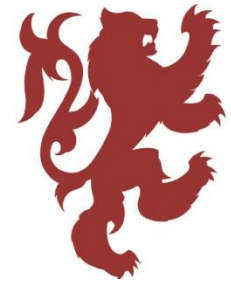




Investment Protection in the Republic of Moldova



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Investor expectations:

- Investment protection and guarantees
- Streamlined taxation and repatriation of profits



I. INVESTOR PROTECTION AND GUARANTEES

- **Internal Legislation:** *Law on investments in entrepreneurial activity*
 - prohibits discrimination against investments based on, *inter alia*, citizenship, domicile, residence, place of registration, place of activity, state of origin;
 - bars discriminatory measures affecting the management, operation, maintenance, utilization, acquisition, extension or disposal of investments;
 - requires public authorities to hold public consultations before implementing new investment policies

INVESTOR PROTECTION AND GUARANTEES (Cont.)

■ Free Economic Zones (FEZ)

- Seven FEZ;
- oriented toward export industries;
- offers a series of guarantees and facilities;
- in case of adverse legislation affecting investment, previous legislation will apply for 10 years;

INVESTOR PROTECTION AND GUARANTEES (Cont.)

- **“Soft” options:**

- **Business Associations:**

- American Chamber of Commerce (AmCham)

- European Business Association (EBA)

- Foreign Investors' Association (FIA)

- Moldovan Chamber of Commerce (w/ International Commercial Arbitration Court)

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INVESTOR PROTECTION AND GUARANTEES (Cont.)

- **“Hard” options – international arbitration**
- **Bilateral Investment Treaties (BITs)**
 - arbitration of investment disputes between a foreign investor and the Republic of Moldova
 - neutral forum – International Center for Settlement of Investment Disputes (World Bank agency) or *ad-hoc* arbitration;
 - requires 3 months to 1 year good faith negotiations;
 - Moldova has signed 38 BITs;

INVESTOR PROTECTION AND GUARANTEES (Cont.)

■ Energy Charter Treaty

- applies to investments in energy sector;
- most European countries are signatories;
- calls for arbitration of disputes in the Stockholm Chamber of Commerce

■ Bilateral and multilateral investment treaties offer a range of guarantees to foreign investors against government intervention or regulatory measures, including:

- protection against expropriation without compensation;
- protection against unfair treatment;
- guarantee of full protection and security;
- guarantee of 'national treatment' and 'MFN' protection



II. STREAMLINED TAXATION AND REPATRIATION OF PROFITS

- Corporate tax is currently a flat 12%
- Double Taxation Avoidance Treaties:

	Default rule	Romania	The Netherlands	Cyprus
Dividends	15%	10%	0/5/15%	5/10%
Interest	15%	10%	5%	5%
Royalties	15%	10%	2%	5%



STREAMLINED TAXATION AND REPATRIATION OF PROFITS

Between 1994-1.10.2010, % of total

Country	1.10.2007	1.10.2008	1.10.2009	1.10.2010
The Netherlands	21,0	20,0	17,1	17,2
Cyprus	10,0	11,4	9,6	14,6
Italy	10,2	11,2	9,3	10,4
Russia	10,6	7,7	4,7	7,4
France	3,8	3,7	10,9	3,5
United Kingdom	5,0	4,4	8,3	5,3
Germany	4,9	5,6	7,1	7,2
Spain	7,8	5,7	3,7	2,5
Romania	3,8	3,3	7,4	7,7
USA	4,2	4,7	3,2	3,6



III. INVESTMENT PLANNING

- **Who should consider investment planning : any “investor” with a foreign “investment”**
 - “Investor” is usually defined broadly in Moldovan BITs to include physical or legal persons
 - “Investment” is usually defined broadly in Moldovan BITs as “every kind of asset” including movable and immovable property, shares, claims to money, licenses, intellectual property rights, concession agreements