailiff is not controlled and not penalized;
- Judges are not held liable for flawed court decisions. Most of the disciplinary procedures against judges are dropped based on procedural considerations. Few sanctions applied are lenient and concern minor irregularities;
- Failure to comply with commitments made to European investors under various Investment Agreements and international commitments to which Moldova is a part;
- Reduce the weight of the STATE in business activities, referring both to state-owned corporations and to micro-management by regulatory institutions;
- Ensure independence of Parliament/Government organisations, Central and Local Public Authorities, especially those the activity of which are heavily impacting business environment (such as Competition Council, Courts, Judges, Prosecutors, Environment Agency/Inspectorate and others).  
Ensure transparent, unbiased delivery of public services.
- Need to provide consistent and sustained training to judges (especially in economic and financial market matters (banking, insurance etc.), or the new concepts that are being implemented currently such as AML and Compliance, GDPR, Digitisation in business operation, IT, e-commerce, taxation issues etc.) 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.

### A. Justice Sector Reform

Currently, there are multiple judicial cases affecting several EBA members' examples where European Principles and Standards regarding a proper Judiciary System are being violated, such as the case of Premier Energy with the Court of Appeal of Cahul and the trials affecting Danube Logistics.

### ***Premier Energy case***

A lawsuit was filed against Premier Energy after a fire broke out in a commercial space with small scattered shops due to the combustion of highly flammable materials exhibited, allegedly due to an electrical peak. Throughout the judicial proceeding, multiple irregularities were committed in breach of the principles of Rule of Law, Non-discretion, Transparency and Due Process:

- The Court did not admit the testimonies, in favour of Premier Energy, from other clients connected to the same power line as the plaintiff that concur that they did not suffer any overvoltage in their energy supply (note: if there is a power hike in the network, it affects the whole power line, not just a single customer). The Court neither accepted the technical automatic records of Premier Energy that show the non-occurrence of overvoltage events in the network. The Court also rejected the technical expertise proving that the high voltage surge had been caused by an overload in the internal network of the consumer, for which Premier Energy is not responsible.
- The Court did not admit any of the two independent damage assessment reports prepared by independent experts proposed by Premier Energy (one from Moldova and the other from Romania). Inclusively, during the judicial process, it was refused to appoint a certified judicial expert to independently and accurately assess the damage.
- The Court did not accept the request of Premier Energy to verify the evidences, to challenge the judge and to transfer the hearings of the case to another judicial instance, requests promoted by Premier Energy given the existence of personal family relationships and “camaraderie” between the plaintiffs, the judges and influential people in the local judicial system.
- There are solid and well-founded suspicions of falsification of evidence and testimonies, which are in the process of corresponding legal investigation.

**Status Quo:** At the request of Premier Energy, the case has been transferred to the Court of Appeals of Chisinau. The Court of Appeals of Chisinau on 08.06.2021 admitted at the request of Premier Energy the main evidences resulting from the criminal case, but rejected to provide some additional video evidence from WEB on the day of the accident. The opposing party has filed a recusal request, which will be examined soon.

### ***Danube Logistics case***

Since 2014 Danube Logistics SRL, the operator of the strategic important Giurgiulesti International Free Port, is target of a raider attack involving multiple frivolous claims pursued in Moldova's notorious courts against the company, its employees, its Dutch shareholder Danube Logistics Holding BV and one of the company's former ultimate beneficiaries. The raider attack is orchestrated by a former investor in the project with the objective to gain control of Danube Logistics SRL and thereby control of Moldova's only port.

Following flawed Moldovan court proceedings, the former investor managed to establish a claim against one of Danube Logistics SRL's former ultimate beneficiaries. This claim and the conduct of the proceedings are subject to a review by the European Court for Human Rights. Since October 2019 the former investor attempts to enforce this claim against Danube Logistics Holding BV's assets in Moldova with the unlawful support of local bailiffs ordering to sequester payments, to seize the share capital of Danube Logistics SRL and even to institute a forced administration over Danube Logistics SRL. These measures constitute an illegal expropriation not only of the property of the Dutch Danube Logistics Holding BV but also of the EBRD, who was the primary beneficiary and in May 2021 became the sole ultimate owner. Despite of the objections of Danube Logistics Holding BV and of the EBRD the Chisinau Appeals Court confirmed in contradiction to applicable law on 12 May 2020 and on 3 November 2020 the legality of the bailiff's approach. Both rulings constitute severe deteriorations of Moldova's business climate as they demonstrate that Moldova's notorious courts hold limited liability companies and financial institution liable for debts of any of their ultimate beneficiaries.

**Status Quo:** While the bailiff's injunction to seize the shares is now contested in general proceedings, the litigations following the claims of Danube Logistics and the EBRD against the forced administration are ongoing. The entry of EBRD as UBO was forced because the company could not have an act of equitable justice in Moldova. As the EBRD is now the sole ultimate owner, the alleged basis of the enforcement procedures based on the financial claim against one of the former ultimate beneficial owners was removed and all enforcement procedures should cease.

## **B. RED TAPE AND ABUSE OF PUBLIC INSTITUTIONS**

### ***Export of metal scrap***

Following the de-monopolization of the metal scrap export market, new jobs were created by opening new waste collection points, the purchase price of the metal from individuals was increased, from 2 000 MDL (around 93.55 Euro) to 4 500-5 000 MDL (around 210 – 234 Euro) for a ton of metal, the revenues to the national public budget were increased by honouring all fiscal obligations and investments were made for the development of businesses in this field, including by expanding them at regional level. Thus, some of the economic agents subjected to abuse for 4 months of activity during 2020 and 3 months 2021 paid over 4 million MDL to the state budget, and in 2020 made investments of over 20 million MDL, mostly from loans contracted from banks.

However, following multiple complaints from businesses, there is a pressure and intimidation from state institutions, which create impediments to business and jeopardize free competition, indirectly co-participating and promoting illegal and corrupt schemes in this segment:

- State authorities are used as an instrument of intimidation and pressure against the company owners and its employees. For example, in summer of 2020, the company identified explosive devices being fixed under the trucks transporting scrap metal to the International Giurgiulesti Port. Until now neither investigation bodies nor police have provided any official statement /explanations on the results of investigation on this case and the guilty persons were not identified and held accountable; Intimidation through calls and threats against company owners as well as employees and their families;
- The use of state resources for illegally blocking the economic activity of the company to the owned land, without presenting an official document certifying permission to abusively enter on the private property of the enterprise and demolish the access road to the land of the economic entity.
- Delays / abuses in issuing permissive documents at central and regional level AFTER finding out that the economic agent invests in the respective region through the acquisition of land / other goods.

### ***Draft Law on critical Infrastructure***

In 2021, the Parliament of the Republic of Moldova approved in first reading the draft legal initiative on the protection of the essential infrastructure assets for ensuring the national security and the public order, registered with no. 163/2020. The business environment from the Republic of Moldova, especially international companies, expressed their concern related to this draft legal initiative and risks derived from this draft legal act, such as:

- Establishment of a new control body (Commission) with enormous powers, which causes a significant impact on the national economy and foreign investment, and limits the property right guaranteed by art. 46 of the Constitution;
- Risks of violation of the guarantees granted to investors by the Republic of Moldova;
- Risks of discriminating the foreign investors depending on the place of registration, activity or state of origin;
- Creates premises for limiting the property right and contractual freedom of owners of shares, participations and assets defined by the project as essential infrastructure assets;
- Carrying out ex-post control by the Commission over the transactions of acquisition of the control and encumbrance of companies shares the Republic of Moldova;
- Establishment of an additional stage of ex-ante approval of the intention to alienate or encumber the essential infrastructure assets, with competences to resolve or refuse for the future the conclusion of these contracts;
- Lack of clear and transparent restriction / refusal criteria for the sale of shares by the investor to a third party.

**Status Quo: It was agreed with the author of the draft legal initiative and the responsible Parliamentary Committee (for national security, defense and public order) to additionally discuss the provision of the draft law with all interested stakeholders.**

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## II. AA/DCFTA IMPLEMENTATION RELATED ISSUES

### A. INTERNAL TRADE LAW

The DCFTA offers a free trade based on free movement of goods. In this sense, sides have to guarantee market access for goods originating in one of the sides. Free trade has been main driver for economic growth and boosting of import and export operations. However, there were several attempts aimed at limitation of free trade undertaken by the MD Government. One of them is the legal initiative aimed at amending the Internal Trade Law.

In December 2020, Parliament adopted the law providing limitation related to obligation to offer at least 50% of market shelf for local products. It is important to underline that the adoption of the respective provisions directly limits both the principle of freedom of trade, guaranteed by the Constitution of the Republic of Moldova (art. 9 and 126) and the principle of contractual freedom of the parties established by the civil legislation in force. This provision goes against the letter and the spirit of both WTO membership and AA/DCFTA Agreement by affecting the trust and the image of the RM as a country / part of international agreements creating considerable doubts for potential investments. The approved amendment which sets the obligation to offer at least 50% of market shelf for local products is generating another issue, namely the obligation of developing the list of food products which are subject to the obligation to offer at least 50% of market shelf for local products, which was presented by the Ministry of Agriculture, Regional Development and Environment (MADRM). The proposed list of food products contains products such as bread, meat, wines, beer, divine, etc. while these categories are currently provided by local producers with over 50% of the shelf space. Also there is a risk of not insuring the volume / quantity of local products needed for marketing according to consumer demand, as well as to limit the consumer from the quality of food product that he/she would like to choose. At the same time, not all enterprises, especially small and medium-sized ones, have the tax compliance, do not invest in proper packaging and do not meet the essential quality requirements, especially producers of agricultural and easily perishable products.

At the same time, on April 26, the Parliament of the Republic of Moldova approved in the second reading the legislative initiative no. 18/2021, which amends the Internal Trade Law by introducing new provisions in terms of limitations on the marketing and advertising discount and the period for marketing activities.

Any intervention into regulation on the marketing and advertising discount represents a direct intervention of the state in the formation of product prices, which will directly affect the consumer. At the same time, by approving the proposed amendments, unfair conditions will be created for the activity of small and medium-sized enterprises, which are in a more vulnerable position compared to their larger counterparts and thus will not be able to ensure the implementation of legal provisions. According to international practice, any regulatory restriction applies only in the case of agreements which prevent, restrict or distort competition. Respectively, each agreement between the supplier and the trader must be analyzed separately in order to establish the restriction of competition. At the same time, the establishment of absolute prohibitions on the conclusion of contracts between all traders and suppliers in the food field, without specifying the exact circle of subjects covered by these prohibitions, is incompatible with international competition standards.

Following multiples dedicated meetings on the Parliamentary and MADRM platforms, EBA Moldova continue to promote the need to support domestic producers through other tools, including the ones supported by state institutions, such as developing national projects to stimulate investment in new technologies, promoting the local food brand through media campaigns, thus stimulating the competitiveness of local producers, marketing/communication activities to stimulate the population to consume local products while generating an increase in market demand for quality products.

**Status Quo: At EBA request, the President of Moldova refused to promulgate the legal initiative no 18/2021. The draft list was approved in the Government Meeting, however the list was not published yet in the official gazette of the RM.**

### B. FOOD SAFETY ASPECTS AFFECTING TRADE FACILITATION

#### Export of animal origin food products

Since signing of the AA/DCFTA, export of Moldovan vegetal origin products has been constantly growing and reached its most potential. Unfortunately, export of animal origin products remains very low. This is a direct consequence of non-implementation of relevant EU SPS norms and standard in local legislation, which would

allow the EU to list Moldova for export of animal origin products to the EU. With regard to the Action Plan on poultry meat and category B eggs export to the European Union, in period of 19-29 April 2021 the DG SANTE Audit took place. In order to obtain the right to export poultry meat and category B eggs other three audit missions for the Republic of Moldova were planned by the European Commission during 2021.

With respect to the export of the Moldovan dairy products, in June 2021 the European Union informed about the decision to include the Republic of Moldova in Column C of Annex No 1 of EU Regulation No 605/2010 of 2 July 2010 laying down animal and public health and veterinary certification conditions for the introduction into the European Union of raw milk and dairy products intended for human consumption. Recently, the national residue monitoring plan for bovine milk of the Republic of Moldova was approved by the European Commission amending the Annex to EC DECISION no 2011/163.

Progress was made in the export of products registered as Traditional Specialties Guaranteed such as pies, *învârtită* with cheese, etc. However, as a part of export of animal origin food products the one of the main priority remains to be given to legislation adjustments and issues on food traceability and food safety, in particular the implementation of the necessary systems for identification and registration, plant and animal health and welfare, supervision of self-monitoring systems of food units -HACCP, ISO, CRDV laboratory management and appropriate accreditation in accordance with international standards, etc.

### C. IMPORT RELATED ISSUES

#### **Import requirements for food products, subject to food safety control - *Infringement of the art. 189 Import checks and inspection fees***

In order to implement the Annex XXII of the Moldova-EU Association Agreement, which provide that import checks shall be based on the level of the risk associated, a draft Government Decision on the amendment of the Government Decision no. 938/2018 on the Regulation regarding the National Agency for Food Safety (ANSA) border control of the imported goods was developed.

Thus, ANSA with the support of the business environment developed a **risk assessment mechanism for the import of goods** to be included in the GD 938/2018 which provides the performance of identity and physical control over 10% of non-animal food products, based on the known risk. However, it was not approved yet. In 2020 and 1<sup>st</sup> Semester of 2021, the Ministry of Agriculture, Regional Development and Environment was reluctant in discussing the respective draft normative act. No meetings took place in this respect.

### D. RENEWABLE ENERGY (RE)

The feed-in tariff mechanism is ongoing and the energy regulator (ANRE) has already assigned projects totalling the total available capacity for small renewable plants covering the different RE technologies. Nevertheless, no capacity under the RE tender mechanism has been awarded, as the government had neither initiated any capacity bidding or committed to a schedule of RE power tender. Accumulating 3 years of delay.

Not few European investors have expressed their interest to develop RE in Moldova, but after a time, they get frustrated with the recurrent delay and give up on Moldova, moving to countries proving to more effectively support clean energies.

**Status Quo: Unfortunately, the change has not yet reached the energy sector. The schemes prevailing during the Plahotniuc regime are still there. The sector cannot claim to have broken free from captivity, including energy authorities, state-companies and, in addition, the Competition Council.**

### E. WASTE MANAGEMENT SYSTEMS

#### **Pollution Tax Refund Mechanism – *Delay in implementation of the Annex XI***

As it is provided in the Annex XI of the Moldova-EU Association Agreement, the Moldovan Government, as a part of Fiscal and Tax Policy for 2021, approved the provision on fiscal solution of the EPR Mechanism in Moldova. In 2021, The Ministry of Finance developed a draft Government Decision which provides methods, conditions, procedure and the amount of the subsidy to be offered to the economic entities implementing the EPR Principle. Also the draft normative act stipulates that the subsidy will be granted from the funds accumulated in the National Ecological Fund.



**Status Quo: The draft GD is under finalization and will be submitted to all relevant and interested stakeholders for consultation.**

### **Secondary legislation for incineration and co-incineration provisions**

Despite the approval in August 2019 of the primary legislative framework regulating the conditions of use of the incineration and co-incineration operations of industrial and food waste, the secondary legislation which allows the implementation of the incineration and co-incineration is not approved yet. Early in 2021, the Ministry of Agriculture, Regional Development and Environment developed and presented the Regulatory impact analysis for draft Government Decisions related to the secondary legislation.

**Status Quo: The both draft GD are still subject to the legal procedure for the elaboration of the legal acts, provided in Law no. 100/2017.**

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## **III. POST COVID-19 PRIORITIES FOR BUSINESS DEVELOPMENT**

### **A. Digitization of national economy**

In the context of digitalization of the Moldovan economy, steps and actions that have been taken by the authorities and the actions to be further implemented, we believe that the following aspects worth mentioning:

1. Further promotion of the draft law on amendment of 30+ laws and regulations aimed at digitalization of a series of standard processes:
  - a. Remote incorporation of legal entities. Approval of these amendments will allow businesses to incorporate legal entities / bring amendments to the articles of incorporation / or liquidate existing ones fully online / remotely without the need to visit the Trade Registry.
  - b. Amendment of personal data-related legal framework. These are aimed to remove the obligation for an entity to be registered as personal data controller and will boost e-commerce.
  - c. Clarification of the use of electronic signatures in various areas of business and economy. Irrespective of the fact that current legal framework equals, from a legal perspective, electronic signature / document with a handwritten signature / paper document, there was a need to amend a series of laws and regulations in order to “overkill” this provision. The amendments refer to various areas such as labour relations, utility services agreements and others.
2. Recognition in the Republic of Moldova of electronic signatures issued by the EU authorities. As per current provisions of Moldovan law only electronic signatures issued by Moldovan authorities are recognized as having legal effects. This will allow non-residents to participate in public tender proceedings / file various documents without being present in Moldova and without the need to request one locally.
3. Approval of the draft of the Regulation of the National Bank of Moldova allowing for digital / remote onboarding of the new clients of the banks. The draft of the Regulation elaborated with the support of GIZ project in Moldova and compliant with the EU rules/standards is aimed to allow Moldovan banks to enter into commercial relations with their clients without the need for a physical presence of a potential client at bank's premises.
4. Synchronization of the current legislative provisions, of the documents issued by different authorities (NBM, SIS, SPCBS, etc.) on the part that governs the mechanism applicable by financial institutions for remote identification (non face to face identification). Harmonization of the requirements for microfinance institutions with those applicable to banks.
5. Modification of the legislation governing the ASP activity, in order to ensure an operation mechanism in the Real Estate Register of the necessary registrations (regarding mortgages (pledges)) in remote regime (without physical presence).
6. Ensure necessary investments from the state budget for building/enhancing cyber safety of national public data systems.

### **B. GDPR**

The draft laws transposing European legislation on personal data protection (GDPR), drafted back in 2018, on which the EBA community presented consistent recommendations (over 100 proposals) for amendment and adoption in the last Parliamentary reading were not approved. In Q1, 2021 the Parliamentary Commission for national security, defense and public order intended to approve the draft law on data protection (No

422/2018) and draft law on National Center for Personal Data Protection (421/2018) in second reading of the Parliament without any discussions on the respective draft laws with business community.

Following EBA Moldova and the business community demand a Working Group on the improvement of these draft laws was created and a technical meeting was organized on the platform of the Parliamentary Committee. As a result, it was concluded that the Economic Council to the Prime minister will facilitate the hiring of a national expert who will adjust project no. 422 to the recommendations and proposals of the private sector.

However, main risks identify by the private sector are as following:

- The responsible authority (CNPDCP) presented its position on the business community proposals/comments just for the legal initiative no. 422. The separate examination of the proposals and recommendations submitted regarding the legislative package, makes it impossible to outline the predictability of these legal norms and to clarify the intention of the authors on several amendments, but also the correspondence of these aspects with the provisions of draft law no. 421;
- Lack of the expertise for harmonization with European Union legislation, a mandatory precondition for projects that come to transpose EU legislation;
- The draft law no. 422 erroneously regulates the method of personal data processing by public institutions and authorities, establishing disproportionate requirements. It should be mentioned that the draft laws are not connected to the requirements of Regulation 2018/1725;
- Lack of the regulatory impact analysis on the entrepreneurial activity and the opinion of the Government, both being a part of the legal process on legal acts development, approved by Law no 100/2017;
- Lack of draft legal amendment for secondary legislation, which will implement the respective draft law.

**Status Quo: Both draft initiatives were approved by the Parliamentary Commission for national security, defense and public order through its report, which recommends the approval of the draft laws on the second reading of the Parliament. Once the new Parliament is elected, EBA will provide a notification to revise the respective report.**

### **C. Labour related issues deriving from Covid-19 restrictions**

In 2020 a series of amendments were approved in Labour Code of the Republic of Moldova aiming to align labour relations to the situation caused by the pandemic, such as work at distance, technical unemployment, etc. despite the fact that the consequences of the pandemic a slowly reducing and the companies return to their ordinary activity, amendments operated in the pandemic period remain to be applicable in a post-Covid period.

In this respect various adjustments need to be operated in the Labour legislation as to partly reduce the companies' activity costs (labour at distance) and to exclude any inconsistencies and any legal gaps in the respective legislation:

- Including a new article related to non-compete clause in the individual employment contract. It is an essential specific clause required by the market economy. Currently, the implementation / adoption of this clause will contribute to increasing the confidence of potential investors, as well as protecting the ownership of existing businesses;
- Offering the possibility to SMEs to hire employees for an indefinite period. At the moment, small and medium enterprises at the time of founding are afraid to hire employees, on the grounds that they do not know how the business will run over time and how it will be received on the market. The possibility of employment for a determined period within these units will also reduce the number of cases of undeclared work;
- Offering the right of the employer to obtain the necessary information about the candidate, with his prior consent, in order to adopt the decision on his employment;
- Amendment related to the incorporation into the military service, regulation that is currently an impediment to employ young people. The Labour Code stipulates the obligation of the employer to pay a compensation for people who suspends their employment contract for the incorporation into the military service;
- Other legal adjustments.

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## IV. FINANCIAL MARKET REGULATION AFFECTING BUSINESS ENVIRONMENT

### A. Banking sector

The business environment representing the banking sector considers it necessary to update the NBM regulations, which would completely modify or eliminate the restriction that prevents the increase of the credit ceiling granted to an individual. At the moment, this increase is treated as “refinancing of current debts” by the NBM and impedes the process of lending to individuals.

### B. Insurance

Main priorities in insurance sector are:

- Stronger regulation and limitation of the non-banking credit institutions;
- Efforts to develop the capital markets;
- Further limitations in cash usage;
- To develop new insurance product which would diversify the market and offer new opportunities for insurance players and customers;
- To have an audit done by internationally recognized companies that will give a reliable screening of insurers and identify of real issues of liquidity and solvency requirements.