



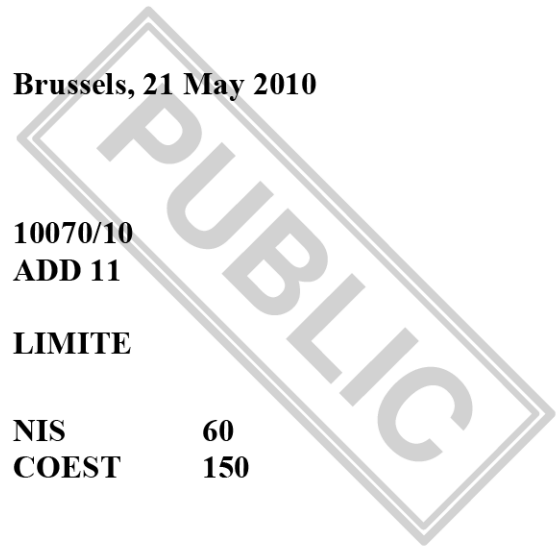
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COVER NOTE

from: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 17 May 2010

to: Mr Pierre de BOISSIEU, Secretary-General of the Council of the European
Union

Subject: Commission Staff Working Document accompanying the Communication
from the Commission to the European Parliament and the Council
Taking stock of the European Neighbourhood Policy (ENP)
Implementation of the European Neighbourhood Policy in 2009
Progress Report Republic of Moldova

Delegations will find attached Commission document SEC(2010) 523 final.

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COMMISSION STAFF WORKING DOCUMENT

accompanying the

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
Taking stock of the European Neighbourhood Policy (ENP)**

**Implementation of the European Neighbourhood Policy in 2009
*Progress Report Republic of Moldova***

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1. BACKGROUND AND OVERALL ASSESSMENT

The Republic of Moldova (hereinafter referred to as Moldova) and the EU first established contractual relations through a Partnership and Cooperation Agreement in 1994 which entered into force in 1998. On this basis, the EU-Moldova ENP Action Plan was approved in February 2005 for a period of three years and extended by mutual agreement from February 2008 onwards. In December 2009 it was agreed to continue guiding and monitoring the ENP Action Plan on the basis of yearly sets of priorities and schedules.

EU-Moldova meetings took place at the level of the Cooperation Council, the Cooperation Committee and four subcommittees.

This document reports on progress made in implementing the EU-Moldova ENP Action Plan between 1 January and 31 December 2009. Developments outside this period are also taken into consideration when deemed relevant. It is not a general review of the political and economic situation in Moldova. In addition, for information on regional and multilateral sector processes, please refer to the sectoral report.

In June 2009, the Council adopted negotiating directives for a new EU-Moldova agreement to supersede the PCA. The July 2009 parliamentary elections, the restoration of equal treatment of all EU citizens in Moldova's visa policy and the commitment of the Moldovan authorities to address outstanding human rights issues, paved the way for launching the negotiations in January 2010.

In April 2009 Moldova went through disputed elections. Street riots met with serious violations of human rights and fundamental freedoms by the law enforcement bodies, before repeat elections allowed a stable parliamentary majority to be formed and a start was made on stabilising the domestic and external political situation. The two rounds of parliamentary elections revealed shortcomings that challenged some OSCE commitments. The Parliament did not manage to elect a President. EU-Moldova relations suffered for most of the year, before picking up again after the appointment of the new Government. Subsequently, political dialogue with the EU and the Moldovan authorities' interaction with international institutions have increased.

Efforts to effectively implement structural reforms, based on a strong European integration government programme aligned with the objectives of the EU-Moldova Action Plan, were stepped up in the last quarter of 2009. Dialogue with civil society noticeably improved and measures were taken to increase access to information and transparency of the public decision-making process. Amendments to the electoral code were adopted as requested by the Council of Europe's Venice Commission, and progress was made in fighting corruption and money laundering as well as on judiciary reform and implementation of the rulings of the European Court of Human Rights.

Over the reporting period some progress was achieved in most of the sectoral fields covered by the ENP Action Plan, in particular in the areas of customs, sanitary and phytosanitary standards, and financial services. Other achievements to be noted are the accession of Moldova to the Energy Community, subject to the adoption of missing parts of its energy legal framework; the Memorandum of Understanding with the European Commission on a EU High Level Policy Advisory Mission to Moldova; the EU-Moldova joint statement, released at the Cooperation Council meeting of December 2009, announcing the opening in

2010 of a dialogue examining the conditions for Moldovan citizens' visa-free travel to the EU as a long-term goal; and a more active engagement on the Transnistria issue. Moldova continued to benefit from the expertise of the EU Border Assistance Mission (EUBAM), which contributed to improving migration and border management and whose mandate was extended for a second time.

At the same time, Moldova engaged in structural reforms in order to counter the economic and financial crisis that hit the country hard in late 2008. It continued to benefit fully from the EU Autonomous Trade Preferences and in July 2009 a feasibility study on the future establishment of a deep and comprehensive free trade area (DCFTA) was finalised. An economic stabilisation and recovery programme 2009-2011 was adopted in November 2009. In October 2009, an arrangement was reached with the IMF, which was signed in January 2010 in the form of a three-year arrangement under the Extended Credit Facility and the Extended Fund Facility (SDR 369.6 million).

To fulfil the ENP Action Plan commitments, further progress is needed to strengthen the mechanisms designed to prevent violations of human rights and fundamental freedoms, ensure the neutrality of the public media and promote a pluralistic media environment. In addition, proper implementation of adopted legislation and further reform of the judiciary and the rule of law, intensification of the fight against trafficking in human beings, and improvement of the matching of labour market needs with skills development would be required to meet the commitments.

The Moldovan authorities and civil society representatives participated actively in the multilateral framework of the Eastern Partnership, in particular through open dialogue and their contribution to the working programmes for the four thematic platforms. Together with the bilateral elements of the Eastern Partnership, this contributed to the strengthening of EU-Moldova relations and reinforcement of the follow-up on the priorities of the ENP Action Plan.

2. POLITICAL DIALOGUE AND REFORM

2009 was marked by the political events triggered by the disputed parliamentary elections in April and the breakdown of respect for human rights and the rule of law in relation to the subsequent demonstrations, as well as the severe impact of the global economic and financial crisis on the Moldovan economy. Also in April, several high-level visits took place to discuss the post-electoral situation, calling for dialogue between political parties.

Following repeat parliamentary elections held in July 2009, a new Government was appointed on a strong European integration platform and committed to addressing the shortcomings in the field of human rights and the rule of law highlighted by the April events. The political dialogue with Moldova intensified. The EU Ministerial Troika and the Commissioners for Trade, European Neighbourhood Policy and EuropeAid Co-operation Office visited Moldova in October and November 2009, respectively. Consultations also took place between the Government and the EU Political and Security Committee, the Council Working Party on Eastern Europe and Central Asia, and the Political Directors' Troika. In the run-up to the negotiations on a new EU-Moldova agreement, the political dialogue was rapidly taken up to a new level. An ambitious way forward for the development of EU-Moldova relations was set out in a joint statement issued in December by the EU-Republic of Moldova Cooperation

Council. Shortly after, the EU and Moldova agreed to establish a regular human rights dialogue.

Democracy and the Rule of law

The **parliamentary elections** held in April 2009 were followed by large-scale peaceful demonstrations of the opposition parties and a politically active youth movement in response to alleged electoral fraud. The protests degenerated into violent riots with the alleged involvement of *provocateurs*. Because it failed to elect a President, the Parliament was dissolved in June 2009. Prior to its dissolution, it amended the Electoral Code to reduce the thresholds for validation of elections and for political parties to be represented in Parliament. The Council of Europe Venice Commission welcomed these changes, but recalled other recommendations, such as a ban on pre-electoral alliances and lifting the provisions barring certain categories of officials and elected representatives from holding dual or multiple citizenships. The latter restriction was removed by the subsequent Parliament, in December 2009.

The OSCE/ODIHR International Election Observation Mission concluded that the re-run July elections “were well-administered overall and allowed for competition among political parties representing a plurality of views” but also underlined a number of shortcomings, in particular as regards the media and the campaign environment. In response to the inability of the new Parliament to elect a President, a commission for constitutional reform was established in December 2009 to propose amendments, in particular on the provisions related to the election of the President. In addition, consultations were initiated with the Council of Europe Venice Commission to advise on constitutional changes. This process is ongoing at the time of writing.

One of the five core objectives of the new government programme is the **decentralisation of power** to safeguard **local autonomy**, by transferring executive and budgetary responsibilities. If effectively implemented, these efforts would be fully in line with key commitments accepted under the ENP Action Plan in an area where limited progress has been reported so far.

As regards **the rule of law and judicial reform**, amendments to the Law on the Superior Council of Magistrates, the Law on the status of judges and the Law on the public prosecution service (PPS) became effective in the first quarter of 2009. However, the amendments to the Law on the Superior Council of Magistrates do not comply with Council of Europe recommendations and were considered as a significant step backwards in the judiciary reform process. The Law on PPS similarly disregarded a number of important recommendations made by the Council of Europe. An action plan for implementing the judicial reform was approved in October 2009 and started immediately. The plan, which will require in-depth revision of the Constitution and certain organic laws, addresses the Superior Council of Magistrates, the selection of judges, the elimination of economic and military courts, the administration of courts of justice, the judicial enforcement system, and the bar administration. The National Institute of Justice continued to enjoy international support and stepped up its training activities. A Superior Council of Public Prosecutors was set up in December 2009. A modern judicial information system is being implemented. The main challenge for Moldova in implementing the reform of the judiciary remains the limited resources available. As the Law on legal assistance was being put in place, a number of shortcomings continued to be reported, notably as regards allocation of resources and the functioning of the National Legal Assistance Council.

Progress was observed in **combating corruption**. Anticorruption awareness-raising and education campaigns were carried out, thereby addressing some of the concerns raised in the previous progress report. The Centre for Combating Economic Crimes and Corruption, established in 2008, is operational and during the year provided corruption proofing expertise for 228 draft laws and secondary normative acts. Overall, while the Council of Europe's Group of States against Corruption (GRECO) considers that Moldova has made significant progress in implementing its recommendations, two major deficiencies have still to be addressed: delays in adopting and implementing international instruments and the lack of effective enforcement of the anti-corruption legal framework. Moldova improved its ranking in terms of perceived corruption in comparison with other countries.

Human rights and fundamental freedoms

The events that followed the April parliamentary elections highlighted structural shortcomings as regards **respect for human rights** and **rule of law standards**. Notably, disproportionate use of force by the law enforcement bodies was reported; several hundred people, including minors, were arbitrarily arrested and detained; violations of procedural rights of persons and ill-treatment during detention were reported to be widespread; and at least one death was confirmed to be related to such ill-treatment.

The new Government has accepted responsibility for law enforcement bodies' abuse of powers with regard to persons arrested in relation to the April demonstrations. In October 2009, the new Moldovan Parliament established a bi-partisan commission of inquiry to investigate the April events. A number of deficiencies in the response of the authorities at the time of the events were denounced by international organisations and Moldovan civil society. These included persistent lack of clarity on data regarding the victims, the inefficiency of the investigations by the Prosecutor General's Office, the limited number of criminal proceedings initiated in relation to allegations of torture and ill-treatment, and a general sense of entrenched impunity for law enforcement officers who were allegedly responsible for the violations.

The National Action Plan on Human Rights 2009-2012, which was published in early 2009, was submitted to civil society representatives for review in the autumn. A number of shortcomings regarding the independence and the overall functioning of the Parliamentary Advocates (Ombudsmen) were not addressed.

The execution of judgments of the European Court of Human Rights continued to prove problematic. The new Government has however committed itself to ensuring the effective execution of all these judgments.

As regards **international instruments**, Moldova has fully complied with the ratification commitments in the Action Plan, with the exception of the Convention on Migrant Workers. Moldova actively cooperates with the UN human rights mechanisms – its periodic reports to the Human Rights Committee, the Committee against Torture and the Committee for the Rights of the Child were discussed in January, October and November 2009 respectively. No periodic reports to the treaty bodies are overdue. Moldova has not extended an open invitation to Special Procedures. The International Convention on the Rights of Persons with Disabilities and its Optional Protocol, and the International Convention for the Protection of All Persons from Enforced Disappearance are still awaiting ratification.

Comprehensive **anti-discrimination** legislation has yet to be adopted; the draft law on preventing and combating discrimination, which underwent a round of public consultations in June-July 2009, was not submitted to Parliament. As regards national minorities, non-governmental organisations report continuing discriminatory treatment of the Roma population, notably as regards access to education, health and an adequate standard of living. Inadequate allocation of resources and the lack of data for assessing progress continued to hamper severely the implementation of the National Action Plan in support of the Roma population 2007-2010. Discriminatory treatment and social stigmatisation of persons living with HIV/AIDS, persons with disabilities and sexual minorities continued to be reported by international organisations and civil society. No progress was made with the ratification of the European Charter for Regional or Minority Languages.

No progress was reported as regards dealing with existing restrictions on the exercise of the right to **freedom of religion**. Furthermore, a number of Muslim religious communities were reported to be still prevented from being registered. In December, an Orthodox community dismantled the Chanukah Menorah in the centre of Chisinau and replaced it with an Orthodox cross, in a demonstration featuring explicit anti-semitic statements. No police or other forces of public order intervened to stop the action. The Government quickly and firmly condemned the acts and a criminal investigation was opened. In August 2009, the Chisinau Municipality ordered the relocation of a peaceful public event by a Protestant group from the city centre to a marginal location of the city.

On efforts to combat **trafficking in human beings**, the National Referral System for Assistance and Protection to Victims and Potential Victims of Trafficking was extended in 2009 and is now active in 29 districts including the country's two largest cities. See further chapter 5.

Ill-treatment by the police remains widespread and conditions in police detention facilities and prisons are still serious sources of concern. A number of positive actions were initiated under the new Government with a view to enforcing a "zero-tolerance" policy towards ill-treatment throughout the criminal justice system. The preventive mechanism created within the Centre for Human Rights (Parliamentary advocates) needs to be significantly strengthened in order to meet the requirements set out under the Optional Protocol to the Convention against Torture. Some positive developments could be noted in the area of penal reform, notably the improvement of prison infrastructure but further progress is needed.

In the area of **protection of personal data**, the Additional Protocol on supervisory authorities and trans-border data flows to the 1981 Council of Europe Convention on the Protection of Individuals with regard to the Automatic Processing of Personal Data is yet to be signed and ratified. The National Centre for Data Protection (supervisory authority) started its operations in January 2009 but has to build up the resources necessary to do its job properly. In addition, further amendments to the existing law on protection of personal data will be needed in order to ensure further alignment with European standards.

As regards **freedom of expression and media pluralism**, the situation worsened significantly in the first half of 2009 through, notably, severe restrictions of the right of access to information and the use of administrative means such as tax investigations, as well as restrictions on freedom of media and free reporting in the context of the elections. New laws on state secret and on transparency in the public decision-making process entered into force in 2009, as did modifications to the Criminal Code that only partly reflected Council of Europe's recommendations on the decriminalisation of slander and libel. In the later part of the year a

number of measures were taken aiming to reverse the situation. In November 2009, the Audiovisual Code was amended - without consultation of the Council of Europe - to simplify the appointment procedure for the members of the Audiovisual Coordination Council and the Supervisory Council for Radio and Television. At the same time, in the last quarter of 2009, a private radio station was experiencing severe difficulties in having its license renewed, and an opposition TV channel was required at very short notice to move out from its Government-owned premises.

There were reports of cases of arbitrary restriction of the **right to peaceful assembly** during the first half of 2009, as well as instances of refusal to register NGOs. For the second year in a row, the organisers of the annual 'gay pride' event decided to cancel it, citing security concerns.

Good progress was noted with regard to the inclusion of civil society in the decision-making process in the latter part of the year. In December 2009, the Government established the National Participation Council, a formal forum designed to intensify dialogue with **civil society** and increase its participation in the public decision-making process.

During the reporting period the Ministry of social protection, family and children began reviewing the legislation on **gender equality**. Yet, women continue to face discrimination in practice, including high levels of unemployment and deep-rooted stereotypes. While for the first time under the new Law on preventing and combating domestic violence a perpetrator was removed from his residence in September 2009, this phenomenon remains widespread and additional protective infrastructure for victims of domestic violence is needed. In May 2009, the UN Special Rapporteur on Violence against Women noted that the protective infrastructure for victims of domestic violence remains insufficient.

Some perceptible progress was made regarding **children's rights**. In January 2009 the UN Committee on the Rights of the Child issued detailed recommendations to the Government, covering in particular: corporal punishment and other violence against children, access by vulnerable groups to key services, temporary separation from parents, abuse and neglect, the situation of children with disabilities, child labour, the administration of juvenile justice, and a range of other areas. Work has started to identify criteria for cases of violence against children and initial training of social assistance workers took place in the second half of 2009.

In terms of **trade unions' rights and core labour standards**, amendments to the Labour Code are still under review. Moldova continued to implement the 'Decent Work' country programme 2008-2011 signed in June 2008 with the International Labour Organisation (ILO) and the constituent social partners. This led in particular to the improvement of the functioning of the national commission for collective consultations and bargaining and to improved labour statistics.

No progress was made on the approval of the draft law on ratification of the Rome Statute of the **International Criminal Court** which was sent to the Parliament in February 2008.

Cooperation in foreign and security policy, conflict prevention and crisis management

Moldova continued to cooperate actively with the EU on regional and international issues, and aligned itself with nearly all EU **CFSP declarations** open for alignment.

Regional cooperation

Moldova continued to actively participate in the Central European Initiative (CEI), the South-East European Cooperation Process (SEECP) and Regional Cooperation Council (RCC), and the Central European Free Trade Agreement (CEFTA). In 2009 Moldova held the chairmanship of SEECP and in this context promoted EU standards in areas like fight against corruption, migration and trade.

Cooperation for the settlement of the Transnistrian conflict

Moldova cooperated constructively with the EU on all questions related to the Transnistria settlement efforts. In June and November 2009, it took part in informal meetings of the so-called “5+2” format. The Deputy Prime Minister of the new Government in charge of the Transnistrian settlement agreed with the Transnistrian negotiator on regular bilateral meetings. Moldova and the Transnistrian *de facto* authorities lent their coordinated support to the two packages of EU sponsored confidence-building projects launched in 2009. Together with Ukraine, Moldova continued to implement its customs regime based on the Joint Declaration of the Moldovan and Ukrainian Prime Ministers of December 2005. In December 2009, Moldova withdrew the time limit on the legislation allowing for temporary registration of Transnistria-based companies in Chisinau (611 companies as at the end of the reporting period).

EU Border Assistance Mission to Moldova and Ukraine (EUBAM)

Moldova continues to be fully committed to, and to participate constructively in, the work of EU Border Assistance Mission to Moldova and Ukraine (EUBAM). Preparations took place in view of opening an EUBAM branch office in Chisinau in February 2010. With EUBAM support, the professional capacities of the Moldovan customs and border guard services continued to be enhanced, as was inter-agency cooperation within Moldova and between Moldova and Ukraine. In December 2009, following constructive bilateral talks as well as talks between Ukraine and the Transnistrian *de facto* authorities, an important advance was achieved in starting the demarcation of the central (Transnistrian) segment of the Moldovan-Ukrainian State border. By agreement between the European Commission, Ukraine and Moldova, the EUBAM mission was extended in November 2009 for a second time.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

Moldova is one of the partner countries hit hardest by the global financial and economic crisis. GDP contracted by 6.5% in 2009, in sharp contrast with the 7.2% GDP growth in 2008. External shocks, such as falling remittances (by over 30%) and FDI inflows (by around half) and the slump in trade with the main partners (Russia, Ukraine, Belarus and the EU) were the main causes. In 2009, industrial production declined by around 22% compared to the previous year. With imports declining more sharply than exports, the current account deficit decreased from around 16% of GDP in 2008 to 9% of GDP in 2009.

The fall in real incomes was partly cushioned by the rapid deceleration in prices. The budgetary situation deteriorated from the middle of 2008, despite the cuts of 20% across the expenditure side of the budget decided in spring 2009. The government deficit reached 6.9% of GDP in 2009, against 1% in 2008. As a result of the double external shock on trade and remittances, pressures on the national currency built up and at the end of 2009 the Moldovan leu depreciated against major currencies. The National Bank of Moldova (NBM), however,

partly countered these pressures by using some of the country's official reserves. Those were reduced between September 2008 and April 2009 by nearly 40%. Subsequently, the exchange rate stabilised and official reserves were partly replenished. In order to counter the impact of the crisis, monetary policy was eased substantially. Between September 2008 and September 2009, the NBM cut its main refinancing rate from 18.5% to 5.0% while reserve requirements were also reduced drastically. However, in late January 2010, the NBM tightened monetary policy and raised the base rate to 6%, due to an anticipated increase in the inflation rate above the defined inflation target of 5% with a deviation band of +/-1 percentage point.

The outlook for Moldova for the short to medium term is challenging. After the sharp adjustment in 2009, the economy of Moldova is expected to recover only slowly in the coming years. Macro-economic stabilisation is thus the central immediate concern, and financial assistance of the international community will be crucial in achieving this. In January 2010 the IMF Executive Board approved three-year arrangements for Moldova under the Extended Credit and Extended Fund facilities. The IMF assistance is equivalent to SDR 369.6 million (around EUR 420 million) and is intended to help restore fiscal and external sustainability. IMF assistance is linked to the implementation of adjustment measures and structural reforms. Moldova also applied for assistance to the World Bank and to the EU for Macro-Financial Assistance.

Employment and social policy

The Government adopted in November 2009 a programme for stabilisation and recovery of the economy for the years 2009-2011, to improve the allocation of social assistance and prevent social exclusion of the most vulnerable groups.

While the minimum wage was increased by 9% year-on-year and new salary norms were introduced in January 2009, no significant progress can be reported on the fight against **poverty** which remains a key priority for the Government. Moldova has the lowest minimum salary in Europe.

In February 2009 Moldova adopted a yearly action plan on **employment** with a view to implementing its 2007-2015 Strategy on Employment. The 2009 action plan aims to increase the capacities of the Government and social partners in formulating employment policies; to improve labour market information and labour statistics and to better target employment services and programmes. The unemployment rate was estimated in September 2009 at 6.2%. While the implementation of the national programme for youth economy (2008-2010) continued over the reporting period, youth unemployment remains an issue of concern, with, officially, 12% of the 15-29 years age group being unemployed. The return of migrants, due to the global crisis, contributes to put the labour market under pressure by widening the gap between the labour market needs and the skills of the returned migrants.

As regards **social dialogue**, no progress can be reported on the adoption of the long-awaited amended draft Labour Code and the International Labour Organisation (ILO) voiced concerns about the non-conformity of certain provisions with its basic standards, in particular as regards the right to strike. The draft law on social dialogue is still under parliamentary examination and bipartite social dialogue still needs to be strengthened. The implementation of the Decent Work country programme continued: projects over the reporting period included those on social dialogue, gender and access to employment of persons with disabilities.

In the area of **social protection**, Moldova continued to increase the number of social assistants and to train them over the reporting period. The number of beneficiaries of the new cash-benefits system of social assistance rose from January to June 2009 to reach more than 16.000 persons. There is a need to allocate sufficient funding to the social sector and to set up a mechanism of data collection. The cost-calculation model also needs improvement.

The Government decision to introduce a 20% indexation coefficient for some pension categories entered into force in April 2009. It is expected to cover approximately 620 000 persons. The 2009-2013 governmental programme on “European integration: freedom, democracy, welfare” as well as the 2009-2011 programme for “stabilisation and recovery of the economy” attach particular importance to the unification of the pension system and the drafting of the relevant strategy.

The number of beneficiaries of social allocations for child birth increased in September 2009 and the 2010 Law on state social assurance (adopted in December 2009) provides for a further increase. Overall, the administrative and financial capacities of the Ministry of Social Protection should be increased and the funding of the social protection scheme needs to be sustained.

The shortcomings of inter-ministerial coordination account for the overall slow progress on the **sustainable development** agenda in Moldova. The inter-ministerial Committee for Sustainable Development and Poverty Reduction, created in 2008, did not meet in 2009.

Additionally, the Committee on Strategic Planning was established to ensure an integrated approach and more efficient coordination of strategic planning including the sector priorities for development, at the national level.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

Despite a 30% decline in bilateral **trade** in goods between the EU and Moldova in 2009, mainly due to the impact of the financial crisis, the EU remained Moldova’s most important trade partner. Moldovan exports to the EU declined by 31.1%, while EU exports to Moldova decreased by 27.7%. Moldova’s trade balance with the EU remains substantially negative accounting for EUR 718 million in 2009. The EU Autonomous Trade Preferences (ATPs) granted to Moldova since March 2008 proved to have a positive impact. Continued efforts are however needed to take full advantage of the available quotas in particular for selected agricultural products.

An independent feasibility study on the possibility of a future establishment of a **deep and comprehensive free trade area** (DCFTA) between the EU and Moldova was finalised in July 2009. It concluded that while a DCFTA would bring long-lasting benefits to the Moldovan economy and society, it also requires careful preparation for Moldova to be able to reap the benefits of a DCFTA and to withstand the inherent competitive pressure without suffering disproportionate adjustment costs. In particular, it will be important to ensure that the regulatory approximation in trade-related areas takes place. In December 2009, the EU and Moldova reaffirmed their shared objective to establish a DCFTA, when the relevant conditions are met, and expressed their commitment to make progress in line with the agreed set of steps towards that objective.

Moldova is working on export diversification with a EU assistance project aiming among other at improving the international competitiveness of the enterprise sector, including through potential market analyses and accompanying information activities; increasing the number of exporting companies; stimulating foreign direct investment and strengthening the

Moldovan Investment and Export Promotion Organisation and the Ministry of Economy. In September 2009 the Ministry of Economy decided to revoke the quality certification procedure covering imported batches of non-alcoholic beverages, milk, foodstuffs, beer and cosmetics, which was introduced in March 2009. An amendment to the provisions of the Environment Fund Law was submitted to the Parliament in order to establish the size of the ecological tax on the eco-declaration at the import of products packed in plastic recipients and in plastic coated paperboard. This amendment was submitted in order to collect ecological taxes in a way more in conformity with the principles of national treatment (GATT article III). Moldova also abolished the state trademark for exported alcoholic beverages. Concerning the import of meat, a Government decision of November 2009 foresees the elimination as of February 2010 of the existing limitations. A transitional regime was set up for the period between December 2009 and January 2010.

The **Customs** Service of the Republic of Moldova (MDCS) is continuing the implementation of its 2009-2011 Institutional Development Plan based on EU standards. In August 2009 the Government approved the information system “Integrated Tariff for Moldova” which provides operators with on-line information in Moldovan on the classification of goods, applied rates of customs duties and other applicable legislation. The service became available just after the reporting period, in January 2010. During the reporting period the regulations necessary for the use in Moldova of the ATA carnet were prepared. Since January 2009, the MDCS applies at all border crossing points a new information system that allows for the exchange of information among the agencies which are part of the single window system. The introduction of the system also allowed for a more targeted use of the Pre-arrival Information Exchange System and more developed analysis of the information exchanged. In January 2009 the MDCS modified the organisational structure of its mobile teams in accordance with the EUBAM recommendations. A new Code of Administrative Offences entered into force in May 2009. Among others, it introduces amendments to the provisions on seizures. In July 2009, the Government approved the Code of ethics of customs officers based on the Arusha convention.

The implementation of horizontal legislation progressed in the area of free **movement of goods and technical regulations**, notably on general safety of products and liability for defective products, and in the setting up quality infrastructure. The final selection of priority sectors is foreseen in 2010 with the support of an EU technical assistance project. In 2009 Moldova continued to implement a National Plan for Legal Approximation. Amendments to the legal framework and methodologies are foreseen in 2010. The draft Law on market surveillance is under preparation. Staff trainings in market surveillance were organised.

Moldova continued the process of gradual approximation with EU **sanitary and phytosanitary** (SPS) rules which is of major importance, *inter alia*, in the context of a future DCFTA. In 2009, the Sanitary-Veterinary Agency for safety of products of animal origin and the General Inspectorate for phytosanitary surveillance and seeds control, both established in 2008, became operational. Moldova further strengthened laboratories and continued to implement its animal identification system. Moldova continued to work towards a better functioning of and coordination among the SPS related bodies. Moldova started implementation of a revised action plan on animal health and food safety, following a Food and Veterinary Office (FVO) 2008 inspection visit. On the basis of the Moldovan 2009 residue monitoring plans and the results of the 2008 monitoring plan for honey, Moldova was relisted for exports of honey to the EU.

As regards **business climate**, the Regulatory Reform working group, composed of public and private sector members, holds weekly meetings and reviews barriers to business development. The finalisation of a regulatory reform action plan is on-going. The one-stop shop concept is fully implemented since November 2009 with ten regional centres established. The draft law on authorization of construction is under preparation.

The Joint Stock **company law** is being revised. The electronic licensing register of companies is available online since January 2009. Moldova continued implementing the Corporate Governance Code as well as the laws on Joint-stock Companies and on Limited Liability Companies. However, as reported last year, to ensure a satisfactory level of transparency, existing rules on disclosure requirements for joint-stock companies, investors and the stock exchange need to be efficiently enforced. Amendments to the bankruptcy law are underway, with adoption expected in 2010.

Moldova continued to strengthen the supervisory framework in the field of **financial services**. The main elements of the banking supervision structures follow largely the Basel I principles for effective banking supervision. Some amendments to banking regulations, notably in the field of information disclosure were made in July 2009. Moldova has continued the implementation of the IMF's Financial Sector Assessment Programme recommendations. The National Commission on the Financial Market, as a unified supervision authority for non-banking financial services, took over licensing activities in October 2009. Also in October 2009, Moldova became a member of the International Association of Insurance Supervisors (IAIS). Adoption of a Strategy for the Development of the Non-Banking Financial Sector 2010-2011 is expected in 2010. Setting up a modern information management system for more efficient supervision is on-going. A draft Law on Securities Markets is under preparation. Some insurance laws are also under preparation.

No new development can be reported on **movement of capital and current payments**.

As regards **free movement of persons**, Moldova continued to negotiate agreements on coordination of social security with Greece, Italy and Spain.

Other key issues

The ongoing reform of the State **Tax** Service based on the strategic plan for 2006-2010, as well as of the National Development Strategy 2008-2011, progressed. The web-portal for the interaction between taxpayers and tax service continued to be developed and a bar-code information system and an e-statements system were developed and are now functional. Notwithstanding the measures taken in 2008 to simplify and accelerate the procedures for VAT refund and the increase in the budget allocations to that end, foreign and local investors still face difficulties with regard to VAT refunds. Further tax reform measures are needed to make the investment climate in Moldova more favourable.

The drafting of a new law on **Competition** is still ongoing; it is expected to be finalised by 2011. This revision of the 2000 Competition Law is essential in order to establish a modern competition policy framework in Moldova. The draft law on state aid is still under examination by the Government. The Agency for the Protection of Competition (NAPC) organised public seminars to promote competition culture among economic operators. A New twinning project for the NAPC is planned for 2010 and is likely to focus in part on anti-trust issues.

Moldova continued to complement its legislation on **intellectual property rights** with the entry into force in November 2009 of improved procedures and patents. It also completed the accession to international treaties with the ratification, in March 2009, of the Singapore Treaty on the law of trademarks. However, the new law on copyrights and related rights is not yet adopted. While the new Code on Administrative Contraventions which entered into force in May 2009 provides for administrative sanctions, enforcement of intellectual property rights on the ground and at court level remains an issue of concern, as does the high level of piracy and counterfeiting. In addition, further training and awareness raising activities are needed to involve stakeholders in the effective protection of intellectual property rights. The National Commission on intellectual property, in charge of coordinating these issues, has not yet met. In April 2009 Moldova sent an official request to open negotiations of an extension agreement with the European Patent Office (EPO). The issue of Moldova's membership to the Eurasian Patent Organisation needs to be resolved before the start of negotiations with the EPO.

Implementation of the 2007 **public procurement** law as well as targeted awareness raising activities continued over the reporting period. The legislation was further complemented with the adoption in May 2009 of the regulation on conducting public procurement of design work services and, in September 2009, of the regulation on the purchase of medicines and other medical products for health systems. In May 2009 the Government approved the technical concept of e-procurement which is in use in five selected pilot public institutions. The Public Procurement Agency is responsible since May 2009 for the State register of public procurement.

As regards **statistics**, the draft law on the 2012 general population census is pending parliamentary approval.

The National strategy for development of **auditing and accounting** for 2008-2011 is still under preparation. As reported last year, the new accounting law provides for the compulsory use of international financial reporting standards (IFRS) for listed and public interest companies as from January 2009. Further efforts are needed to increase the capacity of regulatory agencies in charge of enforcing accounting standards and to establish an independent oversight board of auditors. No progress can be reported on the adoption of the revised Audit law.

On **enterprise policy**, the Economic Stabilisation and Recovery Programme (2009-2011), adopted in November 2009, foresees activities in support of Small and Medium Sized Enterprises (SMEs) particularly in rural areas. This includes reduction of administrative and fiscal burden on firms, and facilitation of access to financing for the launch, development and recovery of businesses. The Institutional Development Plan for 2009-2011, prepared by the Ministry of Economy, also foresees a number of actions in support of SMEs. The National Programme for the Economic Empowerment of Youth is expected to intensify the process of granting loans to finance private projects of young entrepreneurs with a grant component. In terms of public-private dialogue, the State Commission for Entrepreneurial Activity includes both private and public sector members and provides a forum for consultation about the planned reforms with a view to improving the business climate.

Moldova started working on amendments to the law on **consumer protection** with a view to enabling financial public support to consumer's organisations. Further efforts are nonetheless still needed to empower consumers and support the activities of consumer organisations.

With regard to the management of **public finances**, the amendments proposed by the Ministry of Finance to the existing law on budget systems and processes entered into force in January 2009, allowing for improved accountability in the management of public funds. Work on budget preparation and implementation methodologies progressed but the Ministry decided to suspend work on the new law on public sector financial management and accountability, opting instead to implement further reforms within existing legislation. While progress was noted on implementing a new budget execution methodology, its further development may be limited by weak implementation capacity including staffing and management within the Treasury.

In the area of **public internal financial control**, the Ministry of Finance developed national standards on internal control for the public sector which entered into force in June 2009 while its Central Harmonization Unit defined methodological instruments for financial management and implemented pilot audits. The latter also prepared a phased plan for the establishment of internal audit units across central public authorities. Training and professional development activities focused on capacity-building for the newly created audit units. In order to ensure successful outcome in this regard, attention would need to be paid to organisational management, customised training and communication. The EU and the World Bank commented upon a revised draft law which remains to be submitted to the Cabinet of Ministers.

The new law on Court of Accounts entered into force in January 2009 alongside an **external audit** manual. In addition, the Court implemented six INTOSAI standard audit categories including general standards, audit planning, performance and reporting.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

Migration issues (legal and illegal migration, readmission, visa, and asylum)

At the December 2009 Cooperation Council, the EU and Moldova agreed to set up a visa dialogue in 2010 examining the conditions for visa-free travel of Moldovan citizens to the EU as a long-term goal, taking into account the EU Global Approach to Migration and keeping in mind that gradual steps towards full visa liberalisation would be taken, provided that conditions for well-managed and secure mobility are in place.

The EU-Moldova Mobility Partnership, the Visa Facilitation Agreement and the Readmission Agreement contribute to improve **migration management** in the country. By the end of 2009 the Common Visa Application Centre in Chisinau which was opened in 2007 was issuing visas for ten EU Member States and two other Schengen states. In 2009, the Centre issued 6,918 visas, compared to 7,487 in 2008, a slight decrease linked to the decrease of applications.

In November 2009, Moldova concluded an agreement for small distance cross-border movement with Romania, allowing visa-free stays of up to three months within a 50-km border strip in Romania for Moldovans resident for at least a year in the corresponding 50-km zone inside Moldova. The agreement came into effect after the reporting period.

A new Law on **asylum** entered into force in March 2009. It is largely in line with international and EU standards, providing, *inter alia*, a complementary form of protection and access to the government refugee determination procedure for asylum-seekers applying for protection at the state border. It also provides for the treatment of asylum-seekers, refugees and beneficiaries of humanitarian protection in line with international standards. Since 2007 a

Regional Protection Programme is implemented in Moldova, aiming at reinforcing the protection of refugees and asylum seekers. In 2009 activities focussed on the improvement of the local integration of persons recognised as refugees.

In April 2009 Moldova introduced a visa obligation on Romanian citizens. This was removed in September 2009.

The Temporary Migrant Accommodation Centre (MAC) was upgraded and, as of June 2009, third country nationals illegally entering or residing in Moldova were placed there until a decision was pronounced. In November 2009, the readmission agreement clause on return of third country nationals entered into force.

In the area of **border management**, the Border Guard Service continued implementation of its three year (2009-11) institutional development plan focusing on staff training and the optimization of its structure and management. The creation of integrated border control systems, the upgrading of logistics and infrastructure and risk analysis methods were particularly pursued with the support of EUBAM. The latter organised specialised training at local level on issues, such as intelligence gathering, document forgery and vehicle search. The first meeting of a working group on the development of joint patrolling on the Moldovan-Ukrainian border took place in September 2009 while the Nikony Joint Border Control Operation was implemented with EUBAM support, leading to increased detection of smuggling, illegal migration and customs fraud. In addition, the Border Guard Service improved its capacity to detect falsified visas and passports. Moldova continues to participate actively in the Söderköping Process.

In November 2009, two agreements between Moldova and Romania were signed - on local border traffic and on border crossing points. Moldova continued the implementation of a project to establish an on-line connection between the border crossing points and the Interpol database. To date, 17 border crossing points have an on-line Interpol connection. The demilitarisation process of the Border Guard Service continued with plans to be completed by the end of 2011. By replacing conscripts with professional border guards, the number of the latter will be substantially decreased. However, lack of adequate resources may lead to postponing the demilitarisation objective. In 2009, 400 border guards were newly recruited and trained on the basis of training programmes developed by FRONTEX. The lack of adequate financial resources poses serious challenges to the process and may lead to delays.

With regard to the fight against **organised crime** and the **trafficking in human beings**, the National Committee for Combating Trafficking in Human Beings initiated an evaluation of the first two years (2008-9) of the implementation of the National Action Plan. In April 2009, the Government adopted rules on the registration of abandoned children or children whose parents or guardians are employed abroad. The Government launched an information campaign in schools against trafficking. The quality of criminal investigations in the field of trafficking reportedly improved: law enforcement agencies succeeded in dismantling 38 criminal networks and significantly increasing the number of registered criminal cases for trafficking offences. Implementing rules to the Law on protection of witnesses were adopted. However, the number of victims remains high with much greater efforts required to fully implement the National Action Plan. Draft agreements on dealing with unaccompanied minors and victims of trafficking were developed but not yet signed with Italy and the Russian Federation. Trafficking in human beings, including trafficking-related corruption, remains a matter of concern which should be further addressed both in terms of prevention and prosecution. In May 2009, Moldova ratified the Council of Europe Convention on Cybercrime which entered into force in September 2009.

With regard to the fight against **drugs**, Moldova started planning the new National anti-Drugs Strategy for 2010-2017 in coordination with all interested statutory authorities and stakeholders while continuing to implement the existing National Strategy and Action Plan for the period 2007-2009. The Anti-Drugs Unit of the Ministry of the Interior achieved some success in drugs seizures notably of hashish, opiates and synthetic drugs as compared to figures returned for 2008. However, drug trafficking and its links with organised crime remains an issue of serious concern requiring an intensification of inter-agency law enforcement cooperation both nationally and regionally. As was the case in 2008, comprehensive prevention and harm reduction actions for drug addicts remain to be developed in the context of the implementation of an integrated approach towards drugs demand and supply reduction of drugs.

With regard to the fight against **money laundering**, Moldova continued implementation of the national control regime based upon the 40 plus 9 Special Recommendations of the Financial Action Task Force (FATF) and in line with Council of Europe Moneyval recommendations issued in 2008. Due diligence, KYC ('know your customer') and KYB ('know your business') practices continued implementation within financial institutions and reporting agencies, in line with statutory obligations.

With regard to **police and judicial cooperation** in 2009, EUBAM with the cooperation of Frontex, OLAF and SECI (Southeast European Cooperation Initiative) supported the Nikoniy Joint Border Control Operation to improve cooperation between the Moldovan and Ukrainian police forces on fighting cross-border crime and illegal migration. In addition, the Moldovan police pursued cooperation with Ukraine on criminal investigations in the framework of a permanent Joint Working Group on illegal migration and trafficking in human beings, established in late 2008.

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

Moldova still experiences difficulties in implementing its land **transport** infrastructure strategy. Although the Land Transport Infrastructure Strategy (in line with the commitments taken towards International Financing Institutions) foresees that some EUR 36.5 million from the 2009 budget should be allocated for road maintenance, the 2009 budget only allocated some EUR 13.5 million. The Road Fund law was amended in December 2009, so that by 2012 80% of the excises on imported fuel will go to the Road Fund. Moreover, since January 2010 the excise taxes on petrol and diesel were increased by 50% and taxes for road users were increased by 11% up to 178% for different categories of vehicles. As a result of the amendments made, the Road Fund increased from some EUR 13.5 million in 2009 to some EUR 32.7 million in 2010. Moldova is adopting its regulatory framework in line with international standards both as regards the introduction of digital tachographs and rules on driving times and rest periods. Road safety remains an issue of concern, in particular as regards drivers' training and certification.

In the aviation sector, Moldova is a potential candidate for participation in the Common Aviation Area to be gradually integrated into the EU internal aviation market. As other Eastern neighbouring countries, Moldova signed a working arrangement with the European Aviation Safety Agency. This is an important step towards integrating Moldova into the EU civil aviation safety system and should allow Moldova to strengthen its regulatory cooperation with EASA and progress towards convergence with safety standards.

In the maritime sector, Moldova continued with its regulatory alignment with international standards. Moldova's first passenger port in Giurgiulesti, was inaugurated in March 2009. In addition to this passenger terminal, the port has progressed slowly. Upgrades of an international free port and specialized cargo, container, constructions materials, oil and other terminals are ongoing. The complex is also part of larger Industrial Free Zone complex, which allows intermodal shipping. Trade/business entities profit from the sea, river, rail and land transport interchange options at a geographically strategic point where Romania (EU), Moldova and Ukraine meet.

Energy-dependent Moldova took some steps to further implement its energy strategy. Additional financial means are necessary to fully and timely implement the strategy. The energy sector continued to face financial difficulties due to accumulated debts, which Moldova continued to address. The economic and recovery programme 2009-2011, adopted by the Government in November 2009, provides for measures to attract more private investments to the energy sector.

In April 2009, negotiations were concluded on the Energy Community Treaty. In December 2009 the Energy Community ministerial approved the accession which will be effective subject to the gas law complying with the EU *acquis* and subsequent ratification by the parties. In December 2009, the Parliament adopted new gas and electricity laws. The laws will contribute to strengthening the independence of the energy regulator. Complete compliance with the EU legislation relevant for the Energy Community will need to be ensured by the deadlines indicated in the Protocol of accession. In 2009, Moldova continued to improve bill collection rates. In November 2009, a study on heat tariffs for Chisinau was completed. As of January 2010, Moldova increased electricity, gas and heat tariffs.

Moldova continued to study the conditions under which it could join, together with Ukraine, the interconnected electricity networks of continental Europe (ENTSO-e, European Network of Transmission System Operators for Electricity, the successor of UCTE). In 2009, Moldova progressed on energy infrastructure projects foreseen in its energy strategy, in particular as regards the gasification programme of the North, the commissioning of the main gas pipeline Balti-Ungheni and the electricity interconnection Gotesti-Falciu (Romania). It pursued the rehabilitation of electricity networks, thereby further reducing network losses. It studied possibilities for a gas storage facility and provided investments for a gas pipeline to Giurgulesti port. Moldova continued the evaluation of assets of three Combined Heat and Power Plants and the modernisation costs of CET-2 thermal power plant. Moldova continued to prepare the future construction of an oil refinery in Giurgiulesti.

Moldova pursued work towards a new energy efficiency law and an energy efficiency action plan. It still has to establish a renewable/energy efficiency revolving fund. Moldova adopted, on the basis of the renewable energy law, a tariff methodology for renewable energy and biofuels as well as rules on guaranteeing the origin of electricity generated from these sources. It initiated studies for the construction of 'mini' combined heat and power plants to be fuelled with renewable energy sources. In view of reaching the renewable energy/energy efficiency objectives of its energy strategy, Moldova needs to step up efforts in this area.

In the field of **climate change**, Moldova submitted its Second National Communication to the UN Framework Convention on Climate Change. It contains information on national circumstances, priorities and envisaged steps such as mitigation measures to implement the Convention. It also includes a greenhouse gas inventory for 1990 – 2005, projections on emissions, results of vulnerability and adaptation assessment, information on technology

transfer and training needs as well as a summary on financial and capacity needs. Sectoral action plans on mitigation and adaptation for electrical and thermal power, agriculture, transport, industry, forestry, waste management and health sectors were also prepared but not yet formally adopted. A national climate strategy will be prepared on the basis of the SNC.

Steps were taken to update the composition of the National Commission on implementation of the UN Framework Convention on Climate Change and the Kyoto Protocol. Moldova continued to prepare Clean Development Mechanism (CDM) projects, even if no new projects were registered at UN level, leaving the overall number of registered projects at four. The European Commission continued to support Moldova to implement the Kyoto Protocol. Moldova associated itself with the Copenhagen Accord and provided information on actions that it will implement.

In the field of **environment**, the legislative framework for environmental policy continues to require further development, in particular as regards implementing legislation. Amendments to the law on funding of nature protection areas as well as governmental decisions on polychlorinated biphenyls were adopted. A new environment framework law and laws on environmental impact assessment, water and waste management are still under preparation. A convergence plan on water was elaborated. Work continued to develop a national programme on the ecological network and on strategies for the management of waste and chemicals.

Moldova, together with the other Danube countries, adopted the first Danube river basin management plan, several sub-basin flood action plans and a Ministerial Declaration committing to establish a Danube climate change adaptation strategy and ban phosphates 2012 – 2015. It also continued to take steps together with Romania and Ukraine to prepare for the implementation of cross-border river basin management in the Danube Delta sub-basin. Continued attention is required to implement existing strategies and plans and to further enhance monitoring and enforcement.

A governmental decision was adopted at the end of 2009 to recruit further staff to the Ministry of Environment, allowing the number of staff to reach 51 people. The “Apele Moldovei” water agency as well as the Water Supply and Sanitation Projects Implementation Unit were transferred under the Jurisdiction of the Ministry of Environment. Further strengthening of administrative capacity at all levels of the country remains a major challenge. Coordination between authorities continues to require attention. Some activities were taken promote the integration of environmental considerations into other policy sectors such as energy and transport.

Involvement of civil society representatives continues to require attention. Procedures and consultation with the public in the context of environmental assessments continue to require particular attention. REC-Moldova continued its activities, although facing administrative and financial challenges.

Moldova made no significant progress in the ratification of remaining relevant UNECE protocols¹. Furthermore, the implementation of several already ratified agreements requires particular attention. While Moldova participated in the EU Water Initiative, including a national policy dialogue, as well as in the International Commission for the Protection of the

¹ The Protocol on Strategic Environmental Assessment to the UNECE Convention on Environmental Impact Assessment in a Trans-boundary Context, and the Protocol to Abate Acidification, Eutrophication and Ground-level Ozone to the UNECE Convention on Long-Range Trans-boundary Air Pollution.

Danube River, it did not however participate in the meeting of the Danube - Black Sea Task Force (DABLAS).

Cooperation and information exchange took place between the European Commission and Moldova, including on the 2001 national concept of environment policy, water, forestry, waste management, environmental data, nature protection and air quality. An EU financing agreement to grant EUR 45 million sector budget support for water issues was signed in August.

Moldova and the EU continued close cooperation in the field of **civil protection**. The Community Civil Protection Mechanism was mobilised in January 2009 to alleviate the consequences of the Ukraine/Russia gas crisis, as already mentioned in last year's report. Moldova prepared a draft Concept on the emergency call number 112. It also submitted a request to conclude a bilateral Administrative Arrangement with the relevant Commission service to strengthen cooperation on emergencies as well as in the areas of disaster prevention and preparedness. Moldova participated in the December 2009 launch event of the EaP flagship initiative on prevention on, preparedness of and response to man-made-made and natural hazards.

In the area of **information society**, the National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI) adopted during the course of 2009 a number of important decisions in order to develop the regulatory framework for electronic communications, in particular the "Regulations on Identification and Analysis of Relevant Electronic Communications Market" and "Designation of Providers with Significant Market Power". The new normative act sets forth the methods and criteria for identification of relevant markets, as well as the rules to be applied by the Agency in conducting market analysis and determining significant market power on a particular relevant market. Subsequently the 'Regulations on Interconnection' decision was adopted. This lays down the principles and procedure of interconnection between public electronic communications networks providers, including access to the local loop and the publication of a Reference Unbundling Offer. The Regulation defines forth obligations for providers designated by the Agency as having significant market power (transparency and non-discrimination, making publicly available reference interconnection offers, cost orientation, etc). This was complemented by a decision of ANRCETI setting out the list of relevant markets susceptible for *ex ante* regulation.

ANRCETI transformed the licences held before June 2008 (under the old licensing regime) into general authorisations without time limit. In the course of 2009, several additional authorisations were granted for the provision of electronic communications services and networks. A new 3G mobile operator was entered in the register of providers and will start providing services in 2010. ANRCETI carried out several important public consultations on the draft Universal Service Regulations including the conditions and the procedures of Universal Service provision, on the cost accounting methodology for assessing the cost of interconnection and access services, on a draft decision on the identification of relevant markets susceptible to ex-ante regulation, and on the draft procedure to licence the Use of Scarce Resources for Public Electronic Communications Services.

Investment in **research** remains relatively moderate. However, Moldova continues to increase the number of applications submitted to the 7th Framework Programme (FP7), and some 16 research groups were successful in their applications, as of November 2009, receiving over EUR 877,000 of EU funding, with particular success under the 'international cooperation' and 'Marie Curie' calls for proposals. The overall number of applications and successful proposals

is still comparatively low. A TAIEX-funded information event to encourage SMEs to participate in FP7 was held in October 2009.

Following Moldova's request in 2008 to become associated to the Framework Programme, the Academy of Sciences (which is responsible for implementation of FP7 in Moldova) developed a comprehensive action plan to prepare the research community for the opportunities offered by FP7 association as an initial step to enhance the role of research and innovation in the development of the country, with a view to tightening links with European partners and developing R&D capacities. In particular, the awareness-raising exercises, travel grants and training actions proposed, together with the recent nomination of an increased number of FP7 contact points, will assist the Moldovan research community in becoming more familiar with the programme, leading potentially to an increased number of successful applications.

Moldova continues to participate actively in the S&T International Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA project), which aims to support a bi-regional policy dialogue on science and technology and to increase EECA participation in FP7. In the context of this project, the Academy of Sciences hosted a workshop on human genomics and related issues, in April 2009. The results from this workshop were provided to the European Commission as input for the definition of potential research topics for future FP7 work programmes.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

In the field of **education** and in line with its commitment under the Bologna Process, Moldova moved towards greater harmonization with EU standards in higher education with the implementation of the second cycle (Masters level). Reforms undertaken to date also include the development of a first version of the National Qualifications Framework as well as implementation of ECTS and the Bologna Process Diploma Supplement. The latter, providing for greater transparency on higher education qualifications, was implemented in Moldovan universities and higher education institutions during the course of 2009 and is issued to students free of charge.

In November 2009, the new Government rejected the Education Code, which had twice passed through Parliament, as it did not consider the former in line with modern educational standards and trends. In addition, doctoral programmes still remain regulated by the Science and Innovation Code and the existing Law of Education. In terms of implemented reforms, there is a need reconsider and improve the newly-established quality assurance mechanisms as well as to build capacity at all levels of the educational system.

In the area of **vocational training**, reforms continued to orient training provision in line with labour market demands in the framework of the 2007 National Strategy. EU assistance focused on adapting training content to the new context presented by the EU-Moldova Mobility Partnership with a particular focus on transparency of qualifications in construction and agriculture. In this regard, two technical workshops on occupational profiles in the context of migration and recognition of prior learning (RPL) were organised from March to September 2009 in cooperation with the Ministries of Education and Labour, the National Employment Agency and the European Training Foundation. Moldovan experts also benefited from study visits and seminars on apprenticeships, qualifications and RPL. Social dialogue in education and training remains at an embryonic stage and would require

substantial work and investment to ensure that future training provision meets future labour market demands.

Higher education reform continued to benefit from participation in Tempus with two Moldovan projects selected under the second Call for Proposals for Tempus IV on improving cooperation between higher education institutions and social partners. Tempus remained a driving force for institutional reform in higher education throughout the reporting period with significant impact on staff development, modern teaching practices and materials and university governance. Future challenges under the Bologna Process include the development of national qualification frameworks as well as and coherent and efficient quality assurance procedures.

Ten Moldovan students and one scholar were awarded scholarships for Erasmus Mundus Masters Courses under Action 1 while student and academic mobility was further enhanced with the selection of a partnership in Action 2 involving six Moldovan institutions providing 67 grants. Moldovan universities are encouraged to continue submitting high-level applications for projects under the Jean Monnet programme.

The Ministry of Health published a study on youth health and development, highlighting the challenges faced by young people in health, education, social protection and family life. Youth organisations and young people continued to benefit from participation in the Youth in Action Programme with a particular focus on voluntary service actions, youth exchanges, training and networking. An increase in the number of exchanges for young people and youth workers was noted in 2009. Implementation of the National Youth Action Plan needs to be budgeted across all relevant sectors.

The Ministry of **Culture** organised national training for museum specialists in the context of the implementation of the 2005 UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions. As stated in 2008, the independent culture sector remains chronically under-funded and marginalized in terms of influence on cultural policy-making. Equal opportunities in terms of access to state funding for all cultural producers active in the field would be welcomed. Moldovan organisations participated in the Call for Proposals of the 2009 ENP Special Action under the Culture Programme.

Moldova sustained **health** sector reform, which aims at more equitable access to services, increased health insurance coverage, better quality, enhanced primary health care and prevention and control of both communicable and non-communicable diseases. The Government included health as one of the focus sectors into its stabilisation and recovery programme 2009-2011, which was adopted in November 2009. The reform of the health sector benefitted from EU sector budget support. In 2009, Moldova adopted laws on state fostering of public health and on state oversight of public health addresses emergencies. The laws address, *inter alia*, new health threats and emergencies. Moldova pursued the fight against HIV/AIDS and tuberculosis. Moldova continued its participation in the European Commission's HIV/AIDS Think Tank. It took several measures to prevent and combat influenza A (H1N1) including by adopting an action plan and strengthening surveillance of communicable diseases. In 2009, in the context of the influenza A (H1N1) epidemic, the European Commission and Moldova established communication channels for the exchange of epidemiological information in the case of health crisis situations. As reported last year, Moldova acceded, in February 2009, to the Framework Convention on Tobacco Control. In October 2009, Moldova participated in the newly established EU enlarged health information committee.

8. FINANCIAL COOPERATION – 2009 KEY FACTS AND FIGURES

The European Neighbourhood and Partnership Instrument (ENPI) bilateral envelope for Moldova under the National Indicative Programme 2007-2010 amounted to EUR 209.7 million. The programme's objectives, in line with the EU-Moldova Action Plan, are pursued through three priorities: (1) Support for Democratic development / Good Governance; (2) Support for Regulatory Reform and Administrative Capacity Building and (3) Support for Poverty Reduction.

The implementation of the measures covered by the 2007 and 2008 Annual Action Programmes is underway. The 2007 sector budget support in the social protection area was completed through the third disbursement in December 2009. Important results were achieved through this programme as several tens of thousands of poor Moldovans have started to receive a cash-benefit support of up to EUR 30 monthly per person, which had an important anti-poverty effect, especially for rural families with several children and the elderly urban poor population. Other concrete achievements in 2009 included the provision of new medical equipment for 100 primary health clinics, and the refurbishment of several day-care centres for children and the elderly people. Four food safety laboratories have also been provided with modern equipment. EUR 33 million have been paid to the Government in the framework of on-going social assistance, health (2008 programme) and water (2009 programme) Sector Budget Support (SBS) programmes.

In 2009, the European Commission programmed assistance for a total amount of EUR 57 million under the ENPI2009 Annual Action Programme (AAP). It focuses on two priorities: support for Regulatory Reform and Administrative Capacity Building (including twinning) for the sum of EUR 7 million and support for Poverty Reduction. Within the latter a SBS an operation of EUR 50 million was provided in the sub-priority "Support to Municipal Infrastructure", specifically dealing with the water.

An indicative financial envelope of EUR 273.1 million will be available to support co-operation activities in Moldova in period 2011-2013, based on a European Commission decision of March 2010.

In addition to the bilateral allocation, Moldova also benefited from cooperation activities financed under the ENPI multi-country and regional programmes, as well as horizontal thematic programmes, such as the European Instrument for Democracy and Human Rights (EIDHR) and DCI Thematic programmes: Migration and Asylum and the ENRTP (environment and sustainable management of natural resources including energy)

Moldova is also participating in two ENPI Cross-Border Cooperation (CBC) programmes: the Black Sea Basin and the Romania/Moldova/Ukraine (with the respective allocations of EUR 17.6 million and EUR 126 million for the period 2007-2013). The priorities of these programmes are to provide cross border support to partnership for economic development and networking resources and to strengthen competencies for environmental protection and conservation. Moreover cultural and educational initiatives for the establishment of a common cultural environment in the Black Sea Basin will be promoted. Both programmes have launched their first calls for proposals in 2009, in which Moldova was an active participant. The evaluation of the proposals still has to take place.

Under the Neighbourhood Investment Facility (NIF), no project implemented solely in Moldova has been approved in 2009 (compared with four projects approved for NIF grant

funding in 2008). However, Moldova benefits from three NIF regional projects approved in 2009 of a total value of EUR 19.4 million in the energy sector as well as in support to the private sector.

Other EU instruments supplement the ENPI assistance package. The Instrument for Stability is supporting the so-called Democracy package by an amount of EUR 6 million.

In 2009, the EU Delegation took the lead in the coordination of assistance activities in some sectors (e.g. social protection) and was a principal partner in the more general donors' coordination activities. In addition, Moldova is also participating in the Division of Labour Fast Track Initiative.