



## Doing Business in Moldova: 2013 Country

### Commercial Guide for U.S. Companies

**INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2010. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.**

- [Chapter 1: Doing Business In Moldova](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

## Chapter 1: Doing Business In Moldova

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)
- [Market Fact Sheet link](#)

### Market Overview

[Return to top](#)

**Gross Domestic Product (GDP) and Foreign Direct Investment (FDI):** In 2012, a severe drought coupled with economic difficulties in the Eurozone reduced Moldova's GDP by 0.8 percent. According to World Bank projections, an expected recovery in agriculture will boost GDP growth to at least three percent in 2013. The Government of Moldova (GoM) and International Monetary Fund (IMF) are more optimistic about the 2013 GDP growth outlook and predict 3.5 percent and four percent respectively. Worsening economic conditions in its main trade markets – the European Union (EU) and Commonwealth of Independent States (CIS) – and extreme weather pose the most significant risks to the Moldovan economy. Ongoing political uncertainty and instability in Moldova's banking system may also affect future growth. The global economic crisis in 2009 brought annual FDI inflows to Moldova down from their 2008 peak of USD 868.28 million, and they have not yet recovered to their pre-crisis levels. In 2012, FDI inflows amounted to USD 336.59 million.

**Budget and Inflation:** Under pressure from the IMF and the World Bank, the GoM has pursued a tight fiscal policy and successfully narrowed the budget gap by two thirds since 2009 to an estimated 1.9 percent of GDP in 2012. In 2013, the GoM agreed to target a budget deficit of 1.5 percent. In recent years, the National Bank has been successful in controlling inflation, with inflation reaching 4.1 percent in 2012 and projected to be 3.9 percent in 2013.

**Trade Deficit and Remittances:** Following a dip caused by the steep economic recession in 2009, in 2012 Moldova's trade deficit resumed its steady growth, driven by increasing demand for consumer goods that underdeveloped local industries have been unable to satisfy. In 2012, exports fell 2.5 percent and imports edged up 0.4 percent. The consumption leading to the trade deficit is possible because of the huge inflow of remittances from as many as one million – according to some estimates – Moldovan migrants working abroad. In 2009, remittances dropped by almost 30 percent as economies declined in the countries where Moldovans were working. Remittances continue to increase as foreign markets show signs of recovery, but they are still below the pre-crisis level.

**Exports and Imports:** In 2012, Moldova exported goods worth a total \$2.162 billion, with 48.8 percent of those goods going to the EU and 41.5 percent to CIS countries. The top destinations for Moldovan exports by country were: Russia (30.3 percent), Romania (16.5 percent), Italy (9.4 percent), Ukraine (5.7 percent), Great Britain (3.9 percent), Belarus (3.7 percent), Poland (3.4 percent), Germany (3.2 percent), Turkey (2.6 percent), and Kazakhstan (2.3 percent). The bulk of Moldova's exports consisted of food, beverages, tobacco, wine, vegetable products, apparel, and textiles. Imports totaled \$5.213 billion in 2012. The origins of Moldovan imports are Russia (15.7 percent), Romania (11.9 percent), Ukraine (11.4 percent), China (8.0 percent), Turkey (7.4 percent), Germany (7.4 percent), Italy (6.3 percent), Belarus (3.3 percent), Poland (2.9 percent), and Austria (2.4 percent). Moldova's largest imports are mineral products, machinery, equipment and spare parts, base metals, chemical products, and vehicles. The United States is not among Moldova's top ten trade partners, ranking 13th in Moldova's exports (1.4 percent) and 13th in imports (1.5 percent).

## Market Challenges

[Return to top](#)

**Corruption and Bureaucracy:** Although Moldova is attempting to address the problem of corruption, it remains a substantial obstacle for investment. Moldova is struggling with the legacy of a large (relative to the country's size) bureaucracy, which enjoys significant discretionary power. Corruption and bureaucracy stifle entrepreneurship and the demand for economic reform that would come from a vibrant private sector. The government has taken steps to introduce laws and regulations in harmony with EU legislation, but more remains to be done to make the local legislation and practices fully compliant with EU standards. Businesses still face cumbersome licensing procedures, excessive authorization requirements, and a proliferation of fee-for-services to public authorities and commercial organizations.

**Remittances, Energy Dependence, and Weather:** The large inflow of remittances has led to consumption-based growth, but it also exposes the economy to risks during regional downturns. Dependence on Russian energy imports and an economy that is still inefficient in its energy use are challenges. Weather-related events such as drought and flooding pose a constant risk to the agricultural sector.

## Market Opportunities

[Return to top](#)

**Productivity, Quality, Diversification:** Food and beverages are Moldova's most significant exports. However, Moldovan companies need to raise production efficiency, improve product quality, introduce new manufacturing and service technologies, and diversify both the product structure and destination markets of exports. In 2012, U.S. exports to Moldova totaled \$38.2 million, with meat and poultry products accounting for more than half of all U.S. shipments of goods to Moldova. The U.S. also is the source of various types of equipment and machinery, including medical equipment (5.7 percent of the total), agricultural machinery (5.1 percent) and computers (4.3 percent).

In 2012, the U.S. imported \$25.4 million worth of goods from Moldova, with 42 percent of these imports being apparel, textiles, and footwear. The share of wines and alcoholic

beverages, which has been steadily growing over the years, was almost 43 percent of Moldovan imports to the U.S.

**Free Trade with the European Union and Commonwealth of Independent States:**

In 2007, the EU arrived at Moldova's border with the accession of Romania. In 2008, with the completion of the EU-Moldova Action Plan, autonomous trade preferences went into effect. Originally valid until 2012, the EU has extended the autonomous trade preferences until 2015. Moldova currently is in negotiations with the EU on a Deep and Comprehensive Free Trade Agreement (DCFTA), expected to be signed in 2014, which would provide Moldova with increased access to the EU market. Moldova also enjoys free trade with the CIS countries.

**Market Entry Strategy**

[Return to top](#)

**Legal Counsel:** The U.S. Embassy strongly advises all U.S. companies to consider legal counsel before and while doing business in Moldova. Given the tenuous commercial environment and weak legal infrastructure, it is essential to obtain solid legal advice in structuring your company's investment. Furthermore, it is important to keep up with the ever-changing laws and regulations. Legal counsel can provide general advice on fluctuations in the commercial environment in Moldova and prevent disputes from emerging between partners. Moldovan laws and regulations are vague and open to considerable leeway in interpretation, providing corruption opportunities for officials at every bureaucratic level.

[Return to table of contents](#)

[Return to table of contents](#)

## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/5357.htm>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

Selecting a local partner can be very advantageous for U.S. firms wishing to do business effectively in Moldova, though some large, established American firms work without a local partner. Gaining access to the market and collecting meaningful information can be difficult without local representatives who have contacts and have a better understanding of the business environment, legislation, and market. Local companies are usually willing to become agents and distributors for American firms. Before a U.S. firm makes any commitment, it is strongly recommended that a third-party evaluation be conducted on the prospective partner.

Distance interaction, such as simply sending catalogues, is usually not as effective as making direct personal contacts, where rapport can be built, questions and answers easily conveyed, and the credibility of a product and company established. As with other countries of the former Soviet Union, personal relations still play a very important role in building business partnerships. In an economy where the rule of law is not yet firmly established, the quality and depth of key business relationships are often the best protection against loss and are the key to market access.

The local partner may require significant support from the U.S. business in building a distribution network and reaching out to clients. Expecting a local distributor to be proactive and do everything on its own is not a safe assumption. One should keep in mind that a distributor could be representing other companies with products that could be in direct competition with the products and services of a U.S. company seeking to work with that particular agent or distributor. Before selecting a local partner it would be wise to explore what other products the potential partner distributes.

The U.S. Embassy can provide some basic counseling on registration requirements and procedures. However, the U.S. Embassy strongly recommends that interested U.S. companies seek legal advice on business registration. The U.S. Embassy can provide contact information for local consulting firms that offer professional legal advice in this area.

Every company doing business in Moldova must be registered with Moldovan authorities. The following laws regulate the registration and activities of companies in the Republic of Moldova: the Civil Code, the Law on Enterprises and Entrepreneurship, the Law on Joint-Stock Companies, the Law on State Registration of Legal Entities and Individual Entrepreneurs, the Law on Limited Liability Company and the Law on Joint-Stock Companies. Since the Law on Investment in Entrepreneurial Activity took effect in April 2004, the same legal requirements apply to both local and foreign businesses operating in Moldova. Similar registration procedures and nondiscriminatory registration fees have applied since October 1, 2004. The government has taken further measures in recent years to streamline business registration procedures and introduced "one-stop-shop" windows.

According to Moldovan legislation, a foreign company may be registered as one of the following entities:

- sole proprietorship,
- general partnership,
- limited partnership,
- limited liability company,
- joint stock company,
- cooperative, or
- representation or branch office.

The limited liability company is the most popular form of legal registration among foreign businesses operating in Moldova. Joint-stock companies are a distant second. In choosing the registration mode, companies must consider the advantages and disadvantages of one over another. For example, by Moldovan law, a foreign company registered as a representation or branch office does not have a legal entity status and cannot engage in economic activities. For example, Microsoft has a representative in Moldova who does not sell Microsoft products. The Microsoft representative observes the activities of its distributors to ensure compliance with Microsoft quality standards and rules. Other companies distribute Microsoft software through sales in Moldova. U.S. businesses may prefer to seek majority ownership stakes in joint ventures to minimize risks in an already uncertain commercial environment.

A new company must be registered with a local branch of the State Registration Chamber of the Moldovan Ministry of Information Development. For the purpose of registration, a foreign company must provide the following documents:

- application for registration;

- resolution of establishment of the local company (indicating the senior manager and person authorized to sign constitutive documents);
- constitutive documents (articles of incorporation, charter, etc.); and
- excerpts from the commercial register of the foreign company's home country.

Any foreign citizen who founds a new company or acts as a senior manager must provide a copy of her/his foreign passport and criminal records from her/his country of origin and Moldova. Foreigners have also to submit copies of their passports and residence permits.

The regular procedure requires foreign companies to notarize copies of constitutive documents with the Consular Office of the Moldovan Embassy in Washington D.C. and have them translated into Romanian.

In March 2006, the Moldovan Parliament ratified the 1961 Hague Convention on Abolishing the Requirement for Legalization for Foreign Public Documents. Acceptance of U.S. apostilles applied on official documents simplifies the legalization of official documents.

Regular registration fees vary with the type of business entity and usually cost 901 Moldovan lei (\$72). The Registration Chamber approves registrations within five calendar days. Expedited one-day or four-hour registration services are also available, but cost more than the regular fee. Upon receipt of the registration certificate, the founder must provide proof of payment of the share capital. The Chamber will prepare the firm's constitutive documents as required by law. Moldovan legislation has established the following amounts of minimum share capital:

- limited liability company: 5,400 Moldovan lei (roughly \$430);
- joint-stock company: 20,000 Moldovan lei (roughly \$1,620).

Following registration, businesses must apply for licenses for certain activities. By Moldovan legislation, a total of 44 business activities are subject to licensing. With certain exceptions, licenses are issued for a period of five years upon payment of a fee of 3,250 Moldovan lei (roughly \$263). Moldova's Licensing Chamber is the state authority that issues licenses. The Chamber makes a decision to issue a business license within five days, while the license itself is issued within three days upon payment of the license fee.

The Chamber licenses 32 business activities. Other activities are licensed by the National Bank, National Financial Market Commission, National Energy Regulatory Agency, National Electronic Communications and IT Regulatory Agency, and Audiovisual Coordinating Board.

To get a license, a business must file an application and provide a copy of the business registration certificate as well as additional documents, the number and type of which will vary by business activity. Aside from licenses, businesses may be required to obtain other authorizations and certificates, which will differ by business activity and product. Such documents may deal, for example, with sanitary, environmental, fire security and safety compliance issues.



## **Franchising**

[Return to top](#)

Even though Moldova is among the few countries in the world that has separate legislation dealing with franchising, this is a new and largely unknown concept for local businesses. A few recognizable fast-food franchises have become recent additions to the streetscape of Moldova. The number of sales outlets carrying internationally recognized brands in the capital city of Chisinau is growing and the presence of vendors of foreign-made goods and the recent opening of large shopping malls suggest that franchising provides business opportunities in retailing and services. U.S. companies such as McDonalds and Hertz have operated franchises in Moldova for several years. Best Western Hotels, KFC, and Sbarro are just a few of the newest U.S. brand-franchises operating in Moldova.

## **Direct Marketing**

[Return to top](#)

Direct marketing is used, but is not widespread. Major, well-known U.S. direct marketers such as Amway, Herbalife, Avon, and Mary Kay are successful in Moldova. Such direct marketing channels as catalogs, e-commerce and regular mail are still in their infancy. As the use of credit cards and Internet grow, so, too, are the opportunities for direct marketing methods.

## **Joint Ventures/Licensing**

[Return to top](#)

Moldovan legislation treats domestic and foreign businesses in the same manner and does not restrict foreign ownership in companies. U.S. firms may enter the market by partnering with Moldovan counterparts or by operating 100 percent foreign-owned companies. In the most common, joint-venture approach, a foreign company provides capital, equipment and merchandise, while the local company provides buildings, warehouses, office space, personnel, and channels of distribution. Before making financial or legal commitments, U.S. firms should thoroughly explore whether potential partners are reliable and share their priorities and expectations. Special attention should be also given to a review of the viability of potential domestic partners.

## **Selling to the Government**

[Return to top](#)

Virtually all Moldovan governmental agencies can conduct procurements. All important acquisitions technically require competitive bidding with strict formal, legal requirements that limit the extent of sole sourcing. Public procurement procedures are overseen by the Public Acquisitions Agency. The Agency publishes procurement announcements in a bulletin that can be accessed via on-line subscription. In government-organized procurements, foreign companies have opportunities to provide procurements of goods and services that are not domestically available. Public procurements of certain goods are done through the Universal Commodities Exchange. U.S. companies are advised to seek local partners and distributors to participate in such tenders.

Internal and external organizations often criticize Moldova's public procurement practices for insufficient transparency. Internationally financed public procurements are usually the

most transparent and provide the best opportunities for U.S. companies. International tenders organized by the World Bank, European Bank for Reconstruction and Development (EBRD), and other international organizations represent good opportunities.

Moldova adopted a new Law on Public Procurements in 2007 to align governmental practices with the World Trade Organization (WTO) Government Procurement Agreement (GPA) and relevant European legislation. Since then, the country has adopted a plan of action for legislative approximation of public procurements to EU practices. Although a WTO member since 2001, Moldova is not a signatory to WTO GPA, but is in the process of negotiating its accession.

## **Distribution and Sales Channels**

[Return to top](#)

U.S. companies may find a considerable number of agents, middlemen, wholesalers and retailers in Moldova. As a relatively small market, without challenging terrain, the major problem in developing distribution channels is poor infrastructure. Moldova is a landlocked country and shipping products by sea takes place via nearby Black Sea ports in Ukraine and Romania. Overland transportation to and from the ports is usually done by trucks and involves crossing state borders and customs clearance, which add extra costs and time to the shipment of goods. The recently completed Giurgiulesti International Port on the Danube River is strategically important projects that will help Moldova enjoy access to cheaper transportation by sea. The port is accessible to both fluvial and maritime vessels.

Distribution and sales channels have developed significantly over recent years, though they are still not as sophisticated as in the rest of Europe. With the opening of several modern shopping malls and large retail stores, especially in the capital city of Chisinau, sales practices have been improving. Sales are mostly concentrated in two major cities of the country – the capital city of Chisinau, and Balti, the second largest city of the country. Companies could also consider having sales outlets for their products in district centers.

Among the challenges faced by distributors is usually illegal trade and smuggling through the weakly controlled Moldovan-Ukrainian border in the east along the breakaway region of Transnistria. A European Union Border Assistance Mission (EUBAM) was established in November 2005 to enhance Moldovan and Ukrainian capacity for border and customs control and border surveillance.

## **Selling Factors/Techniques**

[Return to top](#)

In general, Moldovans seek bargains and are price sensitive, but quality and payment terms are increasingly playing a critical role in purchase decisions. This is, however, not to say that higher-end items or services, especially recognized brands, will not sell at higher prices, particularly among the fashion-conscious youth. American goods enjoy a good reputation, but are not widely available on the local market. A sticker carrying "Made in USA" will make customers more enthusiastic about the purchase of a U.S. product. A commonly held opinion among local business people is that, because the

United States is at a great distance from Moldova, final prices on many U.S. products shipped to Moldova will be higher than those for similar European products.

Although the official language is Romanian, many businesses use or even prefer Russian. The language preference is determined by a person's background, origin and education. In some areas of the country, Russian is preferred. Having your product-related materials translated into Romanian or Russian (or both) is a big advantage. By law, businesses must provide product information for consumers in Romanian.

Typically, one distributor or agent is enough to cover the entire country. Moldova is a relatively small market and therefore does not need extensive investment in developing distribution logistics. Provided you have a good partner, poor infrastructure will be the major challenge.

## **Electronic Commerce**

[Return to top](#)

E-commerce is still in its infancy, but is growing as a number of companies are embracing the Internet as a platform for their sales. A few challenges to e-commerce development remain, including limited but growing Internet use, computer network security issues, and limited use of credit cards. Several leading banks have introduced internet banking for both individuals and businesses. Use of e-mail for business communication is common, especially in Chisinau, while a few businesses have initiated online ordering. Several government institutions offer the possibility of submitting applications online.

## **Trade Promotion and Advertising**

[Return to top](#)

After the uncertainties of the 1990s, the new millennium has seen a burgeoning Moldovan advertising industry, spurred by higher consumption made possible by remittances from the many Moldovans working abroad. Both consumers and companies have begun to appreciate the effectiveness of advertising and the importance of marketing products. Moldova passed a law on advertising in 1997 that set out advertising standards and rules. All forms of media are widely used (television, newspapers, magazines, radio, outdoor billboards, Internet and jumbotrons). Several international advertising agencies have representatives in Chisinau, including Ogilvy Mather and McCann Erickson.

## **Pricing**

[Return to top](#)

Moldovans are, in general, price-sensitive and are attracted to bargains. Nevertheless, high-end products with higher quality may command higher prices and attract status-conscious consumers with financial means. The public is likely to recognize small price differences among various brands. Moldova has been experiencing growing retail and higher imports in recent years. U.S. companies should expect competition from third countries. High-priced items, such as automobiles or apartments, which were traditionally priced and paid for in dollars, have started to be denominated in Euros.

With a few exceptions, a 20 percent value-added tax applies (VAT) to products sold in Moldova. In addition to VAT, imported products are also subject to customs duties and in some instances to excises. Imports from countries with membership in CIS and Central European Free Trade Agreement are usually duty free.

## **Sales Service/Customer Support**

[Return to top](#)

Customer support and after-sale service are weaknesses for the vast majority of Moldovan firms. Despite legislation that protects consumers, stores do not readily accept the return of purchased items by customers. Firms selling capital equipment or technology should emphasize customer service, product quality, and training for the operation of such equipment and technology.

## **Protecting Your Intellectual Property**

[Return to top](#)

Several general principles are important for effective management of intellectual property rights (IPR) in Moldova. First, it is important to have an overall strategy to protect your IPR. Second, IPR is protected differently in Moldova than in the U.S. Third, rights must be registered and enforced in Moldova, under local laws. Your U.S. trademark and patent registrations will not protect you in Moldova. There is no such thing as an “international copyright” that will automatically protect an author’s writings throughout the entire world. Protection against unauthorized use in a particular country depends on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Moldovan market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. Government (USG) generally cannot enforce rights for private individuals in Moldova. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IPR consultants who are experts in Moldovan law.

While the USG stands ready to assist, there is little the U.S. Embassy can do, if the rights holders have not taken the fundamental steps necessary to secure and enforce their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated because of legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue their case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IPR. Consider carefully, however, whether to permit your partner to register your IPR on your behalf. Doing so may create a risk

that your partner will list itself as the IPR owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Moldova require constant attention. Work with legal counsel familiar with local laws to create a solid contract that includes non-competitive clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Moldova- and U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce;
- National Association of Manufacturers (NAM);
- International Intellectual Property Alliance (IIPA);
- International Trademark Association (INTA);
- The Coalition against Counterfeiting and Piracy;
- International Anti-Counterfeiting Coalition (IACC);
- Pharmaceutical Research and Manufacturers of America (PhRMA);
- Biotechnology Industry Organization (BIO).

## IP Resources

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia. For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/ipprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in

foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

## **Due Diligence**

[Return to top](#)

Contacting potential agents or distributors from a list at long distance without an introduction or third-party evaluation makes it very difficult to assess a prospective business partner. Basic information about companies is not always readily available in Moldova given the scarcity of information resources and only a fledgling culture of openness and transparency as the country is still in the throes of transition from a totalitarian past to an open society. Under such circumstances, the need for conducting due diligence cannot be overemphasized. The U.S. Embassy can provide a list of legal consulting firms and recommends contacting the American Chamber of Commerce in Moldova.

## **Local Professional Services**

[Return to top](#)

Navigating Moldova's business environment without legal and financial advice may be more expensive than hiring the services of law and accounting firms. Several major Western consulting firms have offices in Moldova. Local law firms can also provide high-quality services. U.S. firms may start by accessing the U.S. Embassy website, which has a page dedicated to commercial issues. Contacting the American Chamber of Commerce in Moldova is also a good start.

## **Web Resources**

[Return to top](#)

|  |  |
|--|--|
| List of business resources<br>U.S. Embassy in Chisinau   | <a href="http://moldova.usembassy.gov">moldova.usembassy.gov</a> |
| State Registration Chamber                               | <a href="http://www.cis.gov.md">www.cis.gov.md</a>               |
| Licensing Chamber  | <a href="http://www.licentiere.gov.md">www.licentiere.gov.md</a> |
| American Chamber of Commerce in<br>Moldova               | <a href="http://www.amcham.md">www.amcham.md</a>                 |
| Foreign Investors Association                            | <a href="http://www.fia.md">www.fia.md</a>                       |
| Moldovan State Tax Inspection                            | <a href="http://www.fisc.md">www.fisc.md</a>                     |
| Moldovan Investment and Export<br>Promotion Organization | <a href="http://www.miepo.md">www.miepo.md</a>                   |
| Moldovan Chamber of Commerce<br>and Industry             | <a href="http://www.chamber.md">www.chamber.md</a>               |

Public Acquisitions Agency

[www.tender.gov.md](http://www.tender.gov.md)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

### **Commercial Sectors**

- [Information and Communication Technology](#)
- [Telecommunication \(Moldtelecom\)](#)
- [Clothing and Textiles](#)
- [Transportation \(Giurgiulesti Port\)](#)
- [Wine Industry](#)

### **Agricultural Sectors**

- [Food: Processing of Fruits and Vegetables](#)
- [Fruit and Vegetables \(Fresh, Dried, Frozen\)](#)
- [Organic Farming/Products](#)



## Information and Communication Technology

### Overview

[Return to top](#)

Information and Communication Technology (ICT) is one of the most dynamic economic sectors in Moldova. Recording vibrant growth over the past years, it has reached a share of nearly ten percent of the GDP of the country today and holds potential for further growth. Approximately 40,000 people are employed directly or indirectly in ICT, which ranks ICT as one of the major employers in this country. The number of economic entities and individuals investing in ICT is growing. The GoM regulates the sector through the Ministry of Information Development and its National Strategy on Building an Informational Society in Moldova.

Many Moldovans have strong skills in software development. The educational system continues to emphasize technical education and provides a steady supply of young, technically skilled personnel. Most young IT specialists in Moldova command at least one foreign language in addition to Romanian and Russian. Salaries in the IT sector are higher than in most local industries, but still very much lower than payment for similar work in other European countries. Moldova is an ideal location for locating call centers or doing software development.

### Sub-Sector Best Prospects

[Return to top](#)

Software development has the greatest export potential in the ICT sector. Software companies export about 70 percent of their total production. Major Moldovan partners in this area are the U.S., Russia, the UK, Romania, and Ukraine.

### Opportunities

[Return to top](#)

ICT related services including training, consulting, system integration, support, and information services are underdeveloped. There are only a few training, consulting, and information companies in Moldova with very limited capacity and skills.

### Web Resources

[Return to top](#)

List of major shows: [en.moldexpo.md/exhibitions](http://en.moldexpo.md/exhibitions)

Ministry of Information Technology and Communications: [www.mtic.gov.md](http://www.mtic.gov.md)

Moldovan Investment and Export Promotion Organization (MIEPO): [www.miepo.md](http://www.miepo.md)

Public Property Agency: [www.app.gov.md](http://www.app.gov.md)

## Telecommunication (Moldtelecom)

### Overview

[Return to top](#)

The "Moldtelecom" joint stock company is the so-called National Operator of Telecommunication in Moldova. It is a state-owned company founded in 1993 as a result of the restructuring of the telecommunications sector in Moldova. In 1999, the company was reorganized into a joint stock company with the state holding a majority of stock in the company. The GoM conducted several tenders to privatize Moldtelecom, but they were unsuccessful because the GoM did not receive any bids meeting the minimum amount requested. The GoM plans to conduct a new tender in the future. Moldtelecom operates a fixed telephone system of over one million lines through 40 subsidiaries in Moldova with a total number of over 1,123,000 fixed telephone subscribers in a country with a population of roughly 3.5 million. In 2006, Moldtelecom received a 15-year license to provide mobile services in the CDMA standard within the 450 MHz frequency.

### Sub-Sector Best Prospects

[Return to top](#)

Local and international telephone services, Internet, crossnet (including wireless), video-telephone.

### Opportunities

[Return to top](#)

Tentative terms and details of the Moldtelecom privatization are not currently available. The Public Property Agency (APP) publishes all tender announcements on its website.

### Web Resources

[Return to top](#)

Moldtelecom [www.moldtelecom.md](http://www.moldtelecom.md)

Public Property Agency <http://www.app.gov.md>

## Clothing and Textile

### Overview

[Return to top](#)

Moldova's textile/apparel cluster is one of the leading export sectors in the country. The sector accounts for 1.5 percent of Moldova's GDP with over 22,000 employees. The proximity to the EU is a key strategic advantage for the country as a supplier of textiles and apparel to European consumer markets. A wide range of products is produced in Moldova, including all types of knitted and women's apparel, lingerie and nightwear, protective clothing, and carpets. Over 250 enterprises are active in the sector. Many local companies began with contracts to process work from the target markets. This type of production is also known as CMT (cut, make, and trim) or by its German name of "Lohnarbeit." The raw materials, trademarks, and design all belong to the contractor. The garment manufacturer puts together the final product. The initial advantages of this type of production are low capital investment, rapid access to new technologies, and the development of skilled labor. Margins are low but successful companies involved in this production can move towards developing their own product and offering prospective clients a full package.

Many companies are already working for famous European brands and export their products to Italy, Germany, Belgium, and the UK. New opportunities are arising in Moldova as manufacturing costs increase in other production countries, such as Bulgaria and Romania now that they have joined the European Union. The developing consumer market in Russia demands more garments every year and Moldova's access to markets in CIS as well as the EU is an incentive for placing production facilities in the country.

### Sub-Sector Best Prospects

[Return to top](#)

Textiles, apparel and carpeting.

### Opportunities

[Return to top](#)

EU markets are the main destination of the sector's exports. Other strengths are easier access for Moldovan products to the EU markets, low labor costs, a relatively well qualified labor force, proximity to the Russian and CIS markets, and a growing demand for textiles in the region.

### Web Resources

[Return to top](#)

List of major shows <http://en.moldexpo.md/exhibitions>

Ministry of Economy and Trade [www.mec.gov.md](http://www.mec.gov.md)

Moldovan Investment and Export Promotion Organization (MIEPO) [www.miepo.md](http://www.miepo.md)

## Transportation (Giurgiulesti Port)

### Overview

[Return to top](#)

Giurgiulesti International Free Port is Moldova's only port accessible to seagoing vessels. Giurgiulesti is situated at km 133.8 (nautical mile 72.2) of the Danube River in the south of Moldova. Located on the Lower Danube with available water depths of up to 7m, the port is capable of receiving both inland and sea-going vessels. Danube Logistics, a Moldovan limited liability company, is the general investor, owner, and operator of the port. Danube Logistics' shareholders are the Dutch EASEUR Holding BV with 80 percent, and the European Bank for Reconstruction and Development with 20 percent.

The port includes cereal and oil seeds storage facilities and an export-import terminal capable of handling up to 500,000 metric tons of grains per year. In 2006, Danube Logistics completed the construction of an oil terminal of 6,000 metric tons. Since then, the port added a bulk cargo terminal of 4 ha, a grain terminal of 50,000 tons storage capacity, a vegetable oil terminal of 6,000 tons, and a container and general cargo terminal of 2 ha. The port is further expanding its facilities to include a RORO terminal and a mixed-gauge railway terminal to accommodate EU and CIS railway gauge standards. The fact that this is the only water outlet for Moldova to the Black Sea in a free trade and customs zone, offers opportunities for investments such as manufacturing various products with imported components utilizing a customs tax-free regime, assembly lines, and processing plants oriented to export. Container and cargo companies may find opportunities at the Giurgiulesti port. Businesses located in the port may benefit from easy access to three markets of Moldova, Romania, and Ukraine, and tri-modal transport infrastructure.

The GoM has built a railroad line to connect the port to the railway system.

### Sub-Sector Best Prospects

[Return to top](#)

Various equipment and services

### Opportunities

[Return to top](#)

Excellent location for business development because of the port location in a free economic zone with unique customs and tax regime, low cost environment, connection to Russian and European railways, and international road network.

### Web Resources

[Return to top](#)

Giurgiulesti International Free Port (GIFP) [www.gifp.md/en/](http://www.gifp.md/en/)  
Moldovan Investment and Export Promotion Organization (MIEPO) [www.miepo.md](http://www.miepo.md)

## **Wine Industry**

### **Overview**

[Return to top](#)

Winemaking is one of the major components of the Moldovan economy accounting for up to 30 percent of Moldovan exports, and has been a major sector for foreign investment in Moldova. Winemaking traditions, an excellent climate, fertile soil, and low labor costs have attracted foreign vintners such as Australia's Penfolds and France's HDR Wines, as well as German, Dutch, Russian, and other investors. Moldovan wines have won prizes at many international events in Europe, Russia, and the United States. Moldova exports approximately 90 percent of locally produced still wines and 75 percent of its sparkling wines. Russia continues to be the major market for Moldovan wines, in spite of a 2006-2007 Russian ban on Moldovan wines.

### **Sub-Sector Best Prospects**

[Return to top](#)

Wines, niche products (nonalcoholic wine, kosher wine, etc.), new technologies, equipment, various supplies/materials

### **Opportunities**

[Return to top](#)

Good export opportunities on the EU and Russian markets. EU duty free wine quotas.  
Improving wine quality control.  
Rich traditions and skilled labor force.

### **Web Resources**

[Return to top](#)

List of major shows [en.moldexpo.md/exhibitions](http://en.moldexpo.md/exhibitions)  
POLIPROJECT Exhibitions Ltd. [www.vinmoldova.md/eng/](http://www.vinmoldova.md/eng/)

Agriculture has traditionally been and remains the backbone of the Moldovan economy. The country has favorable resources and conditions for agricultural production. The black fertile soil in Moldova is ideal for growing fruit and vegetables. A moderate continental climate with short and relatively warm winters and long hot summers permits early planting, giving producers a strong competitive advantage. Moldovan farmers have experience in a wide variety of agricultural activities. These factors, combined with an affordable labor force, especially in rural areas, favor the production of high-yield, labor-intensive crops that are competitive in export markets. High value agriculture has not yet developed very extensively, and offers a market niche for foreign investors. The GoM supports private land ownership but foreigners are not allowed to purchase agricultural land. Food processing is a major industry accounting for some 40 percent of industrial output and more than two thirds of exports. More than 90 percent of locally processed fruit and vegetables are exported. Historically, agriculture and the food processing industries have been major suppliers to the huge markets of the former Soviet Union. Currently, CIS countries account for some 70 percent of Moldova's export of fruit and vegetables products, and European countries for 30 percent.

#### **FOOD: PROCESSING OF FRUITS AND VEGETABLES**

The processing of fruits and vegetables is the food industry's second major sector after the wine sector. More than 90 percent of production is destined for export. The fruit and vegetable export market includes both processed and fresh fruits and vegetables. In terms of volume, the most significant export products remain canned vegetable and fruit products. The main fruit and vegetable crops processed in Moldova are field tomatoes and apples. Together, these comprise more than 70 percent of all processed output. Various enterprises convert tomatoes into paste at a 4/1 or 5/1 concentration and apples into juice at a 6/1 concentration. In addition to these bulk products, other tomato products include tomato ketchup and canned, whole tomatoes. Other apple products include apple pulp for jam, apple sauce, and a product similar to apple butter. Other processed fruit and vegetables consist of canned goods, purees for baby food, jams and preserves, and specialty products.

#### **FRUIT AND VEGETABLES (FRESH, DRIED, FROZEN)**

A large variety of fruit and vegetables is grown in Moldova. Apples are the major fruit, accounting for up to two-thirds of the total, followed by plums at around 10 percent and peaches, pears, cherries and sour cherries, and walnuts making up the rest of the sector. Tomatoes make up 20-25 percent of vegetables followed by cabbage, onion, and cucumber. Peppers, carrots, and pumpkins are also grown in Moldova. Generally, there is high variation in the annual production yields of fruits and vegetables. These variations reflect weather conditions (spring frosts, summer droughts, torrential rains, etc.) and the lack of irrigated land. Farmers have started introducing drip irrigation, but it is not widespread. This subsector has great potential as high value agriculture. Many of Moldova's export categories, such as fresh, dried, frozen fruit, and vegetables, may succeed on the European market.

#### **ORGANIC FARMING/ PRODUCTS**

Organic agricultural products have potential in Moldova. The Moldovan authorities and Societe Generale de Surveillance S.A. (SGS, with headquarters in Geneva, Switzerland) are developing a System for Certification of Organic Agricultural Food Products. The

GoM, in collaboration with SGS, has developed a national concept for organic agriculture. The Law on Organic Agriculture has been harmonized with EU laws. As a result, SGS Moldova, in line with the SGS Organic Production Standard (OPS), has certified 2,830 ha of industrial vineyards or 2.7 percent of the total plantation surface. Apples and beekeeping products are also produced in the country under organic farm management principles. Switching from conventional production to organic products might revitalize the Moldovan food processing sector, providing new export opportunities.

#### WALNUT PRODUCTION

Moldova is the fourth largest exporter of shelled walnuts in the world behind the U.S., Mexico, and China. According to the International Trade Centre in Geneva, Moldova is the largest European exporter of shelled walnuts with a volume of 9,163 tons and a value of €29.8 million. The average growth rate for shelled walnut exports from 2001 to 2006 was 12 percent (value) and ten percent (volume). Low labor costs and high-quality walnut processing (cracking) are attractive for large consumers of walnuts. Currently 85-90 percent of the highest quality products are the result of manual processing rather than mechanized processing. There are plantations in the form of commercial orchards, small household plantations and field windbreaks in Moldova. The total area of walnut plantations is approximately 6,000 ha. Average productivity varies from two to three tons per ha depending on the variety and climatic conditions. Annual production varies from 15,000 to 18,000 tons. Given the strategic importance of the sector for the Moldovan economy, the GoM passed a Walnut Law in 1999 and developed a National Development Program for Walnuts in 2006 which foresees development in the sub-sector up to 2015. The program calls for the sector to expand commercial orchard area by 1,000 ha annually and reach 10,000 ha of new orchards by 2015. Governmental subsidies are envisioned to promote the orchard development process by repaying 50 percent of the investment during the first five years of orchard establishment. These incentives apply to both local and foreign investment.

#### BIOFUEL AND ETHANOL PRODUCTION

A significant raw material base for this subsector exists in Moldova, including wheat, corn, sunflower, rapeseed, sugar beet pulp, and other agricultural product leftovers. The lack of local competition provides excellent domestic and regional opportunities for potential investors.

#### OPPORTUNITIES:

Opportunities in primary production include orchards, vineyards, vegetable growing in open fields and greenhouses, industrial crop production, etc. Processing is one of the most important and attractive investment categories. Equipment and technology are required for storage, packaging and long distance transportation of fresh products; drying; instant freezing; canning; and the production of ingredients and additives. Other related activities of interest include input supplies. Irrigation, packaging and processing equipment, and agricultural machinery offer other opportunities, as well production and trade of planting materials and agribusiness leasing. Organic farming should take advantage of the increasing demand for organic products. Herbs, spices, and herbal teas could find high-value niche markets.

#### WEB RESOURCES

List of major shows: Farmer <http://en.farmer.moldexpo.md>

Moldagrotech <http://en.moldagrotech.moldexpo.md>  
Food & Drinks. Food Technology <http://en.food-drinks.moldexpo.md>  
Packaging. Depot <http://en.packaging-depot.moldexpo.md>  
Moldovan Investment and Export Promotion Organization (MIEPO) [www.miepo.md](http://www.miepo.md)  
Ministry of Agriculture and Food Industry [www.maia.gov.md](http://www.maia.gov.md)

[Return to table of contents](#)



[Return to table of contents](#)

## Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

[Return to top](#)

Wedged between Romania and Ukraine, Moldova actively promotes free trade with its immediate neighbors and main trade partners. It liberalized its trade regime in 1994. Moldova was among the first CIS countries to join the WTO in July 2001. Moldova's tariff policy is based on the trade regime and norms established by the WTO. Moldova is a member of the CIS free trade agreement and adheres to the multilateral Central European Free Trade Agreement (CEFTA), which comprises, besides Moldova, Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, and Serbia. The country enjoys Autonomous Trade Preferences with the EU and is negotiating deeper trade liberalization with the European market under the DCFTA.

As a member of the World Customs Organization, Moldova applies import tariffs on goods classified pursuant to the international Harmonized Commodity Description and Coding System (HS). Customs duties are assessed on the value of goods (ad valorem duty), in-kind quantity or a combination of the two. The ad valorem customs duty has the widest application, ranging from zero to 25 percent of the value of imported items. Duties assessed on the in-kind quantity of goods, called specific duties, are usually applied to alcohol and tobacco items. A combination of the two is applied to a range of imported meat products. Besides the customs duties, the Moldovan Customs Service may also levy so-called exceptional duties – safeguard duty, anti-dumping duty or countervailing duty. The only exceptional duty applied in the past was the safeguard duty on sugar imports.

The average rate of customs duties is six percent for all goods. The average rate is 3.5 percent for manufactured products and 11.5 percent for agricultural products. At the same time, Moldova applies a zero percent rate on more than 50 percent of products in the tariff schedule.

In addition to import tariffs, imported goods are usually subject to a 20 percent value added tax. Customs may assess excise taxes on certain goods. Also, companies must

pay customs processing fees, which are determined on a case-by-case basis and depend on the value and final destination of goods. As a rule, imports are subject to a 0.4 percent customs processing fee.

## **Trade Barriers**

[Return to top](#)

While overall Moldovan customs and trade laws are in compliance with WTO requirements, inconsistent implementation of WTO rules sometimes remains a barrier to trade. These inconsistencies, such as imposition of arbitrary requirements of additional certificates or permits, informal use of quotas on some imports or discriminatory treatment of companies importing foreign-manufactured goods can constitute into non-tariff barriers to trade.

## **Import Requirements and Documentation**

[Return to top](#)

The person conveying goods and vehicles across a customs border or the authorized customs broker representing an importer must declare goods and vehicles for customs clearance. Importers must submit customs declarations in writing or electronically the next business day following importation into the customs territory of Moldova. A customs declaration must be filled out for every commercial invoice. A customs declaration has to be accompanied by a contract, invoice, certificate of origin, customs transit document, packing list, terminal handling receipts, and certificate of conformity. In addition, companies may have to submit business registration documentation, licenses, and other authorizations, which will vary depending on the product and business activity. For export transactions, customs may also require that businesses submit currency repatriation statements required by foreign exchange regulations.

The use of licensed customs brokers can help navigate the complex procedure of customs clearance, reduce interaction with customs, and prevent extra costs because of insufficient knowledge of all relevant regulations. A list of licensed customs brokers can be found at [http://www.customs.gov.md/files/Registre/registru%20brokerilor\\_md.doc](http://www.customs.gov.md/files/Registre/registru%20brokerilor_md.doc)

As of 2013, Moldovan Customs applies simplified clearance procedures on businesses that meet a set of reliability criteria. Compliant businesses enjoy priority at border crossing, fewer customs controls, and fewer formalities.

In 2012, GoM bound customs issues to tariff and origin information in line with European standards.

## **U.S. Export Controls**

[Return to top](#)

The Bureau of Industry and Security (BIS) at the U.S. Department of Commerce is responsible for implementing and enforcing the Export Administration Regulations (EAR), which regulate the export and re-export of most commercial items. The items that BIS regulates are often referred to as “dual use” since they have both commercial and military applications. Please note that even commercial items without an obvious military use may be subject to the EAR.

Further information on export controls is available at:  
<http://www.bis.doc.gov/licensing/exportingbasics.htm>.

BIS has developed a list of "red flags", or warning signs, intended to identify possible violations of the EAR. These are posted at:  
<http://www.bis.doc.gov/enforcement/redflags.htm>.

Also, BIS has "Know Your Customer" guidance at:  
<http://www.bis.doc.gov/Enforcement/knowcust.htm>.

If there is reason to believe a violation is taking place or has occurred, report it to the Department of Commerce by calling the 24-hour hotline at 1(800) 424-2980, or via the confidential lead page at: <https://www.bis.doc.gov/forms/eeleadsntips.html>.

The EAR does not control all goods, services, and technologies. Other U.S. Government agencies regulate more specialized exports. For example, the U.S. Department of State has authority over defense articles and defense services. A list of other agencies involved in export control can be found on the BIS web site or in Supplement No. 3 to Part 730 of the EAR, which is available on the Government Printing Office Web site at: [http://www.access.gpo.gov/bis/ear/ear\\_data.html](http://www.access.gpo.gov/bis/ear/ear_data.html).

For further details about the Bureau of Industry and Security and its programs, please visit the BIS website at: [www.bis.doc.gov](http://www.bis.doc.gov).

## **Temporary Entry**

[Return to top](#)

The temporary entry of goods designated "temporary admission" by Moldovan law is allowed with full or partial exemption from customs duties. Customs must issue an authorization based on an application from the importer. The Moldovan government regulates the list of goods enjoying full relief from customs duties as well as the terms for such relief. For the temporary admission of such goods importers are relieved of the obligation to submit a customs declaration. The period of full exemption is typically no longer than 12 months. However, certain goods can be introduced into Moldova without payment of duties for periods shorter than six months.

The list of goods that enjoy full exemption is as follows:

- professional equipment and materials, which may include computers, cameras, measuring devices, recorders, TV transmitters, special purpose vehicles, etc.;
- commercial samples and goods for display in trade shows, fairs, conferences, and the like;
- goods to be used for educational, scientific or cultural purposes;
- medical, surgical and laboratory equipment to be used in health care institutions;
- packaging, which may include containers and pallets;
- travelling equipment and materials as well as goods to be used in sports events held on the customs territory of Moldova;
- live animals;
- touristic advertising materials; and
- goods used in small border traffic.

Even if the temporarily imported items enjoy full exemption, Customs may require the importer to provide guarantees for payment of any customs duties that arise.

All other goods that do not fall in the full-exemption category enjoy only partial relief according to customs regulations. When partial relief is applied, importers have to pay five percent of the amount of customs duties for each calendar month of the duration of the temporary entry. The temporary entry of such goods cannot be longer than three years. If sufficient reason is provided, customs may extend the period of temporary entry. Temporary entry of goods on the basis of financial or operational leasing cannot be longer than seven years.

Temporarily admitted goods have to be re-exported in their initial state, except for natural wear and tear. During the temporary admission period, such goods shall remain in foreign ownership at all times. Such goods may not be sold, rented, sub-rented, pledged, transferred or put at the disposal of another person in Moldova without Customs Service's approval and payment of customs duties.

Since June 2010, Moldova accepts ATA carnets for simplification of customs clearance procedures related to temporary entry of goods.

For a detailed list of goods and applicable requirements please see the Customs Service website [www.customs.gov.md](http://www.customs.gov.md).

## **Labeling and Marking Requirements**

[Return to top](#)

The Law on Consumer Protection prohibits the import and sale of products and services without complete, truthful, and correct information in Romanian. This, however, does not translate into an outright ban on the import of products that do not carry labels in Romanian. Importers have the option of committing goods to customs bonded warehouses and affixing the legally required labels on products in order to get customs clearance for imported goods.

Moldovan legislation requires that manufacturers (packaging companies) present information about the name of the product, name and mark of the manufacturer (or importer), company location, weight or volume, main qualitative characteristics, composition, additives, country of origin, validity period, date of production, guarantee period, relevant hazards as well as prescriptions for use, handling, warehousing, preservation, and storage.

Durable goods have to be accompanied by a warranty certificate, technical specifications and operations manual.

The labeling of food products is regulated by a separate law. Besides the information mentioned above, labels should also carry information about ingredients. In addition, labels must carry information about the following foods and ingredients known to induce hypersensitive reactions regardless of their quantity:

- cereals that contain gluten, e.g. wheat, barley, rye, oat or hybrids and products thereof;
- crustaceans and products thereof;
- eggs and products thereof;

- fish and products thereof;
- peanuts, soya and products thereof;
- milk and dairy products, including lactose;
- walnuts and products thereof;
- sulfites in concentrations of 10 mg/kg or more.

Moldovan legislation has specific information requirements for labels on foods, which may vary by the type of food, ingredients used and production technologies. Besides laws, such requirements are also contained in technical regulations.

## **Prohibited and Restricted Imports**

[Return to top](#)

The law on general product safety prohibits unsafe products from being placed on the market. The Customs Code notes that Moldovan legislation can prohibit or restrict certain goods or transport means from being introduced into or taken out of Moldova for reasons of state security, assurance of public and moral order, environmental protection, protection of art objects, protection of objects of historical or archeological value, protection of intellectual property rights, protection of the domestic market, and protection of other public interests. Moldovan legislation has special provisions dealing with strategic goods, weapons, munitions, dual-use goods, radioactive and toxic substances, and food products. Certain restrictions apply on ethylic alcohol, tobacco products and oil products. Importers have to check first with Moldovan customs on any existent limitations or restrictions.

The only express prohibition in the Customs Code is the introduction and/or placement under import, customs warehouse, temporary admission, and free economic zone of motor vehicles, engines, and car bodies grouped under HS8701 for the transport of maximum 20 passengers and HS8703 aged greater than seven years; various tractors grouped under HS8701 aged greater than 12 and 20 years depending on tariff classification; cargo vans, trucks and cranes as well as their engines and car bodies greater than ten years grouped under HS8704 and HS8705. Also expressly banned are used car tires HS401220, and rubber waste, parings and scrap HS4004.

## **Customs Regulations and Contact Information**

[Return to top](#)

Procedures related to customs clearance are regulated by a series of laws and regulations. To name but a few: Customs Code, Law on Customs Tariff, Tax Code, Law on State Regulation of Foreign Commercial Activity, and Law on Licensing.

For further information, please refer to the Customs Service:

Customs Service

Mr. Tudor Balitchi, Director General

Str. Columna 30, Chisinau, Moldova MD2001

Tel. (373 22) 574 201

Fax (373 22) 273 061

[www.customs.gov.md](http://www.customs.gov.md)

## **Standards**

[Return to top](#)

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Labeling and Marking](#)
- [Contacts](#)

## Overview

[Return to top](#)

Moldova inherited its principles of metrology, standardization, testing, and quality from the Soviet era, where the GoM developed compulsory standards for manufacturers. The country's transition to free-market economy, coupled with the accession to the WTO in 2001, triggered a revision of the old system and movement toward a philosophy that standards are industry-initiated and market-driven. New laws were passed in keeping with Moldova's WTO commitments and aspirations for European integration and to comply with international standards and best practices. The country has increased its efforts to harmonize its quality assessment system with European standards as it is seeking to sign a DCFTA. The major functions of accreditation, certification, and market surveillance have been separated. A special interdepartmental commission was set up to supervise the conversion of compulsory standards into technical regulations and voluntary standards, while a national program for development of technical regulations was adopted in 2004. Starting in 2007, all national standards became voluntary. The country is adopting a number of technical regulations, mainly transposing EU directives and regulations.

## Standards Organizations

[Return to top](#)

The Law on Standardization requires standardization committees representing industries to develop standards for their areas of expertise. Moldova has set up 32 such committees. The country's central standardization organization is the National Institute for Standardization. The Institute adopts standards and maintains the national fund of standardization documents.

Moldova originally adopted a number of Soviet GOST standards (state standards developed in the Soviet Union). Common adherence to these standards supports the trade of goods among all CIS countries. Looking west, the country has been slowly implementing European standards in its national standard system. It already has adopted some 6,000 European standards (EN) and around 2,000 International Organization for Standards (ISO) standards. Many of these international standards were adopted through Romanian intermediation.

Moldova has been a correspondent member of ISO since 1995 and a member of CIS Interstate Council for Standardization, Metrology and Certification (also known as the Euroasian Council for Standardization, Metrology and Certification - EASC) since its setup in 1992. Moldova is an affiliate member of the European Committee for Standardization (CEN).

National Institute for Standardization  
Mr. Iurie Socol, Director  
Str. Eugen Coca 28, Chisinau MD2064, Moldova  
Tel. (373 22) 74 85 42  
Fax (373 22) 24 54 14  
[office@standard.md](mailto:office@standard.md)  
[www.standard.md](http://www.standard.md)

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:  
<http://www.nist.gov/notifyus/>

## **Conformity Assessment**

[Return to top](#)

The Government of Moldova has discarded the earlier practice of having published special lists of products that require certification of conformity. Compulsory conformity certification of certain products and services is prescribed by the so-called "technical regulations" found in dedicated laws and governmental decisions. Businesses now have to resort to perusal of legal documentation to size up their need for product certification. A number of product groups are subject to compulsory conformity certification and these include food products, construction materials, electric equipment, electric home appliances and toys.

Moldovan legislation gives manufacturers several options regarding conformity assessment, depending on the product and risks involved. The options range from self-certification, type examination, and production quality control systems, to full quality assurance systems. The legislation is being updated to bring it closer to European Union requirements.

## **Product Certification**

[Return to top](#)

Under its original WTO commitments, Moldova had to introduce voluntary standards by 2003, but did so only in 2007. The certification process establishes the conformity of products with the essential requirements of the technical regulations. Moldovan technical regulations transpose EU directives and regulations that are the only source of mandatory requirements for products placed on the market.

Aside from conformity assessment that falls under the WTO Agreement on Trade Barriers to Trade (TBT), products are also subject to other types of certifications (hygienic, phytosanitary or veterinarian) covered by the WTO Agreement on Sanitary and Phytosanitary Measures (SPS).

Products certified in countries of origin with which Moldova has signed agreements on mutual recognition of the results of product conformity assessments, undergo a

procedure of recognition of the certificates of conformity. Moldova has signed such agreements with the CIS countries and Romania. A prerequisite to signing such agreements with developed countries is Moldova's agreement to implement a quality infrastructure system based upon international standards of operations, such as the ISO 9000. Starting with June 2012, the country recognizes EU-issued certificates of conformity and test reports translated into Romanian.

## Accreditation

[Return to top](#)

The Center for Conformity Assessment Accreditation under the Ministry of Economy is the only accreditation body in Moldova. The center reports to an accreditation council made up of representatives of ministries, conformity assessment bodies, laboratories, business associations and educational and scientific institutions. It provides accreditation to testing and calibration laboratories, product certification bodies, personnel of certification bodies, quality and environmental management systems certification bodies, and inspection bodies. The Center is a member of the International Laboratory Accreditation Cooperation (ILAC) and has a cooperation agreement with the European Cooperation for Accreditation. Its activities are based on the ISO 17000 series standards.

The Center for Conformity Assessment Accreditation has accredited 24 product certification bodies, four quality management certification bodies, three food safety management certification bodies and 115 test laboratories.

Center for Conformity Assessment Accreditation  
Director: Mrs. Eugenia Spoiala  
Bul. Stefan cel Mare 162, Chisinau MD2004, Moldova  
Tel (373 22) 210 325  
Fax (373 22) 210 316  
[cadecp@mtc.md](mailto:cadecp@mtc.md)  
[www.acreditare.md](http://www.acreditare.md)

## Publication of Technical Regulations

[Return to top](#)

Central public authorities work out and approve technical regulations for their areas of responsibility. Technical regulations are published in the bi-weekly official gazette *Monitorul Oficial*.

## Labeling and Marking

[Return to top](#)

Please see the "Labeling and Marking Requirements Section" above in this chapter.

## Contacts

[Return to top](#)

Ministry of Economy  
General Direction for Quality Infrastructure  
Piata Marii Adunarii Nationale 1, Chisinau MD2033, Moldova  
Tel. (373 22) 23 31 40



[www.mec.gov.md](http://www.mec.gov.md)

## **Trade Agreements**

[Return to top](#)

Moldova is a WTO member and has signed free trade agreements with all CIS countries except Tajikistan. Moreover, it is a member of the multilateral Central European Free Trade Agreement (CEFTA) that currently brings together the non-EU member countries of South-Eastern Europe. Since March 1, 2008, Moldova has benefited from the Autonomous Trade Preferences in its trade with the EU-countries and is currently negotiating the DCFTA with the EU. Additional information about Moldova's trade treaty obligations are discussed in Chapter 6.

## **Web Resources**

[Return to top](#)

Ministry of Economy and Trade [www.mec.gov.md](http://www.mec.gov.md)

Center for Product Conformity Assessment Accreditation [www.acreditare.md](http://www.acreditare.md)

National Institute for Standardization [www.standard.md](http://www.standard.md)

[Return to table of contents](#)

[Return to table of contents](#)

## **Chapter 6: Investment Climate**

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

Moldova continues to take steps toward developing a stronger economy, reforming a cumbersome regulatory framework, combating corruption, and adopting reforms aimed at improving the business climate. After a prolonged recession in the 1990s, Moldova's GDP grew for eight straight years between 2001 and 2008, primarily driven by soaring remittances from migrant workers abroad that fueled economic growth. In 2009, like most countries in the region, Moldova was affected severely by the global economic crisis, and experienced a six percent drop in GDP as a result of plummeting remittances from abroad. Economic growth rebounded after 2010, but took a dip in the first nine months of 2012 due to the slowdown in Europe and a severe drought that adversely affected domestic agriculture. The GOM and International Monetary Fund (IMF) estimated that real GDP fell by 0.8% in 2012.

Moldova, consistently ranked as one of the poorest countries in Europe, relies heavily on investments, foreign trade, and remittances for economic growth. Moldova 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 more than 60 percent in 2009, and has yet to return to pre-crisis levels. Although remittances have increased, they have yet to rebound to 2008 peak year levels, reflecting sluggish economic performance in countries with large numbers of Moldovan migrant workers. The country created an Action Plan with the EU from 2004-2008 that established a roadmap for democratic and economic reforms so that Moldovan laws and regulations would better conform to European standards. Following the expiration of the Action Plan in February 2008, Moldova explored other trade options with the EU before starting negotiations with the EU on an Association Agreement in January 2010, which the GOM hoped would raise the bilateral relationship to a new level. The GOM sees the Agreement as a framework that will bring Moldova closer to the EU through political association and economic integration. In turn, the EU works with Moldova through the European Neighborhood Policy (ENP).

As a country with a small market, Moldova implements a liberalized trade and investment strategy to promote the export of its goods and services. A member of the WTO since 2001, Moldova has signed free trade agreements with 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 a half of all Moldovan exports. Originally valid until 2012, the EU extended the autonomous trade preferences through 2015. To deepen its preferential trade arrangements with the EU, Moldova began negotiating a Deep and Comprehensive Free Trade Area Agreement (DCFTA) in 2012. Since then, the GOM has achieved significant progress in DCFTA negotiations, with the adoption of policies and laws aimed at creating a friendlier business environment and opening new business opportunities with the EU. Ultimately, these changes will lead to Moldova's integration into the common EU market.

Attracting FDI is critical to enhancing Moldova's economic competitiveness. Under Moldovan law, foreign companies enjoy equal treatment as local companies – also known as the "national treatment principle." The GoM views investments as vital for sustainable economic growth and poverty reduction. However, the amount of FDI is far below what Moldova needs to create jobs and promote economic growth.

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 \$873.38 million in 2008. The world economic crisis contributed to an abrupt drop in foreign investment in 2009, when FDI fell by more than 60 percent to \$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' Easur 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.

Over the years, the GoM has made efforts to lower tax rates, strengthen tax and customs administration, increase transparency, and simplify business regulations. However, progress has been slow. Decision-making in these governmental authorities remains opaque, and the application of laws and regulations inconsistent. While the coalition government provided more transparency and openness to the private sector, public service at lower levels remains problematic. The GoM needs to take more steps to reform public service and improve the quality of administrative performance. Moreover, Moldova must prevent government interference in the private sector, which protects influential individuals, uses governmental powers to pressure businesses for personal or political gains, and selectively applies regulations.

Following the parliamentary elections of July 2009, the GoM approved an Economic Stabilization and Recovery Program (ESRP), which focused on balancing public finances and liberalizing the highly regulated economy. The ESRP received the backing of the International Monetary Fund (IMF) in January 2010 with the approval of a combined three-year \$580 million Extended Credit Facility/Extended Fund Facility to support the country's economic program by restoring fiscal and external sustainability. Developed in 2009, the ESRP does not represent a substitute for the GoM's longer-term reform agenda. In 2012, The GoM outlined in the National Development Strategy Moldova 2020 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.

On January 22, 2010, Millennium Challenge Corporation (MCC) CEO Daniel Yohannes and Moldovan Deputy Prime Minister Iurie Leanca signed a five-year, \$262 million Millennium Challenge Corporation (MCC) Compact intended to reduce poverty and accelerate economic growth by improving Moldova's transportation and agricultural sectors. The Compact funds two projects, one for road rehabilitation and the other for a transition to high-value agriculture project, which focuses on rehabilitating centralized irrigation systems, providing technical assistance and providing access to financing for farmers.

The GoM launched the first privatization in Moldova 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 2012, the GoM continued to focus on privatization of state-owned assets, recently releasing a new list of assets subject to privatization. However, the GoM is increasingly emphasizing private and public partnerships as means for companies to have access to state-owned resources, especially in infrastructure-related projects.

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 the 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.

Rankings for Moldova:

| Measure                         | Year | Index/Ranking                |
|---------------------------------|------|------------------------------|
| TI Corruption Index             | 2012 | 94 of 176 (2011 112 of 176)  |
| Heritage Economic Freedom       | 2012 | 124 of 179 (2011 120 of 183) |
| World Bank Doing Business       | 2012 | 83 of 185 (2011 86 of 185)   |
| MCC Government Effectiveness    | 2011 | -0.14 (41%) (Median 0.00)    |
| MCC Rule of Law                 | 2011 | 0.11 (63%) (Median 0.00)     |
| MCC Control of Corruption       | 2011 | -0.1 (38%) (Median 0.00)     |
| MCC Fiscal Policy               | 2011 | -3.7 (47%) (Median -3.5)     |
| MCC Trade Policy                | 2012 | 80.0 (79%) (Median 75.3)     |
| MCC Regulatory Quality          | 2012 | 0.26 (84%) (Median 0.00)     |
| MCC Business Start Up           | 2012 | 0.984 (91%) (Median 0.943)   |
| MCC Land Rights Access          | 2012 | 0.91 (89%) (Median 0.69)     |
| MCC Natural Resource Protection | 2012 | 7.5 (6%) (Median 34.8)       |
| MCC Access to Credit            | 2012 | 44 (75%) (Median 34)         |
| MCC Inflation                   | 2011 | 7.7% (31%) (Max 15)          |

Moldova receives an annual scorecard from MCC assessing its performance in the three policy categories: Ruling Justly, Investing in People and Economic Freedom. For each indicator Moldova receives a score and percentile ranking in its income peer group (0 percent is worst; 50 percent is the median; 100 percent is best). Moldova receives its peer group median for each percentile ranking. Country performance is evaluated relative to the peer group median. Scores above the peer group median meet the MCC required performance standard for eligibility for MCC programs. Scores at or below the median do not meet the performance standard. In 2011, MCC raised Moldova from the

low-income country group to low middle income country group – this step also elevated the median criteria necessary for performance standards.

## **Conversion and Transfer Policies**

[Return to top](#)

Moldova accepted Article VIII of the 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. After the payment of taxes, foreign investors are permitted to repatriate residual funds. Residual-funds transfers are not subject to any other duties or taxes, and do not require special permission. There are no significant delays in the remittances of investment returns, since domestic commercial banks have accounts in leading multinational banks. Foreign investors enjoy the right to repatriate their earnings.

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) (MDL), has been generally stable. The leu 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 current and capital transactions in the territory of Moldova. The leu regained positions in the aftermath of the first wave of the global crisis and somewhat weakened in 2012 as the country suffered from a worsening economic situation in the Eurozone and a bad agricultural year. In 2012, the MDL began the year at 11.71 to one U.S. dollar and finished at 12.06.

The U.S. Embassy has received no complaints from U.S. investors regarding converting or remitting funds associated with investments in Moldova.

## **Expropriation and Compensation**

[Return to top](#)

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 present: 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 will 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 government 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 law restricts the right to purchase agricultural and forestland 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.

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 areas east of the Nistru River. 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 subsequently registered with Moldovan authorities.

## Dispute Settlement

[Return to top](#)

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 lost power following the July 2009 parliamentary elections.) The GoM cancelled some privatizations because of alleged irregularities in the privatization procedures or the failure of investors to meet an investment timetable. There have been allegations in recent years from companies that they became politically motivated targets of investigations by the Center for Combating Economic Crimes and Corruption (CCECC), while others complained of bureaucratic red tape or arbitrary decisions made by government agencies, police or tax authorities. Businesses frequently complain about constant inspections carried out by various authorities, sometimes bordering on harassment.

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 applies

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 defiance of the declared respect for market principles, under the excuse of public security or general social welfare.

Moldovan courts are nominally independent from government and political interference, suffering from low levels of efficiency and citizen trust. In 2012, the Judicial Administration Department was still under the Ministry of Justice. According to the 2011-2016 Justice Sector Reform Strategy, the Department will be 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.

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. In July 2011, Parliament enacted a series of amendments, which reorganized the judicial system and dissolved the economic courts. Within six months from the date of enactment, the jurisdiction of economic courts was gradually transferred to common law courts, namely appellate and trial level courts. 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.

The GoM accepts binding international arbitration of investment disputes between foreign investors and the state. By law, investment disputes can be solved 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) rules, arbitration rules of the Paris International Chamber of Commerce (ICC) of January 1, 1998, and other rules, principles and norms agreed upon by the parties.

In 2011, Moldova ratified the Convention on the International Center for the Settlement of Investment Disputes (ICSID - Washington Convention). The country also ratified the



New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. 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. Moldova has also ratified various trade agreements establishing bilateral investment protection with 39 countries, including with the United States.

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.

## **Performance Requirements and Incentives**

[Return to top](#)

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 left in effect 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 instead of local investors. In all other sectors, foreign and local investors 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. However, the government administers a quota system limiting the number of available residence permits. In 2010, the GoM set up a one-stop shop for foreigners applying for Moldovan residence and work permits in a bid to streamline a rather complicated procedure.

Moldova has a liberal commercial regime with over 100 countries. According to the Tax Code, Moldovan exports are exempt from value added tax. Although there are no formal import price controls, some businesses have complained about arbitrary price assessments on certain types of imported goods by the Moldovan Customs Service.

## **Right to Private Ownership and Establishment**

[Return to top](#)

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 nondiscrimination between foreign and local investors. Moldovan law ensures full and permanent security and protection of all investments, regardless of their form. There are no 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.

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 on April 23, 2004. It was designed to be compatible with European legislative standards and defines types of local and foreign investment. It also provides guarantees for the respect of investors' rights, non-application of expropriation or actions similar to expropriation, and for payment of damages in the event investors' rights are violated. The law permits investment in all sectors of the economy, while certain activities require a business license.

There is no screening of foreign investment in Moldova and 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.,

Moldovan Lei (MDL) 5,400 (\$450) for limited liability companies, MDL 20,000 (\$1,700) for joint stock companies, MDL 15 million (\$1.25 million) for insurance companies and MDL 100 million (\$8.4 million) for banks.

## **Protection of Property Rights**

[Return to top](#)

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.

However, the judicial sector remains weak and does not always guarantee the rights of citizens and foreign investors from alleged governmental or private sector misdeeds. Recent examples of judicial malfeasance involve four cases, where Moldovan and foreign investors were illegally dispossessed of their shares in Moldovan financial institutions, and were not protected in dubious Moldovan lower courts' decisions. Only one of the cases was appealed to the Moldovan Supreme Court, where it ruled in favor of the investors.

Moldova technically adheres to key international agreements on intellectual property rights. Moldova is a signatory to the International Convention Establishing the World Intellectual Property Organization. However, the Business Software Alliance (BSA) consistently ranks Moldova among the top ten offenders in the world for IT piracy. According to the latest annual BSA global piracy study released in 2011, Moldova is among the countries with the highest software piracy rate at 90 percent.

Moldova took measures to implement and enforce the WTO TRIPS agreement before its official accession to the WTO, and adopted local laws to protect intellectual property, patents, copyrights, trademarks and trade secrets. The country has an agency for the protection of copyrights, the State Agency for Intellectual Property. The country also has a few professional associations dedicated to protecting its members' copyrights. Although many basic policies are in place and the country is taking steps of legal approximation with EU norms in the field, enforcement is sporadic. The GoM undertook measures to crack down on sales of unauthorized copies of CDs and DVDs. It also has attempted to deal with internet piracy. However, copyright infringements are rarely if ever prosecuted. Efforts are underway to set up a motion picture association to tackle the issue of unlicensed broadcasting of films by TV stations. A new law on copyright and related rights went into effect on January 1, 2011, increasing the role of internet providers in preventing the spread of pirated materials. To make the new copyright law effective and toughen penalties for copyright infringements, in 2011 Moldova passed changes to its Code of Administrative Contraventions and Criminal Code. In 2012, GoM adopted a new National Intellectual Property Strategy for 2012-2020.

## **Transparency of Regulatory System**

[Return to top](#)

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 - also known as the "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 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 the 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.

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 law on competition that was hailed by the EU Ambassador in Moldova as compliant with EU practice and legislation. The National Competition Agency was renamed the Competition Council.

In the World Bank's 2013 "Ease of Doing Business" global index, Moldova moved up three spots to 83 out of 185 countries. The GoM still continues to ease day-to-day business activity and simplify regulation of foreign trade transactions. In 2011, the GoM adopted an action plan that called for the removal of non-tariff barriers to trade and elimination of a series of customs fees until 2014.

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 fall 2009, AmCham produced a Roadmap for the Development of Moldova's Business and Economic Climate, which it presented to the new Prime Minister. The Roadmap made a number of recommendations to improve business regulation. In 2011, a group of ten large EU investors founded the European Business Association (EBA) with the support of the EU Ambassador to Moldova.

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.

Moldova introduced its National Accounting Standards (NAS), based on International Accounting Standards (IAS), in 1998. While this meant greater transparency of financial information and compatibility with IAS, the NAS has not been updated since then, leaving it outdated. The current NAS is not compatible with the International Financial Reporting Standards (IFRS), yet work is underway to adopt new accounting standards based on IFRS. A new law on accounting took effect on January 1, 2008. Banks, insurance companies, non-governmental pension funds, investment funds and publicly listed companies were required by law to apply the IFRS beginning January 1, 2011. However, adoption of IFRS for the vast majority of companies is optional.

## **Efficient Capital Markets and Portfolio Investment**

[Return to top](#)

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 has been growing and interest rates have been dropping. However, in 2012, financing by banks was low due to the country's weak economic performance. Large investments rarely can be financed through a single bank and require a bank consortium. Recent years have seen a 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. 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 comes into effect in mid-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.

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 NBM and 14 commercial banks. The NBM supervises the commercial banks and reports to Parliament. The GoM holds a controlling stake in one bank, Banca de Economii. Foreign investors' share in Moldovan banks' capital is around 75 percent.

As of November 30, 2012, total bank assets were MDL 56,947 million (\$4.7 billion). Moldova's five largest commercial banks account for almost 70 percent of the total bank assets, as follows: Moldova Agroindbank: MDL 11,350 million (\$938 million); Victoriabank: MDL 9,935 million (\$821 million); Moldindconbank: MDL 7,974 million (\$659 million); Banca de Economii: MDL 6,758 million (\$558 million); and Eximbank: MDL 4,204 million (\$347 million).

## **Competition from State Owned Enterprises**

[Return to top](#)

Moldovan legislation does not formally discriminate between state-owned enterprises and private-run businesses. By law, governmental authorities have to 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 and their privatization has been either postponed indefinitely or abandoned altogether. The major government-owned enterprises are two northern electrical distribution companies, the Chisinau heating companies, the fixed-line telephone operator Moldtelecom, the state airline Air Moldova, the state railway company and the majority state-owned bank Banca de Economii.

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 the private sector, and uses

this perceived competitive advantage to prevent open competition in their individual sector. The GoM restarted efforts to sell a series of attractive assets in 2008 by privatizing the footwear manufacturer Zorile, the former Soviet military-industrial complex Mezon and the Codru Hotel. The coalition government, which first came into office in 2009, continued the selloff of government assets. Nevertheless, international economic uncertainties coupled at times with domestic political instability over the last years led to subdued privatization efforts by the GoM. In 2012, the GoM was able to achieve only half of its annual privatization target of 260 million lei (\$21.5 million). The sell-off of the government-owned cosmetics company Viorica was the major privatization of 2012.

## **Corporate Social Responsibility**

[Return to top](#)

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 is being introduced. AmCham has set an example with its corporate members in the business sector by engaging in a forestation project, in the rehabilitation of medical facilities and in Christmas collection projects for orphanages.

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.

## **Political Violence**

[Return to top](#)

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, 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 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), 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 "five plus two" format). Throughout the years, negotiations have been piecemeal at best, with talks stalling in 2006 and formally resuming in late November 2011. In 2012, there were five official meetings between the sides, accompanied by the reactivation of 15 expert working groups on broad set of topics. An important achievement of the talks has been the resumption of rail freight traffic through Transnistria.

## **Corruption**

[Return to top](#)

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see



<http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>)

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).)

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.
- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

Moldova is making efforts to adopt European and international standards to combat corruption and organized crime. In 2007, Moldova ratified the United Nations Convention against Corruption, subsequently adopting amendments to its domestic anti-corruption legislation. In 2008, the GoM developed and enacted a series of companion 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 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. However, the Commission still lacks administrative personnel and other resources to function properly.

The Center for Combating Economic Crimes and Corruption (CCECC) was also reorganized in 2012 into the National Anticorruption Center (NAC). According to law, the new NAC will focus solely on investigating public corruption and bribery crimes. In October, Parliament 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, with the Court set to deliver its opinion in early 2013.

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.

According to the Moldovan Criminal Code, offering a bribe is regulated by Article 325 entitled "Active Corruption." Penalties for offering a bribe include prison terms up to 12 years and fines of up to 60,000 MDL (approximately \$5,100). The minimum penalty for offering a bribe is now imprisonment for up to five years with a fine of 20,000 MDL (approximately \$1,700) to 60,000 MDL (approximately \$5,100). If committed by two or more persons or on a large scale, the offering of a bribe is punishable with imprisonment from three to seven years with a fine of 20,000 MDL (approximately \$1,700) to 60,000 MDL (approximately \$5,100). The maximum penalty for offering a bribe in its aggravated forms, on an especially large scale, in the interest of an organized criminal group or criminal organization is punishable with imprisonment from six to twelve years with a fine from 20,000 MDL (approximately \$1,700) to 60,000 MDL (approximately \$5,100). For legal entities, the lowest fine is 40,000 MDL and the highest is 200,000 MDL (\$11,700).

Accepting a bribe is regulated by the Moldovan Criminal Code under Article 324 - "Passive Corruption." Penalties for accepting a bribe include prison terms up to 15 years, and fines of up to 60,000 MDL (approximately \$5,100), the deprivation of the right to hold certain positions or practice certain activities for two to five years.

In November 2012 as part of the Justice Sector Reform Action Plan, the Ministry of Justice drafted a series of amendments in the anticorruption area. These amendments toughen the penalties for active and passive corruption. This anticorruption package also includes a draft law on integrity testing of all justice sector officials, i.e. judges, prosecutors and police officers.

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.

In the past several years, the U.S. Embassy received reports from foreign investors of serious problems with corruption and bribery. For example, when a foreign investor discovered that he had under-paid 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 also has 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 via non-transparent measures.

According to the survey "Corruption in Moldova: Perceptions of Businesses and Households" carried out by Transparency International Moldova in 2012, police, prosecution, customs and the judicial system are still among the most corrupt institutions in Moldova.

Despite the established anti-corruption framework, the number of cases involving persecution of corruption did not meet international expectations. The Corruption Perceptions Index (CPI) as estimated on an annual basis by Transparency International indicates that the population of the country and the international community perceive Moldova as a country with widespread corruption. In 2012, Moldova managed to score 36 points and was ranked 94th.

## **Bilateral Investment Agreements**

[Return to top](#)

Moldova has signed bilateral investment protection and promotion agreements with 39 countries. In addition to the United States, these include 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, the Netherlands, Poland, Qatar, Romania, Russia, Slovakia, Slovenia, Spain, Switzerland, Tajikistan, Turkey, Ukraine, the United Kingdom and Uzbekistan.

Moldova has a bilateral treaty with the United States on the Encouragement and Reciprocal Protection of Investment. Moldova has not signed a separate bilateral 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 deals with avoidance of double taxation, to former Soviet republics, including Moldova.

## **OPIC and Other Investment Insurance Programs**

[Return to top](#)

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. The country also benefits from loans extended by the EU's European Investment Bank and the Council of Europe Development Bank.

## **Labor**

[Return to top](#)

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 laborers left Moldova for better paying jobs in other countries. This led to leading to shortages in skilled workers in Moldova. 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 are less active and

effective in small private companies. Moldova is a signatory to numerous conventions on the protection of workers' rights.

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 unions 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.

## **Foreign-Trade Zones/Free Ports**

[Return to top](#)

At present, seven 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 \$1 million, a three-year exemption from tax on income resulting from exports, and for investments of more than \$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 changes in the law for 10 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 value-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. The airport management is also interested in turning Marculesti into a regional hub for low-cost passenger airlines.

## **Foreign Direct Investment Statistics**

[Return to top](#)

As of January 1, 2012, the historical cost of the total stock of foreign direct investment (FDI) in Moldova since independence amounted to \$3.17 billion according to the NBM.

However, FDI data are not always accurate due both to lack of reporting by businesses and changing methodologies by the National Bank.

FDI was growing steadily through 2008, when it reached the highest level in recent years. Inflows dropped afterwards as the global economic crisis took its toll on foreign investment. After a downward trend in 2009 and 2010, FDI inflows grew in 2011 and were expected to record a decrease in 2012. According to NBM data, FDI inflows (in millions of U.S. dollars) were as follows: \$868.28 (2008); \$374.77(2009); \$362.35 (2010); \$430.49 (2011); \$220.62 (Jan-Sep 2012).

FDI by country in 2011, according to NBM data and based on charter capital was as follows:

|                |                 |
|----------------|-----------------|
| 1. Netherlands | \$26.75 million |
| 2. Russia      | \$20.62 million |
| 3. Italy       | \$19.26 million |
| 4. Germany     | \$14.76 million |
| 5. Romania     | \$7.91 million  |
| 6. USA         | \$5.59 million  |
| 7. Turkey      | \$5.47 million  |
| 8. France      | \$2.8 million   |
| 9. Switzerland | \$2.01 million  |
| 10. Austria    | \$0.97 million  |

According to the NBM, the stock of FDI inflows by country of origin for the ten largest investing countries for the period 1992 to 2011 was:

|                 |                  |
|-----------------|------------------|
| 1. Russia       | \$191.45 million |
| 2. Italy        | \$157.82 million |
| 3. Germany      | \$144.99 million |
| 4. Romania      | \$139.45 million |
| 5. Cyprus       | \$139.25 million |
| 6. USA          | \$135 million    |
| 7. Netherlands  | \$124.01 million |
| 8. France       | \$92.24 million  |
| 9. Turkey       | \$53.07 million  |
| 10. Switzerland | \$51.78 million  |

Based on figures from the National Bureau of Statistics, FDI by sectors as a percentage of total FDI since 1992 has been as follows:

|                                     |              |
|-------------------------------------|--------------|
| Financial activities                | 28.9 percent |
| Processing industry                 | 23.1 percent |
| Wholesale, retail & repair services | 17.0 percent |



|                                    |              |
|------------------------------------|--------------|
| Real estate transactions           | 11.1 percent |
| Electricity, gas, and water supply | 9.1 percent  |
| Transportation and communications  | 5.0 percent  |
| Agriculture and Hunting            | 1.4 percent  |
| Other activities                   | 4.4 percent  |

According to NBM data, at the end of 2011, Moldova's direct investment abroad since independence amounted to \$67.85 million.

In 2011, FDI inflows were 6.1 percent of annual GDP (\$7.001 billion), while the FDI stock was 45.3 percent of GDP.

Major U.S. investors or representatives of U.S. companies in Moldova include:

- NCH Group of Investment Funds: real estate and financing companies
- Horizon Capital: equity investment fund managing the investments of Western NIS Enterprise Fund (which is phasing out its local activity) and the Emerging Europe Growth Funds I and II with holdings in banking, food processing and glass manufacturing
- Transoil: farming, agribusiness and grains trading
- McDonald's: fast food
- Coca-Cola: soft drinks
- Development Group USA: food processing, wine and media
- Lion Gri: wine
- Mary Kay: perfumes and cosmetics
- Avon: perfumes and cosmetics
- Lear Corporation: car seat covers
- Ford: car dealership
- Chevrolet: car dealership
- PricewaterhouseCoopers: auditing and tax advisory
- KPMG: auditing and tax advisory
- Deloitte: auditing and tax advisory
- Ernst & Young: auditing and tax advisory

## Web Resources

[Return to top](#)

Ministry of Economy and Trade [www.mec.gov.md](http://www.mec.gov.md)

Moldovan Investment and Export Promotion Organization (MIEPO) [www.miepo.md](http://www.miepo.md)

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### **How Do I Get Paid (Methods of Payment)**

[Return to top](#)

Payment methods and terms will vary depending on the type of business model and relationship between companies. As a rule, companies start their business relations with advance payment for deliveries. Once trust has been built and a positive record of payment established, suppliers may consider extending short- or eventually longer-term credit to bolster sales. Few companies in Moldova can afford payments on large transactions and therefore credit arrangements will be needed for big projects. Moldovan banks also use a wide range of letters of credit, which provide greater protection to suppliers against payment delays.

Authorized Moldovan commercial banks are members of SWIFT (Society for Worldwide Inter-bank Financial Telecommunications).

### **How Does the Banking System Operate**

[Return to top](#)

Moldova's banking system was set up in two tiers in 1991 around the time of the breakup of the USSR and currently comprises a central bank and 14 commercial banks.

Set up in 1991 under the law on the National Bank of Moldova, the central bank licenses, supervises, and regulates the activity of financial institutions in Moldova. The National Bank is accountable to the Moldovan Parliament. An overhaul of banking legislation was undertaken in 1995 in keeping with the structural reforms that extended the role and functions of the central bank and second-tier commercial banks. The National Bank has undertaken measures to uphold banking stability, making considerable progress in observing international standards and codes as set out by the Basel core principles for effective banking supervision. In 2006, the central bank's priority objective was shifted from maintaining the stability of the national currency to ensuring price stability. Moldova's banking sector has successfully withstood past economic shocks and while it did relatively well in coping with the global financial crisis initially in 2009, one bank nevertheless went bankrupt that year.

A deposit insurance fund was set up in 2004 to guarantee a minimum amount of individual saving deposits in commercial banks. The minimum guaranteed amount is 6,000 Moldovan lei (\$500).

To consolidate the banking sector, the National Bank has been raising the minimum required capital. The current minimum required capital for banks is set at 200 million Moldovan lei (\$16.5 million).

Private institutions dominate the banking sector. However, government-owned Banca de Economii (Savings Bank) remains the last majority state-owned bank in Moldova, and despite pressure from the international community, has delayed its privatization.

Around 75 percent of banking capital originates from foreign investment. In 2006, reputable European banks arrived in Moldova: Italy's Gruppo Veneto Banca and France's Societe Generale, both acquiring two mid-sized banks. Romania's Banca Comerciala Romana, a subsidiary of Austria's Erste Bank, has a branch in Chisinau. Another Austrian bank, Raiffeisen Bank, set up a representative office.

While Moldova's regulatory landscape does not prevent banks from opening offices in other towns, most bank offices are concentrated in Chisinau, which is both the administrative and economic capital of Moldova.

Spurred by remittances, commercial banks have been growing over recent years, outperforming other sectors of the Moldovan economy. Moldovan banks have been diversifying their activity and offering new financial products. They are now issuing and servicing debit and credit cards, offering money transfer services, on-line and SMS banking, and venturing into retail lending. While credit card use is still relatively low, ATMs are widespread in Chisinau, and the number of ATMs and stores accepting payment cards has been on the rise.

As of January 1, 2013, the five largest commercial banks in Moldova held 70.4 percent of the total banking assets worth MDL 58.3 billion (\$4.7 billion). The five banks are MoldAgroindbank, Victoriabank, Moldindconbank, Banca de Economii, and Eximbank.

Most Moldovan commercial banks originally built their activity on the banking structures of the former Soviet Union, and therefore, initially, were specialized to serve certain economic sectors. As a result of economic decline following the breakup of the Soviet Union, all Moldovan banks turned from specialization to universal banking providing services to both corporate and retail clients to diminish risk.

In contrast to the West, banks play a minor role in the country's economic development and business activity. Despite growth in recent years, the banking sector remains unsophisticated compared to other countries in the region. Moldova's high credit risk and inflation rates determine the high interest rates on limited bank loan business. Moldovan banks have been boasting high liquidity ratios for the past several years, which helped provide a cushion for external shocks. A long-standing problem of the banking system has been the discrepancy between the availability of funds and the issuance of loans. Private companies, most notably small and medium-sized enterprises, complain of limited access to financing.

A persistent problem in the banking system is the insufficiency of funds with longer tenors. The population often opens deposits for periods less than 12 months. Loans and state treasury bills provide limited diversification for the banks' assets because Moldova's stock market remains underdeveloped and provides limited options for long-term investments. As a result, banks have to rely on long-term credit lines from the

World Bank, the European Bank for Reconstruction and Development, and other international financial institutions as well as their own retained profits to credit businesses long term.

In addition to the strict financing terms, Moldova's banking sector lacks transparency and clear corporate governance. After a series of raider attacks on several banks and other financial institutions in 2011, the international community has lobbied for better regulation and more clarity in the sector, especially as regards bank ownership, and management.

### **Foreign-Exchange Controls**

[Return to top](#)

Moldova accepted Article VIII of the IMF Charter in 1995, which required liberalization of current foreign exchange operations. The national currency, the Leu (plural Lei), is fully convertible for business (current account) purposes, with the central bank applying a managed float to reduce currency fluctuations. There are no restrictions on the conversion or transfer of funds associated with foreign investment in Moldova. Foreign investors can freely repatriate their earnings. After the payment of taxes, foreign investors are permitted to repatriate residual funds. Residual-funds transfers are not subject to any other duties or taxes, and do not require special permission. There are no significant delays in the remittances of investment returns, since domestic commercial banks have accounts in leading multinational banks. Companies are not obliged to sell their hard currency earnings to the government.

Transactions related to capital transfers out of the country require an authorization from the National Bank.

### **U.S. Banks and Local Correspondent Banks**

[Return to top](#)

There are no U.S. banks in Moldova. Almost all commercial banks have correspondent accounts in large U.S. banks, predominantly in The Bank of New York and Citibank.

### **Project Financing**

[Return to top](#)

Although interest rates reached historic lows in 2012, they remain high by European standards – over 13 percent in lei and about nine percent in foreign currency. In addition, the bulk of financing from banks is short-term. Given the relatively small size of Moldova's finance sector, a single bank may not be able to fund large-scale projects.

Project financing is very limited unless implemented through subsidized loan programs funded by foreign governments and multilateral financial institutions, and aimed at private business development. Even in such situations, interest rates are seldom below ten percent.

### **World Bank**

Since Moldova joined the World Bank in August 1992, its lending has provided consistent support for Moldova's economic reforms, focusing on poverty alleviation and sustainable economic growth. Since the inception of its program in Moldova, the World Bank has committed over \$970 million in support of 45 projects for the country.

The 2009-2013 World Bank Country Partnership Strategy (CPS) for the Republic of Moldova is the main assistance framework at the country level, which guides the World Bank's interventions in Moldova over the four-year period. Development assistance efforts in Moldova in the CPS aimed to support a sustainable growth strategy, which capitalizes on opportunities for remittance flows to be used productively to allow the country to increase private savings and investment. With the current CPS ending, the World Bank is preparing a new framework for its cooperation with Moldova to boost prosperity and reduce poverty by making use of the benefits of Moldova's declared integration with the EU and broader global economy.

Financing for commercial projects is available through the World Bank Group's International Finance Corporation (IFC). The IFC makes loans and equity investments, organizes syndications, underwrites securities, and offers advisory services. IFC invests exclusively in for-profit projects and charges market rates for its products and services, which usually represent LIBOR plus country risk and project specific risk. A company or entrepreneur seeking to establish a new venture or expand an existing enterprise can approach IFC directly and submit an Investment Proposal for IFC's review.

### **European Bank for Reconstruction and Development (EBRD)**

In Moldova, the EBRD focuses on improving the business climate, supporting economic diversification, and reforming the energy and municipal sectors. In particular, the Bank supports private companies with direct investments, with intermediary finance through local banks, and by developing local business skills. It also pays particular attention to building a stable banking sector, promoting energy efficiency and improving corporate governance and transparency. EBRD's areas of priority are financing for the private and public infrastructure projects, financial institutions and support to local SMEs.

The bank has implemented 96 projects with a net cumulative business volume of 743 million Euros. The reconstruction of the Chisinau International Airport is considered EBRD's most successful project in Moldova. Completed in 2005, the new airport facilities were built using a USD 9 million EBRD loan. In 2008, the EBRD approved another loan for the Chisinau International Airport of 25.5 million Euros. With the loan, the GoM will rehabilitate and upgrade the existing runway, taxiways, aprons, and other connected core assets of the Airport. The European Investment Bank (EIB) is co-financing, together with the EBRD, with a loan of 20 million Euros.

### **Western NIS Enterprise Fund**

The Western NIS Enterprise Fund (WNISEF) is a \$150 million fund that invests in small and medium-sized companies in Ukraine and Moldova. Proceeds from WNISEF's equity investments of one million to ten million U.S. dollars in size are used primarily for restructuring and expansion. Since its inception, WNISEF has invested approximately \$138 million in a range of industries with substantial experience in fast moving consumer goods, construction materials, packaging, retail, and financial services. WNISEF is managed by Horizon Capital Associates, LLC.

WNISEF is governed by an independent Board of Directors comprised of leading representatives of the U.S. business community. WNISEF was established by the U.S. Congress and funded by the U.S. government via USAID. The success of WNISEF led

to the establishment of the \$132 million Emerging Europe Growth Fund, LP (EEGF) in 2006, with a \$25 million cornerstone investment by WNISEF and additional capital provided by global institutional investors.

### **Black Sea Trade and Development Bank**

Established in 1998 by Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russian Federation, Turkey, and Ukraine, the Black Sea Trade and Development Bank (BSTDB) has an authorized capital of SDR 3 billion. The Bank supports economic development and regional cooperation by providing trade and project financing, guarantees, and equity for development projects supporting both public and private enterprises in its member countries.

BSTDB's goal is to increase trade flows between member countries. The BSTDB also places great emphasis on private sector development. This entails supporting the development of small and medium-sized enterprises (SMEs) through development of local financial intermediation. The Bank seeks investment opportunities in infrastructure, energy, manufacturing, agriculture and food processing, retail, and property sectors of Moldova, and considers using private-public partnerships as an instrument of activity wherever appropriate.

Aside from the above listed multilateral financial institutions, U.S. companies also have the option of getting financing and insurance for exports, investment, and development projects through such U.S. agencies as the U.S. Trade and Development Agency (USTDA), the U.S. Export-Import Bank (EXIM), and the Overseas Private Investment Corporation (OPIC). For more information about these and other agencies please see Chapter 6 (Investment Climate) and explore website resources below.

### **Web Resources**

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

(Insert a link to the applicable Multilateral Development Bank here and any other pertinent web resources.)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### **Business Customs**

[Return to top](#)

Given the fact that "business" in the Western sense is something new to the current generation of Moldovans, it is difficult to generalize about proper protocol and customs for doing business in Moldova. Though a new Western-oriented generation is beginning to emerge, the legacy of centralized authoritarian bureaucracy, red tape, and an unwillingness to take initiative persists. Signatures, proper letterhead, stamps of authenticity, and forms (in triplicate) are considered an important part of "getting the job done" in Moldova - a process which can test the patience of even the most experienced international businessperson.

Western business people should keep in mind that Moldovan business culture features widespread corruption and a constellation of well-connected local businessmen. For this reason, Moldovan business partners often believe the key to the success of an enterprise is not the soundness of the business plan, but access to influential individuals in government or business.

The form of business in Moldova often takes precedence over substance, making a U.S. partner's approach all the more important. Given the absence of a strong, transparent legal infrastructure, in the end, the success of your deal may depend on the trust you have painstakingly built over many months or years.

A strong emphasis should be placed on cementing personal relationships before doing any business. Face-to-face meetings are the norm, with little business conducted over the telephone. Always be ready with a firm handshake to open and close a meeting. Moldovans are famous for their hospitality and usually offer food and beverages at business meetings. To host a meeting without offering at least tea and coffee appears rude. It is considered an offense, if a guest refuses food or beverage the first time it is offered. Long evenings and multi-course meals, wine and cognac or vodka (moderation is advised) can be important in building trust with your Moldovan partner. Wishing good health, happiness, and success to your partner's immediate family will be certain to bring a smile and a hearty "thank you." Remembering your Moldovan partner's birthday and child's birthday, and keeping Moldovan holidays in mind are gestures not soon forgotten.

## Travel Advisory

[Return to top](#)

Please review the Consular Information Sheet available on the U.S. Department of State's Bureau of Consular affairs web site:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_972.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_972.html)

## Visa Requirements

[Return to top](#)

As of January 1, 2007, U.S. citizens are exempt from Moldovan visa requirements. They are able to stay in Moldova for up to 90 days within a six-month period without registration. Residence and work permits are required for stays over 90 days. Visitors to Moldova are registered at the border. Immigration, residence, and work permits usually need to be extended annually, but may be issued for up to five years.

According to the Diplomatic Note number DC-05/464/5103 of the Ministry of External Affairs and European Integration of the Republic of Moldova, dated March 24, 2008, foreign citizens who apply for temporary or permanent residence in Moldova will no longer be required to present police certificates from their countries of origin.

Moldovan law requires everyone to carry identity documents. Moldovan police have the right to request identity documents from any person. Individuals who fail to produce appropriate ID upon request may be subject to detention and fines. Therefore, Americans are advised to carry their U.S. passports (or a copy of their passport's biographic information page) with their registration card, if applicable, or a Moldovan-issued identification document when in public.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process.

Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

For more details please visit the U.S. Embassy's web site:  
<http://moldova.usembassy.gov/service.html>

## Telecommunications

[Return to top](#)

Local wired-telephone service is dependable. There are several cell phone operators that offer extensive coverage of the country and also offer roaming services in a large number of countries, the United States included. Cell phone usage is widespread in Moldovan business circles. If you have a GSM unlocked telephone, you can easily buy a local SIM card to establish cell phone service during your visit. International telephone connections via fixed or mobile telephony are generally good. Internet service is widely available in hotels, Internet cafes, and residences in cities.

## Transportation

[Return to top](#)



By Air: Chisinau International Airport is the only international airport in Moldova. It is located south of the city. It currently handles a volume of about 900,000 passengers annually with a capacity of 1.2 million. Flying to Moldova from the United States is possible via Amsterdam (Holland), Frankfurt (Germany), Munich (Germany), Budapest (Hungary), Vienna (Austria), Istanbul (Turkey), and Rome (Italy). These cities have direct flights to Chisinau, Moldova.

By Land: The total length of the Moldovan state border is 1907 km. Moldova borders Romania for 685 km and Ukraine for 1,222 km. Moldova has six customs offices on the border with Romania (Giurgiulesti, Cahul, Leuseni, Ungheni, Sculeni and Costesti which is the international transit point designated for automobiles). Customs offices and cross border points on the Moldovan-Ukrainian border are Giurgiulesti (transit), Basarabeasca, Bender, Briceni, Soroca, Ocnita.

Additional information on travel to Moldova is available on the State Department's web page at <http://www.travel.state.gov>.

## Language

[Return to top](#)

By the country's constitution, the official language is called Moldovan, which in its standard form is identical to Romanian, with the exception of a few usage norms. The proper naming of the official language spoken in Moldova is sometimes a matter of debate, even among ethnic Moldovans, as some insist upon calling the language Moldovan, while others acknowledge that it is Romanian. During the Soviet period, the language, exclusively called Moldovan, was written in Cyrillic and hence was clearly distinguishable from Romanian, but with the reversion to Latin script following independence, the distinction between the two disappeared. One may hear that Moldovan is roughly as similar to Romanian as American English is to British English, though the difference is that Americans acknowledge their language as being English, without insisting that it be called American. Many websites, including the GoM's official site, offer a choice between Romanian, Russian, and English languages. Some people contend that besides the typical regional accent, the main difference between Moldovan and Romanian is that Moldovans intersperse their speech with Russian words. In formal documents or settings, however, preference is always given to standard Romanian. Most inhabitants of Chisinau speak both Russian and Romanian. In Chisinau, quite often the shopkeepers and business people use the Russian language among themselves and with foreigners. At outdoor (agricultural) markets one will hear more Romanian. In most of the villages, Romanian is the primary language; however, there are villages where Russian is more popular. Many young people speak some English.

## Health

[Return to top](#)

Medical care in Moldova is substandard throughout the country, including Chisinau. The quality of local clinics and hospitals in Chisinau varies considerably. Although none is up to Western standards, some do have equipment manufactured in Western countries and some staff members have had some Western medical training. A private hospital has been recently commissioned and offers some care comparable with western facilities starting in late 2010. There are no doctors who have completed medical school or

residencies in the United States, although a handful of doctors have attended training seminars there. In the event of a serious medical condition, every effort should be made to go to Western Europe, though the local system may be adequate for dealing with more routine health issues. In the event of emergency, travelers should attempt first to contact the local ambulance service, which is trained to determine which medical facility is most appropriate for treatment and will transport the injured or sick person to that location. Hospital accommodations are inadequate throughout the country and advanced technology is lacking. Shortages of routine medications and supplies may be encountered. Elderly travelers and those with existing health problems may be at particular risk because of inadequate medical facilities. Visitors to Moldova are advised to bring their own supply of both prescription and common over-the-counter medications. Bring prescriptions with you and avoid drinking tap water (bottled water is readily available in major hotels and supermarkets). It is wise to make sure that all foods and utensils are thoroughly cleaned. Prior to travel, make sure proper immunizations are up-to-date. Most pharmacies now carry imported and local medicine, although few medications are labeled in English. There are pharmacies in all regions of Chisinau, identifiable by "Farmacia" signs, and some are open 24-hours.

Medical Information: Tuberculosis is a serious health concern in Moldova. For further information, please consult the CDC's Travel Notice on TB at <http://wwwnc.cdc.gov/travel/destinations/moldova.aspx>

Other major health concerns include Hepatitis A (food-borne), Hepatitis B, and Hepatitis C (blood- and body fluids-borne). The incidence of sexually transmitted diseases is high as it is in most developing countries.

### **Local Time , Business Hours, and Holidays**

[Return to top](#)

Moldovan time is GMT (Greenwich Mean Time) +2 and EST (Eastern Standard Time)+7. The country observes daylight savings times from the last Sunday in March through the last Sunday in October.

Work week: 40 hours per week  
Normal business hours: 9 a.m. – 6 p.m.

There are 11 national holidays in Moldova. New Year's day (January 1), Orthodox Christmas (January 7 and 8), International Women's Day (March 8), two days of Easter and Easter Monday determined by the Orthodox Church's calendar, Memorial Day (the first Monday a week after Easter), Labor Day (May 1), Victory Day (May 9), National Day (August 27) and Our Language Day (August 31) are celebrated in Moldova. Most businesses and all state institutions are closed on these days. The basic infrastructure institutions such as airports and markets usually stay open.

### **Temporary Entry of Materials and Personal Belongings**

[Return to top](#)

Articles exempted from duty include personal effects and medicine required, in rational amounts, for the duration of the trip, personal jewelry, personal laptops, books, publications and recordings of all types and other similar items for personal use.

U.S. Department of State

[http://travel.state.gov/travel/warnings\\_consular.html](http://travel.state.gov/travel/warnings_consular.html)

United States Visas.gov

<http://www.unitedstatesvisas.gov>

U.S. Embassy in Moldova

<http://moldova.usembassy.gov/>

Moldovan Embassy in Washington, DC

<http://embassyrm.org/>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### **Contacts**

[Return to top](#)

The Moldovan government maintains a list of contact information and websites for its various ministries and agencies at <http://www.gov.md>. The website has information available in English. A selection of relevant websites follows.

#### **Governmental Ministries and Agencies**

Ministry of Foreign Affairs and European Integration [www.mfa.gov.md](http://www.mfa.gov.md)  
Ministry of Economy [www.mec.gov.md](http://www.mec.gov.md)  
Ministry of Finance [www.mf.gov.md](http://www.mf.gov.md)  
Ministry of Agriculture and Food Industry [www.maia.gov.md](http://www.maia.gov.md)  
Ministry of Regional Development and Constructions [www.mcdr.gov.md](http://www.mcdr.gov.md)  
Ministry of Information Technology and Communications [www.mtic.gov.md](http://www.mtic.gov.md)  
Ministry of Transport and Road Infrastructure [www.mtid.gov.md](http://www.mtid.gov.md)  
Ministry of Justice [www.justice.gov.md](http://www.justice.gov.md)  
Ministry of Labor, Social Protection and Family [www.mmpsf.gov.md](http://www.mmpsf.gov.md)  
Ministry of Culture [www.mc.gov.md](http://www.mc.gov.md)  
Ministry of Environment [www.mediu.gov.md](http://www.mediu.gov.md)  
Moldovan National Bank [www.bnm.md](http://www.bnm.md)  
Moldovan Investment and Export Promotion Organization (MIEPO) [www.miepo.md](http://www.miepo.md)  
Moldovan State Tax Service [www.fisc.md](http://www.fisc.md)  
Moldovan Customs Service [www.customs.gov.md](http://www.customs.gov.md)  
Moldovan Statistics Bureau [www.statistica.md](http://www.statistica.md)  
State Civil Aviation Administration [www.caa.md](http://www.caa.md)  
Moldovan Licensing Chamber [www.licentiere.gov.md](http://www.licentiere.gov.md)  
State Registration Chamber [www.cis.gov.md](http://www.cis.gov.md)  
Agency for Public Property [www.app.gov.md](http://www.app.gov.md)  
Agency for Public Acquisitions [www.tender.gov.md](http://www.tender.gov.md)  
Moldova Stock Exchange [www.moldse.md](http://www.moldse.md)

#### **Regulatory Agencies**

National Regulatory Agency for Energy [www.anre.md](http://www.anre.md)  
National Regulatory Agency for Electronic Communication and Information Technology [www.anrceti.md](http://www.anrceti.md)  
National Agency for Protection of Competition [www.anpc.md](http://www.anpc.md)  
National Commission for Financial Markets [www.cnpf.md](http://www.cnpf.md)

#### **Trade Associations and Chambers of Commerce**

Moldovan Chamber of Commerce and Industry [www.chamber.md](http://www.chamber.md)  
American Chamber of Commerce in Moldova [www.amcham.md](http://www.amcham.md)  
Foreign Investors Association [www.fia.md](http://www.fia.md)  
Moldovan Customs Brokers Association [www.vama.md](http://www.vama.md)  
Moldovan Association of Professional Accountants and Auditors [www.acap.md](http://www.acap.md)  
Moldovan Banks Association [www.abm.md](http://www.abm.md)

### **International Financial Institutions**

International Monetary Fund Office in Moldova [www.imf.md](http://www.imf.md)  
World Bank Country Office in Moldova [www.worldbank.org.md](http://www.worldbank.org.md)  
European Bank for Reconstruction and Development [www.ebrd.com/moldova](http://www.ebrd.com/moldova)  
European Investment Bank [www.eib.org](http://www.eib.org)  
Black Sea Trade and Development Bank [www.bstadb.org](http://www.bstadb.org)

U.S. Embassy in Moldova runs a page dedicated to business related issues on its website <http://moldova.usembassy.gov/business.html>

For more information please contact the U.S. Embassy in Moldova:  
Embassy of the United States of America  
Strada Mateevici 103, Chisinau MD-2009, Moldova  
Tel: (+373 22) 408 300 (Reception)  
Fax: (+373 22) 233 044  
[moldova.usembassy.gov](http://moldova.usembassy.gov)

### **Market Research**

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

### **Trade Events**

[Return to top](#)

Please click on the link below for information on upcoming trade events.

[www.export.gov/tradeevents/index.asp](http://www.export.gov/tradeevents/index.asp)  
<http://www.biztradeshows.com/moldova/chisinau/en.moldexpo.md/exhibitions>  
[www.poliproject.md/mod/expo/](http://www.poliproject.md/mod/expo/)

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)