MOLDOVA

INVESTMENT CLIMATE STATEMENT

2015

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Executive Summary

Moldova is a country located in Eastern Europe. Since its independence in 1991, Moldova, a former Soviet republic, has made significant progress towards adopting the principles of a free market democracy. However, it has a mixed record of reforms over the years with past practices afflicting its public and private sectors and showcasing its institutional weaknesses. The political turmoil of 2013 and 2014 highlighted the major shortcomings of its business environment and governmental practices despite a declared understanding of the need for reform and more foreign direct investment.

Controversies in the banking and financial sectors and questionable governmental decisions conceding control in several key sectors have rocked the country. Despite slight progress reported by the 2015 World Bank Survey on Ease of Doing Business, recent efforts to tackle corruption, increase transparency in decision-making, cut bureaucracy, and uphold the rule of law have yet to make significant improvements in the investment climate.

A new government was created following general elections in 2014, which declared its intention to continue the previous government's path toward greater integration with the EU. The government signed an Association Agreement (AA) with the EU, including a deep and comprehensive free trade agreement (DCFTA), in June 2014. With an Action Plan for implementation of the AA/DCFTA in place and a minority coalition government committed to continue on the path of European integration, Moldova has stated its commitment to pursue a course of deeper reforms to bring its governmental, regulatory, and business practices in line with EU standards. The current tense regional situation notwithstanding (Moldova lies between Ukraine and Romania), the implementation of the DCFTA would potentially integrate Moldova further into the EU market and create more opportunities for investment as a bridge between the vast Western and Eastern European markets.

The business climate remains challenging. Although underdevelopment in many sectors offers opportunities, Moldova is not for unexperienced investors. While a number of large foreign companies have taken advantage in recent years of the tax breaks available in the country's free economic zones, foreign direct investment remains low.

In 2014, Moldova dropped to 103rd place in the Transparency International Corruption Perception Index (CPI), scoring 35 out of 100. In the past several years, the U.S. Embassy has received reports from foreign investors of serious problems with corruption and bribery. The April 2013 dismissal of the "anti-corruption" government on corruption allegations has worsened the Moldovan society's perception of corruption in general.

The major issues that might affect the country's investment climate in 2015 could stem from political uncertainties related to the country being governed by a minority government, a projected economic downturn, unresolved problems in the banking sector, and further destabilization in the wider region.

Investors should be aware that most Moldovan territory east of the Nistru (Dniester) River is under the control of a separatist regime that does not recognize the sovereignty of the legitimate Moldovan authorities in Chisinau. These separatists have declared a self-proclaimed

Transnistrian Moldovan Republic, commonly known as Transnistria. The U.S. Embassy advises any potential investors of its limited ability to provide any assistance, including consular and commercial services, in the 1,600 square-mile territory of Transnistria. The GOM does not recognize the validity of contracts for the privatization of firms in Transnistria that are concluded without the approval of the appropriate Moldovan authorities.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Moldova, consistently ranked as one of the poorest countries in Europe, relies heavily on investment, foreign trade, and remittances for economic growth. Attracting Foreign Direct Investment (FDI) is critical to enhancing Moldova's economic competitiveness. Under Moldovan law, foreign companies enjoy treatment equal to local companies – also known as the national treatment. The Government of Moldova (GOM) views investment as vital for sustainable economic growth and poverty reduction. However, actual FDI is far below what Moldova needs to create jobs and promote economic growth.

Moldova has benefited from increased inflows of foreign direct investment (FDI) with eastward expansion of the EU, which became the country’s immediate neighbor following Romania's accession to the EU on January 1, 2007. However, the global crisis significantly decreased FDI in Moldova, which fell dramatically in 2009 and has yet to return to pre-crisis levels. Although remittances rebounded, they never matched their 2008 peak year levels and began falling in late 2014, reflecting slower growth in Russia and weakness of the Russian ruble.

Moldova’s development path in recent years, albeit uneven, has been guided by agreements that call for tighter ties with the European Union and reforms in various areas, including trade and the judiciary. Following the expiration of a Moldova-EU Action Plan in 2008, Moldova explored other trade options with the European bloc before starting negotiations with the EU on an Association Agreement in January 2010. In June 2014, Moldova signed the EU Association Agreement (AA) that includes a deep and comprehensive free trade agreement (DCFTA). Moldova sees the Agreement as a framework that will bring Moldova closer to the EU through political association and economic integration. The DCFTA provides for mutual elimination of customs duties for industrial and most agricultural products, and further liberalization of the services market, as well as addressing other barriers to trade and reforms in economic governance aimed at strengthening transparency and competition. Ultimately, these changes will lead to Moldova's integration into the common EU market.

As a country with a small market (3.6 million population), Moldova implements a liberalized trade and investment strategy to promote the export of its goods and services. A member of the World Trade Organization (WTO) since 2001, Moldova has signed free trade agreements with fellow countries of the former Soviet Union. In December 2006, Moldova joined the Central European Free Trade Agreement. In 2008, Moldova moved from the extended generalized system of preferences (GSP-plus) with the EU to autonomous trade preferences, which expanded the duty-free access of Moldovan goods to EU markets. The EU market is the country's largest export destination, usually accounting for slightly less than half of all Moldovan exports. Originally valid until 2012, the EU extended autonomous trade preferences through 2015. To deepen its preferential trade arrangements with the EU, Moldova signed AA/DCFTA in 2014. Certain economic chapters have been provisionally applied as of September 1, 2014. Since September 2013, Moldova has faced a Russian boycott on alcoholic products. Furthermore, soon after ratification of the AA/DCFTA, Russia, Moldova's main historic trade partner, imposed trade bans seriously affecting Moldova's exports of fruit, canned products, and fresh and processed meat. Moldova’s dependence on agricultural exports to Russia makes it vulnerable to economic pressures.

Following the parliamentary elections of November 2014, the GOM approved an activity program for 2015-2018 that centers on European integration with the ultimate goal of applying for EU membership. The program sets economic development, creation of well-paid jobs, elimination of corruption, and rule of law among key objectives. The GOM also approved an Action Plan for the implementation of the Moldova-EU AA/DCFTA in October 2014. In 2012, the GOM outlined in the National Development Strategy "Moldova 2020," outlining seven priority areas for development and reform in the Strategy: education, access to financing, road infrastructure, business regulation, energy efficiency, justice system, and social insurance. The Government has made a formal commitment to accelerate the country’s development by making it capital-intensive, sustainable, and knowledge-driven.

Other Investment Policy Reviews

The United Nations Conference on Trade and Development (UNCTAD) recently conducted an Investment Policy Review covering Moldova, published on its website at http://unctad.org/en/Pages/DIAE/Investment%20Policy%20Reviews/Investment-Policy-Reviews.aspx. The World Bank's, 2015 Doing Business Economic Profile additionally has current detail on Moldova's investment climate.

Laws/Regulations of Foreign Direct Investment

In addition to international treaties, Moldovan law regulates business activity, including foreign investments. Such laws include, but are not limited to, the Civil Code, the Law on Property, the Law on Investment in Entrepreneurship, the Law on Entrepreneurship and Enterprises, the Law on Joint Stock Companies, the Law on Small Business Support, the Law on Financial Institutions, the Law on Franchising, the Tax Code, the Customs Code, the Law on Licensing Certain Activities, and the Law on Insolvency.

The current Law on Investment in Entrepreneurship came into effect in 2004. It was designed to be compatible with European legislative standards and defines types of local and foreign investment. It also provides guarantees for respect of investors' rights, non-application of expropriation or actions similar to expropriation, and for payment of damages in the event of investors' rights being violated. The law permits investment in all sectors of the economy, while certain activities require a business license.

Over the years, the GOM has made efforts to lower tax rates, strengthen tax administration, increase transparency, and simplify business regulations. Nevertheless, decision-making remains sometimes opaque and the application of laws and regulations inconsistent. Corruption remains a big concern. Moreover, GOM must work further to reduce perceptions of government interference in the private sector, which protects influential individuals, uses governmental powers to pressure businesses for personal or political gain, and selectively applies regulations.

The political uncertainties of 2013 highlighted fundamental problems with the business environment in Moldova. A controversial concession of the Chisinau International Airport and de facto privatization of one of Moldova's largest banks, Banca de Economii, raised questions about the Moldovan government's irregular practices. A subsequent banking crisis in late 2014 highlighted institutional vulnerability to corruption and to weaknesses in financial and banking regulation.

A general description of laws and regulations as they relate to foreign businesses in Moldova can be found at www.miepo.md.

Industrial Promotion

The government promotes the following industries as attractive for foreign investment through the Moldovan Investment and Export Promotion Organization (MIEPO): agriculture, automotive, ICT, medicine, renewable energy and textiles. Description of the sectors can be found on the MIEPO gateway http://miepo.md/sectors.

Limits on Foreign Control

There are no limits on foreign control of investments. Under Moldovan law, foreign companies enjoy equal treatment as local companies – also known as national treatment. The Law on Investment in Entrepreneurship prohibits discrimination against investments based on citizenship, domicile, residence, place of registration, place of activity, state of origin, or any other grounds. The law provides for equitable and level-field conditions for all investors. It rules out discriminatory measures hindering management, operation, maintenance, utilization, acquisition, extension, or disposal of investments. Local companies and foreigners are to be treated equally with regard to licensing, approval, and procurement. However, as is common in many countries, foreigners are expressly prohibited from owning agricultural or forestry land.

Privatization Program

The GOM launched the first privatization of former Soviet enterprises in 1994. It has adopted three separate privatization programs, including privatization via National Patrimonial Bonds (foreigners were not allowed to participate); via cash transactions for both locals and foreigners; and via a program, which involved only cash privatization. The third program began in 1997-1998 and was extended to 2000. The program was later extended with some modifications to the end of 2006. Foreign investors have successfully participated in the third program of privatizations. In 2007, Parliament passed a new privatization law, which introduced a new plan focused on efficiency for privatizing and managing state-owned assets.

In 2013, the GOM continued to focus on privatization of state-owned assets after releasing a new list of assets subject to privatization. It suspended previous plans for large-scale privatizations in 2014, in the lead-up to planned parliamentary elections. New rounds of privatization are expected in 2015. The GOM is increasingly emphasizing public-private partnerships as means for companies to gain access to state-owned resources, especially in infrastructure-related projects.

Screening of FDI

There is no screening of foreign direct investment (FDI) in Moldova. Legislation permits 100 percent foreign ownership in companies, except for a law prohibiting offshore companies from holding shares in commercial banks. By statute, special forms of legal organizations and certain activities require a minimum of capital to be invested (e.g., MDL 20,000 [USD 1,300] for joint stock companies, MDL 15 million [USD 1 million] for insurance companies, and MDL 100 million [USD 6.5 million] for banks).

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Competition Law

After several years of delay, the government established a National Competition Agency in 2007. From its outset, the agency's targeted actions against major foreign investors drew accusations of abuse, lack of experience, and flawed antitrust legislation. As a result, in 2012, Parliament passed a new EU-compatible law on competition. The National Competition Agency was renamed the Competition Council. The Competition Council supervises compliance with competition and state-aid provisions and initiates examination of alleged violation of competition laws. The Competition Council may request termination of the violation, prescribe behavioral or structural remedies, and/or apply fines.

Investment Trends

After years of low FDI in the 1990s, FDI inflows steadily increased from 2004 to 2008. According to the National Bank of Moldova (NBM), FDI inflows amounted to a record high of USD 873.38 million in 2008. The global financial crisis contributed to an abrupt drop in foreign investment in 2009, when FDI fell by more than 60 percent to USD 360.01 million. Since then, annual FDI inflows have never exceeded 2008 levels.

Recent years have seen large-scale investments by Germany's Metro Cash & Carry, Germany's Draexlmaier, France's Societe Generale, Austria's Grawe Insurance Company, Austria's Raiffeisen Investment, the Netherlands' Easeur Holding B.V., Italy's Gruppo Veneto Banca, U.S. investment fund NCH Capital, U.S. equity fund Horizon Capital, and the U.S. Lear Corporation. American investments in Moldova are primarily in the wine and food industry, automotive parts, cosmetics, telecommunications, banking, and real estate.

As of January 1, 2015, the historical-cost-basis value of the total stock of foreign direct investment (FDI) in Moldova since independence amounted to USD 3.647 billion, according to the NBM (USD 3 billion, U.S. BEA, 2013).

In 2014, FDI inflows were 5.0 percent of annual GDP, while the FDI stock was 45.9 percent of GDP.

According to NBM data, at the end of 2014, Moldova's direct investment abroad since independence amounted to USD 170.1 million.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	103 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	63 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	43 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 2,470	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

Moldova has a compact with the Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform. MCC overview, success stories, and scorecard can be found here: https://www.mcc.gov/pages/countries/overview/moldova

2. Conversion and Transfer Policies

Foreign Exchange

Moldova accepted Article VIII of the International Monetary Fund (IMF) Charter in 1995, which required liberalization of foreign exchange operations. There are no restrictions on the conversion or transfer of funds associated with foreign investment in Moldova.

The leu (MDL) is the only accepted legal tender in the retail and service sectors in Moldova. The foreign exchange regulation of the National Bank allows foreigners and residents to use foreign currencies in some capital transactions in the territory of Moldova. Generally, there are no difficulties associated with the exchange of foreign or local currency in Moldova.

After the tumultuous period of inflation and devaluation of the 1990s, the local currency, the Moldovan leu (plural, lei), has entered a period of relative stability punctuated by periods of volatility and depreciation due to economic shocks of domestic or foreign origins.

After a rally in the aftermath of the recent global crisis, the leu has weakened. In 2014, the downward trend continued and accelerated toward the end of the year, as shocks from unfavorable trade conditions due to economic recession and regional political and economic instability, coupled with uncertainties in the domestic banking sector, had a significant negative impact on the national currency.

In 2014, the MDL began the year at 13.06 to one U.S. dollar and finished at 15.62, a 20 percent drop in value. The national currency's depreciation has continued into 2015 as the difficult regional economic and political environment, along with Russian bans on Moldovan food exports and falling remittances from Russia, impacted Moldova's balance of payments. As of early 2015, unresolved problems in the banking sector also affect confidence in the leu.

Remittance Policies

Foreign investors enjoy the right to repatriate their earnings. The U.S. Embassy has received no complaints from U.S. investors regarding converting or remitting funds associated with investments in Moldova. After the payment of taxes, foreign investors are permitted to repatriate residual funds. Capital transfers are not subject to any other duties or taxes, and do not require special permission. No significant delays in the remittances of investment returns have been reported, while domestic commercial banks have accounts in leading multinational banks.

3. Expropriation and Compensation

The Law on Investment in Entrepreneurship states that investments cannot be subject to expropriation or to measures with a similar effect. An investment may be expropriated only if all three of the following conditions are met: the expropriation is done for purposes of public utility, is not discriminatory, and is done with just and preliminary compensation. If a public authority violates an investor's rights, the investor is entitled to reparation of damages. The compensation is to be equivalent to the real extent of the damage at the time of occurrence. The public authorities concerned will pay compensation for any damage caused, including any lost profits. Compensation must be paid in the currency in which the original investment was made or in any other convertible currency.

The GOM has given no evidence of intent to discriminate against U.S. investments, companies or representatives by expropriation, or of intent to expropriate property owned by citizens of other countries. No particular sectors are at greater risk of expropriation or similar actions in Moldova.

Moldovan domestic law restricts the right to purchase agricultural and forest land to Moldovan citizens. Foreigners may become owners of such land only through inheritance and may only transfer the land to Moldovan citizens. In 2006, Parliament further restricted the right of sale and purchase of agricultural land to the state, Moldovan citizens, and legal entities without foreign capital.

However, foreigners are permitted to buy all other forms of property in Moldova, including land plots under privatized enterprises and land designated for construction. Moldovan-registered companies with foreign capital are known to own agricultural land by means of loopholes in the previous law. In the past, the limit on foreign ownership of agricultural land was used in lawsuits as an argument against foreign companies. The only straightforward option available to foreigners who wish to use agricultural land in Moldova at this time is to lease agricultural land.

Since 2001, the GOM has cancelled several privatizations, citing the failure of investors to meet investment schedules or irregularities committed during privatization. While the government agreed to repay investors in such disputes, payment of compensation was delayed. Often, investors had to apply to the European Court of Human Rights (ECHR) to enforce payment of compensation from the Moldovan government. The GOM has been compliant with the ECHR rulings involving foreign businesses.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Moldova has a civil law legal system with codified laws that govern different aspects of life, including business, trade and economy. The country's legal framework consists of the Constitution, organic and ordinary laws passed by the Parliament and normative acts issued by the Government and other public authorities.

As a result of negotiations connected with Moldova's accession to the WTO, modern commercial legislation was adopted in accordance with WTO rules. The main challenges to the business climate remain the lack of effective and equitable implementation of laws and regulations, and arbitrary, non-transparent decisions by government officials. In circumvention of WTO principles, the GOM nevertheless may apply measures that put domestic producers at an advantage in comparison with foreign competitors in certain areas. For example, an environmental tax is applied on bottles and other packaging of imported goods, while such a tax is not levied on bottles and packaging produced in Moldova. Additionally, the GOM may intervene in the economy, in contravention of its declared respect for market principles, under the formal excuse of public security or general social welfare.

In 2003, the government restructured the judiciary by eliminating the lower-tier of appellate courts (called tribunals) and the Higher Court of Appeals. The judiciary now consists of lower courts (i.e., trial courts), five courts of appeals and the Supreme Court of Justice.

In addition, a separate layer of courts covering the judicial settlement of economic/trade-related litigation was created. This quasi-separate court system consisted of the District Economic Court as a trial court, the Economic Court of Appeals, and the Supreme Court of Justice, whose jurisdiction included the adjudication of economic litigation.

However, in July 2011, Parliament enacted a series of amendments, which reorganized the judicial system and dissolved these economic courts. Within six months from the date of enactment, the jurisdiction of economic courts was gradually transferred to civil law courts, namely appellate and trial level courts. Seen as a measure targeting corruption, the action raises questions about civil law judges' sufficient training to deal with matters of commercial or business disputes. The economic courts' assets and budgetary resources were re-directed to the common law and appellate courts. Throughout 2012, the GOM completed the entire transition process by re-appointing judges and other personnel to new courts.

Moldovan courts are nominally independent from government and political interference, suffering from low levels of efficiency and citizen trust. According to the 2011-2016 Justice Sector Reform Strategy, the Judicial Administration Department was transferred to Superior Council of Magistrates supervision by the end of 2013. After the enactment in 2011 of the 2011-2016 Justice Sector Reform Strategy, the Strategy's Action Plan was enacted at the beginning of 2012 by the Moldovan Parliament.

The Action Plan envisions multiple actions aimed at restricting the court system, prosecution and other law enforcement agencies, institution of zero-tolerance policies towards corruption, integrity and polygraph testing of justice sector officials and creation of a strong ethics framework. To improve the investment climate, the GOM included a separate pillar within the Justice Sector Reform Strategy entitled, The Role of Justice in Economic Development. The overall objective of this pillar is to identify and implement actions, which will enable the justice sector agencies to help create a favorable environment for a sustainable development of Moldovan economy. All actions under this objective target three strategic directions, namely: strengthening the system of alternative dispute resolution; improving the insolvency procedures and modernization of the system for maintaining and providing information concerning companies' registration.

Bankruptcy

The country has changed its insolvency law over the years to grant priority to secured creditors and, most recently, to ease insolvency proceedings by introducing new restructuring mechanisms, reducing opportunities for appeals, adding moratorium provisions and establishing strict statutory periods in the proceedings. In terms of resolving insolvency, the World Bank ranks Moldova 58th out of 158 economies in 2015. Moldova scores above regional average, but trails a number of EU members in central and eastern Europe.

Investment Disputes

Moldova has a record of disputes over past privatizations involving foreign investors. Party of Communists (PCRM) officials, when in opposition prior to 2001, criticized what they characterized as sweetheart deals for many privatizations. Consequently, once in power in 2001, the first PCRM-backed government increased its scrutiny of the privatization process, including previously concluded contracts. (The PCRM has not been in power since July 2009.)

The GOM cancelled some privatizations because of alleged irregularities in the privatization procedures or the failure of investors to meet an investment timetable. In some instances, foreign investors had to appeal to the European Court for Human Rights (ECHR) to seek justice. There were accounts of businesses becoming targets of investigations due to business owners' political affiliation, while local media reported excessive red tape or arbitrary decisions made by government agencies, police, or tax authorities. Businesses from time to time complain about inspections, sometimes bordering harassment, carried out by various authorities. Investors have also stated that they have low confidence in the legal system and, in some cases, feel victimized by irregularities in the judicial process.

International Arbitration

The GOM accepts international arbitration of investment disputes. By law, investment disputes can be resolved in Moldovan courts or through arbitration. In the event of ad hoc arbitration, the law requires compliance with the United Nations Commission on International Trade Law (UNCITRAL Model Law) rules, arbitration rules of the Paris International Chamber of Commerce (ICC), and any other rules, principles and norms agreed upon by the parties. Despite such provisions in the law, there were cases when local courts tried to limit business litigation to local jurisdiction.

The legal framework for dispute resolution consists of the Law on Arbitration (2008), the Law on International Commercial Arbitration (2008) and the Law on Mediation (2007). The law on arbitration says that certain contracts are not subject to arbitration such as those concerning rental of housing space, while the arbitration clause needs to be concluded in writing for it to be valid. Under the same law, parties may still have recourse to courts even though a final arbitration decision was made. Also, the Chamber of Commerce and Industry established an International Commercial Arbitration Court for commercial arbitration to settle disputes regarding foreign trade and investment.

ICSID Convention and New York Convention

In 2011, Moldova is a member state to the International Centre for the Settlement of Investment Disputes (ICSID Convention). Moldova is also a signatory to convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention), meaning local courts must enforce international arbitration awards that meet certain conditions.

Moldova is also a party to the Geneva European Convention on International Commercial Arbitration of April 21, 1961, and the Paris Agreement relating to the application of the European Convention on International Commercial Arbitration of December 17, 1962.

Duration of Dispute Resolution

According to World Bank surveys, it takes 19 months on average to resolve a commercial dispute in Moldova.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Moldova has been a member of the World Trade Organization (WTO) since 2001 and is a signatory to the General Agreement on Trade in Services (GATS), the Agreement on Trade Related Investment Measures (TRIMs) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). These agreements contain major investment-related provisions, such as opening to the establishment of foreign service providers, prohibition of local content rules, trade-balancing and domestic-sales requirements (TRIMs), and protection of intellectual property of investors (TRIPS). No major inconsistencies with WTO TRIMS have been reported.

Investment Incentives

Research and Development

Post is not aware of any major research and development program financed or subsidized by the Government of Moldova. While GOM does not have specific incentives targeted at foreign investors, it has a generally investment-friendly environment designed to attract new investment. Details at the Invest in Moldova portal: http://miepo.md/investment-guide/tax-framework

Performance Requirements

All incentives are applied uniformly to both domestic and foreign investors. Unlike its predecessor, the Law on Investment in Entrepreneurship, in effect since 2004, no longer protects new investors from legislative changes for ten years. However, the new law does leave in effect (grandfathers) past privileges and guarantees granted to foreign investors under the old Law on Foreign Investment. One such privilege provides for exemptions from customs duties on imports until April 23, 2014, if the imports are used to manufacture goods bound for export.

After a four-year period with no corporate income tax, the GOM reintroduced a 12 percent corporate income tax beginning in January 1, 2012. Small businesses that meet requirements set out in the Fiscal Code can opt for a flat three-percent levy on sales instead of corporate income tax. Starting in 2012, the Tax Code has fewer corporate income tax breaks available for businesses.

No formal requirements exist for investors to purchase from local sources or to export a certain percentage of their output.

No limitations exist on access to foreign exchange in relation to a company's exports. There are no special requirements that nationals own shares of a company. Both joint ventures and wholly foreign-owned companies may be set up in Moldova.

While not an official policy, in sectors of the economy that require large investments and experienced management, such as energy or telecommunications, the GOM has always showed preference to experienced foreign investors over local investors. In all other sectors, foreign and local investors formally receive equal treatment.

The government does not impose offset requirements on procurements. Moldovan law allows investments in any area of the country in any sector, provided that national security interests, anti-monopoly legislation, environmental protection, public health, and public order are respected.

Enforcement procedures for performance requirements to enjoy tax incentives are described in the Tax Code and related governmental decisions and Ministry of Finance instructions.

Foreign investors are required to disclose the same information as local ones. Moldova has no discriminatory visa, residence or work-permit requirements inhibiting foreign investors' mobility in Moldova. The GOM set up a one-stop shop for foreigners applying for Moldovan residence and work permits in a bid to streamline a complicated procedure.

Moldova has a liberal commercial regime with more than 100 countries. According to the Tax Code, Moldovan exports are exempt from value added tax. Although there are no formal import price controls, there are reports that Moldovan Customs Service may make arbitrary price assessments on certain types of imported goods for taxation purposes.

Data Storage

Post is not aware of any reports of forced localization or special requirements targeting foreign IT providers. The Ministry of Information Technology and Communication is responsible for developing strategies and policies on electronic communication, while the National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI) has functions of regulations and oversight.

6. Right to Private Ownership and Establishment

The Constitution of the Republic of Moldova guarantees the inviolability of investments by all natural and legal entities, including foreigners. Key constitutional principles include the supremacy of international law, a market economy, private property, provisions against unjust expropriation, provisions against confiscation of property, and separation of powers among government branches. The Constitution provides for an independent judiciary; however, government interference and corruption remain problems in the application of laws and regulations, and in the impartiality of the courts.

Current investment legislation is based on non-discrimination between foreign and local investors. Moldovan law ensures full and permanent security and protection of all investments, regardless of their form. There are no formal economic or industrial strategies that have a discriminatory effect on foreign-owned investors in Moldova, and no limits on foreign ownership or control, except in the right to purchase and sell agricultural and forest land, which is restricted to Moldovan citizens.

Investors should be aware that most Moldovan territory east of the Nistru (Dniester) River is under the control of a separatist regime that does not recognize the sovereignty of the legitimate Moldovan authorities in Chisinau. These separatists have declared a self-proclaimed Transnistrian Moldovan Republic, commonly known as Transnistria.

The U.S. Embassy advises any potential investors of its limited ability to provide any assistance, including consular and commercial services, in Transnistria. Also, the GOM has indicated in the past that it will not recognize the validity of contracts for the privatization of firms in Transnistria that are concluded without the approval of the appropriate Moldovan authorities.

In March 2006, Ukraine imposed new customs regulations, under which Transnistrian companies seeking to engage in cross-border trade had to register in Chisinau. Despite initial protests by the local regime, most of Transnistria's large companies involved in foreign trade operations subsequently registered with Moldovan authorities.

7. Protection of Property Rights

Real Property

The legal system protects and facilitates the acquisition and disposition of all property rights. Moldova has adopted laws on property and on mortgages. A system for recording property titles and mortgages is in place; however, the mortgage market is still underdeveloped.

The judicial sector remains weak and does not always guarantee the property rights of citizens and foreign investors. There are four recent examples where Moldovan and foreign investors were dispossessed of their shares in Moldovan financial institutions and were not protected in Moldovan lower courts' decisions. One of these cases was appealed to the Moldovan Supreme Court, which ruled in favor of the investors.

Intellectual Property Rights

The Intellectual Property Rights (IPR) protection and enforcement regime in Moldova did not change significantly in the past year. The legal structure is strong. The country has an agency for the protection of copyrights, the State Agency on Intellectual Property (AGEPI), which continues working on improving the legal framework and adjusting it to EU norms, increasing public awareness, and building capacity in law enforcement. Following Moldova's adoption of DCFTA with the EU in June 2014, AGEPI participated in negotiations on the IPR chapter of the agreement with the objective of ensuring a level of protection for intellectual property rights in Moldova similar to that in the EU, including effective enforcement. AGEPI agreed on a 2014-2016 DCFTA implementation Action Plan to fulfill Moldova’s IPR obligations under the agreement.

In addition, Moldova has a National Commission for Intellectual Property chaired by the Deputy Prime Minister and Minister of Economy, which meets regularly. In 2011, AGEPI created the Observation Group on the Enforcement of Intellectual Property Rights, based on European experts’ recommendations. The group’s objectives include supporting data exchange between authorities responsible for the enforcement of intellectual property rights, as well as generating analytical and statistical studies in the field.

AGEPI, the Ministry of Internal Affairs (MOIA), and the Customs Service collaborate to enforce IPR. Several local professional associations work on protecting its members' IP rights. Despite efforts to improve, the enforcement of IPR remains weak in Moldova.

The Customs Service, with the technical assistance of the European Union Border Assistance Mission (EUBAM) in Moldova, prepared two tranches of changes to the Moldovan legal code to harmonize it with EU law, specifically EU regulation number 608/2013 concerning customs enforcement of intellectual property rights. The first tranche of six proposed modifications to the laws were passed in 2014 and the remaining five modifications have been drafted and are waiting to be approved by the Moldovan parliament.

According to AGEPI, during the last year the Customs Service received 136 applications for customs action from IP right holders (43 percent more that in 2013) and significantly increased the number of objects identified as intellectual property for border protection and enforcement purposes. Out of 136 applications, 45 were from national right holders and 91 from foreign holders. As of December 31, 2014 border protection was granted for a total of 597 products listed in the Register of Intellectual Property Objects.

In 2014, the Customs Service registered 30 interdictions of goods suspected of being counterfeit, a 60 percent reduction from the previous year. In 29 of the 30 interdictions, products were under customs regime for import; in one case products were intended for export. In 29 cases the declarant was domestic (four individuals and 25 legal entities), and in one case the declarant was international. Twenty-five cases related to trademarks, and five cases related to industrial design. In 26 cases, the rights enforcement procedure was initiated on the basis of the application for action, in the other four the procedure was initiated ex officio. According to Customs Service data, 90 percent of detained counterfeit products represent packaging, bags, slip covers, and stickers, followed by cosmetics and perfumery, clothing and footwear, toys, industrial designs, and accessories such as glasses, purses, scarves.

Ministry of Internal Affairs (MOIA) is the main law enforcement body for preventing and combating intellectual property-related offences in the domestic market. During 2014, the Economic Fraud Investigation Directorate of the MOIA registered and processed 82 notices of infringement of intellectual property rights (a decrease from the previous year), including 13 notices from domestic holders, and 69 submitted on behalf of foreign holders. Seventy-three of the notices related to trademark, seven to copyright, and two to industrial design. Of the 73 notices concerning trademark, 40 dealt with clothing/footwear; 11 with bags, purses, and leather accessories; 10 with perfume and cosmetics; five with auto parts; and the rest with other objects.

Moldova is not listed in USTR's Special 301 report. Moldova is not listed in the notorious market report.

Moldova has cooperation agreements with 26 member states and is a party to 23 WIPO agreements, a list of which, including other international and regional agreements and IP conventions, is available at http://www.agepi.gov.md/en/legislation/international.php.

Registration of intellectual property with AGEPI is not difficult; applications for registration can be submitted on-line. The time required to obtain Intellectual Property protection in Moldova varies depending upon the type of protection sought. For a copyright it takes 15-30 days, patent for plant 1.5-3 years, short-term patent for invention 7-8 months, patent for invention 17-18 months, geographical indications, appellations of origin, or traditional specialties guaranteed 10-12 months, industrial design 10-12 months, and trademark 10-12 months.

There are necessary legal structures and enforcement mechanisms in place for investors to defend their rights; however, Moldova does not fully enforce its IPR laws at times, due to corruption, conflicts of interest, lack of resources, and a low level of awareness and training among law enforcement agencies. However, intellectual property protection is improving in Moldova.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

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Country/Economy resources:
American Chamber of Commerce (AmCham), Moldova http://www.amcham.md/

Post's list of local lawyers is at http://moldova.usembassy.gov/lawyers.html

8. Transparency of the Regulatory System

The government usually publishes significant laws in draft form for public comment. Business and trade associations represent other opportunities for comment. The working group of the State Commission for Regulation of Entrepreneurial Activity, which was established as a filter to eliminate excessive business regulations, meets weekly to vet draft governmental regulations dealing with entrepreneurship. The working group's meetings are open to interested businesses.

The Foreign Investors Association (FIA) was established in 2004 with the support of the OECD. The FIA engages in a dialogue with the GOM on topics related to the investment climate and produces an annual publication of concerns and recommendations for the improvement of the investment climate. In 2006, the American Chamber of Commerce (AmCham) registered in Moldova, representing another voice for the business community. In 2011, a group of ten large EU investors founded the European Business Association (EBA) with the support of the EU Ambassador to Moldova. The three largest foreign business associations – AmCham, FIA and EBA – recently provided the new government with a list of business constraints and recommendation to improve the investment climate.

Since 2008, the National Business Agenda supported by the U.S. Center for International Private Enterprise (CIPE) has organized 30 domestic business associations, putting forth an annual list of priorities in their dialogue with the authorities. These priorities deal with the general business environment and regulatory framework.

Bureaucratic procedures are not always transparent, and red tape often makes processing registrations, ownership, etc. unnecessarily long, costly, and burdensome. Discretionary decisions by state functionaries provide room for corruption. Since 2004, the GOM has been taking steps to reduce excessive government regulation of business activity. In 2004, a so-called guillotine law eliminated costly and obsolete regulations and forced the publication of all business-related regulations. All regulations and governmental decisions related to business activity have been published in a special business registry Register of Regulations on Business Activity. These steps were intended to raise the awareness of business people about their rights, increase the transparency of business regulations and help fight corruption. A second guillotine law, the Law on Basic Principles Regulating Entrepreneurial Activity, was passed in August 2007. The GOM has started applying a regulatory impact assessment to all draft laws and acts bearing on business activity to enhance transparency in the drafting of laws and regulatory acts. The GOM vetted 100 laws with the goal of reducing payments to regulatory and control bodies and streamlining business-licensing procedures and economic-financial controls. As part of a USAID-backed program, the Ministry of Economy reviewed the number of permits and authorizations issued to businesses as well as the number of authorities issuing such documents. As a result, GOM approved a list of business permits and authorizations and banned governmental agencies and inspections from issuing or requesting any form of documents not included in the list.

In 2012, Parliament passed a law to introduce clear and uniform rules for the release of information and standardized documents through a one-stop window. Business registration has been carried out through a one-stop window since 2010. The GOM took further steps to deregulate construction projects by reducing the number, cost and time of administrative procedures needed to obtain building permits. To further protect businesses from arbitrariness of inspecting bodies, in 2012, Parliament passed a law that regulates the timing and the types of checks various authorities can conduct on businesses. Starting in 2012, businesses are able to apply on-line to get licenses, following years of moving to electronic reporting for statistical, tax or social security purposes. In 2014, tax authorities introduced an online tax filing and payment system for businesses.

9. Efficient Capital Markets and Portfolio Investment

Laws, governmental decisions, securities regulations, NBM regulations and Stock Exchange regulations provide the framework for capital markets and portfolio investment in Moldova. The GOM began regulatory reform in this area in 2007 with a view to spurring the development of the weak non-banking financial market. In particular, since 2008 only two bodies – the NBM and the National Commission on the Financial Market – regulate financial and capital markets.

Credit is allocated on market terms with banks being the only reliable source of business financing. The GOM regulates credit policy via credits from the NBM, auctions through commercial banks, compulsory reserves, credits secured through collateral, open market operations and T-bill auctions on the primary market. Foreign investors may obtain credit on the local market. However, local commercial banks provide mostly short-term, high interest loans, which require large amounts of collateral, reflecting the country's perceived high economic risk. In recent years, lending activity grew and interest rates fell. This progress, however, has been endangered by an ongoing banking scandal, which has weakened the banking system as a whole. Several large banks were affected by ownership scandals and hostile takeovers that dented their reputation. Large investments rarely can be financed through a single bank and require a bank consortium. Recent years have seen growth in leasing and micro-financing. Raiffeisen Leasing remains the only international leasing company to have opened a representative office in Moldova.

The private sector's access to credit instruments is difficult because of the insufficiency of long-term funding and excessively high interest rates. Financing through local private investment funds is virtually non-existent. A few U.S. investment funds have been active on the Moldovan market, notably NCH Advisors, Western NIS Enterprise Fund and Emerging Europe Growth Fund, the latter two managed by Horizon Capital equity fund managers.

Moldova's securities market is underdeveloped. Official central bank statistics include data on portfolio investments, yet there is a lack of sufficient open-source information to fully reflect the trends and relevance of this form of investment in Moldova. Central bank data show that most portfolio investments target banks, while the National Statistics Bureau does not differentiate between foreign direct investment and portfolio investments of less than 10 percent in the equity of a company.

Furthermore, lack of ownership transparency and poor record on the rule of law represent significant challenges to a potential investor. Weaknesses in the share registry system have contributed to raider attacks over the past few years when securities were fraudulently transferred from their rightful owners to others.

Acting as an independent regulatory agency, the National Commission on the Financial Market (NCFM) supervises the securities market, insurance sector and non-bank financing. The Commission adopted a Corporate Governance Code and passed new regulations intended to simplify the issuance of corporate securities and increase the transparency of transactions on the Moldovan Stock Exchange. In 2011, the GOM adopted a new Strategy for the Development of the Non-Banking Financial Strategy through 2014 that focuses on adopting European standards in financial market regulation and supervision. Amendments were passed in 2011 to the law on joint-stock companies to strengthen minority shareholder rights and improve disclosure obligations for transactions involving conflicts of interest. A new capital markets law that transposes European Union regulations came into effect in 2013. It is designed to open up capital markets to foreign investors, strengthen NCFM's powers of independent regulator and sets higher capital requirements on capital market participants. Following several takeover scandals over the past years, the government has passed amendments to increase the efficiency and integrity of shareholder rights registration.

Money and Banking System, Hostile Takeovers

Moldovan banks are the main source of business financing, with non-bank financing, albeit growing, still playing a minor role. The banking system has two tiers: the central bank called the National Bank of Moldova (NBM) and 14 commercial banks. The NBM supervises the commercial banks and reports to Parliament. Foreign investors' share in Moldovan banks' capital is around 78 percent. Yet, questions remain about true bank owners who pass as foreign investors in official statistics. A crisis at three Moldovan banks, two of them being among the country’s top five, in late 2014 called into question the soundness of the banking system. There is a lack of transparency on ultimate beneficial ownership, large exposures to some clients, significant related-party lending in banks’ portfolios, and resulting high non-performing loans. This has contributed to a small number of individuals concentrating control over most of the banking assets. Both regulating bodies, NCFM and NBM, are seen as having weak enforcement powers, at times undercut by questionable court rulings.

As of December 31, 2014, total bank assets were MDL 97,584 million (USD 6.95 billion). Moldova's five largest commercial banks account for around 77 percent of the total bank assets, as follows: Banca Sociala: MDL 20,116 million (USD 1,433 million) Moldova Agroindbank: MDL 15,341 million (USD 1,093 million); Banca de Economii: MDL 13,983 million (USD 996 million); Moldindconbank: MDL 13,264 million (USD 945 million); and Victoriabank: MDL 12,192 million (USD 868 million). Two banks listed above – Banca Sociala and Banca de Economii – are currently under special administration of the central bank and their presence among the five largest Moldovan banks may not accurately reflect their current standing.

Moldovan legislation does not have a definition of hostile takeovers. There were instances of what was termed raider attacks in the banking sector that saw the use of corrupt legal practices to defraud rightful owners of their shares.

10. Competition from State-Owned Enterprises

Moldovan legislation does not formally discriminate between state-owned enterprises (SOEs) and private-run businesses. By law, governmental authorities must provide a level legal and economic playing field to all enterprises.

The Law on Entrepreneurship and Enterprises has a list of activities restricted solely to state enterprises, which includes, among others, human and medical research, manufacture of orders and medals, postal services (except express mail), sale and production of combat equipment and weapons, minting and real estate registration.

The GOM has privatized most state-owned enterprises, and most sectors of the economy are almost entirely in private hands. However, some large enterprises are still controlled by the government, which has stated the intention of privatizing all of them. The major government-owned enterprises are two northern electrical distribution companies, the Chisinau heating companies, fixed-line telephone operator Moldtelecom, state airline Air Moldova, and the state railway company. The GOM keeps a registry of state-owned assets.

OECD Guidelines on Corporate Governance of SOEs

State-owned enterprises (SOE) are governed by the law on stock companies and the law on state enterprises as well as a number of governmental decisions. SOEs have boards of directors usually made up of representatives of the line ministry, Ministry of Economy and Ministry of Finance. As a rule, SOEs report to the respective ministries, with those registered as joint stock companies being required to make their financial reports public. The GOM does not incorporate references to the OECD Guidelines on Corporate Governance for SOEs in its normative acts.

There are reports of state-owned enterprises having an advantage over privately-run businesses in Moldova. Either from government representatives sitting on their boards or from their dominant position in their industry, state-owned companies are generally seen as being better positioned to influence decision-makers than their private sector competitors, and use this perceived competitive advantage to prevent open competition in their individual sectors.

Sovereign Wealth Funds

Moldova has no sovereign wealth fund.

11. Corporate Social Responsibility

Corporate Social Responsibility (CSR) and a culture of volunteerism and philanthropy are not highly developed in Moldova. Many Moldovans still have a view widely held from Soviet times of a paternalistic government being responsible for maintaining the social welfare of all citizens. With the entry of foreign companies into the Moldovan economy, the concept of CSR and responsible business conduct (RBC) is gradually being introduced. AmCham has set an example with its corporate members in the business sector, engaging in a forestation project, in the rehabilitation of medical facilities, and in Christmas collection projects for orphanages.

Many foreign investors have incorporated CSR principles into their operations. CSR activities are viewed positively by Moldovans, but are largely centered in the capital of Chisinau.

OECD Guidelines for Multinational Enterprises

Moldova is not an adherent of the OECD Guidelines for Multinational Enterprises.

12. Political Violence

The U.S. Embassy has received no reports over the past ten years involving politically motivated damage to business projects or installations in Moldova. Following parliamentary elections in April 2009, protestors severely damaged the Parliament and the Presidential Administration buildings. However, the unrest was very limited, and no business facilities or projects were targeted.

Separatists control the Transnistrian region of Moldova, a 1,600 square mile territory located between the Nistru River and the eastern border with Ukraine. Although a brief armed conflict took place in 1991-1992, both sides signed a ceasefire in July 1992, which has generally been observed. Local authorities in Transnistria maintain a separate monetary unit, the Transnistrian ruble (current market exchange rate is approximately 11.10 rubles per U.S. dollar), and a separate customs system.

Despite the political separation, economic cooperation takes place in various sectors. The GOM has implemented measures requiring businesses in Transnistria to register with Moldovan authorities (see Expropriation and Compensation).

The Organization for Security and Cooperation in Europe (OSCE), with Russia, and Ukraine acting as guarantors/mediators and the U.S. and EU as observers, continue to support negotiations between Moldova and the separatist region Transnistria (known as the 5+2 format). Throughout the years, negotiations have been piecemeal, with talks stalling in 2006 and formally resuming in late November 2011. In 2014, only two official meetings in the 5+2 format took place, while negotiations between the two sides stalled since last summer with several rounds being postponed.

An important achievement of the talks in the past few years has been the resumption of rail freight traffic through Transnistria. However, progress on other issues was limited and relations at times highly antagonistic. As of early 2015, there is a new effort underway to reinvigorate dialogue between the sides.

13. Corruption

While Moldova is taking steps to adopt European and international standards to combat corruption and organized crime, corruption remains a major problem. In 2008, the GOM developed and enacted a series of laws designed to address current legislative gaps such as the Law on Preventing and Combating Corruption, the Law on Conflict of Interests and the Law on the Code of Conduct for Public Servants. In December 2011, the Moldovan Parliament passed the Law on the National Integrity Commission, which took effect in March 2012. The National Integrity Commission (NIC) is designed to become the sole public authority responsible for the regulation and implementation of policies concerning conflicts of interest in the Moldovan public service. It is also in charge of scrutinizing the disclosure of assets by judges, prosecutors and other public officials.

Since the law's entry into force, the Moldovan Parliament managed to elect the Commission’s Chairman and members. In the framework of the Justice Sector Reform Strategy (JSRS), the Moldovan Ministry of Justice (MoJ) started a legislative initiative to introduce s series of amendments to the law on NIC. The amendments aim to strengthen the NIC’s capacities to perform more complex investigations on financial disclosures filled by Moldovan public officials. The amendments target replacement of the collegial/committee-based decision-making (currently the decision-making on all financial disclosures is the prerogative of five individuals elected by Parliament) with individual-based, decentralized case management. Another amendment will seek to merge the financial and the conflict of interest disclosure forms.

The Center for Combating Economic Crimes and Corruption (CCECC) was also reorganized in 2012 into the National Anticorruption Center (NAC). According to law, NAC focuses solely on investigating public corruption and bribery crimes, and is subordinated to the Parliament (CCECC was under the Government). Parliament subsequently passed several amendments to the Law on Status of Judges that stripped judges of their immunity if under investigation or being for corruption crimes. However, the Supreme Court of Justice challenged the constitutionality of these amendments at the Constitutional Court. In September 2013, the Constitutional Court partially endorsed the constitutionality of challenged provisions. The Court ruled that judges can be prosecuted for corruption crimes without the Superior Council of Magistrates’ agreement. Instead the Court upheld the provision guaranteeing that judges will not be subjected to search and arrest procedures prior to the Council’s agreement.

Moldova's Criminal Code includes articles on public and private sector corruption, combating economic crimes, criminal responsibility of public officials, active and passive corruption and trade of influence. These additions put the legislation more in line with international, anti-bribery standards by criminalizing the act of offering a bribe. Under this definition, the act of promising, offering or giving a bribe to a public official is a crime.

In November 2012 as part of the Justice Sector Reform Action Plan, the Ministry of Justice drafted a series of amendments in the anti-corruption area. This package of anticorruption amendments include: new legislation on integrity testing of justice sector officials, the introduction of extended confiscation and illicit enrichment statutes in the Moldovan Criminal Code as per the United Nations Convention against Corruption (UNCAC). The new Criminal Code statutes and new laws on integrity testing of public officials and disciplinary liability law for judges were passed in late 2013.

In summer of 2014 four Moldovan deputies representing the Communist faction filed a petition with the Moldovan Constitutional Court asking it to rule on the constitutionality of the Law on Integrity testing. As a safeguard, the Constitutional Court has officially requested an amicus curie from the Venice Commission – the Council of Europe (CoE) institution responsible for reviewing constitutional matters of its member states. Among other comments, the Venice Commission has stated that the integrity testing law raises concerns in respect of a number of important rule of law and fair trial principles. These include the presumption of innocence; the right to an effective and efficient defense, including the right to full disclosure of, and full access to the evidence, the examination of witnesses included; the legal requirements for the use of undercover agents, including the consequential non-admittance of evidence gathered by agents provocateurs who are themselves committing an offence; the principles of foreseeability and of narrow interpretation of statutory offences; the principle of proportionality between offences and sanctions and finally, the right to an effective appeal to an independent court of law. As of early 2015, the Constitutional Court is yet to deliver its final ruling. Parliament also passed the law on gradual salary adjustments, providing for a gradual increase of judges' salaries up to 2016.

Despite the established anti-corruption framework, the number of cases involving prosecution of corruption did not meet international expectations (given corruption perceptions), and enforcement of existing legislation is deemed insufficient. The dismissal, in April 2013, of the government on corruption allegations has worsened the Moldovan society's perception of corruption. In 2014 Moldova dropped to 103rd place in the Transparency International Corruption Perception Index (CPI), scoring 35 out of 100. Moreover, the Transparency International Global Corruption Barometer shows (GCB) that 71 percent of Moldovans think that corruption is a very serious problem and 60 percent think that the Government's efforts to fight corruption are ineffective. At the same time, according to the GCB, 80 percent of Moldovan citizens believe that the most corrupt institution is the judiciary, followed by police (76 percent) and political parties (75 percent).

In the past several years, the U.S. Embassy has received reports from foreign investors of serious problems with corruption and bribery. For example, when a foreign investor discovered that he had underpaid his taxes and wished to remedy the situation, the tax inspector assigned to the company attempted to extort money. The tax service later lauded the investor for his self-reporting and negotiated a reduced payment.

The Embassy has also received reports of "informal" hostile takeovers of profitable businesses. In these cases, business owners were approached by politically-connected individuals who wished to acquire part of the businesses. When business owners refused, they were soon forced to close due to various pressures.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

In 2007, Moldova ratified the United Nations Convention against Corruption, subsequently adopting amendments to its domestic anti-corruption legislation.

Moldova is not a signatory of the Organization for Economic Cooperation and Development (OECD) Convention on Combating Bribery. However, Moldova is part of two regional anti-corruption initiatives: the Stability Pact Anti-Corruption Initiative for South East Europe (SPAI) and the Group of States against Corruption (GRECO) of the Council of Europe. Moldova cooperates closely with the OECD through SPAI and with GRECO, especially on country evaluations. In 1999, Moldova signed the Council of Europe's Criminal Law Convention on Corruption and Civil Law Convention on Corruption. Moldova ratified both conventions in 2003.

Resources to Report Corruption

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14. Bilateral Investment Agreements

Moldova has a bilateral treaty with the United States on the Encouragement and Reciprocal Protection of Investment.

Moldova has signed bilateral investment protection and promotion agreements with 42 other countries: Albania, Austria, Azerbaijan, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, the Czech Republic, Cyprus, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iran, Israel, Italy, Kuwait, Kyrgyzstan, Latvia, Lithuania, Luxembourg, Montenegro, the Netherlands, Poland, Qatar, Romania, Russia, Slovakia, Slovenia, Spain, Switzerland, Tajikistan, Turkey, Ukraine, the United Kingdom and Uzbekistan.

Bilateral Taxation Treaties

Moldova does not have a double taxation treaty with the U.S. However, the U.S. Government applies the Convention on Matters of Taxation signed with the USSR on June 20, 1973, which also covers with avoidance of double taxation, to former Soviet republics, including Moldova.

15. OPIC and Other Investment Insurance Programs

In 1992, the Moldovan and U.S. governments signed an investment incentive agreement that exempts OPIC from Moldovan taxes on loan interest and fees. OPIC became active in Moldova in September 1997, providing political-risk insurance to a U.S. company investing in an agribusiness. Since then, OPIC has provided a number of financial and insurance products to U.S. businesses operating in Moldova in such fields as agribusiness, telecommunications, banking, consulting, transportation logistics and mortgage financing.

The U.S. Export-Import Bank (Ex-Im) provides U.S. companies investing in Moldova short- and medium-term financing in the private sector under its insurance, loan and guarantee programs. In 2000, Ex-Im Bank and Moldova signed a Framework Guarantee Agreement setting the terms for the GOM to issue sovereign guarantees to facilitate Ex-Im Bank financing of U.S. exports to Moldova. Also in 2000, Ex-Im Bank and Moldova signed a Project Incentive Agreement that enabled the Bank to consider financing of U.S. exports for credit-worthy private sector projects in Moldova on a non-sovereign risk basis, but which required host-government support in project-related activities such as permit and license approvals. Under the agreement, repayment of Ex-Im Bank financing is based on the capture of financed projects' revenue streams in special escrow accounts held in banks approved by Ex-Im Bank.

In 2002, Ex-Im Bank signed a memorandum of cooperation with the Black Sea Trade and Development Bank. Under the memorandum, Ex-Im Bank's financing products can be used to support exports of U.S. goods and services to any country located in the Black Sea region, including Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine. The agreement enables the Black Sea Trade Development Bank to act as a guarantor of specific transactions and also provides for parallel financing arrangements.

Moldova is eligible for U.S. Trade and Development Agency (USTDA) funding for feasibility studies, orientation visits, specialized training grants, business workshops and other forms of technical assistance. USTDA considers funding for a wide range of sectors with export potential for U.S. companies. In 2003, USTDA approved funding for a study on upgrading the telecom system for the Moldovan Customs Service.

Institutions such as the European Bank for Reconstruction and Development and the World Bank are very active in Moldova in both the private and public sectors, offering various financial tools for both insurance and credit. Moldova is a member of the Multilateral Investment Guarantee Agency (MIGA) and a member of the World Bank Group. MIGA promotes foreign direct investment into developing countries by insuring investors against political risk, advising governments on attracting investment, sharing information through on-line investment information services and mediating disputes between investors and governments.

Moldova is also eligible for project and trade financing from the Black Sea Trade and Development Bank, and benefits from loans extended by the EU's European Investment Bank and the Council of Europe Development Bank.

16. Labor

For years, Moldova prided itself on its skilled labor force, including numerous workers with specialized and technical skills. However, with past economic turmoil, many skilled workers left Moldova for better paying jobs in other countries. This has led to shortages in skilled workers in Moldova. There are imbalances in the labor market arising from a general lack of workers with vocational training employers require on one hand, and lack of job opportunities for educated people on the other. Labor shortages are reported in manufacturing and engineering, while language (Moldovans are usually bilingual in Russian and Romanian) and IT skills are thought to be in ample supply. However, low birth rates and aging population represent a further challenge to Moldova’s labor pool.

The unemployment rate is relatively low at 3.9 percent (as of 2014), which may be misleading given the low labor participation rate at 41.2 percent owing to emigration that reduces the number of job seekers at home. Youth unemployment is more than twice the national average at 9.8 percent.

Moldova's Constitution guarantees all employees the right to establish or join a trade union. Trade unions have influence in the large and mostly state-owned enterprises, and have historically negotiated for strong labor relations, minimum wage and basic worker rights. Unions also have a say in negotiating collective labor agreements in various industries. Unions are less active and effective in small private companies. Moldova has ratified all eight ILO core conventions. While the country has moved toward adopting international standards in labor laws and regulations, there are holdovers from the past Soviet system that employers consider burdensome in matters dealing with severance pays or maternity leaves.

The Moldovan General Federation of Trade Unions has been a member of the ILO since 1992, and has been affiliated with the International Confederation of Free Unions (ICFU) since 1997. The Federation split into two separate unions in 2000, but merged in 2007, forming the National Trade Union Confederation (CNSM). After attempts of the previous Communist-led government to interfere in the activity of unions, the CNSM was isolated from the international trade union movement. With a change in government in 2009 and the election of new trade union leaders, CNSM was given membership in the International Trade Union Confederation in 2010.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

At present, seven free economic zones (FEZs), one international free port – Giurgiulesti – and one international free airport – Marculesti – are registered in Moldova. According to Moldovan law, job creation, attraction of foreign and domestic investments, and export-oriented production are the main goals of such zones. The Law on Free Economic Zones regulates FEZ activity. Foreigners have the same investment opportunities as local entities. FEZ commercial entities enjoy the following advantages: 25 percent exemption from income tax; 50 percent exemption from tax on income from exports; for investments of more than USD 1 million, a three-year exemption from tax on income resulting from exports, and for investments of more than USD 5 million, a five-year exemption from tax on income from exports; zero value-added tax; exemption from excises; and protection of residents against any new changes in the law for 10 years. Furthermore, residents investing at least USD 200 million in the FEZ are protected against new changes in the law for the entire period of operation in the FEZ, but such protection cannot extend beyond 20 years.

The GOM also passed a law creating nine industrial parks in 2008 with the aim of attracting investments in industrial projects. Businesses operating in those parks do not receive any special tax treatment, but typically have access to ready-to-use production facilities, offices and lower office rent fees for 25-30 years. Typically, these are idle premises of former big industrial enterprises.

Similar to the FEZs, the Giurgiulesti Free International Port, Moldova's only port accessible to sea-going vessels was established in 2005 for 25 years. Commercial residents of the port enjoy the following advantages: 25 percent exemption from income tax for the first 10 years following the first year when taxable income is reported; 50 percent exemption from tax on income for the remaining years; exemption from value-added tax and excises on imports and exports outside Moldova's customs territory; zero valued-added tax on imports from Moldova; and protection of commercial residents against any changes in the law until February 17, 2030.

The Marculesti International Free Airport, a former military air base, was established in 2008 as a free enterprise zone for a 25-year period to develop cargo air transport. Airport management is also interested in turning Marculesti into a regional hub for low-cost passenger airlines.

While Moldova has enjoyed normal trade relations with the United States since its independence, in late 2012, U.S. Congress repealed the Jackson-Vanik Act, which restricted trade with the Soviet Union. Moldova benefits from its eligibility for U.S. Generalized System of Preferences (GSP) trade status by exporting various categories of goods to the United States. Under Congressional authorization, the GSP program is designed to promote economic growth in the developing world by providing preferential duty-free entry for up to 4,800 products from 129 designated beneficiary countries and territories.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	**Year**	**Amount**	**Year**	**Amount**	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	7,942	2014	7,942	www.worldbank.org/en/country
Foreign Direct Investment	**Host Country Statistical source***		**USG or international statistical source**		**USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other**
U.S. FDI in partner country ($M USD, stock positions)	2014	51.86	2013	3	http://bea.gov/international/factsheet/factsheet.cfm?Area=340
Host country's FDI in the United States ($M USD, stock positions)	2014	n/a	2013	N/A	http://bea.gov/international/factsheet/factsheet.cfm?Area=340
Total inbound stock of FDI as % host GDP	2014	45.9%	N/A		

*National Bureau of Statistics, National Bank

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations ***(US Dollars, Millions)***					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	3,313	100%	Total Outward	N/A	100%
Russia	787	24%			
Netherlands	499	15%			
France	259	8%			
Spain	245	7%			
Germany	210	6%			
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

Portfolio investment data for Moldova are unavailable.

19. Contact for More Information

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