





An overview and an assessment of implementation of reforms from the prospective of the European business representatives (investors) based on provisions of the EU-Republic of Moldova Association Agreement including the Deep and Comprehensive Free Trade Area (AA/DCFTA)

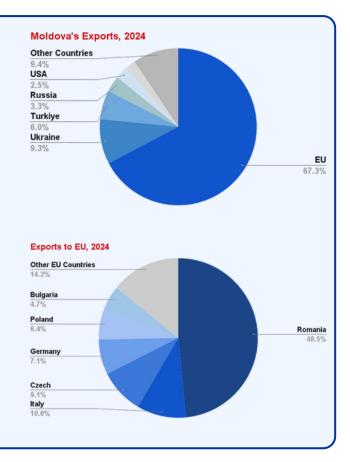




#### MACROECONOMIC INDICATORS FOR 2024

- The Gross Domestic Product amounted to 323.8 bn MDL (15.86 bn Euro), increasing by 0.1% compared to 2023;
- The annual inflation rate (December 2024 compared to December 2023) was 7%;
- At the end of 2024, the **state debt** reached 121.4 bn MDL (5.95 bn Euro), marking an increase of 16.7% compared to 2023. Domestic state debt amounted to 44 bn MDL (2.16 bn Euro), up by 10.8%, while external state debt totaled 77.4 bn MDL (3.79 bn Euro), increasing by 13.4%;
- The average gross monthly salary was 14,096.7 MDL (about 732 Euro) and increased by 14.1% compared to 2023;
- Industrial production decreased by 1.1% compared to 2023, with the main contributing factor being the decline in the manufacturing industry (-4.5%);
- In 2024, the volume of **agricultural production** decreased by 14.6% compared to 2023, totaling approximately 41.4 bn MDL (2.03 bn Euro);
- Plant production dropped by 22.9%, while livestock production registered an increase by 5.7%;
- Foreign direct investment (FDI) recorded net capital inflows of \$333.3 M and decreased by 6.7% compared to 2023. Investors from EU countries accounted for the majority (85.7%) of accumulated capital, followed by other countries (14.9%). Main foreign investors originate from Cyprus, the Netherlands, Romania, France, Bulgaria, Austria, the UK, etc.
- Exports amounted to \$3.5 bn, down by 12.2% compared with 2023. The main factors contributing to this decline were weak external demand and a reduction in export potential.
  Exports to EU countries amounted to \$2,392.4 M, down by 9.6%, representing 67.3% of total exports.
- The value of imports increased by 4.5% in 2024, totaling \$9.1 bn. Imports from the EU amounted \$4,546.1 M, increased by 8.6% and held a share of 50.1% of total imports.





### INTRODUCTION



European integration is the most important national project of the Republic of Moldova—a fundamental commitment of the country's political leadership as well as a shared civic commitment for the private sector. This path opens new opportunities for business growth and development, leading to the country's sustainable socioeconomic transformation.

In this context, the purpose of this document is to provide a comprehensive overview of the main challenges currently facing the business environment in Moldova, particularly in relation to the legal harmonization process required for EU integration.

The Republic of Moldova is making steady progress on implementing reforms under the national Reform Agenda, which prioritizes economic development, institutional resilience, rule of law, human capital, and environmental sustainability. These reforms are essential for aligning Moldova's legal and institutional frameworks with the EU acquis and ensuring that both the public and private sectors are well-prepared for future accession negotiations.

EBA Moldova plays a proactive and constructive role in this transformation. By working closely with national authorities, EU institutions, development partners, and civil society, EBA Moldova advocates or effective legal

harmonization in key areas such as taxation, food safety, renewable energy, waste management, and data protection (GDPR).

Additionally, EBA Moldova has intensified its efforts to promote Moldova's European path internationally. The Association organizes and meetings with participates in high-level representatives of the European Union, including members of the European Parliament and officials from the European Commission's DG TAXUD, DG ENEST, DG AGRI, and DG TRADE. These dialogues serve as an important platform to share the perspective of Moldova's private sector, highlight progress made, and reinforce the importance of a predictable and harmonized legal framework for attracting investment and fostering sustainable economic development. In this regard, strengthening the dialogue between EU decision-makers and the Moldovan private sector remains imperative to ensure that reforms are well-targeted, effective, and responsive to real business needs.



Meeting with Luc Pierre Devigne, Deputy Director, European External Action Service (EEAS). Brussels 2025

### GROWTH PLAN IMPLEMENTATION

Following the European Commission's adoption of the €1.9 billion Growth Plan for the Republic of Moldova, underpinned by the Reform and Growth Facility (2025–2027), the Government of Moldova has initiated the development of the Reform Agenda of the Growth Plan.

Moldova's business community supports the effective implementation of the Growth Plan aimed to reduce regulatory burdens, enhance access to finance, drive digital transformation, expand market access, and strengthen the competitiveness of SMEs, particularly in sectors aligned with EU integration. Nevertheless, in order to be compatible with EU requirements and practices, a series of crucial aspects which are reported as serious obstacles to business development, need to be evaluated and solved. In this respect, EBA Moldova submitted following proposals for the Reform Agenda of the Growth Plan:

- Strengthening the capacities of ANSA by supplementing the number of employees, increasing salaries and strengthening the infrastructure of laboratories in the field of food safety;
- Creating a stock exchange in Moldova, by ensuring a close collaboration with the Bucharest Stock Exchange and other exchanges in the region, in order to ensure the development of the capital market in the Republic of Moldova and generate a diversity of investments:
- Designing a fiscal strategy and reforms based on improving the investment climate, simplifying the tax system, correcting inequalities and avoiding distortions of competition. This includes harmonisation of VAT refund conditions, implementation of the cash basis VAT for small/medium-sized businesses, ensure the possibility of issuing tax invoice for advances at the time of payment, implementation of tax measures aimed at supporting investment activity;
- Improvement of the border crossing point infrastructure. This includes ensuring the availability of essential infrastructure and equipment, such as scanners and weighing systems, at border crossings with Ukraine and Romania, the construction of adequate parking areas, Authorized Economic Operator (AEO) lanes, and other facilities is essential to maintaining a smooth flow of truck traffic;
- Reform the naval legislation of the Republic of Moldova through a fundamental and integrated review of the entire legislative framework in this field:
- Measures related to the stimulation of renewable energy technologies, decarbonization of the energy sector, including exemption/reduction of VAT and elimination of customs duty for equipment for the production and storage of electricity (photovoltaic panels, inverters. wind turbines), batteries. accelerated investments deduction for in infrastructure. exemption/reduction immovable property tax for buildings that have renewable energy sources.



Public consultations on the Reform Agenda of the Growth Plan, funded by the European Union for 2025-2027, organized by the Ministry of Economic Development and Digitalization.

### ENERGY AND RENEWABLES

In the context of the energy crisis and the ongoing efforts of the Government of the Republic of Moldova to ensure the country's electricity supply—intensified by both security and commercial supply risks—the domestic generation of electricity in as large volumes as possible becomes the top priority.

In this regard, EBA Moldova supports the Government's efforts to ensure energy independence by developing new electricity generation capacities from renewable sources, as well as balancing capacities, and by promoting investments in the energy sector and creating a transparent and competitive legal framework.

Thus, EBA Moldova has actively participated in the development and improvement of the following legislative initiatives:

- <u>Law No. 107/2016 on Electricity and New law on Electricity</u>
- Law No. 10/2016 on promoting the use of energy from renewable sources
- Government Decision No.690/2018 for the approval of the Regulation on the conduct of tenders for offering the status of eligible producer
- Government Decision approving the Regulation on the construction/ reconstruction of power plants
- Tender documentation

Among the identified energy priorities, it is important to mention the following:

1. Adoption of the New Energy Law and Market Integration. EBA Moldova supports the adoption of a new law on electricity aimed at aligning Moldova's energy sector with EU standards and ensuring market integration. The law should regulate new market participants, enhance the role of transmission system operators (TSOs), and define transparent market rules and operator responsibilities.

EBA Moldova emphasizes that infrastructure development depends on a predictable legal framework, with grid access being a crucial factor for investment in renewable energy, especially in the context of Moldova's decarbonization and energy transition commitments.

#### Key proposals include:

- Extending land use rights for all energy infrastructure projects—not just system operators—to allow efficient construction and operation of electricity generation facilities, particularly from renewable sources such as wind farms. Current legislation restricts these rights to operators, creating barriers for independent producers.
- Revising connection procedures for new generation and storage capacities to create a balanced, investment-friendly framework. This includes eliminating retroactive measures, aligning financial requirements with EU practices and local conditions, and ensuring transparent, non-discriminatory access to the grid for all users.



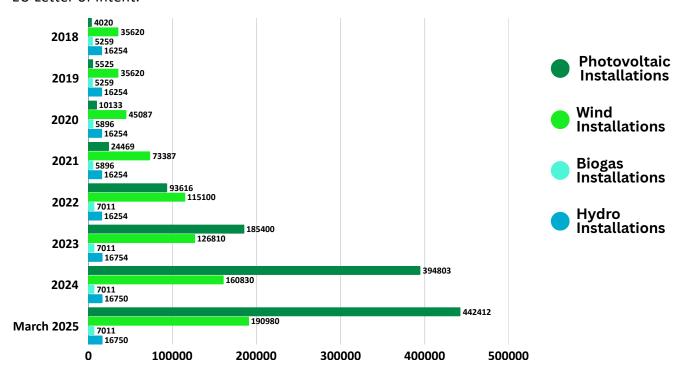
2. Adjustment of renewable energy tender timeline for Renewable Energy Sources. The new tenders on renewables with storage will be launched in December 2025, according to the Letter of Intent, signed in February 2025 between Moldova and the EU. In addition, a tender for system services will be launched in September 2025, as also committed in the above mentioned Letter of Intent.

EBA Moldova advocates to change the tender launch deadline for July 2025, and the award/verification for October 2025. This adjustment would ensure that newly awarded balancing capacities are operational by the winter of 2025–2026. Given the critical importance of grid stability and energy security during peak seasons, reducing delays and improving efficiency in the tender process is essential.

EBA Moldova also calls for better clarity and predictability in future tenders, particularly those for renewables with storage (planned for December 2025) and system services (September 2025), as outlined in the Moldova–EU Letter of Intent.

Note. According to the Ministry of Energy, the Republic of Moldova continues to make important strides in its energy transition, recording steady monthly increases in installed renewable energy sources (RES-E) capacity. At the end of April 2025, total installed capacity reached 665.79 MW, marking an increase of 86.40 MW during the first four months of this compared to 2024. Photovoltaic installations with a summative installed capacity of 449.41 MW, are attested to be the most prevalent technology and account for 67% of the total installed E-SER capacity. They are followed by wind installations with a total capacity of 192.48 MW, representing 29% of the total. The capacities of hydro and biogas installations register 16.75 MW (3%) and 7.16 MW (1%) respectively. The weighted distribution types installed capacities by of RES-E technologies is represented below.

# Graphic. Evolution of installed RES-E capacities between 2018-March 2025, MW



- **3. Financial and fiscal incentives for renewable energy projects.** In light of the European Commission's €1.9 billion Growth Plan for Moldova, EBA Moldova advocates for measures to stimulate private investment in renewable energy and low-carbon technologies. These include:
  - VAT and customs duty exemptions or reductions for renewable energy equipment (solar panels, inverters, batteries, wind turbines), which would help lower upfront costs for producers and accelerate deployment, especially for self-consumption projects that currently lack support schemes.
- Accelerated depreciation of green infrastructure investments, allowing companies to deduct up to 100% of investment costs in the first year. This would make renewable projects more financially attractive and support the shift to a circular, low-carbon economy.
- Property tax relief for buildings equipped with renewable energy systems. Local authorities could grant tax exemptions or reductions for newly built or renovated properties that integrate clean energy systems or certified wastewater treatment solutions.

### WASTE MANAGEMENT

To improve the effectiveness of the Extended Producer Responsibility (EPR) system, EBA Moldova has actively engaged in consultations with state authorities on such platforms as the Economic Council to the Prime Minister, the Ministry of Environment, and the Parliamentary Commission on Environment, Climate and Green Transition.



EBA participated in the public consultations for the optimization of Waste Management Regulations, organized by the Ministry of Environment.

As a result of this engagement amendments to Law No. 1540/1998 on environmental pollution payments were adopted and entered into force on February 4, 2025, as well as revisions to the POLMED 2025 Tax Notification Form and its completion instructions were approved. The adopted amendments concern the qualification as subject of all entities that place packaged goods on the market, regardless of the tariff heading to which such packaging is assigned, as well as empty sales packaging.

With respect to the Law No. 209/2016 on waste management, the Ministry of Environment proposed new amendments to the law that presented significant discrepancies with the provisions and the purpose of Directive 2008/98/EC on waste management, amended by Directive 2018/851. Following multiple meetings and debates with the responsible state authorities and relevant stakeholders succeeded to postpone the date of entry into force of new proposed amendments to Law 209/2016 from 1st of January 2025 to 1st of January to 2027 due to lack of several relevant bylaws and the regulation regarding the legal aspects of administrator role for the responsible body for implementation of deposit waste system and lack of synchronization of just entered into force of the EPR.

While Moldova has made substantial progress in aligning its environmental policies with EU standards, the business community, represented by EBA Moldova, highlights the urgent need to revise specific secondary regulations to ensure legal clarity, eliminate unjustified burdens, and enable smooth compliance for economic operators.

### 1. Regulation on packaging and packaging waste (Government Decision No. 561/2020).

The regulation imposes unequal treatment on producers fulfilling EPR obligations through individual systems (who are subject to penalties if targets are unmet) versus those in collective systems (who are exempt from such penalties). In effect, individual systems face double penalties under both GD 561/2020 and Law No. 1540/1998. To overcome this issue, it is important to harmonize the sanctioning provisions by ensuring that penalties for unmet targets are regulated under a single legal act, eliminating duplication and ensuring clarity for all market participants.

# 1. Regulation on Waste Electrical and Electronic Equipment - WEEE (Government Decision No. 212/2018).

The WEEE Regulation lacks clear definitions and differentiation between companies (e.g. food producers, retailers) importing EEE, including fridge display units and spare parts for resale on the domestic market and companies importing EEE for personal commercial use. In its current form, the regulation imposes identical compliance obligations (e.g., joining EPR schemes developing collection systems) on all these categories, regardless of whether the equipment contributes to national WEEE generation. EBA Moldova advocates for the introduction of a clearly defined exemption in GD No. 212/2018 for companies that import EEE exclusively for internal use, do not commercialize or resell the imported equipment to final consumers, and take full responsibility for end-of-life management by transferring used EEE to licensed recycling operators.

### LABOUR CODE

In the process of harmonizing the labour-related legal framework (Salary Law, Labour Code, and Occupational safety and health Law) with relevant EU Directives, the Ministry of Labour and Social Protection has drafted a legislative proposal. This draft aims to regulate new forms of employment (e.g., through temporary work agencies) and establish detailed provisions on working time arrangements to protect young workers and ensure occupational health and safety for specific categories of employees.

EBA Moldova, representing the private sector, proposes the following measures to ensure a balanced, business-friendly approach to legal harmonization:

- Simplifying qualification requirements, by offering employers greater flexibility in hiring, including the elimination of the requirement for an advanced electronic signature when concluding individual employment contracts;
- Allowing employment contracts to be amended through an additional agreement signed by the parties, including with the use of an advanced or qualified electronic signature. This amendment would enable the required qualification level to be defined in the individual employment contract, increasing clarity and flexibility for both parties;
- Enabling remote signing and modification of employment contracts using advanced electronic signatures, if such an option is stipulated in the contract. This change supports the digitalization of labour relations and improves administrative efficiency;

- Permitting termination of individual remote work contracts via the exchange of electronic documents using qualified or advanced electronic signatures, as applicable. This amendment harmonizes terminology and facilitates the use of electronic signatures in labour relations;
- Allowing occupational safety and health training to be conducted via IT tools and records to be kept in electronic format. This change supports the digitalization of training processes and optimizes archiving;
- Allowing documents related to occupational safety and health to be stored electronically. This change supports the transition to a fully electronic recordkeeping system in the field of occupational safety.



### **FOOD SAFETY**

In the area of food safety and veterinary regulations, several legal adjustments have been initiated. The private sector has highlighted the need to simplify procedures that currently create unnecessary costs, administrative burdens, and unjustified barriers to business operations.

### Law No. 231/2006 on the identification and registration of animals.

Under Law No. 231/2006, several paper-based documents are still required for the movement of animals within Moldova. Given the digitalization of processes and the availability of systems like E-ANSA and the State Animal Registry, these paper requirements are outdated. Eliminating the veterinary sanitary certificate and other redundant documents for internal movement reduces unnecessary administrative burdens and costs for businesses.

# Law No. 160/2011 on the Regulation of Entrepreneurial Activity through Authorization.

Law No. 160/2011 currently limits veterinary sanitary authorizations for transport vehicles to one year. Given advancements in vehicle standards, it is proposed to extend the validity period to three years. Vehicle conditions will continue to be monitored through ANSA's annual inspections, ensuring ongoing compliance without unnecessary renewals.

## Law No. 221/2007 on Veterinary Sanitary Activity.

- It is recommended to broaden the scope of economic activities that do not require a formal contract with a veterinary doctor, reducing unnecessary costs for operators.
- The obligation for ANSA (National Agency for Food Safety) to pre-approve construction and design projects in the veterinary domain (e.g. livestock complexes, poultry farms, etc.) is duplicative and burdensome. Since a veterinary authorization is still required before operations begin, this prior approval should be eliminated to ease compliance.
- The requirement for veterinary sanitary certificates for meat and other animal-origin products on the domestic market should be removed. EU practice relies on health marks and producers' declarations of conformity, while Moldova's Law No. 306/2018 on food safety already provides for a quality certificate —issued by the producer—that guarantees the safety and compliance of the delivered food products with relevant legal standards.



### TAX POLICY UNDER THE EU HARMONIZATION

### **Transfer Pricing**

EBA Moldova has played a key role in the development of the Moldovan transfer pricing legislation, by representing the interest of the business community in front of the competent authorities.

In this capacity, as an organisation, EBA Moldova contributed to the review of the draft legislation, highlighted areas of uncertainties or high risk of disputes with the competent authorities, as well as provided recommendations where immediate attention was required. As part of its commitment to fostering an investor-friendly environment, EBA Moldova has advocated for a regulatory framework which reflects the early stages of the development of transfer pricing legislation.

As a result, EBA's proposals were included in legal amendments to tax legislation, whereby the specific transfer pricing documentation has to be provided only upon the request of the State Tax Service, as opposed to mandatory submission by a statutory deadline.



#### **VAT Directive**

Currently, national legislation contains measures that are not aligned with EU standards, such as limiting the right to VAT refunds to specific cases only, preventing the deduction of VAT on advance payments, and lacking special provisions on VAT liability for SMEs in financial distress.

The vulnerability of the RM economy, which also translated into a low rate of direct investment in recent years, imposes the need to think through a comprehensive program aimed at ensuring economic recovery and creating a favorable and competitive investment environment, but also aimed at removing major impediments that seriously violate freedoms and guarantees in making investments. The fiscal strategy, designed in this context, should focus on introducing conceptual reforms based on improving the investment climate, simplifying the tax system, correcting inequalities and avoiding distortions of competition.

The <u>main needs</u> identified by the private sector in the context of the development of the investment and business environment from the perspective of the existing taxation regime, are:

#### Harmonisation of VAT refund conditions.

The Tax Code limits VAT refunds to specific operations and to amounts deducted after 01.01.2023. despite introducing mechanism meant to encourage refunds. This restriction undermines tax neutrality provided by the harmonization framework agreed by the Republic of Moldova and blocks investment activity. Unlike the EU, where VAT refunds are not limited by source or activity, Moldova remains the only country applying such restrictions. According to Directive 2006/112/EC, a taxable person is entitled to a VAT refund when deductible amounts exceed VAT due, regardless of activity purpose or outcome. The current Tax Code violates this principle, placing an unjust burden on businesses and contradicting Moldova's harmonization commitments.

### Implementation of the cash basis VAT for small/medium-sized businesses.

Directive 2006/112/EC allows EU Member States to implement a cash basis VAT system—where VAT is paid and deducted only upon payment collection. While optional, this measure has been widely adopted in the EU to support SMEs, especially during downturns. The system improves cash flow by deferring VAT obligations until receivables are collected, easing pressure on small businesses. Despite repeated requests from Moldova's business community, this mechanism has not been introduced. Implementing a cash basis VAT would offer much-needed liquidity improve SME resilience, stimulate economic growth, support job creation, and enhance Moldova's attractiveness to foreign investors.

# Allowing VAT deduction for advances at the time of payment.

Under Moldova's Tax Code, businesses are required to calculate VAT on received advances but can only deduct VAT on paid advances once the delivery of goods or services is confirmed by an invoice. This misalignment creates operational challenges and contradicts the principle of tax neutrality under EU law. To align with EU practice and improve business liquidity, Moldova should allow simultaneous VAT deduction and calculation for advances.

This change would simplify tax compliance and strengthen companies' financial capacity, fostering greater investment and economic growth.

### Ensuring equal taxation of investment income.

Moldova's Tax Code currently applies inconsistent tax treatment to investment income, depending on whether it is earned domestically or from abroad, and based on the status of the income payer. Such a framework discourages investments in non-government-issued instruments and reduces Moldova's appeal for international investment. Importantly, investment income from abroad is repatriated and taxed domestically, contributing to the national economy and public budget. To promote fairness and stimulate investment, Moldova should ensure uniform taxation rules for all investment income, regardless of its source or the payer's status. Equal treatment would enhance investor confidence, support economic growth, and align with international tax standards.

### Restoring the capital gains concept for legal entities.

Current tax legislation treats capital gains inconsistently, applying preferential tax rules only to individuals while excluding legal entities. This unequal treatment discourages corporate investment and increases the tax burden on companies. Until 2020, both individuals and legal entities were subject to capital gains provisions. However, following amendments to the Tax Code, only individuals-residents and non-residentsare now eligible for this regime. Contrary to its intended purpose, this change did not simplify tax administration or improve compliance. Instead, it led to a doubled tax burden on investment income for legal entities, forcing many businesses to scale back or rethink investment strategies. Restoring capital gains provisions for legal entities would align corporate taxation with principles of fairness, support long-term investment, and enhance economic growth. It would also reduce distortions in resource allocation and encourage companies to pursue innovation and development—key goals of Moldova's economic recovery agenda.



### **ACCESS TO FINANCE**

In the context of the financial support received from the EU for the implementation of the reform agenda, it is imperative to support not only SMEs, but also medium and large companies, i.e. manufacturing and processing companies that generate added value.



Limited access to finance can significantly hinder the growth and operations of even large companies, which require substantial financial resources for large-scale investments, mergers and acquisitions, research and development, and international expansion. For SMEs, the main barriers to accessing finance include high interest rates, excessive charges and commissions, and a lack of expertise in preparing loan applications. Additionally, the long processing times and stringent requirements can further complicate their efforts to secure funding. Large companies, despite their scale, also face challenges such as the scarcity of available credit tailored to their needs. Addressing these barriers is crucial for ensuring that businesses at all levels can secure the necessary funds to support their strategic objectives and sustain their expansion plans effectively.

The private sector emphasizes the need to adjust the criteria for defining SMEs, stipulated in Law 179/2016 on small and medium-sized enterprises, to align with the European Commission Recommendation of 6 May 2003 concerning the definition of SMEs. This adjustment will enable a greater number of entrepreneurs to be eligible for support under the State Programs for SME development and to receive non-reimbursable financing, preferential loans, and financial guarantees for contracting loans from commercial banks.

With the active involvement of the private sector over the past five years, Law No. 195 on personal data protection was approved on 27.07.2024 and is set to take effect on 23.08.2026. This law aligns with the EU Regulation 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data.

EBA participated at a meeting with the National Commission for Financial Markets on developing the potential of the capital market in the Republic of Moldova. The law applies both to data processing by operators registered in Moldova and to the data processing of Moldovan individuals by operators based outside the country.

To comply, companies will need time to develop and approve internal policies, codes of conduct, and mandatory corporate rules, all of which must be approved by the National Center for Personal Data Protection (CNPDCP). Additionally, each company is required to maintain a registry of data processing activities.

However, businesses have noted the lack of a model registry and specific guidance from CNPDCP as a challenge. Further challenges highlighted by the private sector include:

- Insufficient information provided to small and medium-sized enterprises (SMEs).
- Regulations that could stifle innovation due to strict compliance requirements.
- Significant fines and potential reputational damage, which could create additional pressures for businesses.

To address these issues, the private sector has recommended the following:

- Development of guidelines to facilitate alignment with Law No. 195/2024.
- Access to data protection experts for specific guidance on implementing the law.
- Initial warnings and prescriptive guidance from CNPDCP for data operators.
- CNPDCP-led public awareness campaigns to increase understanding of the law.
- Harmonization of the sectoral legal framework, in particular: AML, electronic communications, HR, banking, medical, statistics, e-commerce, consumer protection, etc.
- Approval of the new legal framework in the police field and transposition of Directive 2016/680 EU.

As of 1st of June 2025 no progress was achieved in developing and adjusting the secondary legislation according to the Law No. 195/2024.





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