



**MOLDOVA 2009**

**NATIONAL BUSINESS AGENDA**

**PRIORITIES FOR COMPETITIVE AND ATTRACTIVE  
BUSINESS ENVIRONMENT DEVELOPMENT**





# EXECUTIVE SUMMARY

The mission of the National Business Agenda is to develop a common platform of priorities, solutions and objectives for the business environment in the Republic of Moldova. It identifies itself with the issues and transformation processes within the country in its transition towards a model of efficient governance based on the institutions and values of a functional market economy.

Business Associations that decided to support this process have elaborated this document based on the experience of the previous years thus crystallizing a vision upon the useful priorities for the upcoming years of economic development and consolidation of market economy in the field of business regulation in RM, and in particular:

- *Introduction of zero quota to the reinvested profit of legal entities;*
- *Adoption of fiscal amnesty policy and capital legalization;*
- *Reduction from 3 to 2 steps and the maximum quota from 20% to 18% of the income tax of the natural persons;*
- *Gradual redistribution between employer and employee of payments for social insurance;*
- *Law revision on business regulation and implementation of the law „Ghilotina 1”;*
- *Normative support for the public-private dialogue;*
- *The calculation method of mandatory auto insurances has improved.*

However we have to ascertain also the numerous failures registered in recent time. We will mention four phenomena that brought serious consequences from the perspective of the business in the Republic of Moldova. Among these we will mention:

- *The slowing down in the implementation process of the „Ghilotina 1” and „Ghilotina 2” law and the stopping of central administration reform did not allow the government to obtain the synergetic effect of the regulatory reform in the period established.*
- *The subsidies offered by the state oftentimes create non-loyal competition instead of leading to development of economy sectors.*
- *The persistence of a guilt presumption in regards to the business in its relations with the state institutions.*
- *The stopping of the process of liberalization of the wage system in the national economy having as direct consequence – the acceleration of the emigration process as effect of the suboptimal system of official wage system for the employees in the economic sectors thus depriving strategic investments from major competitive elements on local level.*

We think that these deficiencies affect directly our interests as citizens of the Republic of Moldova and members of the business community. We have the feeling that we can overcome these issues by mobilizing our associations and initiating a framework of efficient and flexible co-operation and consultations also together with the central administration motivated by the idea to build up and less stagnate. We plan to approach these issues through the National Business Agenda as they are perceived and ranked by the local business environment being conscious that its level of competitiveness is directly reflected upon the welfare of the state and society as a whole.

By identifying the constraints and issues that currently erode the stability of the business environment we planned also to propose to the central authorities concluding solutions for them to be implemented. The National Business Agenda (2009) cements a consensus already existent in our society to resolve any problem through dialogue, consultation, and strategic vision. We hope that these nutritive elements for the Business Associations that gave birth to this process will be of long-term and with awaiting results. The voice of the business community in the Republic of Moldova is expressed through a National Business Agenda which establishes 5 priorities and objectives to be implemented in the upcoming 5 years for the development of a competitive and attractive business community. These are:

- *Reduce administrative barriers and ensure a healthy competitive environment*
- *Optimize the fiscal system*
- *Promote foreign investment*
- *Consolidate the judicial*
- *Efficiently develop and use the human capital*

Each of these objectives combines concrete actions and priorities, chronologically ordered depending on the complexity and urgency for the business environment that proposed them. Any selected priority for the National Business Agenda contains specific problems which will be solved, concrete solutions as these are seen by the business and experts community. The National Agenda anticipates the potential impact of these priorities for the business environment by offering real and constructive solutions originating from the current situation of economy and society in the Republic of Moldova.

# Common platform of the private business in the Republic of Moldova

The common platform established by the National Business Agenda from the Republic of Moldova originates from the will of the local business environment to contribute to the consolidation of a prosperous, responsible and mature society where the economic initiative and pluralism of ownership forms are constitutionally guaranteed in practice also and where the norms of business running can offer the largest opportunities to all persons with spirit of initiative and own vision. Our goals are inseparable from the values that we share.

We believe that the welfare of citizens can be ensured only if the Republic of Moldova will register a durable and qualitative growth of its economic capacity in the conditions of a maximum opening towards the European and international markets. We are convinced that in a globalized economy only competition, competitiveness and spirit of innovation can decide upon the place that a nation can obtain in the world. The economic competition is essentially linked with the well functioning of the market economy institutions, dynamic and free development of the private sector, quality of economic and professional education and also the business ethics.

We believe that it is time for the development of this business platform in the Republic of Moldova and that is because we need a new generation of stimuli for entrepreneurship and country economy. The local private business and also the foreign investors bring forward the serious attention upon the problems existent at legislative and normative level which negatively is spilled over the efficient functioning of the business, the new business and general investment climate. The Republic of Moldova needs also a solid preparation activity, modern knowledge and professionalism in preparing this jump from a lean economy that is vulnerable at the foreign markets shocks towards a performing and modern economy of European type.

Our ambitions base on the values and principles of modern business, aware of the its freedoms and rights but also tied to its social responsibility in a democratic and liberal state. Our actions are dictated by the desire to participate effectively and plenary to the process of redressing and modernization of the national economy, on the road widely open towards institutional integration in the European Union alongside with free and trustworthy states. Supporting the idea of this National Business Agenda we agreed upon a long-term vision of business consolidation in the Republic of Moldova, an objective that corresponds fully with the values that we share and business plans that we are engaged in.

The experience and knowledge that we accumulated speak clearly about the fact that only a climate open for partnership and dialogue

can give birth to increased competitiveness of local producers and foreign investors. Nothing can substitute however, the lack of a public ethics system which can guarantee the protection of rights to private property, establishment of clear and precise game rules identical for all players within the economy, clear separation of political power from the property owners and limitation of abusive state interventions in the business environment.

Creation of a unique communication and dialogue interface between the authorities and the business community brings forward high demands for both parties. Both the state and also the business community has to learn to express patience, consistency and high principles in overcoming rudiments of the old practices of a common stylization. The business community especially needs to invest special efforts in regards to its voice consolidation, self-organization and efficiency of its associative structures based on the general interests, legality and transparency.

We are aware that this effort is comparable and adjudicated in relation with similar initiatives of the business community from Central and Eastern European states that managed to raise the prestige and quality of governance in these states by promoting National Business Agendas for own institutional constraints. Their initiatives added authority and increased performances to the states that accessed subsequently to the European Union (Poland, Romania, Hungary).

There are several countries where the consolidation of the business community served as incentive for rapid growth of foreign direct investment and general attractiveness of the business environment internationally (Ukraine, Montenegro). Being aware of the complexity of the issues identified and solutions that we offered, the participatory Business Associations plan to coordinate their implementation through a Consultative Council offering to each other all the necessary support to achieve those goals. These circumstances reflect the special interest of the representatives of the business groups and experts community to elaborate mutually advantageous forms of collaboration in the field of economic legislation and development programs for the entrepreneurship in Moldova.

The coordination of such a legislative agenda for Moldova is impossible without an efficient, systematic and rigorous dialogue, first, horizontal between various private business groups and categories and secondly, between the business community and central state authorities that cannot be differently conceptualized than based on trust, openness and respect. The relative inefficiency of certain older support strategies or policies of the entrepreneurial movement in the Republic of Moldova can be explained differently and polemically. Few will contest however that the effects of these failures upon the national economy, upon the weak or mediocre results on certain entrepreneurial domains which is



finally reflected upon the level of living, prosperity of individuals and society as a whole.

The basis of each business is linked to the correct assessment and risk management. By creating our companies, we undertook consciously some risks feeling at personal level its consequences. Together with the risks characteristic to each business in Moldova, a state with a forming market economy, there are risks generated by governmental policies. For this exact purpose we tend to become partners with full rights of the government in relation to the establishment of the rules of the game and we want to be sure that these rules will be applied to all equally contributing to the loyal competition for prosperity of our businesses and state economy as a whole.

The implementation of social programs requires the means for it. However, redressing economy is impossible to be achieved through command administrative means and / or by crowding fiscal poverty (official and unofficial) upon the private business. The only means to redress an economy in transition can be ensured only as consequence of a true development of market economy institutions, reduction of administrative barriers, and spurring private initiative. More successful companies and prosperous firms will be in a state, more means the state will have for social needs while our citizens will benefit from a high level of welfare.

In these conditions, may businessmen from Republic of Moldova started to realize more clearly how imperative it is actually the need to concentrate efforts in order to consolidate the business environment, the crystallization of a common platform of ideas and solutions able to contribute to the improvement of legal instruments, policies elaborated and mechanisms of legislation implementation. It is necessary to create a flexible framework of communication and to build up consensus upon the most important priorities of state development. It is necessary to dissociate the initiative of certain isolated business groups from the systematic and constructive effort of most business associations from the Republic of Moldova that would presume dialogue, and cooperation, convergence and active mobilization on strategic development objectives.

The National Business Agenda reconfirms our decision to engage in this institutional dialogue. Elaboration of an Agenda of this type will allow Moldova to pass to a more mature level of public-private partnership adhering to the vast community of the states that practice more civilized forms of dialogue between business and authorities, using this instrument or similar instruments to coordinate legislative and entrepreneurial activities. This analysis and clear proposals matrix reflects our common understanding of the strategic priorities for entrepreneurship development in Moldova.

We hope that the National Business Agenda for the Republic of Moldova will also become an appropriate instrument of mobilization and efficiency of our national economy. We are willing to contribute plenary to this effort thus declaring our support for the objectives established in this document of common priorities. From this perspective the National Business Agenda makes up not only a picture of the economic and administrative realities in which we currently develop our activity but also a coherent vision upon the model of economy that we strive for to the critical obstacles that have to be eliminated for the business environment and central administration to fulfill in the best way possible their specific functions in the benefit of the prosperity of our citizens.

Thus we plead for the articulation of these ambitions with the spirit of documents of national strategy recently elaborated by the authorities of the Republic of Moldova. We are open for dialogue and invite also other business associations to participate in the process of promotion and consolidation of the National Business Agenda. We need the moral and political support of the entire society to accelerate the process of radical transformation of the business environment.



# Representativeness of the National Business Agenda

National Business Agenda is the product of some intense consultations and discussions initiated throughout 2008 having as goal the exact definition of the priorities of social and economic development from the perspective of the largest and most respected Business Associations from the Republic of Moldova.

Nearly 26 Business Associations agreed to plenary participate in finding solutions to the problems identified, following the option of supporting through concrete actions the development of a competitive and attractive business environment. We have the pleasure to mention among these associations:

*Employers Confederation from Moldova*  
*Banks Association from Moldova*  
*Association of Wine Producers from Moldova*  
*Association of Transporters and Road Managers from Moldova*  
*Association of Local Producers*  
*Small Business Association*  
*Customs Brokers Association*  
*Chamber of Commerce – Cahul*  
*Chamber of Commerce – Hîncești*  
*Chamber of Commerce – Ungheni*  
*Chamber of Commerce – Soroca*  
*Chamber of Commerce – Orhei*  
*Farmers Association from Moldova*  
*Republican Businessmen Club “Timpul”*

Thus we would like to express our gratitude towards all who contributed personally at the elaboration of the National Business Agenda within working groups but also through direct discussions that we had throughout the actions of consolidation of the common platform composed of the private business, chambers of commerce, and business associations.

We are convinced that this dialogue recently launched at the initiative of the private business will be sufficiently resistant in time and efficient in regards to the achievements of goals established in the National Business Agenda.

Also we would like to thank our colleagues from CIPE (Centre for International Private Enterprise, USA) for the support granted throughout 2008 for the implementation of this national initiative in the Republic of Moldova.

# Priority Directions

Reduction of administrative barriers and state intervention in economy and also ensuring a competitive environment	<ul style="list-style-type: none"> <li>• Implement the Regulation Impact Analysis system</li> <li>• Apply the inculpability presumption in the relations between the Agency for Competition Protection and private business</li> <li>• Establish the office of the ombudsman for the business community</li> <li>• Materialize the social dialogue between the government and the business community of principles of equality</li> </ul>
	<ul style="list-style-type: none"> <li>• Optimize the procedures of mandatory reporting</li> <li>• Revise the paid services delivered by the public authorities</li> <li>• Create an integral and efficient system of competition protection</li> <li>• Revise and improve the system of governmental subsidy and support in accordance with the market economy principles</li> <li>• Finalize the codification process of the fiscal legislation</li> </ul>
Optimization of fiscal system	<ul style="list-style-type: none"> <li>• Introduce one single tax for natural persons and increasing the non-taxed minimum at the level of the poorest decile of employees.</li> <li>• Abolish prior VAT collection for imports of equipment</li> <li>• Transfer gradually the tax of social protection from employer to employee</li> </ul>
	<ul style="list-style-type: none"> <li>• Simplify the VAT management system</li> <li>• Improve the elaboration process of fiscal policies</li> <li>• Liberalize the medical insurance market</li> </ul>
Consolidation of rule of law	<ul style="list-style-type: none"> <li>• Exclude any form of property expropriation but through judicial procedures</li> <li>• Separate the budgetary process of judicial courts and introduce them separately in the state budget</li> </ul>
	<ul style="list-style-type: none"> <li>• Clear policies of protection of all forms of property, intellectual, patrimonial, etc</li> <li>• Consolidate the system of execution of judicial decisions</li> <li>• Develop alternative forms of solving work litigations</li> </ul>
Development and efficient use of human capital	<ul style="list-style-type: none"> <li>• Liberalize the payroll system by applying the single mandatory indicator: minimum national wage</li> <li>• Abolish the maximum limit of contribution to the social insurances budget by maintaining the mandatory maximum limit</li> <li>• Enact the practice of granting "social packages" by the employers</li> </ul>
	<ul style="list-style-type: none"> <li>• Connect the training and professional education system to the needs of the national economy</li> <li>• Balance the interests and rights of employers and employees for protection of both parties</li> <li>• Instigate the facultative pension system</li> </ul>
Promotion of investments and facilitation of foreign trade	<ul style="list-style-type: none"> <li>• Create a mortgage loan system for capital investment</li> <li>• Non-discriminatory rights for economic agents in fields of agricultural terrain procurement</li> <li>• Offer grants for activities of local production promotion</li> <li>• Decentralize competences in the property field from the central tier to the first level tier</li> </ul>
	<ul style="list-style-type: none"> <li>• Consolidate export potential of Moldovan companies by organizing exchanges and transfers of technologies and knowledge</li> <li>• Diversify financial institutions and instruments</li> <li>• Reform and efficiently develop the land transportation infrastructure system</li> </ul>

## **PRIORITY 1:**

### **Reduction of administrative barriers and state intervention in economy and also ensuring a competitive environment**

The reform of regulatory policies has shaped a strategic direction for improvement of the business environment from the Republic of Moldova. The first steps in this direction oriented towards simplification and rationalization of the legislative and administrative system produced positive effects and compliments on behalf of the business community and international experts.

However, numerous administrative barriers – especially in the construction licenses, taxation and cross-border trade – rest to be even nowadays serious constraints for the business environment. Administrative barriers are among the highest in the Republic of Moldova comparing to other states in Eastern Europe. Numerous reports certify the lack of equal opportunities for the private enterprise on the market of the Republic of Moldova while the small and newly created companies being the most vulnerable category in terms of regulation, reporting and state protection.

The largest part of time is wasted, in their case, on overcoming administrative barriers or on efforts undertaken by these companies to avoid abusive interventions of some bureaucratic state structures. Numerous control institutions serve in reality as leverages of an administrative-economic system characterized by exaggerated transaction costs fact that makes the entrepreneurs to search for diverse schemes for taxation optimization preferring to pay different non-official taxes to state controllers and not directly to the state.

This system produces numerous perverse consequences and effects upon the business environment in the Republic of Moldova among which we shall mention: selective law application, state intervention in economy, which instigate through its effects a profound lack of professionalism among the public servants and a judicial system subordinated to the directives from some extra-judicial hierarchies.

In these conditions, the business environment is the last to find out about the often and unexpected changes in the regulation system. The unexpectedness of the process of modification of the normative and legislation acts that have a direct influence upon the business environment has a direct and negative effect upon the national investment attractiveness and also the private companies' competitiveness in the Republic of Moldova.

#### **OBJECTIVES FOR 2009**

1. Implement the Regulation Impact Analysis system
2. Apply the inculpability presumption in the relations between the Agency for Competition Protection and private business
3. Establish the office of the ombudsman for the business community
4. Materialize the social dialogue between the government and the business community of principles of equality

## OBJECTIVES FOR THE NEXT 3 YEARS

1. Optimize the procedures of mandatory reporting of business to state institutions
2. Revise the paid services delivered by the public authorities
3. Create an integral and efficient system of competition protection
4. Revise and improve the system of governmental subsidy and support in accordance with the market economy principles
5. Finalize the codification process of the fiscal legislation

## ACTIONS FOR 2009

### Action 1. Implement the Regulation Impact Analysis system

Problem:	The objective of reducing administrative barriers was only partially achieved through governmental policies entitled „Ghilotina - 1”. The positive results achieved until now in this field are not fully satisfactory for the business environment. The number of controlling institutions was insignificantly reduced (from 68 to 56) and the forms of control remained practically unaltered with the existence of nearly 48 forms of reporting and control. There is no practical continuity in the „Ghilotina 1” and „Ghilotina 2” processes.
Problem sources:	The authority of control function set up remained also today in the competence of the executive. In the conditions of the unfinished reform process of the central administration we can ascertain the proliferation of some new regulations for the business environment in the absence of an impact analysis as well as outside of necessary consultations with the local business. Numerous functions of regulation and control are instituted through decisions of the executive and not through the instruments of the legislative actions fact that increases the instability of the regulation framework and coherence of the regulatory reform.
Recommendations	Any action of regulation of the business regulatory framework can be instituted through legislative acts. The creation of a stable and objective impact evaluation system of any forms of regulations has to help the consolidation of a business environment. The new regulations have to be consulted and informed within a stable and participatory format of cooperation between the government and representative business structures.
Impact	The stability of the business environment, the decrease in business management costs, the reduce in corruption as a consequence of the fact that relations between the private sector and control organs will be more clearly defined through some strict rules, unanimously accepted can create better business opportunities in the Republic of Moldova. The increase in trust between the state and business positively influences the business administration and reduces transactional costs. The introduction of any new regulations will follow an established and uniform procedural framework which will contribute to the maintenance of an institutional balance based on trust and respect for private initiative accepted by society and in accordance with the principles of the rule of law. On a medium and long-term, the established regulations help decrease state intervention in private business thus contributing to the increase in efficiency of individual initiatives, economic growth, consolidation of individual and business corporate responsibility.

## Action 2. Apply the inculpability presumption in the relations between the Agency for Competition Protection and private business

Problem	Relations between state institutions and private companies are not seen as between actors with equal rights, protected equally by the law. Oftentimes, the business is perceived as an offender and the public authorities by definition as an ultimate benefactor. Thus, against the principle of <i>inculpability presumption</i> certain public institutions are empowered to control economic agents and to decide upon their level of guilt and apply immediate sanctions. The existent political-administrative system empowers certain public authorities with triple competence to act as: controller, judge and judicial executor simultaneously. In this abnormal situation the private companies in the Republic of Moldova are obliged to demonstrate in court their inculpability. Thus, the burden of proof is taken from the shoulders of the public institutions and placed on the shoulders of economic agents. Also, the activity of many public agencies start with the false hypothesis that economic agents should prove their inculpability constantly as long as they wish to activate. Thus, according to the current legislation any reorganization foreseen by the law for registered companies contains the obligation to receive the ascent of the Agency for Competition Protection (ACP) regarding „the absence of market abuse” or, economic agents have to exculpate themselves even before committing any infraction in front of the ACP in the conditions when verification does not contribute at all to the avoidance or prevention of real cases of monopoly. Moreover, if in their action public servants where not right they do not support any consequences for their undertaken actions.
Problem sources	This situation draws from the wrong approach that citizens and companies are in the service of the state and not vice-versa. For the sake of the „corporative” interest of a single state institution the interest of the private business and principle of inculpability are totally ignored. Thus, public institutions have the right of decision upon the culpability of the economic agents, avoiding judicial institutions. The right to decide upon the culpability of the economic agent and the lack of any consequences in case of an incorrect decision provokes indecisions on behalf of the public institutions and increases the transactional costs.
Recommendations	Any decision regarding the culpability or inculpability of an economic agent has to be established exclusively by the court. The burden of the proof has to be transferred from the economic agent to the public institutions. It is necessary to implement a mechanism of personal and institutional responsibility of public servants and the respective public institutions against the actions undertaken.
Impact	The equality in rights of economic agents and public institutions will reduce the number of abuses on behalf of the institutions, will protect the business environment against the abusive actions of the public servants and will reduce essentially the erroneous actions on behalf of public institutions.

### Action 3. Establish the office of the ombudsman for the business community

Problem:	Besides the imperfect legislation that affects the business environment a major problem is also related to the existence of some negative practices of state bureaucracy in its relations with the business. Businessmen have to suffer daily as result of the abuse on behalf of representatives of various public institutions that allow themselves to interpret abusively certain stipulations or legal norms imposing fines and forcing the business to support different sanctions contestable at least in their legal aspect. The ambivalence of the business regulation framework and also the general feeling of vulnerability of businessmen transform the latter in easy victims for different entities and public institutions with control competences and sanction imposing. The hostile attitude of the public institutions against the business environment remains to be a practice rooted in the state and business community relations. The most often negative experiences are not related to the stipulations of a certain law but to certain negative practices perpetuated by some public authorities outside of the legal framework.
Problem source	The ambiguous legislation allows sometimes certain „interested” interpretations on behalf of the authorities empowered with control competences in relation with the private business environment. The impunity of public servants aware of the fact that their abuse towards the representatives of the business environment will not have negative consequences for them makes their abusive actions to be tolerated and even encouraged in the current political-administrative system. The maintenance of a restrictive regime in relations between public servants and entities of private business relates to the interventionist state policy in economy, lack of ethic behavioral principles assumed by the public authorities but also the general instability of the public service in the Republic of Moldova. These deficiencies cannot be improved only through the adoption of new legislative acts but only through some systematic and consistent transformation reforms of the state functions.
Recommendations	The set up of the ombudsman office for the business community. The creation of an Ombudsman office for the business environment, business associations as part of the change in attitude of the state against private initiative.
Impact	We estimate that the Ombudsman will become the lawyer of the business community in its reports with the public authorities and will have the function to intervene in certain crisis situations, contributing to the protection of private property inviolability and equality before the law of the business and the public authorities the latter being much more powerful than the private companies and too much influential. The Ombudsman will fight against abuses practiced by certain public authorities in the name of the general interest limiting negative practices of private initiative obstruction and educating the large public about the economic and social freedoms that the Constitution proclaims and guarantees. The Ombudsman has to put an end to the negative practice of personal responsibility detachment of some public servants from the effects of their decisions. We estimate that thus the Republic of Moldova can institute an efficient and rapid mechanism of protection of businessmen rights without the need to appeal to courts which are very slow in approving some decisions.



## Action 4. Materialize the social dialogue between the government and the business community of principles of equality

Problem:	The single legal form of cooperation of the business environment with public authorities is currently the social dialogue, established between the Government – employers' associations – trade unions, where the employers associations and the trade unions however have a simple consultative vote. All legislative initiatives that affect directly the business environment are as a rule prepared certain public servants while the obligation to consult the business community is formal and insignificant. As a result, the Parliament continues to adopt new laws and the Government – new decisions that reflect exclusively the vision and interests of these public authorities and less the opinions of the business community. Oftentimes, this situation is created through the fact that the state interests are mixed up with the interests of some agencies of the central government. The corporative interests and lack of efficient means of communication with the business community makes the public servants to think more about how to control the business community and less how to maximize the efficiency of decisions that they will take for economic development purposes or optimization of the business environment.
Problem sources	The state interest is mixed up with the interest of public institutions. Oftentimes, the preparation of some laws of governmental decisions that affect the interest of certain business groups happens without active involvement and on equal principles of the business environment. The business environment does not have a single voice in relation with authorities, it is not clear who has the mandate to represent the entire business or a certain part of it in relations with public authorities.
Recommendations	Any legislative initiative that aims to regulate the general or specific business regulation framework has to be consulted and informed about mandatory with the associations representing the business community. The business associations have to be connected to the legislative agenda of the Government and Parliament.
Impact	The legislative process in the business sector will be developed in accordance with the state interests and of the business community. The Parliament when adopting laws will take into account both the opinion of the Government but also the opinion expressed by the business representatives regarded as interlocutors and equal partners in the legislative process.

## OBJECTIVES FOR THE NEXT 3 YEARS

### Objective 1. Optimization of mandatory reporting procedures

Problem	<p>The mandatory reporting system that makes the business responsible in front of the state is totally inefficient, contradictory and outdated being oftentimes non-operant to the current legislation. In reality, the mandatory reporting system represents in the current conditions of the Republic of Moldova an additional form of taxation of economic agents. The tens of mandatory reports solicited from the private business contributes as a whole to the increase in prices of business administration creating thus major obstacles in the activity and functioning of the business community. The state agencies place their own obligations of documentation and evaluation of the sectors they administer in the responsibility of the private business. Moreover, numerous agencies and state entities does not offer the consulting and guidance services for the business community but are rather interested in identifying irregularities so that later on would exert their harsh sanctioning function of the culpable indifferent from the fact were those mistakes made unconsciously or deliberately. This rectilinear and negative understanding of the functions exerted by the state entities reproduces an abusive and corrupted behavior among the public servants. Due to the absence of a modern integrated system in the Republic of Moldova, the quality of the data collected by the majority of state agencies is very low and does not allow for efficient and responsible decision-making.</p>
Problem source	<p>The mandatory reports presented by the private business companies to the national Bureau of Statistics, State Fiscal Inspectorate, National Bureau of Social Insurances, Labor Inspection, etc. are formal, costful and little relevant for the functions exerted by these agencies. The information costs of the state agencies are placed into the responsibility of the private sector obliged to exert also functions improper to the business environment. The existence of the outdated system of information and mandatory reporting is no longer justified as long as we wish to optimize the functioning of the business sector. Additionally, it is obvious that the current reporting system represents a major source of corruption for the bureaucratic apparatus. Numerous reports of some state agencies are doubled or come into contradiction due to the fact that these agencies cannot coordinate the activity field and responsibilities attributed by law.</p>
Recommendations	<p>Auditing of the mandatory reporting system. Codification of information solicited from economic agents and set up of an integrated informational system. Creation of a „single office” for the mandatory reporting procedures for the business and limitation to the strictly necessary institutions empowered to collect information and create an electronic system of reporting for business. Implementation of modern techniques of data collection, changing frontal statistics with survey statistics. Ensuring the access of public institutions and business community to the national and European integrated informational system. Integration of the national system in the Eurostat system.</p>

Impact	We anticipate a visible and rapid growth of the quality and relevance of data collected from the business environment. The simplification of the reporting system will lead to a significant decrease in business administration costs and will increase efficiency of business administration reducing a considerable part of the existent barriers. The cost of information mostly paid by economic agents will decrease and the state agencies will have a more responsible behavior in relation with economic agents. The state agencies will be more oriented towards policy formulation and evaluation and less in direct interventions against the business sector. The duplicity will be avoided in information data collection. The decision-making capacity of decision-makers will increase and become better documented with qualitative and sufficient information substrata. The state institutions will use the data collected by the single center – the national Bureau of Statistics without controlling, appealing or forcing the private business to deliver irrelevant information leading to the elimination of a direct relation between the bureaucratic apparatus and the business sector.
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## Objective 2. The revision of paid services delivered by authorities

Problem	The phenomenon of paid services delivery imposed by the current majority of the public authorities has reached proportions difficult to be imagined in the Republic of Moldova. Currently, according to the existent data, we can identify nearly 6000 paid services for the business environment from the public institutions. The majority of the public institutions see the delivery of these paid services as a supplementary income source to the institution's budget and not as a function exerted for the sake of business development. As a consequence, the quality of these services is quite reduced being delivered in the absence of loyal competition, and the payments collected from these services generate corruption, multiple abuses and wasted resources by the business sector in their relation with the bureaucratic apparatus. We estimate that currently the payments collected from these paid services are twice higher than the income tax collected by the economic agents with the difference that these services are paid before the profit registration by the private sector in the absence of an adequate legal framework.
Problem sources	Transformation of paid services in an „unofficial” form of additional taxation of the business. The services delivered by a state agency are qualified by the business community as being unqualified, unprofessional and offered at inadequate tariffs. The current system allows the institution of new paid services by the state agencies without having any type of remedies of contestation of tariffs, the types of services or the evaluation of their quality. Most of the services delivered by the state agencies are in reality some additional taxes but which are not stipulated in the Fiscal Code. The lack of a clear policy and total „freedom” of the institutions in fixing the services and their tariffs.

Recommendations	Each existed or instituted paid service has to be analyzed through the Business Impact Analysis. The institution of an interdiction through legislation that public authorities should deliver paid services to the business. All paid services have to be delivered exclusively through state and private enterprises. The mandatory payments should be treated exclusively as taxes and have to be incorporated in the Fiscal Code of the Republic of Moldova. The control and oversight entities have to be able to recognize only those taxes which are stipulated in the Fiscal Code. The solution that we propose is to explicitly avoid the situation when control and oversight state agencies can impose the payment of some additional service taxes.
Impact	We estimate that these solutions could increase the level of transparency and trust in the relations between public institutions and private economic agents. Thus, the administrative pressure upon the business environment will decrease significantly. The public institutions will be oriented towards the settlement of the problems of economic agents and not to fundraising. The elimination of „unofficial payments” from the relations between the private sector and the state will increase the good governance and the efficiency of decision-making. The codification of paid taxes by the economic agents and their legal harmonization.

### Objective 3. Competition protection

Problem	The current legislation in the Republic of Moldova in regards to competition protection is elaborated in accordance with the model of the Russian Federation where anti-competition and non-loyal competition is regulated by the same legislative act. The European practice treat differently these two institutions by regulating the separately and establishing different mechanisms for preventing combating and eliminating these processes. The stipulations of the current law are nothing else than a tendency to maintain the Russian model of regulation by taking over some definitions and notions from the European practice. This fact will create a lot of confusion in practice because there are many conceptual differences between norms of competition protection of the Russian Federation and European ones therefore it would be more appropriate for Republic of Moldova not to mix these norms but to plead for one of the forms of construction of the competition regulation system. Taking into consideration the integration aspirations of the Republic of Moldova in time in the European Union it should apply the same standards in the field of competition protection. We have to mention that in this moment the phenomenon of „non-loyal competition” is erroneously approached in the Republic of Moldova thus confusing the „anti-competition practices” and „non-loyal competition”. This repeated confusion as well as the assimilation of the term „illegal competition” for „non-loyal competition” runs counter to the legislation for the Republic of Moldova but also the doctrine and national and international legal practice.
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Problem sources	<p>The intention to legislate the phenomenon of concentrated practices, agreements, anti-competition decisions and capital concentrations is welcomed. Moreover, the mechanism by which these phenomena can be identified and officially examined by the Agency is not clear, fact that could lead to numerous difficulties in interpretation and practical implementation of these norms. We mention that there is a rich practice in the European Union of regulating and interpreting anti-competition practices. It would be welcomed for Republic of Moldova to take them over.</p> <p>The procedure and basic criteria for determining the dominant position of an agent on the market is not clear. If the same statistical method shall be used then it is absolutely unclear how the share of an economic agent who is not registered on the territory of the Republic of Moldova and respectively does not present financial reports to the National Bureau of Statistics will be calculated but its products have considerable quota on the market of the Republic of Moldova. It is known from practice that such economic agents can influence essentially the competition especially when it comes about the „recommendation” of prices or limitation of the market space of certain products.</p> <p>The stipulations in the legislation of the Republic of Moldova foresee that for the violation of competition protection norms the counterventional and penal responsibility is established. It is not clear what the role of the National Agency for Competition Protection will be in determining the responsibility for such a fact especially for penal ones. Moreover, it is not clear whether the economic agent who was affected by non-loyal competition actions will address into court to recover the losses or will be obliged initially to inform the Agency that will establish if that was the case of non-loyal competition.</p> <p>The lack of clear procedures for informing, responding to informational notices, start up development and closing of an investigation. The lack of description or explicit reference to the procedure of contesting the decisions of the Agency taking into consideration that these can be of such types as sanctioning, guiding, approving or rejecting, etc. The quantum of fines is established thus that it does not allow a correct and objective individualization of the sanction.</p>
Recommendations	<p>All modifications to the law on competition protection have to be made through effective and large consultations of representatives of the private sector based on the principle of guarantee and protection of business interests.</p>
Impact	<p>Application of legislation in the field of competition protection based on the principle of protection and encouraging of business will allow the creation of a healthy competition environment and will lead to the increase in national economic competitiveness.</p>

## Objective 4. Revision of the state subsidy and support system of the private sector

Problem	<p>The increase in financial capacity of the budget state made possible that the state planned to support the consolidation of the private business with the hope that this could increase competition and efficiency of the local business environment. However, the allotment of the state offered support takes place in the absence of some clear and principles and policies that would ensure the evaluation of the efficacy of this aid and subsidies and it leads to the waste of public funds or their use in the support of some political goals. The unjustified subsidy allocation creates numerous cases of non-loyal competition and unjustified hopes among the economic agents who benefit from this support. The business support system in itself becomes thus connected to a large clientelistic network becoming opposed to the initially proposed goals. Subsidies in agriculture in the period of 2004-2007 of nearly 1 million lei did not produce positive effects per ensemble for the agricultural sector of economy. Nearly 90% of the subsidies allotted to the zoo technical sector were received only by large economic agents who produce only 10% of all sector production. Another example relates to the avian state policy. The support of a single avian state enterprise created an inefficient system of public expenditures, accumulation of unjustified debts and creation of a non-competitive system supported by non-loyal relations with the state administration in report with other market actors.</p>
Problem sources	<p>The state mixes up the support of national economy branch with the financing of some clientelistic groups that sometimes are also in state ownership. The lack of long-term policies presses the state institutions to take ad-hoc decisions which mean rapid state subsidy expenditure without ensuring the creation of a positive medium and long-term impact. The subsidy decisions of some national economy branches are not based on impact analyses and economic rationale but mainly on short-term political interests. As a rule, the economic subjects do not participate in the policy formulation and are not consulted upon the decisions regarding finance allocations from state budget. Currently, there is no legislative framework in the Republic of Moldova that could regulate the subsidizing principles or some economy branches which makes each state agency to wish to elaborate its own financing principles/criteria and the results obtained are oftentimes not coordinated with the state allotted investments.</p>
Recommendations	<p>The adoption of legislative regulations in regards to subsidy allocation and their differentiation from budgetary aid in the conditions of a crisis situation. The state subsidies should follow long-term economic objectives which do not have to depend on the political cycles or electoral preferences. The subsidies have to contribute exclusively to the growth of competitiveness and export potential of subsidized branches and not to their maintenance under state control. The decisions regarding the division mode of subsidies on certain economic sectors are taken into a participatory consulting framework and have to respond to the principles of economic efficiency, transparency and competitiveness.</p>
Impact	<p>State subsidies have to contribute to the competitiveness growth of local production and not to non-loyal competition and financial support of inefficient enterprises.</p>



## Objective 5. Finalization of codification process of the judicial legislation

Problem	Despite the fact that the Fiscal Code includes a considerable part of taxes and fees paid by the economic agents fact that eases and stabilizes the fiscal and business administration system, public authorities – business there are still many additional payments and fees used by various state agencies regulated by laws and various normative acts. In many cases these payments are minor but the payment procedures are time and administrative effort consuming thus overcoming much the costs. Oftentimes the costs supported by the business when paying certain fees is few times higher than the nominal cost / revenues cashed by certain regulation agencies contributing hence to the increase in administrative and fiscal burden without bringing any added value to the regulation framework.
Problem sources	Existence of several laws regulating the taxation system. The administration part of the fiscal system is oftentimes stipulated in various acts with recommendation character, ministerial instructions and other non-legislative acts (letter from the Ministry of Finance) and not in the fiscal code.
Recommendations	All mandatory payments of the private sector have to be treated as taxes and have to be introduced in the Fiscal Code. Most of the times an impact analysis of fees imposed to private business for evaluation of efficacy, utility and formed impact of the co-report between the service offered and real costs of the business for each payment separately. The improvement of fiscal procedures and payments. Starting with 2010 everything related to fiscal administration should be regulated exclusively by law.
Impact	We estimate that the introduction of these proposals could lead to the optimization of the fiscal system as a whole. The reduction of adjacent costs of tax payment established in the fiscal code will contribute to the avoidance of non-official taxation for the business environment. All fiscal relations of the economic agents with the state are described in a single law – the Fiscal Code.

## **PRIORITY 2:**

### Optimization of fiscal system

Recently positive changes have been registered in the taxation policies towards the reduction of fiscal burden. However, there are still numerous problems linked to the tax administration and the corresponding legislation. The relations of the private business with fiscal authorities (Fiscal Inspectorate) are not perceived by the entrepreneurs as a consulting service but first of all as a potential threat and risk for the business stability independent of the size or history of companies. In comparison to the fiscal legislation of other countries from the region, the Fiscal Code adopted in the Republic of Moldova continues to be rather difficult and complicated and the frequencies of its modifications and amendments reduce essentially the effects of „fiscal liberalization”. This situation reduces the horizon of planning for the business environment that is already short thus reducing the attractiveness of the Republic of Moldova for long-term investments.

#### **OBJECTIVES FOR 2009**

1. Introduce one single tax for natural persons and increasing the non-taxed minimum at the level of the poorest decile of employees.
2. Abolish prior VAT collection for imports of machinery and equipment.
3. Transfer gradually the tax of social protection from employer to employee.

#### **OBJECTIVES FOR THE FOLLOWING 3 YEARS**

1. Simplify the VAT management system
2. Improve the elaboration process of fiscal policies
3. Liberalize the medical insurance market

#### **ACTIONS FOR 2009**

**Action 1. Introduce one single tax for natural persons and increasing the non-taxed minimum at the level of the poorest decile of employees**

Problem	The current taxation system of natural persons represents a penalty system of the payroll growth. The fiscal burden rises geometrically together with the increase in payroll of employees, fact that serve as an additional impediment for payroll wage growth. Thus, the fiscal burden of the last decile is six times higher than the first decile. At the same time, the gradual taxation system intricates unjustifiably the tax administration and creates difficulties to those who have more jobs simultaneously. The effective taxation of natural persons is nearly 7%. The current system of progressive growth of the income tax of natural persons does not fulfill its social and economic function but only plays a role of discouragement of payroll growth and does not allow the legalization of payments to employees.
Problem sources	The current system penalizes employees' payroll growth. This system is rather tangled for private agents when calculating and generally administrating the payroll taxes. The gradual payroll taxation system intricates the taxation system thus generating problems such as: estimation of negative taxes, wage evasion and leads to the appearance for the phenomenon „wages in envelopes“. The employee is not motivated to counteract the actions of the employer.
Recommendations	The introduction of a minimum non-taxed rate of the average payroll obtained by the first decile of employees. The introduction of the single tax rate of 9%.
Impact	We estimate that the introduction of the single tax rate on income tax will lead to the essential simplification of the tax administration system thus impelling the gradual withdrawal from the shadow of the non-formal revenues paid by the employers. The experience of other countries demonstrated that the implementation of the single tax leads to the increase in budgetary revenues with over 25% in the first 3 years of implementation. Our recommendations do not change the size of the fiscal burden but improves its redistribution. By applying this system of single payroll tax the Republic of Moldova would create a very positive precedent at European level. We estimate that the introduction of such a system will increase the taxable base thus stimulating the payroll growth in economy and labor productivity. It protects the most disadvantaged employees (first decile of employees will be exempted from taxes and the following deciles will pay an insignificant rate) thus offering a massive support to the employees with the smallest revenues.

## Action 2. Abolish prior VAT collection for imports of machinery and equipment

Problem	<p>The use of „zero rates on imports of machinery and equipment” phrase is erroneous and does not correspond to its economic and legal sense fact that creates important impediments in the correct implementation of the legislation. Because the VAT represents a tax paid by consumers this is perceived by the economic agent in favor of the state. Because over 70% of the products consumed in the Republic of Moldova are imported the highest rate of VAT originates from imported products. In order to ease the procedure of VAT collection, the Government decided to collect it not in the process of selling-acquisition but at the moment of its import in the country. Thus, economic agents are obliged to pay this tax (VAT) at the border for any imported goods and only after their selling they can recover their paid VAT. The period between the VAT payment at customs and the selling of the actual product represents the period when economic agents in Moldova credit without the state interest rate. In the case of consumption products, this period equals three months and in the case of machinery and equipment – from 5 up to 15 years. Thus, a fiscal administration procedure was transformed into an instrument of forced constraint of the economic agents to credit the state without an interest rate for a period of up to 15 years in case of some investments. This situation creates a situation of frustration and discontent among the private entrepreneurs who are unmotivated to invest and modernize their production capacities. As a result, we notice the increase in investment prices with nearly 20% against the initial estimations. This fact is manifested through reduced investment activity of economic agents and as result the lack of durable economic growth.</p>
Problem sources	<p>The problem solving of fiscal administration (more efficient VAT collection) led to the rise of new problems: obligation of economic agents to credit the government.</p> <p>The VAT collection in advance increases unwillingly with 20% the investment costs. Expensive investments increase the cost of local production that that creates inflation and reduces the competitiveness of the local production both on the internal and external markets. Unwillingness of investors reduces the national economy attractiveness and has a negative impact upon the number of employees (with nearly 15.000 employees annually) affecting the potential of economic growth of the Republic of Moldova.</p>
Recommendations	<p>Abolishment of the practice in advanced VAT collection (at customs) for machinery, equipment and technologies. Ensuring a balance between the fiscal administration and the negative effects of forced constraint of the economic agents to credit the government. Opening special accounts for the recovery of the VAT for investments and import of machinery, equipment and technologies.</p>

Impact	The abolishment of advanced VAT collection for imports of machinery and equipment would allow the remission of 20% of the financial means of the economic agents that could be reinvested and would accelerate economic growth and finally more budgetary revenues. Also, the investment costs would decrease essentially fact that will contribute to the growth of local production competitiveness and reduction of production costs. The „losses” from immediate missed VAT collection will be compensated through the increase in collection from income tax of the legal persons (increase in number of employees and payroll growth) and VAT of local production and on a long-term the missed VAT at customs will be collected within the country. The total effect will be net positive both for economy and the public budget. In 2-3 years the VAT collected from local producers will increase with at least 20-30%.
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### Action 3. Transfer gradually the tax of social protection from employer to employee

Problem	Social insurances are in reality relations between the National Bureau of Social Insurances and the citizens who are insured. Respectively, each insured person received benefits in form of social payments (pensions, allowances, etc.) being obliged to make transfers to the NBSI in the form of social contributions. Due to a negative inheritance from the Soviet regime period in regards to insurances, the hardest burden of contributions to the budget of social insurances is left to the employers. This situation creates many problems such as: the employer pays larger amounts for labor remuneration than the employee perceives the link between the insured the insurer is broken (the employees not paying directly in the insurance fund are not motivated to find out about their contributions), the employer has administrative and penal responsibility for the correctitude of the transfers towards the budget of social insurances (in fact they have to deliver free-of-charge a service that is improper to them, as fiscal collectors). Additionally, the current legislation does not foresee the recovery of social contributions that overcome 5 average wages. Thus, if a person is hired in 2 or more places and contributes to the social insurance fund with a sum that exceeds the admissible maximum limit he cannot recover his allotted money.
Problem sources	In relation with the insurer (NBSI) and the insured (the employer) a third person intervenes – the employer who should actually have no forced attribution to fiscal collection fact that provokes additional activity costs.
Recommendations	The economic agent has to have only one relation in report to its employees, and that is of payroll compensation. The relations between employees and NBSI are established individually without the direct involvement of the employer.
Impact	In case of elimination of the employer from the relation employee – NBSI we estimate a real improvement in the system of social insurances and relation employee – employer. Thus, the employee will get to know what the real amount paid for his work is. The employee in this sense will be the main actor interested to know what happens with his contributions. The businessmen will be exempted from fulfilling functions of tax collectors fact that will allow the optimization of the production costs and simplification of the accountability system.

## OBJECTIVES FOR NEXT 3 YEARS

### Objective 1. Simplify the VAT management system

Problem	The procedures of VAT recovery at exported goods represent a very difficult process marked by subjective factors and factors difficult to be analyzed. Thus, the legal framework does not foresee clear procedures of VAT return but is based on voluntary decisions of commissions for return who can deliberate upon the conditions of return. Against the legal provisions the economic agents have oftentimes to wait for long time (6-9 months) until they manage to receive the allotted sum but there are also companies that cannot return in general their payments made for VAT. In this situation we confront ourselves with an action of forced crediting of the Government with thousands of millions of lei on behalf of the private economic agents. The procedures of VAT return contradict the liberalization of economy and reduce the motivation of the business to export production parallel with the increase in transactional costs of local goods.
Problem sources	The Government applies the culpability presumption upon economic agents who intention to return their VAT. Economic agents are obliged to present an excessive set of documents to prove their credibility and lack of „criminal” intentions. The situation gets worse oftentimes when the Government perceives the return of the VAT as losses of the state budget trying to delay these decisions.
Recommendations	It is necessary to clarify and balance the functions of state entities with the interests of the private business. The abolishment of categories of VAT payers in regards to the eligibility for VAT return with the aim to ensure a fair treatment for all economic agents. The fiscal inspectorate should be dealing with tax collection and the function to identify illegalities committed should be exerted only by specialized organs for the VAT return on investments and import of machinery, equipment and technologies.
Impact	The simplification of procedures of VAT return will spur exports. It will create a system of cooperation and partnership relations between the state organs and economic agents. It will improve the business environment thus diminishing the private business administration costs.

### Objective 2. Improve the elaboration process of fiscal policies

Problem	The current fiscal system is quite misbalanced being thus connected only to the function of collecting taxes for the current needs without encouraging strategic business investments, long-term development of the private sector and the achievement of certain smaller scale short-term results. The emergence of new fiscal regulations represents neither the result of a business consulting activity nor the product of a systemic approach but rather the „seasonal product” of the state bureaucracy. The „budgetary expenditures” component prevails in the fiscal state policy and less the need to institute and develop a national taxation system that would be combined with strategic goals that serve as objectives of durable economic growth.
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Problem sources	There is a lack of an institutional medium and long-term planning tradition of the economic policy objectives in the Republic of Moldova. An effective dialogue between state and private sector also lacks because both parties suspect each other and the existent communication channels are not satisfactory. The relations between the state and business do not respect the principle of „equality of parties”. When formulating fiscal policy objectives the corporative interests of the central administration prevail including the granting of fiscal facilities and benefits to some clientelistic groups in the absence of a balanced and equidistant business approach as a whole.
Recommendations	It is necessary to elaborate a long-term fiscal policy (10-15 years) in the Republic of Moldova. The obligation to consult the business in an institutionalized framework that will allow the transparent influence of fiscal policies by the registered business. Ensuring state and business interests through consensus agreements signed at national level. Exclusion of new fiscal regulations adoption without preliminary consultation of the business environment and public presentations of the position of those affected.
Impact	Maximum transparency has to be ensured when adopting any new fiscal or other type of regulations.

### Action 3. Liberalize the medical insurance market

Problem	The medical insurance is one of the multiple forms of existent insurances in the Republic of Moldova. However the current centralized system does not allow the diversification of insurance forms in accordance with the needs and possibilities of the insurers. Thus, each person contributes with fixed sums or parts of the salary (3%+3%) and benefit from equal forms of medical services. The current medical insurance system is more oriented towards ensuring the social equity than satisfying the individual needs of the insured. The lack of appropriate demonopolization of the current medical insurance system does not allow its optimization.
Problem sources	The perception of the medical insurance system as an additional form of fiscal imposing. The medical insurance is not perceived as a service offered by market economy subjects but rather is treated as a service offered by state institutions from taxes.
Recommendations	The treatment of the medical insurance system as a service obtained in the conditions of competition between offerors. The liberalization of the social insurance system by granting the right to the insured to choose the company and the insurance model. The state has to apply policy only to: 1) mandatory insurance of the employees by the employers 2) establishing the minimum mandatory insurance rate. All other relations should be regulated by the market, competition and desire of the employers to devote its employees.
Impact	Liberalization of the medical insurance system will allow the development of the insurance system in the Republic of Moldova, increase competition between insurers and contribute to the diversification of insurance services and functional system optimization.

## PRIORITY 3:

### Consolidation of the rule of law

The process of harmonization of the legislation of the Republic of Moldova with the one of the European Union generated a positive vector in the national economic legislation development even though until now the result is still very modest. The uncertainty provoked by the waiting of modifications in the current legislation is reflected negatively upon the fiscal discipline, business planning and long-term investment attraction even in the case these modifications have a positive character. A special concern of the business community is provoked by the voluntary interpretation of laws and their selective application which submines the trust in an impartial and fair judicial system. The salvaguardation of property rights and fair law application bring out the concern of the majority of companies especially in regards to the settlement of problems emerged between economic agents and state.

#### OBJECTIVES FOR 2009

1. Exclude any form of property expropriation but through judicial procedures
2. Separate the budgetary process of judicial courts and introduce them separately in the state budget

#### OBJECTIVES FOR NEXT 3 YEARS

1. Clear policies of protection of all forms of property, intellectual, patrimonial, etc
2. Consolidate the system of execution of judicial decisions
3. Develop alternative forms of solving work litigations

#### ACTIONS FOR 2009

##### Action 1. Exclude any form of property expropriation but through judicial procedures

###### Problem

The respect for the principle „equality of parties” in any type of disputes aroused represents a definitive criterion for democratic states. Respectively, the right of a state institution to penalize economic agents by confiscating some products means in reality that those apply a law and verify its correctitude of implementation fact that discriminates the other party. Only the courts can decide upon the illegality or correctitude of implementation of a certain law. State authorities have to prove the culpability of some private business activities in legal hearings and not the private business has to demonstrate the legality of its activity.

Sources	The national legislation attributes oftentimes current law implementation oversight competencies to the same state agencies that are responsible for their implementation fact that creates an imminent conflict of interests. This situation encourages state authorities to apply sanctions without having final decisions of certain courts justifying their existence through imposing of sanctions and supplementary costs to the business thus interpreting the legislation in their own interest. By creating favorable conditions for own functioning this type of behavior of some state agencies discriminates the private sector and undermines the role of independent justice.
Recommendation	All public institutions have to be treated as subjects with equal rights as the private sector and only the courts can decide upon the legality of certain actions.
Impact	The business will have to appeal to the extra-legal relations to ensure their functioning and the entire burden of current disputes between the business and various regulation agencies will be the accusing part responsibility, the state agencies that have to prove in public hearings the existence of illegal actions.

## **Action 2. Separate the budgetary process of judicial courts and introduce them separately in the state budget**

Problem	The law on judicial organization foresees a financing mechanism of the judicial institutions which ensures their independence against the political and administrative factor. In practice however, the judicial institutions are financed according to the law on budgetary process fact that describes the mode of financing of the institutions subordinated to the government. As a result, a dangerous dependence is created between the judicial and the political state power. The financial dependence of the judicial makes its activity vulnerable. If an economic agent is in litigation with a state entity then the compensation payment is ensured by the Ministry of Finance which decides upon the financing of the judicial. Respectively, we have a direct conflict of interests and the judicial organs will take very difficult a decision against those who decide upon their financing.
Problem sources	Confusion of judicial institutions with institutions subordinated to the government. The existence of conflict of interests, the one ensuring the justice is oftentimes dependent on the decision of a third party involved in the process.
Recommendation	Creation of an independent financing system for the judicial in accordance with the law on judicial organization.
Impact	Independent financing of the judicial will consolidate the independence and professionalism of the courts, and their level of independence against the political power. The situation of conflicts of interests where a party involved in the process can influence directly or indirectly the judicial in the disadvantage of the other party.

## OBJECTIVES FOR NEXT 3 YEARS

### Objective 1. Clear policies of protection of all forms of property, intellectual, patrimonial, etc

Problem	The lack of current legislation application in the field of property rights discourages the local and foreign investment and also has a negative impact upon economic growth. State policies on financial support of some strategic sectors (IT, cinema, music) clashes with the incapacity of the state to protect the right of intellectual property. The protection of property rights has a much more significant impact than any other economic/financial incentives. Having uninsured a practical framework of property rights protection, the economy of the Republic of Moldova becomes uncompetitive even on the regional level being avoided by the important investors.
Problem sources	The reduced monitoring capacity and application of legislation on the background of a misunderstanding of the importance of property rights, including the intellectual property. The lack of a strict protection rule of property rights spurs piracy and unmotivates high-tech investments that could lead to the development of a strategic branch where the national human and informational potential could be competitive.
Recommendations	The consolidation of the legislation application in the field of intellectual property rights and creation of a public-private partnership between the private sector and these agencies. Education of population (consumers) about the negative effects of the ignorance or the illegal use of some intellectual property has upon the economic growth and general interests.
Impact	The protection of highest sectors of national economy (IT) would connect the country to important markets and suppliers of intellectual services on the international level. The consolidation of order in this field of regulation and guarantee of property rights would increase suddenly the credibility the intentions and image of the country abroad, would stabilize business projects and consolidate the level of trust between the business environment and the state.

### Objective 2. Consolidate the system of execution of judicial decisions

Problem	The negative image of the judicial system is determined mostly by the reduced capacity of implementation of own decisions. The legislation of the Republic of Moldova foresees the possibility to contest the actions of the judicial executor fact that transforms the execution process of final decision in an infinite process. Many of the final decisions of the national courts are re-contested later on at ECHR.
Problem sources	The forced execution is usually contested and reopens the case upon which final decisions were adopted by some courts.

Recommendations	The unconditioned execution of court decisions without the right to contest the actions taken by the court. The parties that consider that their rights have been affected by the decision execution can contest in court the state but without contesting the action itself of the judge.
Impact	This will ensure the rights of both parties to a fair public hearing. It will also strengthen the capacity of the judicial power to implement its decisions. It will increase the trust in justice. The responsibility of the judges will increase in regards to the result obtained. The right of the winning party in a trial has to be ensured that it will obtain the recovery of the damage caused in definite time limit and the discontent against the mode how the judicial law has been implemented will aim the state and will not affect the decision in itself.

### Action 3. Develop alternative forms of solving work litigations

Problem	Various work litigations emerge in the activity of the economic agents when the parties involved reach to conflicts related to payroll, work discipline, advance in position, dismissal, requalification. All these work litigations currently can be solved only through the judicial. However, appeal to court is a very expensive practice and time consuming. As a consequence, courts are addressed only in the most serious cases and the big majority of work litigations remain unsolved creating thus an unfavorable working environment both for the employer and the employee.
Problem sources	The lack of alternative forms of solving work litigations. High costs for litigation settlement in court.
Recommendations	Creation of alternative systems of work litigation settlement: mediation and arbitration.
Impact	Creation of alternative forms of work litigation settlement will increase the access to the judicial, reduce the time for litigation solving and reduce essentially the costs of solving the conflict. The access to alternative forms of settlement of work litigations will reduce the number of unsolved cases and increase the quality of working environment.

## **PRIORITY 4:**

### **Development and efficient use of human capital**

Recently an alarming number of Moldovan companies and foreign investors have the problem of qualified labor force deficit. This fact demonstrates the fact that Republic of Moldova loses such a competitive advantage as the cheap labor force continuing to be unable to use this factor to attract foreign investment and economy modernization. The low productivity results in the delay of payroll growth compared to the level of the states towards which the labor force tends to migrate. This fact highlights even more the deficit of labor force and the lack of qualified experts in all sectors of economy especially in the most dynamic branches as the IT, constructions and service sphere. More and more employers are concerned about the incapacity of the national education system to correspond to the market demands. Also a decrease in the level of educational system quality can be noticed. The lack of well defined mechanisms, that would adapt the level of qualification of employees to the existent market demands, forces the enterprises to work by themselves on the level of professional training of employees thus assuming certain subsequent risks.

#### **OBJECTIVES FOR 2009**

1. Liberalize the payroll system by applying the single mandatory indicator: minimum national wage
2. Abolish the maximum limit of contribution to the social insurances budget by maintaining the mandatory maximum limit
3. Enact the practice of granting "social packages" by the employers

#### **OBJECTIVES FOR THE NEXT 3 YEARS**

1. Connect the training and professional education system to the needs of the national economy
2. Balance the interests and rights of employers and employees for protection of both parties
3. Instigate the facultative pension system

#### **ACTIONS FOR 2009**

**Action 1. Liberalize the payroll system by applying the single mandatory indicator: minimum national wage**



Problem	The current system imposes restrictions and conditions taken from the old Soviet system when hiring and remunerating the staff in the private sector. Thus, we may notice an unjustified regulation intervention of the state in a field that is strictly in the exclusive competence of the managerial factor from the business sector. The state can only establish minimum payroll limits for the private business sector. The payroll model represents a factor of economic competitiveness and oftentimes the private firms win by using innovations in the payroll system of their employees. The reform of the payroll system. The transfer from tariff salaries to independent payroll systems with the introduction of the notion minimum wage per country. The list of payroll restrictions is acceptable while the rest should be within the liberalization of the labor market. The diversification of the social tax for elimination of the undeclared wages.
Problem sources	The current law (Labor Code and the Law on payroll) keeps a series of restrictive stipulations regarding employment and payment of the staff which is compulsory applied in the private sector as well. The state could regulate more strictly only the enterprises that participate with their own capital but not the private sector where only the owners can take final payroll decisions.
Recommendations	Introduction by law of the definition of minimum national wage, the single compulsory indicator for all employers independent of their form of activity and legal status. The protection of the private sector against actions of state agencies to establish mandatory payroll rules and norms.
Impact	Liberalization of the payroll system will allow the diversification of systems and methods of compensation and motivation of the personnel with the introduction of various modern management forms. As a result the competition between economic agents will grow in regards to the attraction of qualified labor force by using complex motivation schemes of personnel.

## **Action 2. Abolish the maximum limit of contribution to the social insurances budget by maintaining the mandatory maximum limit**

Problem	The current system of social insurances does not ensure the necessary social protection of the employees. Those with high revenues do not have access to integrated social protection limiting their rights to transfer more resources for social insurances (not more than 5 average wages), respectively, at retirement, the pensions allotted by state will be much lower than the social status that they had before.
Problem sources	The system of social care represents a leveling system which does not allow employees with high wages to ensure corresponding pensions. The non-motivation of employees to pay social contributions. Lack of an alternative system of formation of facultative pensions for certain categories with higher revenues.
Recommendations	Abolishment of the maximum limit for contributions to the social insurances budget by maintaining the maximum compulsory limit.
Impact	Ensuring individual freedoms to social protection by paying more money from their current revenues for a higher retirement pension in the future. Increase in social insurances budget revenues.

### **Action 3. Enact the practice of granting “social packages” by the employers**

Problem	Economic development will spur the competition between economic agents for qualified labor force. Also, each employer is preoccupied by increasing the loyalty of their employees. Another also important factor is the growth of social responsibility of businessmen and the employees' demands from the employers. To respond to these challenges economic agents offer more facilities to their employees such as: food tickets, vacation packages, kindergarten places for the children of the employees, transportation tickets. All these facilities increase the attractiveness of the enterprise, makes the employees loyal, improve the working conditions and respectively the work productivity, etc. However even if the economic theory also explicitly foresees more forms of personnel motivation, and these offered facilities are directly linked to the production process, economic agents have difficulties when they want to include these expenditures in the costs.
Problem sources	The non-recognition by public authorities of the expenditures of non-monetary incentives offered by the employers as production costs.
Recommendations	Introduction in the national legislation of the term „social package” that would comprise the entire spectrum of facilities offered by the employers to the personnel. The adjacent expenditures of the social package to be treated as production costs and respectively to be deductible from the tax payment for the profit of economic agents.
Impact	The possibilities of employers to motivate employees will grow, the working conditions of employees will become better and this will lead to an increase in productivity. The loyalty of employees towards the company will grow and this will reduce the personnel fluctuation.

## **OBJECTIVES FOR THE NEXT 3 YEARS**

### **Objective 1. Connect the training and professional education system to the needs of the national economy**

Problem	Elaboration of an educational strategy harmonized with the national economy demands. The educational system is not connected to the national economy demands. As a result, the prepared specialists do not satisfy the minimum needs of the economic agents. As a result, the state and parents allot enormous resources for the professional preparation of young specialists and later on the economic agents need to re-allot own financial means to retrain the specialists according to their needs.
Problem sources	The educational system works independently from the business environment. The preparation of specialists is carried out without the consultation and identification of the real needs of the national economy. Economic agents need to double the state effort in preparing experts by allotting own means for retraining of young specialists.

Recommendations	The set up of the Agency for Professional Training for Adults. The educational curriculum has to be designed together with the business environment. The balanced support by the state of the alternative educational systems. The motivation of economic agents to cooperate with the educational institutions. 50% compensation from the state of the costs of the private sector for training and professional formation.
Impact	Financial efforts of the state, employees and employers in the professional training will be unified. This fact will ensure the synergy of the system, reduce educational costs and increase the quality of young specialists' preparation.

## **Action 2. Balance the interests and rights of employers and employees for protection of both parties**

Problem	Even if the Labor Code was adopted as recent as 2003, the former labor code of 1973 stay at its basis. The philosophy of the labor code origins from the logic of functioning of the soviet economy when on the one hand there were the large state enterprises and on the other hand the small employees. There is serious competition in market economy among employers. Respectively the labor code has to ensure a balance of obligations and interests between employers and employees. The current stipulations of the labor code are practically impossible to be fully achieved and as a result the gap between the legal framework of the working relations and existent practices in the Republic of Moldova grows enormously.
Problem sources	The privileged treatment of employees in the labor code. The misbalance between rights and obligations of employees and rights and obligations of employers.
Recommendations	Equal treatment of employers and employees. Balance of interests of both parties in the stipulations of the Labor Code.
Impact	Balance of interests of employers and employees will lead to the set up of normal working conditions where the used practices will correspond to the legal stipulations and vice-versa. The current situation will disappear when the labor code offers a multitude of advantages to the employers but in reality they are not implemented.

### Action 3. Instigate the facultative pension system

Problem	The diversification of populations' revenues imposes also a diversification of forms of social insurance for persons engaged in the national economy. The current system is a leveling one and does not correspond to the expectations of the retirement period which are different for different social categories; it does not stimulate the formation of savings and protection instruments for the population according to the market economy orienting all savings to current consumption needs.
Problem sources	The lack of facultative pension system. Lack of traditions that would encourage the acceptance of private pensions. Lack of social insurance market players.
Recommendations	Encouraging civic participation to diverse programs of facultative pensions insurance in the conditions of guaranteeing stability and state warranties.
Impact	Diverse forms of social insurance. Increase in civil security regarding the future. Reorientation of some important revenues of the population from consumption to investment funds comparable with those of the banking system.

## **PRIORITY 5:**

# Investment promotion and facilitation of foreign trade

The government of the Republic of Moldova managed to finalize successfully the process of negotiations of the commercial preferential regime with the EU and the CIS. The asymmetric commerce system creates important opportunities in the direction of exports maximization and increase in commercial preferential transactions with the EU member states. Especially, the exports to these markets are advantageous. Moreover, the competitive potential does not focus on the consolidation of production capacities but continues to be based on more reduced expenditures in regards to the labor force which is as low that this indicator in the Republic of Moldova overcame the level of the same indicator in China. Among the main reasons that slow down the process of consolidation of the export capacity of the Moldovan enterprises we can list the underdevelopment of advanced technologies, non-satisfactory implementation of management and marketing strategies.

### **OBJECTIVES FOR 2009**

1. Create a mortgage loan system for capital investment
2. Non-discriminatory rights for economic agents in fields of agricultural terrain procurement
3. Offer grants for activities of local production promotion
4. Decentralize competences in the property field from the central tier to the first level tier

### **OBJECTIVES FOR THE NEXT 3 YEARS**

1. Consolidate export potential of Moldovan companies by organizing exchanges and transfers of technologies and knowledge
2. Diversify financial institutions and instruments
3. Reform and efficiently develop the land transportation infrastructure system

## ACTIONS FOR 2009

### Action 1. Create a mortgage loan system for capital investment

Problem	Economic development of a country is ensured by the access of economic agents to financial resources offered in a sufficient amount by the financial institutions. In a developing economy as the one of Moldova, the amount of financial resources available has to be at least equal to 60% of the GDP. In our case however it fluctuates around 50% and due to high inflationist pressures, the National Bank of Moldova fights against the liquidities problem to strengthen the financial policy. As a result we have excess of liquidities in the conditions when the monetary mass is much under the admissible limit. The fight of the NBM against inflation leads to higher prices on crediting resources that will provoke the increase in production costs and as a result higher inflation rate. More in the situation when economic agents suffer from the lack of financing the NBM is forced to pay the banking rate for the financial resources withdrawn from circulation to ensure the macroeconomic stability. As a result, the incapacity of the economy to assimilate money provokes the slowdown of economic growth and expenditures for sterilization of the monetary mass.
Problem sources	The reduced capacity of economic agents to contract loans and of commercial banks to offer credits. As a result we have an underfinanced economy and a surplus of liquidities in the financial system. In such situation, the NBM imposes the sterilization of the monetary mass and hardens the monetary policy in the conditions of limited capacity of the economic agents to take credits. The need to ensure with a mortgage of up to 140% from the contracted amount, the access barrier to financial resources of the economic agents increases significantly.
Recommendations	Creation of a new mortgage fund for investment loans contracted by economic agents. Banks will be responsible for the rate of non-reimbursed loans offered through the mortgage program not to overcome the average on the banking system (nearly 5%). This the economic agents will pass through all procedures of loans contracting with the exception of the need to offer mortgage.
Impact	The necessary amounts for monetary mass sterilization (400 million lei annually) would allow offering mortgage for investment loans of 8 billion lei. These investments are comparable to the current volume of investments in Moldova. The mortgage policy of investments would allow the amplification of relations between the financial sector and the business environment as well as money orientation from the market of current expenditures which provokes pressures upon inflation towards the long-term costs market which halts inflation. Through this mechanism of combating inflation by freezing the capital will lead to economic growth and avoid the slow down taking place today.



## Action 2. Non-discriminatory rights for economic agents in fields of agricultural terrain procurement

Problem	The national legislation treats discriminatory the economic agents depending on their national affiliation. Thus, foreign investors are deprived from the right to purchase agricultural terrains. This restriction to market access of agricultural terrains provokes underdevelopment of the branch, reduced capitalization of agriculture and minimal capacities to attract financial resources in agriculture. As a consequence the lack of financial resources and modern technologies leads to a 3-5 times lower agricultural rate than in the European state and the added value created is incomparable to the European practices. For an efficient functioning of the agricultural sector, the annual capital turnout in agriculture has to equal nearly 1.5 billion EURO.
Problem sources	The discrimination of economic agents on criteria of national affiliation. The granting of a special status to agricultural terrains against other property forms.
Recommendations	Application of the non-discriminatory principle for economic agents.
Impact	Liberalization of the agricultural market will lead to a growth of 5-10 times of the agricultural sector capitalization. As a result, the capacity of agricultural producers to attract financial resources in the sector will increase significantly. New foreign investors will also bring modern technologies in agriculture and the so called „champions“. Each economic branch for a durable development needs „champions“. Available financial resources, increase in capitalization in agriculture and emergence of champions will incense the growth of added value in agriculture of at least 2-3 times in the immediate period after.

## Action 3. Offer grants for activities of local production promotion

Problem	The economy of the Republic of Moldova represents currently one of the most open economies where the share of the foreign trade exceeds 100% of the GDP, much higher indicator than the European average. However, regrettably the openness of the economy is unilateral only thus the imports in Moldova have a concerning rate in the total of the foreign trade and are nearly 3 times larger than the Moldovan exports. Priority number 1 in foreign trade is the maximum stimulation of the export potential of the national economy.
Problem sources	Exports of local products onto the foreign markets are impeded by the reduced level of competitiveness of the national economy. The low potential of new markets penetration. Insufficiency of financial resources for winning over new markets.
Recommendations	Simulation of association of the professional association of national producers. Partial compensation of participating costs to international exhibitions. Co-financing promotion actions of local production on foreign markets.

Impact	Co-financing promotion actions of local production onto foreign markets will serve as an incentive for economic agents to allot financial resources for promotion activities. Combined efforts of the business environment and state authorities on the one hand will serve the private interests of the business and on the other hand will serve the public interests as it will increase the knowledge and positive image of Moldova as a country producing certain goods and services. Namely the possibility to grow the image as a whole of the country due to certain particular actions of products promotion explains the rationale why the government should co-finance the promotion activities of the local production by the entrepreneurs on the foreign markets.
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#### **Action 4. Decentralize competences in the property field from the central tier to the first level tier**

Problem	Lack of terrains with industrial destination is a major impediment in the economic development of the Republic of Moldova. All surfaces industry-oriented were allotted mostly during the soviet time when the last urban development plans have been elaborated. Currently the localities of Moldova do not have urban plans and the existent terrain within the localities is over solicited. The introduction in the industrial circuit of new terrains is practically impossible due to the defective procedures, high costs of withdrawing from the agricultural circuit and the fact that the decision is not taken at local level but at central government level. In the situation when tens of thousands of hectares of agricultural terrain are not used, the industry suffers from lack of development spaces and the local authorities cannot undertake anything to solve the problem.
Problem sources	The decision to change the destination of agricultural terrains in industrial terrains is not taken by local public authorities but by the Government. Procedures of changing the destination are very time consuming and need significant financial resources.
Recommendations	The competence of changing the destination of terrains has to be transferred from central to local level.
Impact	The transfer of competence to change the destination of terrains at local level would allow the speed up of the process of introduction in the industrial circuit of the agricultural terrains and consolidate the relations between the business and local authorities. The money obtained from terrain selling will be used at local level (where the need of industrial terrain emerged) fact that will increase the local authorities' capacity to develop the infrastructure. As a result, the business besides the simplified access to industrial terrains will also have a developed infrastructure. Also, the transfer of competences will allow the development of the public-private partnership in the field of local economic development.

## OBJECTIVES FOR THE NEXT 3 YEARS

### Objective 1. Consolidate export potential of Moldovan companies by organizing exchanges and transfers of technologies and knowledge

Problem	In the Republic of Moldova the internal mechanisms of knowledge transfer as well as external mechanisms, especially through foreign buyers are weak or totally lack. Due to the intense competition, companies from the Republic of Moldova are not in a strong position to solicit technical assistance and to obtain the technical know-how with own means, does not have sufficient financial, human resources or information. As a result, many companies rely only on the support of the donors even though only investments rather than the grants can bring radical changes in the situation.
Problem sources	Lack of know-how and modern economic knowledge. Isolation of the local business from the international intellectual circuit.
Recommendations	Granting support to local enterprises to independently acquire the capacity of technology and knowledge management. Stimulation of investments in new technologies and knowledge attraction.
Impact	Increase in export competitiveness and consolidation of penetration capacities and maintenance of exporting markets. High capacities for attraction of strategic investments by the local enterprises. Development of a competitive and attractive national environment for the Moldovan companies and foreign investors.

### Objective 2. Diversify financial institutions and instruments

Problem	Restrictive policy of the Moldovan National Bank cumulated with the lack of alternative financial resources creates impediments for economic agents at obtaining financial resources for capital investments. Thus, currently the entire burden of the financial insurance of the business environment relies on the banking sector which developed dynamically in the previous few years and currently has liquidities of over 50% of GDP. For normal economic development however the liquidities from the economy have to constitute at least 60-70% of the GDP. To achieve this it is strictly necessary to create and consolidate other forms of financial institutions. In economic theory it is known that long-term investments (at least 5 years) can be realized only on the interest rate is under 10%. In the situation of macroeconomic instability when the inflation rate equals 13-15% annually and the NBM obliges commercial banks from Moldova to have mandatory reserves of at least 22%, this raises significantly the price of money for commercial banks and as result, they are imposed to offer credits with a 20-22% interest rate. Thus the NBM policy on reducing inflation by raising mandatory reserves leads to the increase in price of the financial resources for the business environment and as a result the prices grow. High performances achieved by the commercial banks on the one hand and the limited access of economic agents on the other hand brings us to the thought that the real cause of the investment financing problems are related to the deficient macroeconomic policy and lack of alternative financial institutions.
Problem sources	Deficient macroeconomic policies. Lack of alternative financial institutions. Low level of monetization of economy.

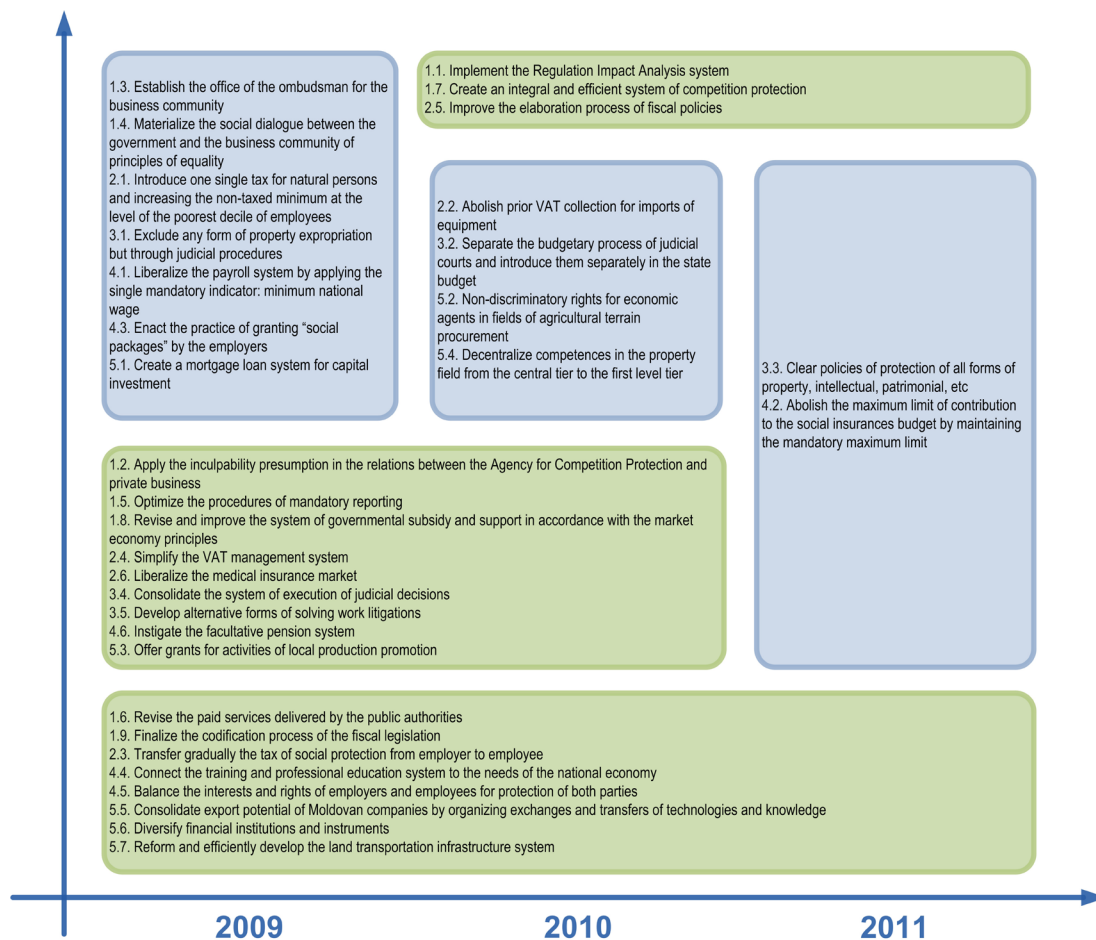
Recommendations	Elaboration of macroeconomic and monetary policies based on the interests of national economic development. Monetary have to spur the orientation of money towards capital investments. The increase of monetization level of economy in the period immediately after up to 70%. Development of alternative financial institutions and instruments.
Impact	Change in monetary policy, reduction of restrictive measures imposed by the NBM to the commercial banks, increase in the monetization rate of the GDP to minimum 70% will increase the capacity of banks to finance long-term capital investments and will reduce the financial flow oriented towards current consumption, that that will be reflected positively on inflation rate. Increase in the level of monetization of the GDP has to be done in parallel with the development of new financial institutions and products. Thus, the burden of the banking sector will be reduced in maintaining by itself the entire existent financial system in economy, fact that will increase efficiency of the existent system and will reduce costs of investment attraction. Diversification of financial instruments will increase the access of enterprises to long-term qualitative financial resources. The stimulation by the state of financial products development for branches oriented towards export (such as crediting in various forms of foreign consumers of local products) would increase the export possibilities of local enterprises, their competitiveness and would stimulate consumption abroad of the Moldovan products.

### Action 3. Reform and efficiently develop the land transportation infrastructure system

Problem:	Despite efforts put throughout the independence period in reforming and developing the land transportation infrastructure, the formal privatization through granting shares to enterprises from the transportation system especially in the current format of the State Roads Administration (SRA) did not do anything than to worsen the situation even more, the Republic of Moldova becoming one of the least developed region with modern roads. The current transportation system does not offer equal opportunities to investors in rehabilitation and development of land transportation infrastructure, does not motivate qualitative construction works, maintenance of roads and circulation security. The excessive administration of the land transportation Fund by the SRA and group interests structured throughout many years impede all trials to reform and develop the infrastructure. Low payroll payment in the budgetary system generates an additional problem the one of the staff in the ministries where persons lacking professionalisms are recruited and in the best case uninterested. It is known that during the independence period the share of the land Transportation Fund of the GDP did not exceed 0,5-0,6% when according to the calculations of international specialized institutions it is considered that the minimum limit of preventing roads degradation is 0.93%, rehabilitation starts with the limit of 1.3 % and the network development 1.7% of the GDP. The directive of the Council of Europe 96/53 establishes maximum admitted dimensions in the national and international traffic and maximum admitted weight in the international traffic for certain vehicles that circulate within the European Union. In order to achieve this directive and to respect the terms proposed for implementation within this program, Romania for example engaged to allot 1.5% of the GDP to set up the TINA network, a pre-accession condition.
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Problem sources	The Land Transportation Fund is a component part of the consolidated budget and respectively does not enjoy autonomy in functioning. Excises as form of transportation contribution are not transferred in the land transportation fund but is perceived as income of the state budget. As a result, the transporters pay equal sums in the land transportation fund (transportation fee) rather than sums equivalent to the use intensity of roads (excises). The system of concession of construction workers, modernization and exploitation of roads is not liberalized. The conflict of interests at State Road Administration that is responsible for constructions and roads quality control.
Recommendations	Separation of the Transportation Fund from the consolidated budget for the resources to have a special importance and to be used only for maintenance and repair of existent public roads. The formation of the Transportation Fund from transportation fees and excises in amount of minimum 1% of the GDP. Liberalization of contracting through concession of construction workers, modernization and exploitation of roads. Elaboration of a strategic plan of modernization and adjustment to the pan-European network roads. Set up of a Highways and National Roads Company in the Republic of Moldova – S.A.
Impact	Development of land transportation infrastructure is a precondition for ensuring the national economic development. Separation of the Transportation Fund from the state budget and its formation according to the minimum needs of maintenance of networks of roads will allow the rehabilitation of over used infrastructure. The delimitation of competences of coordination, control and implementation will increase the quality of works effectuated and competitiveness in the system of repairs and roads construction.

# Implementation of the National Business Agenda





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ELABORAREA PRIMEI AGENDE  
DE BUSINESS IN REPUBLICA MOLDOVA  
A FOST FACILITATA DE CATRE  
IDIS VIITORUL, CU SPRIJINUL  
CIPE (CENTRE FOR INTERNATIONAL  
PRIVATE ENTREPRENEURSHIP)