



EXPERT-GRUP and ADEPT

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EUROMONITOR

Issue 2 (7), Edition II

**European Union – Republic of Moldova Action Plan:
Assessment of progress in 2nd Quarter of 2007**

*This report is published with the financial assistance of the
Soros-Moldova Foundation*

Within the project

*European Union – Republic of Moldova Action Plan:
A Document Accessible to Public
(Edition II)*

*Implemented by Association for Participatory Democracy ADEPT
and Analytical Centre EXPERT-GRUP*

Note: *The authors have drafted this report with goodwill and good intentions. The authors are solely responsible for statements and conclusions, which are not necessarily shared by the Soros-Moldova Foundation, Moldovan Government and other institutions mentioned in this report.*

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List of monitoring grids:

ABBREVIATIONS AND ACRONYMES

PCA – Partnership and Cooperation Agreement;
PACE – Parliamentary Assembly of the Council of Europe;
NBM – National Bank of Moldova;
NBMI – National Bureau for Migration;
CCTP – Centre for the Combat of Trafficking in Persons;
EUBAM – European Union Border Assistance Mission to Moldova and Ukraine;
NBS – National Bureau for Statistics of the Republic of Moldova;
CHRM – Centre for Human Rights of Moldova;
EC – European Commission;
CEC – Central Electoral Commission;
ECHR – European Court of Human Rights;
CoE – Council of Europe;
CIS – Commonwealth of Independent States;
SCJ – Supreme Court of Justice;
MIA – Ministry of Interior Affairs;
MFAEI – Ministry of Foreign Affairs and European Integration;
MID – Ministry of Information Development;
IOM – International Organisation for Migration;
OSCE – Organization for Security and Cooperation in Europe;
EUMAP – European Union – Moldova Action Plan;
PRGF – Poverty Reduction and Growth Facility;
PGO – Prosecutor-General’s Office;
SPSEE – Stability Pact for South East Europe;
RM – Republic of Moldova;
CPA Reform – Central Public Administration Reform;
LPA Reform – Local Public Administration Reform;
EGPRSP – Economic Growth and Poverty Reduction Strategy Paper;
BGS – Border Guard Service;
EU – European Union;
USD – U.S. dollar.

METHODOLOGY

Reports from Euromonitor series aim at an independent and fair monitoring of the process of implementation of the Moldova – European Union Action Plan. The actions taken and implemented by the signatory parties of the Action Plan will be monitored every quarter.

The Euromonitor series is published in 2007 with the support of the Soros-Moldova Foundation within the project “Moldova – European Union Action Plan – A document accessible to public (the 2nd phase)”. The monitoring methodology did not essentially change in comparison with the other 5 issues of Euromonitor which covered the developments in 2005-2006. The main changes are linked to the structure of the publication. Starting with this issue, the chapter “Border control” will merge with the chapters “Migration management” and “Combat of human trafficking” (provisions of the EUMAP from the chapter “Cooperation in justice and interior affairs”). The social reforms will be studied separately of the economic reforms. The market institutions and the business climate will be also analysed distinctively. Thus, starting with this issue, the progress of implementation of the Action Plan will be assessed in the following key areas:

1. Political dialogue and democratic institutions;
2. Consolidation of administrative capacity;
3. Transnistrian conflict;
4. Justice;
5. Economic development and reforms;
6. Social development and reforms;
7. International trade;
8. Business climate;
9. Market institutions;
10. Border, migration and human trafficking.

Developers have tried to identify what they regarded as key progresses and main failures. However, this does not mean that certain important segments or accomplishments have not been covered by this analysis. Developers have worked out a list of quality and quantity indicators for every area in order to assess the progress. Independent experts in the area have been consulted in this context. The quantity indicators have been taken over from official statistics and other national and international reports. The quality indicators have been quantified on basis of assessments by experts or individual assessments by developers have been worked out. Every indicator was evaluated on the scale -2 to +2, as follows:

- 2 Major regress;
- 1 Moderated regress;
- 0 No changes;
- +1 Moderated progress;
- +2 Major progress

The progress was calculated as a simple average of assessments by experts when experts have been interviewed. The evolution of indicators for every area is indicated in the proper monitoring grid. The grid indicates the evolution in the 2nd quarter of 2007, factors that conditioned this evolution, practical impact of observed developments, circumstances that favour the future progress, the risks capable to compromise the progress, as well as the quantity of progress.

The Action Plan is a document formulated in ambiguous terms. It represents a (unfinished) strategy rather than a proper action plan. Although the ambiguous terms and the lack of clear indicators could be politically advantageous, depending on circumstances, this situation complicates a comprehensive and fair monitoring process very much.

Therefore, the list of indicators formulated by developers to monitor the evolution of the Plan remains open for debates and recommendations of the public in continuation.

RESUME

Political dialogue and democratic institutions

In the second quarter of 2007, the main development in the ***political dialogue*** between Moldova and the EU was the 9th meeting of the EU-Moldova Cooperation Council. The meeting singled out the need for Moldova to double its efforts towards implementing democratic reforms in several relevant areas. An important development has been the launch of the Common Visa Application Centre. Additional efforts are necessary to determine as large a number of European states as possible to join the centre, as well as to implement the Agreement on readmission of persons with no right of residence and the Agreement on the facilitation of visa issue. Both agreements were initialled by Moldova and the EU.

The process of Transnistrian conflict settlement has played a key role in the Moldova-EU political dialogue. The actions and discourse of the Moldovan authorities during the period covered here are serious reasons for concern. We consider it necessary for the Moldovan authorities to bring all discussions back into the existent formats, inform and consult fully and in due time the EU and the other partners on all actions taken, initiate public debates on the so-called Moldovan „package of proposals” on Transnistria. Should the current approach persist, the important progress achieved as a result of the political, diplomatic and technical assistance from the EU risks being compromised, as does in a broader sense the entire Moldova-EU political dialogue.

Moderate progress has been achieved in the field of ***democratic institutions***. Some of the problems signalled in the previous issue of this report have persisted. Cases of human rights violations were recorded, a number of laws in the field were delayed, the concerns regarding the mass media have remained valid, and the access to information has continued to be limited. Moldova was condemned in 10 more cases by the ECHR. The June 2007 local elections have brought back to attention the main issues raised in relation to the parliamentary elections of 2005. Certain improvements were registered in the second round of elections on 17 June, as compared with the first round on 3 June 2007. Moderate progress was achieved through the merger of the trade union movements into a single one, as well as the development of the dialogue between the authorities and the Council of Europe.

Consolidation of administrative capacity

Although the authorities have paid increased attention to the formal aspects of the reforms intended to strengthen ***administrative capacities***, the effects of these reforms and efforts are still hardly visible or tangible. The modernisation of the *central public administration* is being undertaken too slowly, no strategic approaches or systemic, well planned and organised mechanisms are being applied. The campaign for the local elections has affected negatively the process of reform and consolidation of the *local public administration*, the reforms being suspended in favour of the electoral competition. The problem of *de-politicisation* of the central and local public administrations is treated indifferently and even neglected by the central authorities, the aim of holding to power at any price has led to an aggressive attitude of the ruling party towards the contestants and local elected officials on behalf of other parties. In parallel, the trend of total political control over the central power has deepened. Although in the sphere of *anti-corruption fight* efforts have been stepped up, these seem to be due more to fulfilling the requirements put forward by international projects than by the sincere will of the authorities. The issue of „high level corruption”, although a priority, is not sufficiently tackled, and sometimes is neglected in a demonstrative manner by lack of any reaction to the signals about various abuses by officials. *Probity and transparency* of governance has reduced, no alternative means of information on the work of Parliament, Government and other central and local authorities have been put into application, important draft legislation in the field were given up intentionally, without public justification.

Transnistrian conflict

In the field of ***cooperation for the Transnistrian settlement***, the lack of transparency and clarity of Moldova’s actions and channelling of efforts through the Moldovan-Russian dialogue, outside the existent formats, has run counter to the commitments assumed by Moldova within the EU-Moldova Action Plan and have caused serious damage to Moldova’s credibility. The „5+2” negotiations mechanism has remained blocked, and EU’s efforts were aimed at understanding the situation and bringing the discussions back into the „5+2” format. The most important progress has continued to be achieved in the field of management and control of the Moldovan-Ukrainian border, including the Transnistrian segment. The further simplification of access of Transnistrian companies to the European commercial preferences has created new opportunities for the reintegration of the single economic space of Moldova.

Justice

The ***judiciary*** registered no significant developments that would have consolidated the independence of the magistrates and the efficiency and transparency of their activity. On the contrary, the neglect of the Supreme Council of Magistrates as a body of judicial self-administration, the intentions of cancelling the immunity of judges, the evolution of earlier cases and certain demonstrative actions by the authorities have all shown the persistence of political pressure not only in terms of appointment and promotion of judges, but also on the examination of cases proper. The prolonged examination of cases, the increase in the number of sentences and in the quantum of sanctions imposed by the ECHR, the large number of judgements cancelled by instances of higher level have continued to damage the image of the judiciary. The fact that the Prosecutor’s Office continues to be outside of the system of magistrates, the control of the ruling political power over the leadership of the prosecution bodies does not ensure all conditions and premises necessary for the independence of prosecutors and their abiding by the law only. The start of activity of the National

Institute of Justice is a positive indicator, but the financial and technical-material endowment of the judiciary remain insufficient. Although considerably late, the adoption of the Law on Mediation is an important step in promoting alternative solutions to litigations; however the actual enforcement of its provisions may constitute a serious test for the entire judicial system of Moldova.

Economic development and reforms

In the field of **economic development and reforms**, although in the first half of 2007 GDP growth in Moldova amounted to 7.3% compared with the same period of last year, we cannot speak of a sustainable economic development. The growth has been generated in particular by the increase in household consumption. Financial transfers from abroad registered a sustained growth and reached 381.7 mln. USD, making Moldova a leader in terms of proportion of remittances to the GDP. At the same time, the volume of production manufactured by industrial enterprises in January – April 2007 decreased compared with the same period of 2006, the production has increased only in April if compared to last year. From the same perspective, prices grew slowly, in June the inflation was 0, while in the first half of 2007 it was 3.9. NBM will increase monetary reserves as a result of an IMF instalment, which will contribute to macroeconomic stability and economic development. A law entered into force amending and introducing additions to certain legislative acts with a view to the legalisation of capitals, fiscal amnesty and the reform of the system of taxation of legal entities' incomes. The law caused fierce debates since it was proposed by the President of Moldova.

Social development and reforms

The most important positive development in the field of **social development and reforms** that will have beneficial results on the social dialogue on labour has been the merger of the two trade union federations. But the capacity of the new structure to defend the interests of workers will depend primarily on the degree to which it will remain independent from the power. Social protection progressed through the introduction of some minimal standards for care, education and socialisation of children from residential type institutions. At the same time, we believe that the efficiency of the implementation of these standards will only be boosted after the inter-ministerial redistribution of competences. In the second half of 2007, the Government adopted a Programme of rehabilitation and social integration of people with disabilities, which unfortunately is unlikely to be implemented, given the constraints of the „available financial sources”. In the educational sector, the most controversial decision was to limit the number of places per specialities, which was criticised even by the Chairman of Parliament. We need to mention that in the health sector a number of positive developments were registered. The line ministry has demonstrated surprising analytical and political planning capacities, including budget planning, which other ministries in the social sector lack. The Parliament ratified the Framework Convention of the World Health Organisation on the reduction of smoking. At the same time, corporate pressures proved to be powerful enough to underestimate the implementation of a genuine national campaign against smoking.

International trade

Contradictory trends were recorded in the field of **international trade** in the second quarter of 2007. On the one hand, the commercial balance continues to worsen against a background of increasing disparity between the growth rates of imports and exports. On the other hand, exports to the EU have grown dramatically, thus diminishing the effects of the reduction of exports to the CIS. In this context, apparently a solution to the „wine embargo” is taking shape, however it is very unclear in what format it will happen. With regard to the granting of European Autonomous Commercial Preferences to Moldova, no significant progress was registered, this issue being the subject of discussion inside the EU. We would like to note progresses registered in the field of phytosanitary norms, a series of such norms having been approved by the Ministry of Agriculture and Food Industry with a view to harmonisation with the acquis. We would like to remind that the adoption of these norms is an essential precondition for Moldova's use of the ATPs.

Business climate

In terms of the **business climate**, after the successful implementation of the first stage of the regulatory reform, the term of implementation of the second stage (Ghilotine II) was extended until the end of 2007. Modifications to 84 laws regulating business activity in Moldova were revised or amended. The Organisation for the Development of Small and Medium Enterprises was set up with the purpose of implementing the strategies and programmes of SME support. Through Government Decision no 756 of 2 July 2007 the Mid-term Expenditure Framework for 2008-2010 was approved, which provides for changes in the state fiscal policy regarding the taxation of the income reinvested for legal entities, income of physical entities and changes in the social insurance quotas and in the obligatory medical insurance payments. Since in the first four months of 2007, state budget revenues were 16.7% above forecasts, the 2007 State Budget was amended, more funding being allocated for wages in the public sector and transfers to territorial-administrative units.

Market institutions

In the field of **market institutions** the new law on insurances entered into force in the second half of 2007. The law regulates in much greater detail the conditions for the establishment and functioning, as well as the principles of financial prudence for insurance companies. However, for laws to be enforced, a competent, powerful and independent institution is necessary. This institution could be the National Commission for the Financial Market, set up through the amendment of the Law on the National Commission for Transferable Securities. The competencies of the commission are to a great extent similar in scope and function to the ones attributed to the NBM on the market of financial banking

services. At the same time, it is clear that the Commission could execute its powers only if staffed with professionals. In the banking sector, the positive trends of consolidation of the banking system have gone hand in hand with the negative ones of growing interest rates on credits. All the more so as this growth has occurred after the NBM launched encouraging messages for banks by reducing the rate of its basic interest (REPO). In the energy sector the evolutions were contradictory. On the one hand, the Government announced the conclusion of the new Energy Strategy for 2007-2020. On the other hand, all important energy enterprises were eliminated from the privatisation programme and were classified as objects that are not subject to privatisation. In our view, there are neither economic reasons nor reasons of national security that would justify such a decision.

Border, migration and human trafficking

In the field of **border control** important progress was achieved in consolidating the capacity of customs and border services, continuation of the structural and management reforms of these services and taking over best European practices as a result of the activity of the EU Border Assistance Mission to Moldova and Ukraine and the BOMMOLUK Programme. Moderate progress was achieved in harmonising the legislative framework to the provisions of the 2003 Concept on the state border control. Efforts were taken with a view to consolidating the inter-agency cooperation and cooperation at regional and European level among border guard and customs services.

An important development in the field of **migration** was the conclusion of the process of reorganisation and the exercise of competences by state structures responsible for the evaluation and monitoring of the phenomenon of migration. The prerogatives of the former National Migration Office, dissolved in 2006, are exercised by the Office for Migration and Asylum based at the Ministry of Interior and the Migration Policies Department at the Ministry of Economy and Commerce. As a result of these institutional changes, it has become possible to launch new common projects with specialised international organisations and assistance agencies. The set up of the *Integrated Automated Information System on Migration* may be considered as an accomplishment in this field. Other progresses registered in this field has been the set up and launch of the European Common Application Centre and the initialling of the Agreement on readmission of persons with no right of residence and the Agreement on the facilitation of visa issue between EU and Moldova, both agreements are to enter into force by end of 2007.

The fight against **human trafficking** has registered relative improvements, compared to previous periods. One example are the operative information and press communiqués of the Centre for the Fight against Human Trafficking, which render information about the counteraction and annihilation by law enforcement bodies of criminal groups involved in human trafficking. Moreover, we observed intense activity by nongovernmental and state organisations in preventing human trafficking and assisting the victims through the organisation of seminars and workshops. However, the multitude of cases that were uncovered have shown that the gravity and scope of this phenomenon is still considerable, in particular in cases of trans-frontier trafficking.

1. POLITICAL DIALOGUE AND DEMOCRATIC INSTITUTIONS

Political dialogue: general assessments

- The **9th Meeting of the EU-Moldova Cooperation Council** took place in Luxembourg on June 19, 2007. The talks between sides focussed on two important issues: the fulfilment of the EUMAP goals by Moldova and the Transnistria settlement process.

The remarks of EU how Moldova has honoured its commitments assumed in EUMAP were moderated and balanced. However, Moldova was not praised up this year, the way it was commended at the 8th Meeting of the EU-Moldova Cooperation Council on April 11, 2006.

The EU has restarted, at the 9th Meeting of the EU-Moldova Cooperation Council, the talks on some problems related to the implementation of EUMAP, which it has signalled in the *Progress Report on Moldova* within ENP released on December 4, 2006. An official communiqué released by EU after the EU-Moldova Cooperation Council said: „ the EU considers opportune to stress the need for Moldova to redouble efforts to implement democratic reforms in crucial areas such as respect for human rights, freedom of the media and respect for the rule of law, including independence of the judiciary. The importance of a transparent business environment and fighting corruption was also underlined.” (Underlined – ADEPT)¹

- The opening of the Common Application Centre (CAC) in the Hungarian Embassy in Chisinau on April 25, 2007 was an important evolution in the Moldova-EU political dialogue. Austria, Latvia, Slovenia and Hungary participate in the work of this centre from the very beginning. Starting May 2007, Denmark and Iceland joined the centre. Moldovans are welcome to apply for visas to participating states at CAC.

On the other hand, European states such as Italy, Spain, Portugal, Greece – except for the Czech Republic, France, Germany and England, which have embassies in Chisinau – countries which host most of Moldovan migrants who work in the EU to earn higher salaries, are reticent so far over participation in CAC. Even more, the CAC needs much time to study visa applications. Thus, applicants who urgently need visas have to travel to other countries so that to apply for visas directly at diplomatic missions of states participating in CAC.

- Moldova and EU have initialled the **agreement on readmission of illegal migrants and the facilitated visa issuance agreement** concomitantly with the opening of CAC. The first agreement introduces a cooperation framework on prevention and combat of illegal migration, while the second document stipulates certain EU visa issuance facilities for Moldovan citizens. More efforts are required to sign and enforce these agreements.
- Ms. Daniela Cujba was appointed new Moldovan Ambassador to the European Communities. Moldova's support for a series of EU statements on CFSP is welcome.
- The insufficient clarity in the political dialogue between Moldova and EU regarding the Transnistrian conflict has shadowed the accomplishments in this area, laid more obstacles on way of supported advance of political relations between the sides and affected Moldova's credibility in front of the EU. More communication with EU institutions and more transparency are imperative, particularly for the Transnistrian problem. The "5+2" format must be a reference framework for negotiations.

Human rights

Progresses:

- The U.N. Convention for the Rights of Persons with Disabilities was signed on March 30. The document obliges Moldova to respect the rights of disabled people and to remedy obstacles on way of participation of persons with disabilities in social life.² Also, the Moldovan Government has approved the national programme on rehabilitation and social integration of disabled people for 2007-2009.
- The Moldovan Government has also approved the regulation on compensation of value of goods of victims of political repressions and compensations for persons killed during political repressions.
- The ECHR has deleted the applications in cases *ASITO vs. Moldova*, *Boxan vs. Moldova*, *Nestorv vs. Moldova* and *Volghin vs. Moldova* on basis of amicable agreements between the Moldovan Government and the applicants.³

¹ EU Council (2007), *EU-Moldova Cooperation Council Ninth Meeting, Luxembourg, 19 June, EU Press Communiqué*, 11009/07 (Press 143), http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/94807.pdf;

² The convention was signed by EU, becoming part of the community law this way. ECHR;

³ www.lhr.md;

Shortcomings and problems:

- The ECHR has sentenced Moldova in 10 cases: *Agricultural Cooperative Slobozia-Hanesei vs. Moldova*; *Ovciarov vs. Moldova*; *Modirca vs. Moldova*; *Mazepa vs. Moldova*; *Gutu vs. Moldova*; *Malahov vs. Moldova*; *Flux vs. Moldova*; *Ciorap vs. Moldova*; *Botnari vs. Moldova*; *Tocono and Prometeu Teachers vs. Moldova*. Moldova was sentenced for violating the rights to a fair trial, protection of property, freedom, respect for private life, effective appeal, freedom of expression, illegal detention of the applicant, improper detention conditions, the right to confident discussions between applicant and his lawyer, excessive duration of legal procedures and torture.⁴
- Summaries of ECHR judgments against Moldova were not published in *Monitorul Oficial*, though the law obliges the authorities to do this.
- The Chisinau City Hall turned down in April, for the third year in a row, an application seeking the authorisation of public manifestations during a festival of sexual minorities.

Prevention of torture. Rights of inmates**Progresses:**

- No important progresses were observed in this area.

Shortcomings and problems:

- A national mechanism was not introduced so far to prevent torture acts indicated by the Optional Protocol to the U.N. Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment. A draft law in this respect was sent for survey with delay, in May.
- The use of handcuffs and iron cages in some law courts during lawsuits is a degrading treatment and intimidation of accused persons.
- Although the ECHR has sentenced Moldova more than once for torture, the authorities do not do their best to remedy this problem.

Rights of workers**Progresses:**

- The Government approved in April a regulation awarding some guarantees and compensations to salary earners who work and study at the same time. According to the document, they will benefit of supplementary and partially paid holidays.
- Also, the executive adopted in May a decision, which stipulates a 400-leu minimum salary on country for a full-time programme of 169 hours, starting April 1, 2007.

Shortcomings and problems:

- Employers do not respect enough the labour security norms and, therefore, many work accidents are registered.
- The minimum salary on country still does not cover the minimum consumption basket.

Equality of chances**Progresses:**

- The Ministry of Social Protection, Family and Child has signed an understanding memorandum with the CIS Regional Bureau of UNIFEM, which stipulates the implementation of a programme on promotion of equal genders in national development policies and programmes.
- The number of women elected as mayors has grown from 16 percent after the 2003 local elections up to 18 percent after the June 2007 elections.

Shortcomings and problems:

- The shortage of funds and poor knowledge of the law on equal chances between women and men and of the 2006-09 national plan on promotion of equal human genders in society obstruct the efficient implementation of equal chances.
- Women are underrepresented in leading posts and earn less than men in continuation.
- Domestic violence, including against women is still spread. Majority of victims of domestic violence do not appeal to law bodies or do not know where to seek help.⁵
- Moldova lacks a mechanism to punish sexual harassment.

⁴ Moldova will have to pay 81,383 Euros as damages in the 10 cases;

⁵ This is the conclusion of a study drafted by the Forum of Organisations of Moldovan Women;

Rights of the child

Progresses:

- A study assessing residential institutions was worked out for reorganisation of the child protection system and the **national strategy and the action plan on reformation of the residential child care system for 2007-12** were approved. The documents seek the reduction of the number of children from residential institutions by about 50 percent by developing some alternative institutions and services: family-type orphanages, guardianship, professional parent assistance service and daily-attendance centres. Also, the Government has approved the minimum quality standards for care, education and socialisation of children from residential institutions.
- The Government has approved the functioning regulation of the High-Level Group for Moldovan Children.
- The Parliament has adopted the law on modification of the law on state social allocations for some categories of citizens. Under these laws, the allocation for looking after an invalid child at home was increased from 150 lei up to 200 lei (2nd degree); from 200 lei up to 300 lei (1st degree).

Shortcomings and problems:

- Although the monthly allocation for looking after an invalid child at home was increased, it is much lower than the expenditures needed for maintenance of such a child.
- Authorities still do not pay enough attention to children whose parents work abroad.

Ensuring rights to association

Progresses:

- The Confederation of Moldovan Unions (CMU) and the Confederation of Free Unions of Moldova (CFUM) Solidaritate merged on June 7, 2007 into the National Confederation of Moldovan Unions (NCMU). The merger and constitution congress approved the status and elected the leading bodies of NCMU.
- The Supreme Court of Justice (SCJ) has maintained a decision by the Court of Appeal which obliges the Ministry of Justice to register the European Action Movement (EAM) three months after the registration application was submitted.
- The chairman of the Social Democratic Party of Moldova (SDPM), Eduard Musuc, who was accused of having appropriated very large amounts of money, was acquitted. The SDPM leader claims that the lawsuit against him has a "political nature".⁶

Shortcomings and problems:

- The European Action Movement could not attend the June 2007 general local elections, as the Ministry of Justice has protracted the registration of this party.

June 3 and 17, 2007 general local elections

Conclusions by international observers

International Election Observance Mission (IEOM)⁷:

- The June 3 and 17, 2007 local elections in Moldova have been generally administrated well, while the number of parties and candidates offered an authentic spectre of options to electors. However, the elections failed to meet some commitments of the OSCE and Council of Europe, which are indispensable for a really competitive electoral process. In particular, the right of citizens to bid for public posts was not fully respected, while the access to mass media was unfair. Authorities and members of the ruling party pressed and intimidated some candidates of the opposition. [...] The Central Electoral Commission (CEC) has taken praising efforts to be unbiased throughout the process. [...] Although campaign activities were not halted in general, not all competitors enjoyed equal opportunities and many political parties claimed that their meetings were obstructed sometimes. [...] The public TV channel *Moldova 1* and the majority of the monitoring TV channels have covered the activities of state officials in hot news, advantaging the pro-governmental candidates this way.⁸
- The procedures on the day of the June 17 runoff vote in Moldova indicated a modest improvement compared with the June 3 first round of elections. However, major problems identified in the pre-electoral period persisted, particularly the bias of mass media and intimidation of candidates. [...] The majority of the monitored

⁶ Expert-Grup and ADEPT (2007), *Euromonitor*, no. 1 (6), edition II, <http://www.e-democracy.md/files/euromonitor06.pdf>;

⁷ IEOM was created by observers of the OSCE/ODIHR and the Congress of Local and Regional Authorities of the Council of Europe;

⁸ IEOM (2007a), *Communiqué on preliminary assessments and conclusions*, June 4, http://www.osce.org/documents/odihr/2007/06/24819_mo.pdf;

TV channels including the state-funded channel *Moldova 1* continued to cover the state authorities outside the campaign context in the period between the two rounds, repeating this way the trend observed in the first round. This advantaged the pro-governmental candidates and limited the opportunities of the opposition to equally tell the electorate its message. [...] CEC, constituency electoral councils and law courts received a significant number of appeals in connection with the first round, which signalled many problems related to the voting, counting and totalling of results. The competent institutions have awarded victory to some parties regarding the repeat counting and annulment of elections. [...] The Election Day was generally calm. In general, observers assessed the voting process a little bit better than on June 3, especially regarding the respect for procedures.⁹

EU Council Presidency

- Following the conclusion of the second round of the local elections in the Republic of Moldova, the EU Presidency has noted with satisfaction that, all in all, they went off smoothly and that voters had been given a genuine choice between candidates and parties, even if the elections did not comply on all points with the international obligations entered into by the Republic of Moldova. With a view to future elections, the Presidency urges the Republic of Moldova to analyse the remaining problems, above all shortcomings relating to equal access for all candidates to the media, the orderly registration of all candidates, as well as the maintenance of the electoral registers and the vote counting, and to rectify them.¹⁰

U.S. Embassy

- The campaign and the voting procedure generally allowed Moldovan citizens to receive sufficient information to make an informed choice. At the same time, the embassy remains concerned, however, at widespread and apparently valid complaints regarding intimidation of candidates, unequal access to and coverage in the media for all parties, misuse of administrative resources, reports of improper campaigning near voting stations, government bias in favour of ruling-party candidates, and irregularities in voter lists. Similarly, it remains concerned about elements of the Electoral Code which are ambiguous and therefore difficult to enforce. [...] It compliments the Central Electoral Commission and most District Electoral Commissions for their successful management of registration of candidates and conduct of the voting. We were also pleased that the registration of so many parties allowed a wide choice to voters. Small-scale meetings, voter canvassing and campaign-literature distribution took place generally without restriction. Most polling stations allowed free voter access to the polls, and carried out successful processing and counting of large numbers of complicated ballots.¹¹

Conclusions by national observers

2007 Coalition:

- The June 3, 2007 local elections did not generally meet the international criteria of free and fair elections.¹²
- The [June 17] runoff vote generally met the international criteria of free elections, except for the singular case in Corjova, and they were partially fair.¹³

Fulfilment of Council of Europe's recommendations / Execution of ECHR judgments

Progresses:

- The existing dialogue between CoE and Moldova is generally satisfactory.¹⁴
- The prime minister has signed an order on implementation of CoE expertises, which establishes that legislative initiatives of Government surveyed by CoE will be delivered to the Parliament only together with translated surveys and table of divergences regarding proposals of CoE experts. The decision is based on an order by speaker of the Parliament, need of respecting the commitments toward CoE and transposing recommendations by CoE in national legislation.
- The Parliament adopted in May the **law on religious denominations and their components**. The law stipulates a new modality of registration of religious denominations, says that the state does not intervene in activity of cults; the fiscal legislation is extended on components of religious denominations and their

⁹ IEOM (2007b), The runoff vote in Moldova has improved a little, but still there are serious shortcomings, http://www.osce.org/documents/odhr/2007/06/25167_mo.pdf;

¹⁰ EU Council (2007), *EU Presidency statement on the local elections in the Republic of Moldova*, http://www.eu2007.de/en/News/CFSP_Statements/June/0620Moldau.html;

¹¹ U.S. Embassy to Moldova (2007), *Statement on Electoral Campaign and June 3, 2007, Local Elections*, Press Release, 8 June, <http://moldova.usembassy.gov/pr060807.html>;

¹² 2007 Coalition (2007a), *The June 3 local elections did not generally meet the international criteria on free and fair elections*, Press release, 4 June, <http://www.e-democracy.md/files/elections/local2007/coalition-2007-pr-4-june-2007-ro.pdf>;

¹³ 2007 Coalition (2007b), *The local runoff vote met the free election criteria and were partially free*, 18 June, <http://www.e-democracy.md/files/elections/local2007/coalition-2007-pr-18-june-2007-ro.pdf>;

¹⁴ ADEPT (2007), *Governing and Democracy in Moldova*, e-journal, year V, issue 95, 1-15 May;

institutions and enterprises. The document is part of the package of commitments toward CoE and stipulated by objective (4) of EUMAP.

Shortcomings and problems:

- Moldovan President Vladimir Voronin has refused to promulgate the **law on religious denominations and their components**, as a response to an appeal by Metropolitan Church of Chisinau and All Moldova.
- The Parliament is late to adopt the laws on meetings, status of the Chisinau municipality, consolidation of the parliamentary immunity, code of education laws. Given some litigations appeared during the electoral campaign, the new law on meetings shall regulate the mode of establishing the priorities for authorisation of meetings, if at least two organisers seek a permit for the same date, place and hour.
- Measures aimed to prevent future ECHR sentences are insufficient. The mechanism for individual responsibility of persons who are to blame for the sentencing of Moldova by ECHR is inefficient.

Cooperation with civil society

Progresses:

- On May 2, the MFAEI convoked a consultative meeting with nongovernmental organisations participating in assistance, monitoring and assessment of the EUMAP implementation process. They studied shortcomings and problems that protract the accomplishment of EUMAP goals, in particular, regarding the judiciary, mass media, central public administration, and cooperation between authorities and civil society. The MFAEI was ready for a deeper cooperation with civil society and promised to deliver the information needed to assess the actions taken to implement the EUMAP.
- The **memorandum on cooperation between MFAEI of Moldova and civil society organisations** was signed on May 30.¹⁵ The document was signed by Minister of Foreign Affairs and European Integration Andrei Stratan and representatives of 23 nongovernmental organisations, alliances, networks and forums. All public organisations interested to back and assist the authorities in reaching the European integration goal are welcome to sign the memorandum.
- The Government has accepted the participation of representatives of competent public organisations in public debates on the draft National Development Plan (NDP).
- The Moldovan Parliament has convoked a roundtable with representatives of civil society and discussed the draft law on modification of the law on public associations, which the legislature had passed in the first reading. It was proposed to create a working group, which would include NGO representatives to generalise proposals aimed at improving this draft law.

Shortcomings and problems:

- Some public authorities still have a formalist or ignorant attitude toward participation of NGOs in formulating and implementing public policies.
- Many proposals of NGOs are not taken into consideration, the state does not take measures to facilitate the activity; many registered NGOs have limited resources and/or are not very interested to participate in elaboration and implementation of public policies.

Freedom of mass-media and access to information

Progresses:

- The electronic media watchdog CCA approved on May 10 the **strategy on broadcasting coverage of national territory (2007-2010)**. The strategy aims to support the democratic process in Moldova by contributing to an effective ensuring of the universal right of every citizen to receive and spread information, including via broadcasts.¹⁶

Shortcomings and problems:

- Freedom of mass media is limited in continuation. According to the study Global Press Freedom 2007 by Freedom House, the Moldovan mass media is „not free”. Freedom House ranks Moldova on the 144th-145th places among 195 states, rating it with 65 points.¹⁷

¹⁵ MFAEI (2007), (Draft) *Memorandum on cooperation between MFAEI of Moldova and civil society organisations in European integration process*, http://www.mfa.md/img/docs/memorandum_privind_cooperarea_in_procesul_integrarii_europene.doc;

¹⁶ CCA (2007), *Strategy on broadcasting coverage of the national territory (2007-2010)*, http://www.cca.md/STRATEGIA_CCA.doc;

¹⁷ Freedom House (2007), *Global Press Freedom 2007*, <http://www.freedomhouse.org/uploads/fop/2007/pfscharts.pdf>; For comparison, the Press Freedom 2006 study by Freedom House described the Moldovan mass media as “not free” and ranked Moldova on one of the places 141st-147th, with a rating of 65 points among 194 states covered by this report;

- TeleRadio-Moldova Company is slowly meeting provisions of the new broadcasting legislation. The situation of Moldova-1 is worse than of Radio Moldova. The lack of a real progress throws doubts on efficiency of the Board of Observers of the public company, administration of this institution and CCA.
- The inadequate conduct of police representatives toward employees of the TV channel Euro TV Chisinau after a violation of electoral legislation was signalled.¹⁸
- Abusive conduct of CSECC representatives toward some CCA members.
- Discrimination of private media institutions toward newspapers Moldova Suverana and Nezavisimaya Moldova, for which the Bureau for Interethnic Relations is to issue subscriptions worth over 84,000 lei from public funds. This violates the objective (9) of EUMAP, which stipulates “state financial help for mass media granted on basis of strict and objective criteria is equally applied on all mass media.”
- The rejection of a motion on freedom of press and expression proposed by opposition parliamentarians to the legislature was not justified, as competent international and national organisations, embassies, other relevant bodies have repeatedly signalled some serious problems related to freedom of Moldovan mass media.¹⁹
- The access to information is restricted in continuation. These causes include among others the non-transparency of public institutions, negligence of the law on access to information, formalist attitude or sometimes the incompetence of public functionaries, excessive hiding of information of public interest. The rate of complete answers given by central administration institutions is higher than of appeals to local administration.²⁰

¹⁸ IJC et al. (2007), *Statement by mass media organisations on intimidation of Euro TV Chisinau journalists in the electoral period*, 12 June, <http://www.info-prim.md/?a=14&id=190>;

¹⁹ OSCE Mission to Moldova (2007a), *Moldova's broadcasting reforms cause for concern*, OSCE Mission Head says, 19 February, OSCE website, <http://www.osce.org/item/23339.html>; *Joint statement: Concerns over press freedom*, 14 March 2007, <http://www.azi.md/print/43594/Ro>; *Statement by media organisations concerning attempts to suppress the freedom of expression*, 27 March 2007, IJC website <http://ijc.md/ro/news.shtml#1061814298>; MJU (2007), *Statement by Moldovan Journalists Union*, 27 March, <http://www.azi.md/tribune?ID=43773>; OSCE Mission to Moldova (2007b), *OSCE Mission Head concerned over repeated restrictions on media freedom in Moldova*, 28 March, OSCE website, <http://www.osce.org/item/23833.html>.

²⁰ Acces-Info Centre (2007), *Implementation of the law on access to information. Monitoring report*, www.acces-info.org.md.

Monitoring grid 1. Democratic institutions

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Human rights / Ensuring the rights to association	<ul style="list-style-type: none"> Signing/approval of some acts on human rights; ECHR sentenced Moldova in another 10 cases; Rise of the number of women elected as mayors from 16 percent in 2003 up to 18 percent in 2007; 	<ul style="list-style-type: none"> Consolidation of framework that regulates the human rights; Spending of public funds to compensate non-pecuniary and pecuniary damages of applicants, undermining of credibility of the national judicial system; A better representation of women as mayors; insignificant rise of women's role in life of local communities; 	<ul style="list-style-type: none"> Government's will; recommendations and/or assistance of competent national and international organisations; existence of some precedents when the ECHR sentenced Moldova in litigations regarding goods of victims of political repressions; Inefficiency of the mechanism of individual responsibility of persons who are to blame for sentencing of Moldova; low quality and professionalism of some judgments or decisions of judges; More active participation of women in electoral process; effort of some parties to identify and propose more women as candidates to local elective posts; 	0	<ul style="list-style-type: none"> Monitorul Oficial of Moldova; www.gov.md; ECHR judgments; www.lhr.md; CEC; Mass media;
	<ul style="list-style-type: none"> Merger of CMU and CFUM Solidaritate into NCMU; 	<ul style="list-style-type: none"> Unification of unionist movements; 	<ul style="list-style-type: none"> Initiative to unify the unionist confederations; will of CMU and CFUM Solidaritate; 	+ 0.5	<ul style="list-style-type: none"> Mass media; Assessments by authors;
June 2007 general local elections	<ul style="list-style-type: none"> The June 2007 general local elections were administrated well in general, were calm, with electors enjoying a genuine spectre of options and the possibility to make an informed choice; The access of electoral competitors to mass media was unfair; Pressures and intimidations on competitors, particularly on those representing the opposition; Not all competitors were provide equal opportunities; 	<ul style="list-style-type: none"> Election of local public authorities and transfer or non-violent maintenance of local power; Activity of electoral competitors was unfairly covered; Discouraging some potential competitors to participate in electoral race, to represent certain political parties; the electoral process was affected; 	<ul style="list-style-type: none"> Generally good activity of CEC and majority of district electoral councils; monitoring by national and international observers; assistance of competent local and international organisations; participation of majority of parties in electoral process; Interest of some public authorities to control certain public media institutions; use of some levers by state authorities to control the public mass media; partisan motivations of <i>Moldova 1</i> administration, which advantaged the pro-governmental candidates; Practice of using administrative resources and levers; Violation of Election Code; political partisanship of some public authorities; limited discretionary power of CEC to impose sanctions for violation of electoral legislation; 	0	<ul style="list-style-type: none"> www.cec.md; Election monitoring reports by national and international observers; Statements by EU Council Presidency and U.S. Embassy; Statements and communiqués by electoral competitors; Mass media; Assessments by authors;
CoE recommendations / Execution of ECHR judgments	<ul style="list-style-type: none"> The Parliament adopted the law on religious denominations and their components; 	<ul style="list-style-type: none"> Imperceptible; 	<ul style="list-style-type: none"> Refusal of Moldovan president to promulgate the law; interested lobby of the Metropolitan Church of Moldova; 	0	<ul style="list-style-type: none"> Records of parliamentary sittings; Mass media;
Cooperation with civil society	<ul style="list-style-type: none"> Signing of a memorandum between MFAEI and civil society organisations on cooperation in the European integration process; 	<ul style="list-style-type: none"> Consolidation of formal framework of cooperation between MFAEI and NGOs in European integration process; 	<ul style="list-style-type: none"> Initiative and opening of MFAEI for cooperation; desire of NGOs interested to contribute to the European integration process; 	+0.5	<ul style="list-style-type: none"> Press service of MFAEI; Mass media; Assessments by authors;

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
<p>Press freedom / Access to information</p>	<ul style="list-style-type: none"> • CCA approved the strategy on broadcasting coverage of national territory; • TRM is maintained within same editorial policies; • Abusive conduct of police representatives toward Euro TV Chisinau journalists and some CCA members; • Motion on freedom of mass media and expression was turned down; • Access to information is restricted in continuation. 	<ul style="list-style-type: none"> • Imperceptible; • Preponderant coverage of viewpoints of authorities, negligence of interests of consumers of information who do not share the vision of authorities; • Intimidation of journalists and some CCA members; loss of credibility toward role that the police must play in society; • Situation in the field will pose problems in continuation; • Limitation of free access to public information; negligence of the right of citizens to information. 	<ul style="list-style-type: none"> • CCA initiative; recommendations of broadcasters; • TRM administration interested in maintaining the same editorial policies; stereotypes of institutional culture; • Abuse and excess of power of police and CSECC officers; • Specific attitude of the ruling party toward problems related to freedom of mass media and freedom of expression; • Non-transparency of public institutions; negligence of the law on access to information; formalist attitude or sometimes incompetence of public functionaries; excessive hiding of public information. 	<p>- 1</p>	<ul style="list-style-type: none"> • www.cca.md; • Records of parliamentary sittings; • Statements and communiqués by political parties; • Mass media; • Reports and communiqués by Coalition-2007; • Statements by competent NGOs; • Monitoring reports by IEOM; • Communiqués by diplomatic missions, international organisations and institutions to Moldova; • www.acces-info.org.md; • Assessments by authors;

2. CONSOLIDATION OF ADMINISTRATIVE CAPACITY

Administrative reform / Administrative efficiency

Progresses:

Central Public Administration (CPA) Reform:

- The detailed plan on implementation of CPA reform was generally respected in the 1st quarter of 2007 and majority of actions (about 90 percent) have been taken or are being executed²¹; some ministries have actively got involved in the process of modernisation and improvement of CPA²²;
- New training courses started at the Academy of Public Administration, study visits to other countries are organised; capacities of drafting and analysing policies are consolidated²³;
- The structure of the Ministry of Public Administration is modified (GD # 602 from 31.05.2007), the Government decided to create an agency for the administration of national tourism areas (GD # 356 from 03.04.2007); under GD # 721 from 28.06.2007, the framework regulation on secretariat works in central and local public authorities and institutions under their control is approved; the Government approved an improved regulation on activity of diplomatic missions of Moldova (GD # 744 from 29.06.2007); institutions subordinated to central authorities are reorganised for a better management²⁴;
- New important strategic projects (NDP, complete assistance plan within the U.S. Millennium Challenge Account).

LPA Reform:

- The general local elections did not gravely affect the administration of public affairs at local level;
- Local public authorities were elected in majority of localities, 1st-level bodies were legally created in the due terms;
- Actions are taken to implement the regional development law²⁵;
- A new draft law on local public finances is worked out.²⁶

Development of information technologies:

- The Government has studied the implementation of the Electronic Moldova National Strategy; measures are taken to build the information society²⁷;
- Several new components and tasks are approved to implement the Electronic Moldova Strategy,²⁸ in particular: the *action plan on implementation of electronic governance in 2007; distribution of allocations from the fund for implementation of the strategy; mandatory quarterly reporting*;
- Changes aimed to introduce harsher penal sanctions for violation of copyrights and related rights are adopted (Law # 110-XVI from 27.04.2007);
- Security and safety of public information systems are satisfactory, assault attempts are effectively combated; there are no cases of complete blocking of functioning of the state information system.²⁹

Shortcomings and problems:

- Slow reorganisation and modernisation of CPA and slow consolidation of capacities of public functionaries; the information system of CPA is underdeveloped; a high personnel fluctuation persists in ministries and other central authorities; a clear staff selection, promotion and motivation system is absent in CPA³⁰;
- Strategic planning and quality of policy documents (especially the evaluation of impact/costs of policies) is insufficient or absent; "technical" functions prevail on analytical functions; some important financing projects fail because of administrative incapacity³¹;
- Activity of some CPA authorities is faulty, unsatisfactory³²;
- Actions aimed at implementing the CPA reform strategy in 2007 are late,³³ in particular: *CPA reorganisation plans; creation of a central unit in public service; elaboration and implementation of a guide on decision-making process; elaboration of a programme on sectoral decentralisation of CPA*;

²¹ Report on implementation of CPA reform in the 1st quarter of 2007;

²² Prime minister, expert group have appreciated the activity of MEC, MAFI, MH, MJ, MII and MF (news of the CPA Reform, April 2007);

²³ Analysis of experience of seven pilot directions of ministries (news of the CPA Reform, May 2007);

²⁴ GD # 757 from 02.07.2007, reorganisation of some MET-controlled institutions; GD # 538/17.05.2007 concerning creation of the organisation for development of small and medium businesses;

²⁵ MLPA worked out the draft governmental decision on measures; the group in charge with coordinating the implementation of regional development projects held sittings;

²⁶ Project drafted and promoted by IDIS Viitorul;

²⁷ GD # 421 from 17.04.2007;

²⁸ GD # 606 from 01.06.2007;

²⁹ Reports released by I.S. Special Telecommunication Centre at a roundtable on 25.04.2007 (www.cts.md);

³⁰ Report on implementation of CPA reform in the 1st quarter of 2007;

³¹ Interview with IDIS Viitorul director, published by Info-Prim Neo Agency on 25.04.2007;

³² GD # 683 from 18.06.2007 concerning activity of the State Inspection in building sector;

³³ GD # 54 from 18.01.2007 (points 1, 4, 14);

- Activity of the Parliament is inefficient and it was suspended or considerably reduced during the electoral campaign; important draft laws are late³⁴; new laws *on public function and status of public functionary, central public administration, decision-making transparency, ministerial responsibility, and status of the Chisinau municipality are not adopted*;
- The implementation of the law on regional development is protracted (framework regulations, regulations on formation of means of the fund, creation of agency, and others should be approved by late May 2007); prospects and visions on regional development are not strongly established; the law on administrative decentralisation is not enforced (an action plan should be approved, special laws on modification of the legal framework should be drafted, stages of decentralisation should be established, etc.);
- The new law on local public finances is promoted by associative sector and backed by experts, but the Government does not support its soon implementation³⁵;
- Cooperation of LPA representatives within Euro-regions is unsatisfactory, LPA representatives do not know well the EU-Moldova Action Plan, future priorities and actions³⁶;
- Serious problems have appeared in the field of educational organisation³⁷;
- The international assessment signals a lower efficiency of governance³⁸;
- The Chamber of Auditors (CA) still signals grave shortcomings related to management of state finances and property (2006 CA report, thematic reports).

Depoliticising of public administration

As formerly, no essential improvements are observed in the field of depoliticising and independence of public administration by ruling political factors, and the situation has even worsened during local elections.

Shortcomings and problems:

- According to a report by the World Bank, the independence of public functionaries has declined in Moldova because of political influence³⁹; the Nations in Transit 2007 Report also notes that the ruling party politicises the majority of central and local public institutions, with the equilibrium of powers in state being unbalanced this way⁴⁰;
- The central, regional and local authorities controlled by ruling party influenced the candidates during elections, making them withdraw themselves from electoral race or join the PCRM candidates⁴¹;
- The ruling party considers that it must “strengthen the control on central and local bodies of state power”⁴²;
- Political forces had a negative influence on activity of the Municipal Council and Chisinau City Hall, municipal functionaries have been illegally dismissed on political criteria⁴³;
- The failure of some criminal cases confirmed their political nature⁴⁵;
- The formation of new bodies of local public administration, especially of district level, PCRM members and other political forces protracted and even sabotaged it deliberately⁴⁶; the central authorities intend to neglect the needs of authorities uncontrolled by representatives of the ruling party.⁴⁷

Interference of economic-administrative and political interests

Progresses:

- Foreign investors continue to state that the business climate has improved in Moldova, while the dialogue between central public administration and business community has progressed⁴⁸;

³⁴ Under PD # 107-XVI from 20.04.2007 on modification of the legislative programme, the adoption of drafts from the Guillotine II package was postponed, etc;

³⁵ The Ministry of Finance considers that the new law could enter into force in early 2009 only because normative acts must be drafted for enforcement, public functionaries must be trained, etc.;

³⁶ Interview with deputy minister of local public administration, published by DECA-Press Agency;

³⁷ Organisation of 2007 baccalaureate examinations, multiple errors in diplomas, limited number of seats in institutions of higher learning and faulty admission regulation, etc.;

³⁸ World Bank Worldwide Governance Report 2006, www.govindicators.org; www.woldbank.org;

³⁹ World Bank Worldwide Governance Report 2006, Section III – Governance Efficiency, www.govindicators.org; www.woldbank.org;

⁴⁰ Freedom House Report Nations in Transit 2007;

⁴¹ Monitoring reports by OSCE/ODIHR, international and national observers (Coalition- 2007); statements by opposition parliamentary parties;

⁴² Decision by 11th Plenary of the PCRM CC from 07.07.2007 (Point 7);

⁴³ Analysis of activity of the 2003-2007 Council published by Info-Prim Neo Agency (April-May 2007); inclusion of many municipal functionaries on list of electoral competitors;

⁴⁴ Tries to dismiss the Botanica praetor, manager of the central market; dismissal and reemployment of Deputy Mayor M.Furtuna; illegal dismissal of Antena C director, etc.;

⁴⁵ Cases of Chisinau City Hall functionaries (Urechean, Șarban, Modirca, Railean), Pasat case;

⁴⁶ Statement released by OMA faction in Parliament, 29.06.2007 (www.parlament.md);

⁴⁷ Statements by Moldovan president, prime minister;

⁴⁸ Meeting between prime minister and representatives of the Foreign Investors Association (20.04.2007);

- The regulatory reform continues⁴⁹; *business regulation costs, time that managers spend to meet the regulations imposed by state, the number of conflicts involving economic agents* have declined⁵⁰;
- The law on modification and completion of some legislative acts (the law on economic liberalisation and fiscal amnesty) was adopted;
- Some economic agents supported by state registered better economic indicators⁵¹;
- The law on management and privatisation of public property (# 121 from 04.05.2007) was adopted.

Shortcomings and problems:

- Investors still face serious problems, more than 30 recommendations are raised to authorities, but few of them have been fully respected⁵²;
- The state does not take all measures needed to combat competition in shadow economy⁵³;
- Independent researches signal many errors in management of state property and contracting of doubtful debts,⁵⁴ state enterprises are still inefficient;
- The law on economic liberalisation and fiscal amnesty is enforced with grave difficulties, they produce confusion during former positive processes⁵⁵;
- The use of public financial resources is still faulty⁵⁶; existing decisions increase the debts of public authorities very much⁵⁷;
- Normative acts adopted by Government oblige state economic agents to spend some funds, but they refuse because of the lack of finances⁵⁸;
- Inefficient state enterprises are not privatised⁵⁹;
- The situation at the Giurgiulesti terminal and the building of the Cahul-Giurgiulesti railway are regarded as projects which are not argued enough in terms of economic efficiency, ecological impact.⁶⁰

Stability of governing policy

Progresses:

- The Government's action plan is being implemented, the national economy is growing in spite of external shocks (GD # 384 from 06.04.2007);
- Several acts confirming the stability of Government-promoted reforms are adopted, in particular: GD # 756 from 02.07.2007 concerning the medium-term expense framework (2008-2010); GD # 416 from 17.04.2007 on implementation of the farm land consolidation programme;
- Known international agencies have improved the foreign rating of Moldova thanks to economic developments and disciplined tax policy⁶¹; international assessments indicate a persistent political stability⁶²;
- The Government is more concerned with demographic situation, an action plan is adopted, measures are taken to assess the demographic situation and security and work out complex researches (GD # 741 from 29.06.2007).

Shortcomings and problems:

- Present political stability in Moldova is regarded both as a progressive factor and as a confirmation of stagnation⁶³;
- According to surveys, the confidence of population toward Parliament, Government and mayoralty has declined, and many people fear that the things go in the wrong direction⁶⁴;

⁴⁹ The state commission for regulation of entrepreneurship has studied more than 70 legislative acts within Guillotine II and they will be essentially modified;

⁵⁰ The Business Cost research by International Development Alternatives;

⁵¹ Sales of S.A. Farmaco has grown by 45 percent and the net profit for 2006 exceeds 3 million lei;

⁵² The second issue of the White Book launched by the Foreign Investors Association in Moldova;

⁵³ Statements delivered by (S.A. Franzeluta and others) entrepreneurs at the business forum State and Business Environment, 26.04.2007;

⁵⁴ The research Gas Industry in Moldova: Burden of Ignorance and Cost of Errors, by IDIS Viitorul;

⁵⁵ Normative acts on implementation of the Law # 111 from 27.04.2007 are drafted with delay, they contain extensive regulations. The law affects honest taxpayers (statements by representatives of the Association of Accountants and Professional Auditors (ACAP));

⁵⁶ Transmission of the Moscova Complex headquarters to administration, though the building was not redeemed from budgetary sources; allocation of funds for unclear, doubtful needs of some persons and institutions (GD # 710 from 25.06.2007; GD # 623 from 04.06.2007; GD # 541 from 17.05.2007; GD # 510 from 07.05.2007; GD # 492 from 03.05.2007; GD # 482 from 28.04.2007; GD # 415 from 17.04.2007, etc.);

⁵⁷ The Chisinau City Hall owes more than 145 million lei to SA Termocom to pay the difference of tariff for population, and over 50 million lei for works ordered by state leadership (Pan Halippa Street, Eternitate Memorial, arrangement of districts and pavements, etc.);

⁵⁸ S.A. Apa-Canal refuses to execute the regulation on free installation of meters for household consumers as long as the Government does not establish funds;

⁵⁹ The process should develop in the 1st quarter, accordingly to Point 32 of the priority action plan approved under GD # 113 from 03.02.2007;

⁶⁰ Interview with expert V.Ionita and A.Renita (Ecologic Movement) published by newspaper Timpul, 28.06.2007;

⁶¹ Fitch Rating has changed the external rating for Moldova from "stable" to "positive";

⁶² World Bank Worldwide Governance 2006 Report, Section III – Political Stability;

⁶³ Freedom House Report Nations in Transit 2007;

⁶⁴ Public Opinion Barometer (POB), May 2007;

- Moldova is still included in the rating of unstable states; this rating of the country has declined⁶⁵;
- International assessments signal a decline of affirmation of the rule of law” principles, confidence of citizens toward stability of legal norms⁶⁶;
- Normative acts needed to apply important laws with impact on certain categories are lately adopted⁶⁷;
- Draft laws aimed to harden the renunciation of Moldovan citizenship and to ban public functionaries to hold a dual citizenship are promoted without arguments;
- The situation of patent holders was not resolved accordingly to their appeals, protests against Government’s measures continued;
- Cases of revision of privatisation decisions are signalled in continuation⁶⁸;
- The number of workers in economy is on the decline (NBM data for the 1st quarter: from 622,000 down to 619,800);
- The number of people who emigrate from Moldova is at least 3-fold higher than the number of immigrants.⁶⁹

Probity and transparency of governance / Combat of corruption

Progresses:

- Draft legislative acts are published on Parliament’s website in compliance with requirements, no essential evolutions and involutions were observed;
- The anti-corruption problem requires much attention from population, it is considered more important⁷⁰; international assessment indicate a stronger anti-corruption fight⁷¹;
- Internal assessments describe the activity in the field as satisfactory; the number of discovered and registered offences is on the rise. The action plan on implementation of the national anti-corruption strategy and provisions of related plans are being coherently implemented; activities aimed to prevent and raise the awareness of population continue; the mechanism for anti-corruption survey of legislative and normative acts is being implemented; analytical researches have been worked out to identify and evaluate the areas running a high corruption risk⁷²;
- Cooperation between authorities and associative sector is deepening, positive actions are implemented⁷³; the international assistance received by Moldova allows solutions to problems related to technical endowment, training in the area⁷⁴;
- Many corruption cases including serious, which involve high-ranking functionaries are investigated⁷⁵;
- The national strategy on prevention and combat of money laundering and terrorism financing, the implementation plan are adopted (GD # 632 from 05.06.2007).

Shortcomings and problems:

- Transparency of public authorities has declined: *the live broadcasting of parliamentary sittings was ceased; not all draft governmental decisions are published and publicly discussed⁷⁶; the law on decision-making transparency is blocked without an formal enunciation of reasons; websites of public authorities are not updated operatively, they do not correspond to public information requirements⁷⁷; citizens and economic agents do not believe in Government’s probity⁷⁸;*
- Assessments by community institutions signal the need of increasing the efforts against corruption⁷⁹;

⁶⁵ The Fund for Peace organisation ranked Moldova on the 48th place in the 2007 report, compared with the 58th place in 2006, www.fundforpeace.org;

⁶⁶ The World Bank Worldwide Governance 2006 Report, Section V - Rule of Law”, www.govindicators.org; www.worldbank.org;

⁶⁷ GD # 627 from 05.06.2007, which approves the regulation on compensations for victims of political repressions was published on June 8, 2006 only, though the Law # 186-XVI, on which ground this document was drafted, was adopted on June 29, 2006 and obliges the Government to adjust the acts within three months. The association of former deported people and political prisoners describes the regulation adopted by Government as a “dead document” because it contains provisions which halt the enforcement, Timpul newspaper, 14.06.2007;

⁶⁸ The administration of the Soroca-based Stone and Granite Quarry protests against revision of results of the 1998 privatisation (communiqué by Infotag Agency);

⁶⁹ According to data of MID, 6,685 persons emigrated in 2006 and another 1,968 arrived in Moldova, of them only 605 hold permanent stay permits;

⁷⁰ According to the May 2007 BPO survey, the anti-corruption struggle is considered a serious problem, it raises the concern of a higher percent of population, a record percent – 27 percent – is registered, compared with 17-24 percent formerly;

⁷¹ The World Bank Worldwide Governance 2006 Report, Section VI – Corruption Control, www.govindicators.org; www.worldbank.org;

⁷² Sitting of the CSECC College regarding activity in the 1st quarter of 2007, 28.04.2007;

⁷³ Prime Minister Vasile Tarlev has appreciated the cooperation with the Anti-Corruption Alliance in combating corruption, 22.05.2007;

⁷⁴ Members of the group for monitoring of implementation of the National Anti-Corruption Strategy have been trained at seminars held by Council of Europe (MOLICO Project), 24.05.2007;

⁷⁵ Head of the Legal Directorate of STI (extortion of goods); administration of BC Moldova Agroindbank (power abuse); head of the Singerei Tax Inspectorate (passive corruption); chief of the Taraclia Penitentiary (passive corruption); mayors (Stauceni commune, Otac village); lawyers; decision makers of vitality medical expertise councils; chief engineer of Acvaproject Institute (trafficking of influence); managers of nongovernmental institutions (Pacifism Fara Frontiere in Balti); Labour Inspection, teachers, doctors;

⁷⁶ Prime minister was indignant over existence of some governmental structures which do not cooperate with civil society, press release by BASA-Press Agency;

⁷⁷ Website of the Ministry of Industry and Infrastructure (www.mii.gov.md) is not accessible to public; GD # 668 from 19.06.2006, order # 46/33 by MID from 17.04.2007 concerning standard requirements are not respected;

⁷⁸ Nobody applied for legalisation of capital, accordingly to new legal procedures, in late June, Infotag Agency, Timpul newspaper, 25.06.2007;

⁷⁹ Press release by European Parliament, Luxembourg, 19.06.2007, 11009/07 (Press 143);

- Some actions stipulated by earlier approved plans are late, they are not implemented adequately and in due terms⁸⁰;
- Sounding anti-corruption cases have failed, international and national courts indicated the violation of the law on filing and investigation of these cases⁸¹;
- Public patrimony is still sold for low prices, revenues of hundreds of millions lei are failed, there are presumptions of abuses in the field and interests of the ruling elite are promoted⁸²; a report by the Chamber of Auditors (CA) on management of public financial resources in 2006 signals breaches and shortcomings (grave violations in management of finances and state property, inefficient use of state property, groundless contracting of state loans, faulty use of the reserve fund of executive, etc.)⁸³; there are many breaches in management of resources, but competent authorities do not take efficient measures to sanction and combat violations, guilty persons are maintained or promoted to other leading posts (Decisions by Chamber of Auditors: # 19 from 06.04.2007; # 14 # 23.03.2007; # 24 from 26.04.2007; # 7 from 22.02.2007; # 6 from 06.02.2007, etc.); results of activity of the Chamber of Auditors are unsatisfactory, not all decisions are executed, they do not have an analytical and preventive composition⁸⁴;
- Surveys reveal that the population is more concerned over corruption, it is not satisfied with actions of authorities⁸⁵; independent researches signal a high corruption rate among central authorities⁸⁶;
- The prosecutor's office is not empowered to hold operative investigative actions.⁸⁷

⁸⁰ Points 1.5, 1.10, 1.14, 1.21, 2.2, 4.14, 5.1 of the plan on implementation of the anti-corruption strategy (PD # 421-XV from 16.12.2004); Points.6-8, 20-26, 31-34, 37-43 from Section I, Points 2 and 5 of the Section on Optimisation of activity of CSECC of the action programme on implementation of the Millennium Challenge Account (GD # 32 from 11.01.2007);

⁸¹ ECHR judgments on Paladi, Modirca, Gorea cases; Pasat, Urechean, Colta, Musuc cases, mayor of Singera town (was re-elected); the case of some CCA members (accused, but exculpated, investigations described as political);

⁸² May 3, 2007 decision by Chisinau Municipal Council (CMC) (sale of tens of hectares of land for derisory prices); Investigation of Jurnal de Chisinau newspaper, 15.05.2007; it was tried at the April 5, 2007 CMC sitting to fraudulently allocate some fields to functionaries of governmental and municipal institutions;

⁸³ CC report released at the July 13, 2007 plenary sitting of the Parliament;

⁸⁴ Report by chairman of the Chamber of Auditors on totals for 2006;

⁸⁵ BPO survey, May 2007;

⁸⁶ IT Moldova researches: special survey on perception of corruption in subdivisions of the Ministry of Information Development; Analytical Report Exploration of Perceptions and Experiences of Control, Customs Services and Border Guard Officers in 2002-2005", www.transparency.md;

⁸⁷ Motivation of the draft law on modification and completion of some legislative acts;

Monitoring grid 2. Consolidation of administrative capacity

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Administrative reform /	<ul style="list-style-type: none"> Many actions from the plan on implementation of CPA reform are late; The general local elections did not gravely affect the administration of public affairs at local level; The Electronic Moldova Strategy is being implemented; Activity of some authorities is faulty; Different treatment of representatives of LPA authorities by central government, including on political criteria; The economic liberalisation reform may deprive LPA authorities of important resources; 	<ul style="list-style-type: none"> Majority of planned actions were implemented or are being implemented; Institutions controlled by central authorities are reorganised; Capacities of drafting and analysing policies are consolidated; Local public authorities were elected in majority of localities; A new draft law on local public finances is worked out; Security and safety of public information systems is ensured; 	<p style="text-align: center;"><i>Encouraging:</i></p> <ul style="list-style-type: none"> Activity of the coordination unit of CPA reform; International assistance and monitoring; Internal monitoring; <p style="text-align: center;"><i>Discouraging:</i></p> <ul style="list-style-type: none"> Slow reorganisation and modernisation of CPA, slow consolidation of capacities of public functionaries; Insufficient funds, use of large amounts in the area without efficiency and priority; Summary participation of Parliament in CPA reform process, protraction of legislative process; Important laws are not adopted and enforced; A clear concept on LPA reform is absent; The legislation on LPA is often modified; 	+1	<ul style="list-style-type: none"> Moldovan legislation; News of CPA reform; Reports on implementation of governmental plans and strategies; Reports by international institutions; Mass media;
Administrative efficiency	<ul style="list-style-type: none"> International assessments indicate persistence of political stability; Government's action programme is being implemented, the national economy is growing; Many acts confirming the stability of promoted reforms are adopted; Efficiency of governance is on the decline; 	<ul style="list-style-type: none"> The structure of MLPA is modified; New important strategic projects are being elaborated; Better foreign rating of Moldova; Adequate regulations sustain the efficiency of some structures; 	<p style="text-align: center;"><i>Encouraging:</i></p> <ul style="list-style-type: none"> Foreign assistance; Consistence, analysis of implementation of some reforms; <p style="text-align: center;"><i>Discouraging:</i></p> <ul style="list-style-type: none"> Strategic and sectoral planning is inadequate; Implementation of some laws is delayed; New strategies and plans are approved without clear priorities and resources; 	+0.5	

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
<p>Depoliticising of public administration</p> <p>/</p> <p>Interference of economic-administrative and political interests</p>	<ul style="list-style-type: none"> Central, regional and local authorities controlled by ruling party influenced the electoral candidates; intimidations continue; Political forces strongly influenced the activity of the Chisinau Municipal Council and City Hall; 	<ul style="list-style-type: none"> Independence of functionaries from political influence has declined; Dismissals and persecutions on political criteria; Political trace on some judicial cases is confirmed; Formation of new local public administration bodies, particularly at district level, was protracted and sabotaged; 	<p><i>Discouraging:</i></p> <ul style="list-style-type: none"> Maintenance of the power vertical and excessive centralisation in the decision-making area; Intimidations and persecutions of political opponents continue; Support of central authorities for some candidates; The new law on public service is not adopted; the depoliticising principle is not promoted at central and local levels; Employment in public service is not based on contest, the held contests are not transparent; 	-1.5	<ul style="list-style-type: none"> Local election monitoring reports; Reports by international institutions; Independent researches; Moldovan legislation; Records of plenary parliamentary sittings; Statements by political parties and local councillors; Mass media;
	<ul style="list-style-type: none"> The dialogue between business and authorities developed; The regulatory reform goes on; The law on economic liberalisation and fiscal amnesty is adopted; Multiple errors in management of state property; the use of public funds is faulty in continuation; The law on administration and privatisation of public property is adopted; 	<ul style="list-style-type: none"> The business climate has improved; Business regulation costs, time needed to meet the regulation have decreased; Administration and sale of public property are regulated better; New investment projects are launched, but they lack adequate assessments and economic arguments; The law on economic liberalisation and fiscal amnesty is hardly enforced; it does not progress; 	<p><i>Encouraging:</i></p> <ul style="list-style-type: none"> Implementation of regulatory reform; Cooperation between authorities and business representatives; <p><i>Discouraging:</i></p> <ul style="list-style-type: none"> Proposals of investors are slowly implemented; Politicians still are interested in developing own business; Maintenance of inefficient state enterprises; A law on conflict of interests is not adopted; 	+ 1	

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
<p>Probity and transparency of governance</p> <p>/</p> <p>Combat of corruption</p>	<ul style="list-style-type: none"> The Chamber of Auditors still signals grave shortcomings related to administration of state finances and property; The confidence of population toward Parliament, Government, local authorities has declined; Decisions aimed to limit the transparency enter into force; 	<ul style="list-style-type: none"> Moldova is still included in the rating of unstable states; The Parliament is less transparent; Confidence of citizens toward stability of legal norms has declined; Previous privatisation decisions are revised in continuation; Non-argued draft laws are promoted; there are plans to harden the renunciation of Moldovan citizenship and to halt public functionaries to hold the dual citizenship; 	<p><i>Discouraging:</i></p> <ul style="list-style-type: none"> Public mass media is still affiliated to interests of governance; Transparency and cooperation of authorities with mass media remain problematical, officials in charge with public information do not provide an adequate information; Access to legal information is still difficult (via Internet only), costs of Monitorul Oficial and databases are exaggerated; Promotion of the draft law on decision-making transparency is obstructed; A law on ministerial responsibility is not adopted; transparency of authorities in Internet did not grow; Political stability in Moldova is considered a confirmation of stagnation; 		<ul style="list-style-type: none"> Moldovan legislation; Reports by international institutions; Web resources; Surveys; Mass media;
	<ul style="list-style-type: none"> The anti-corruption fight requires much attention from population, it is considered more important; International assessments indicate an intensification of the anti-corruption struggle; The national strategy on prevention and combat of money laundering and terrorism financing, the implementation plan are adopted; Independent researches signal a high corruption rate among some central authorities; 	<ul style="list-style-type: none"> The action plan on implementation of the anti-corruption strategy and related plans is adequately implemented; Cooperation in the area between authorities and associative sector is on the rise; Many corruption cases are investigated; International assistance resolves problems of endowment, training; The mechanism of anti-corruption survey of legislative and normative acts is being implemented, analytical researches have been worked out to identify and assess the areas running a high corruption risk; 	<p><i>Encouraging:</i></p> <ul style="list-style-type: none"> Monitoring of international institutions and foreign assistance programmes; internal monitoring; Activity of specialised bodies, growth of effort against corruption; release of information about identified cases; activity of specialised NGOs; <p><i>Discouraging:</i></p> <ul style="list-style-type: none"> The legislation on declaration and control on revenues is not improved; a new law against corruption is not adopted; some planned actions are late; Sounding cases failed, many cases finish with symbolic sentences; Few corruption cases at high level; statements and reports on abuses and breaches do not have essential consequences, public opinion is not informed about solutions; 		<ul style="list-style-type: none"> Moldovan legislation; Official reports; Report on activity of CSECC, Prosecutor's Office; Independent researches; Mass media;

3. TRANSNISTRIAN CONFLICT

Political negotiations in „5+2“ format

The political dialogue in “5+2” format has not been unblocked, while Moldovan authorities focussed their efforts on bilateral Moldovan-Russian dialogue on the Transnistria settlement problem. Mediators and observers of the Transnistria settlement convoked a new round of consultations in Madrid on May 25, at the initiative of the Spanish OSCE Chairmanship. The appeal remained without response.

The efforts of Chisinau in the period concerned have focussed though on an intensive Moldovan-Russian dialogue – President Vladimir Voronin and his Russian counterpart Vladimir Putin had three meetings and the deputy secretary of the Russian Security Council, Yuri Zubakov, visited Chisinau twice. The talks focussed on the Transnistrian issue, in particular, on a so-called “package of Moldovan proposals” submitted by President Voronin to the Russian side in August 2006.

The Moldovan-Russian consultations took place outside of the “5+2” negotiation format, without participation or information of other mediators and observers regarding the talks between Moldova and Russia, a fact that raised many concerns among western partners of Moldova and amid local and international public opinion.

After many months of non-transparency, Moldovan authorities presented its partners from the “5+2” format the initiatives proposed to Russia, including at a meeting with ambassadors convoked by President Voronin at his summer residence in Condrita on June 29. The president explained the concept of “package approach” which, according to the speaking points leaked to the mass media, would include the “settlement of Transnistria’s status”, guarantees for population, confidence building measures, demilitarisation mechanisms, maintenance of Moldova’s neutrality status, problems related to recognition of Transnistrian property.”⁸⁸

Although European diplomats including the EU Special Representative for Moldova, Kalman Mizsei, said that the package of Moldovan initiatives is a “sound basis for negotiations” and showed sympathetic with Moldova’s attempts at raising the Transnistrian problem within its bilateral dialogue with Russia, the non-transparency of these discussions and their channelling on a format parallel to the “5+2” one affected the credibility of Chisinau and raised many questions regarding the constructivism of Moldova’s stance.

EU-Moldova political dialogue on Transnistrian conflict

The EU-Moldova political dialogue on Transnistrian problem was marked in the period concerned by non-transparency of Moldovan-Russian talks regarding the so-called package of Moldovan initiatives. The efforts of EU in this period were aimed at: a) understanding the situation and b) preventing the adoption of some bilateral agreements without consulting the other participants in the „5+2” format.

The Transnistrian problem was one of key topics discussed at the June 19 EU-Moldova Cooperation Council, a sitting preceded by a working breakfast dedicated to the Transnistrian conflict. German Foreign Minister Walter Steinmeier stated on behalf of the German EU Presidency that he was aware of the “package of Moldovan initiatives” on Transnistrian problem, but the Moldovan-Russian consultations must lead to the restart of the „5+2” negotiations, which remain the only mechanism for discussion on possible solutions.

The High Representative for EU Common Foreign and Security Policy, Javier Solana, discussed the Transnistrian problem twice with President Voronin – at a meeting in Luxembourg (before the June 22 Putin-Voronin meeting) and during a telephone conversation (before the June 10 Putin-Voronin meeting).

EU diplomatic and political assistance

⁸⁸ See speaking points for President Voronin’s meeting with the Ambassadors, www.vedomosti.md;

The EU capacity to provide diplomatic and political assistance to Moldova for settlement efforts was limited to a great extent as Moldovan authorities did not inform European partners in due time of the object and evolution of its discussions with Russia. The EU continued tackling the Transnistrian problem within the political and security dialogue with Russia and Ukraine. Mr. Solana discussed the Transnistrian problem with Russian Foreign Minister Sergey Lavrov during a visit to Luxembourg on April 23.

The EU Special Representative for Moldova, Kalman Mizsei, has visited Moldova more than once in the period concerned, including the Transnistrian region, with the purpose to restart the „5+2” negotiations. Ambassador Mizsei continued the consultations with Moldovan authorities and representatives of Transnistria-based businesses regarding ensuring the access of Transnistrian enterprises with permanent or temporary registration in Moldova to the European trade preferences granted to Moldova under the GSP+ scheme.

Russia’s Istanbul commitments

The problem of illegal stationing of Russian troops and ammunitions in Moldova has captured again the attention of international public opinion during talks on the Adapted Conventional Armed Forces in Europe Treaty (CFE). NATO member states continued conditioning the ratification of CFE with Russia’s plenary respect for the 1999 Istanbul commitments to withdraw its troops and ammunitions from Moldova and Georgia. An extraordinary conference on CFE Treaty convoked by Russia has failed, with NATO Member States insisting that the withdrawal of all Russian troops and ammunitions is a precondition for ratification of CFE.

In this context, the United States has proposed the transformation of the present peacekeeping mission to the Transnistrian region into a multinational peacekeeping mission with Russia’s participation. This mission could be deployed after Russia withdraws its troops and ammunitions from Transnistria and would allow Russia to honour the Istanbul commitments in an acceptable manner.

The EU did not post a formal stance regarding the transformation of the present peacekeeping mechanism in the Transnistrian region or an eventual participation in this mission, with many EU officials stating that such discussions may take place only when it will be clear what mandate the planned mission will have.

Securing the Moldova-Ukraine border

The EU-Moldova cooperation for securing the Moldovan-Ukrainian border was most efficient and successful in terms of contribution to the Transnistrian settlement process. The EU-Moldova Cooperation Council has highly appreciated the activity of the EU Border Assistance Mission to Moldova and Ukraine and its importance for efforts to settle the Transnistrian conflict. The mission improved the border control and the administration of existing risks, as well as reduced much the smuggling and other illicit activities at the Moldovan-Ukrainian border, including the Transnistrian segment (read more in the chapter **Border, Migration and Human Trafficking**).

The EU Mission continued to monitor the implementation of the December 30, 2005 Joint Declaration by Moldovan and Ukrainian Premiers concerning the single customs regime at the Moldova-Ukraine border. More than 330 Transnistrian companies have permanently or temporarily registered themselves with the State Registration Chamber of Moldova. Both companies with permanent registration and businesses with temporary registration have access to the European autonomous commercial preferences starting March 2007, at the recommendation of the European Commission and EUBAM experts. According to amendments operated by Government in June, only raw material imports of Transnistrian companies which export goods to the EU will undergo the Moldovan customs control. The simplification of access of Transnistria-based economic agents to the European trade preferences raised a great interest among Transnistrian businesses, and the two-fold growth of Transnistrian exports to EU in the 1st half of 2007, compared with the same period of 2006, proves the efficiency of these measures.

Participation of civil society

The secret and non-transparent way the Moldovan-Russian negotiations on Transnistrian conflict took place and their intensity raised many concerns amid local civil society. Moldovan authorities did not publicly explain the object and content of these negotiations, and a series of leaked reports obtained by mass media were the only source of information in this respect. A number of public personalities from Moldova and European experts have published an open letter calling for a European settlement of the Transnistrian conflict, expressing concerns with the non-transparent way Moldova and Russia negotiate outside the „5+2” format and inviting the Moldovan authorities to premise its Transnistrian settlement efforts on the European integration objective. In response, the Ministry of Reintegration has published a communiqué in which it rejected the “accusations” brought against it, describing the release of the open letter as “a misinformation that throws doubts on the objectiveness of signatory organisations”. In our view, the Ministry’s reaction is disproportionate and is in contradiction to the commitments made by Moldovan authorities with the EUMAP on involving the civil society in the Transnistrian settlement efforts.

Monitoring grid 3. Transnistrian conflict

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Political negotiations ("5+2" format)	<ul style="list-style-type: none"> Negotiations were blocked in continuation; Intensive Moldovan-Russian consultations outside the „5+2” format regarding the „package of Moldovan initiatives”; 	<ul style="list-style-type: none"> Unclear and non-transparent actions of Moldova reduced the credibility in front of European partners; 	<ul style="list-style-type: none"> Diplomatic mediation of U.S. and EU efforts; Moldova’s non-transparent policies, violation of commitments from EUMAP; Russia’s revenging policy on close neighbouring states; 	- 1	News agencies: Infotag, Moldpress, Novyi Region;
EU-Moldova cooperation	<ul style="list-style-type: none"> E.U. works more to understand the situation and restart the „5+2” negotiations; 	<ul style="list-style-type: none"> Non-transparency of Moldova affected the quality of the dialogue with EU; 	<ul style="list-style-type: none"> European Neighbourhood Policy, “engagement” policy of EU toward Moldova; Moldova’s non-transparent policies, violation of commitments from EUMAP; 	- 1	News agencies: Infotag, Novyi Region, Moldpres. UE;
EU diplomatic and political assistance	<ul style="list-style-type: none"> EU tackles the Transnistrian problem within the dialogue with Russia and Ukraine; EU efforts to restart the „5+2” negotiations; 	<ul style="list-style-type: none"> EU political and diplomatic support for Transnistria settlement efforts within existing mechanisms; 	<ul style="list-style-type: none"> European Neighbourhood Policy; Moldova’s non-transparent policies, violation of commitments from EUMAP; 	+ 1	Websites of EU, OSCE;
Russia’s Istanbul commitments	<ul style="list-style-type: none"> NATO member states continue to condition the ratification of CFE with Russia’s respect for Istanbul commitments; The U.S. seeks the transformation of the peacekeeping mission; 	<ul style="list-style-type: none"> Raising the awareness of international public opinion toward violation of commitments by Russia; An eventual withdrawal of Russia from CFE will deprive the international community of an important lever of influence on Russia to withdraw its troops and ammunitions from Moldova; 	<ul style="list-style-type: none"> U.S. and EU pressures on Russia; transformation of the peacekeeping mission in Transnistria into an international mission; Russia’s confrontation policy on western states; 	0	Websites of EU, OSCE;
Securing the Moldova-Ukraine border	<ul style="list-style-type: none"> Permanent progress in implementing the mandate of the EU Border Assistance Mission; 330 Transnistrian companies got registered in Moldova, Transnistrian exports to the EU are on the rise; 	<ul style="list-style-type: none"> Continuous securing of the border, combat of smuggling at the Moldova-Ukraine border, legalisation of export-import operations; Access of Transnistrian companies to European trade preferences becomes an important stimulant to attract them in the single economic area of Moldova; 	<ul style="list-style-type: none"> EU and U.S. support; Cooperation of Ukrainian Government and its respect for the unified customs regime with Moldova; Moldova’s non-transparent risk to compromise the progress; 	+ 2	News agencies: Infotag, Moldpres, Novyi Region; Ministry of Reintegration;
Participation of civil society	<ul style="list-style-type: none"> Appeals of civil society for transparency are ignored, disproportionate reaction of authorities; 	<ul style="list-style-type: none"> Reticence of authorities to involve the civil society in settlement efforts, risk of adopting unacceptable solutions for society; 	<ul style="list-style-type: none"> Moldova’s non-transparent policies, violation of commitments from EUMAP; 	- 2	

4. JUSTICE

Capacity of imposing respect for law / Status and independence of judges and prosecutors / Transparency

Progresses:

- Quality of justice has improved, the number of judgments annulled by SCJ has declined⁸⁹;
- Activity of the prosecutor's office is improving, special tasks are established to improve the situation and remedy shortcomings in the field of respect for human rights⁹⁰;
- The legislation which promotes the annulling appeal against final judgments (law # 89-XVI from 05.04.2007) is modified;
- The Department of Judicial Management was created (GD # 670 from 15.06.2007);
- The research Indicators of the Judiciary Reform (IJR), volume II, drafted by the American Bar Association reveals very few better indicators.
- Quality of judgments is still low, higher law courts outlaw many decisions, many final decisions are revised⁹¹; terms for examination of cases are long, the earlier taken measures did not produce clear results⁹²;
- International assessments warn over decline of confidence toward the rule of law⁹³; majority of reform factors stagnate, multiple studied factors worsen⁹⁴; community institutions signal problems linked to supremacy of law, independence of the judiciary⁹⁵;
- Measures capable to limit immunities of judges are taken under pretext of anti-corruption fight and fulfilment of recommendations by international experts, and this situation limits the independence of judges⁹⁶; SCM, SCJ do not warm up proposals aimed at modifying the legislation⁹⁷;
- The *law on state-guaranteed legal assistance, strategy on strengthening of the judiciary* are not adopted and implemented so far;
- Appointments and promotions to rankings still depend on political factors, capacities and competences of SCM in the area are not outlined⁹⁸; SCM decisions are obstructed via SCJ, parliamentary majority⁹⁹;
- In spite of a certain institutional independence, prosecutors are considered to be dependent on political and executive power¹⁰⁰;
- Business representatives invoke many shortcomings in the judiciary sector (long terms, contradictory decisions, high fees, long-term and faulty execution)¹⁰¹;
- International law courts indicate the violation of legislation on filing, investigation and examination of cases within Moldovan judiciary¹⁰²;
- Representatives of European judiciary bitterly criticise the Moldovan judiciary, describing it as subordinated to political pressures¹⁰³;
- The state's right of regress is not exercised in compliance with the Law # 353-XV from 28.10.2007;
- The judicial police body was not created so far, the term for creation of this body as a judiciary-coordinated structure is postponed much under pretext of shortage of funds¹⁰⁴;
- Employees in execution system do not benefit of new facilities, planned changes are not implemented¹⁰⁵;
- Long examination of political cases continues¹⁰⁶;
- Transparency is not adequately ensured, taken measures are not systemic, do not influence the general situation¹⁰⁷; websites are absent, judgments are inaccessible;
- Many measures aimed at enhancing the transparency of the judiciary were not executed in the due term and adequately.¹⁰⁸

⁸⁹ SCJ Decision # 12 from 06.07.2007;

⁹⁰ The 24.04.2007 sitting of the Moldovan Prosecutor's Office College;

⁹¹ Interview with SCJ chairperson published by Logos Press on 13.04.2007; Decision # 12 of SCJ Plenary from 06.07.2007;

⁹² Sitting of the Supreme Security Council from 23.05.2007;

⁹³ World Bank Worldwide Governance 2006 Report, Section V, www.govindicators.org; www.worldbank.org;

⁹⁴ Research Indicators of the Judiciary Reform by ABA, volume II-2007;

⁹⁵ Statement by Liberal Party, 07.05.2007;

⁹⁶ Draft laws promoted by Ministry of Justice, CSECC (registered by Parliament with no. 1642 on 26.04.2007 and no. 1719 on 03.05.2007);

⁹⁷ Interview with SCJ chairperson published by Logos Press on 13.04.2007; Article „Двойная защита для служителей фемиды”, Logos Press”, 07.04.2007;

⁹⁸ SCM did not promptly react to rejected appointment of some judges;

⁹⁹ Unmotivated rejection of some candidacies at the 22.06.2007 parliamentary sitting;

¹⁰⁰ Debates at the roundtable Reformation of the Prosecutor's Office in the Republic of Moldova”, 17.04.2007;

¹⁰¹ Roundtable „Role of the judiciary in business development” held on 05.04.2007; Кишиневский Обозреватель newspaper, 05.04.2007, 12.04.2007;

¹⁰² ECHR cases: Flux (no. 2) vs. Moldova; Tocono and Prometeu Teachers vs. Moldova; Modirca vs. Moldova, and others;

¹⁰³ Partially dissident opinion of judge to ECHR G.Bonello regarding the case Flux (no. 2) vs. Moldova;

¹⁰⁴ Under the Law # 247-XVI from 21.07.2006, the judicial police should be created by late May 2007 to advise the Ministry of Justice. But this term was violated and the procedure will be extended till 2010;

¹⁰⁵ Section V from action programme (GD # 32 from 11.01.2007);

¹⁰⁶ Cases Urechean, Becciev, Pasat; communiqué by press centre of OMA, 19.06.2007;

¹⁰⁷ Factors 24 and 25 from the research Indicators of the Judiciary Reforms (IJR), volume II-2007, by American Bar Association (Initiative for supremacy of law); Chapter IV from the report “Preliminary reports of monitoring of judicial sittings”, OSCE/Moldova; Interview with judge of the Constitutional Court V.Puscas published by Analitique on 28.04.2007;

¹⁰⁸ Points.3, 6-9, 22, 31-32 of the Action Programme (GD # 32 from 11.01.2007);

Training of specialists in system / Auxiliary personnel / Material ensuring

Progresses:

- The National Institute of Justice has begun its activity, the first admission contest for judges and prosecutors has opened;
- Thematic seminars for judges are organised with the support of international institutions (OSCE, CoE);
- Cooperation agreements on the judiciary are signed.¹⁰⁹

Shortcomings and problems:

- The judicial practice is not accessible, few decisions are published;
- Few explicative decisions are adopted¹¹⁰;
- Judiciary reforms and activity are not supported with adequate resources¹¹¹; sittings of courts do not meet quality, fair and fast justice making requirements;
- Number of judges and personnel of courts is not modified to correspond to tasks, data are not public¹¹²;
- Selection of staff in the judiciary is inadequate; selection for international posts (ECHR) reveals wrong and subjective assessment of capacities and qualification of candidates.¹¹³

Alternative ways to settle litigations / Prisons

Progresses:

- The law on mediation, which sets up the mechanism of mediation in civil and criminal cases as an alternative of proceedings, is adopted;
- The number of inmates in Moldova is lowest in CIS and Eastern Europe, but detention conditions, technical-sanitary situation still are lamentable¹¹⁴;
- Grave cases are not observed, situation in prisons is improving but slowly.

Shortcomings and problems:

- Investigation of situation in some penitentiaries reveals grave shortcomings related to detention conditions and rights of detainees¹¹⁵;
- Preventive detention facilities are not transferred from MIA to MJ;
- An independent mechanism is not applied to monitor the prisons¹¹⁶;
- The *new Conventional Code, law on probation, a new law on arbitrage* are not adopted;
- The mechanism of communication to the Anti-Torture Committee is not created (in compliance with the U.N. Convention);

¹⁰⁹ Understanding Memorandum between Norwegian Government and Moldovan Government concerning contribution to strengthening the rule of law;

¹¹⁰ Decision # 12 by SCK Plenary from 06.07.2007;

¹¹¹ Research „Assessment of needs of the judiciary in Moldova”, by Helsinki-Moldova Committee, SCJ and SCM; Factors 10-13 from the research Indicators of the Judiciary Reform (IJR); Interview with judge of the Constitutional Court V.Puscas published by Analitique on 28.04.2007;

¹¹² Point 8 from action plan approved under GD # 113 from 03.02.2007;

¹¹³ Interview with judge of the Constitutional Court V.Puscas published by Analitique on 28.04.2007;

¹¹⁴ Study by the Prison Research Centre of the King's College (the United Kingdom);

¹¹⁵ Communiqué by CHRM concerning monitoring of situation in the Soroca-based Penitentiary no.29/6, 13.04.2007, www.ombudsman.md;

¹¹⁶ Point 17 from the action plan approved under GD # 113 from 03.02.2007;

Monitoring grid 4. Justice

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
<p>Capacity of imposing respect for law</p> <p>/</p> <p>Status and independence of judges and prosecutors</p> <p>/</p> <p>Transparency</p>	<ul style="list-style-type: none"> Special tasks aimed at respect for human rights are established for prosecutor's office; The department of judicial management is created; Measures capable to influence the independence of judges (annulment of immunity) are taken; Representatives of the European judiciary bitterly criticise the Moldovan judiciary; The judicial police body is not created; High-ranking functionaries do not execute decisions; The state's right of regress is not exercised; 	<ul style="list-style-type: none"> Appointments and promotions to posts continue to be dependent on political factors; The judicial police unit was not created, the term for creation of this body as a judiciary-controlled structure is postponed much under pretext of lack of resources; Initiatives aimed to annul the right to dual citizenship may produce a cutting among judges and prosecutors; The access to judgments is difficult; 	<p><i>Encouraging:</i></p> <ul style="list-style-type: none"> More active participation of the prosecutor's office in ensuring the execution of judgments; ECHR sentences Moldova; <p><i>Discouraging:</i></p> <ul style="list-style-type: none"> Corruption in system; Involvement of political factors in appointment and promotion, influence of other branches of the power on judges; Inefficient activity of SCM; Non-transparency, lack of websites; Excessive labour for some courts/judges; Few technical/information endowments; 	-0.5	<ul style="list-style-type: none"> Moldovan legislation; ECHR judgments; Reports and independent researches; Records of parliamentary sittings; Mass media; Web resources;
<p>Training of specialists in system</p> <p>/</p> <p>Auxiliary personnel</p> <p>/</p> <p>Material ensuring</p>	<ul style="list-style-type: none"> The National Institute of Justice started working, the first admission contest was opened; The strategy on strengthening of the judiciary is not adopted and implemented; 	<ul style="list-style-type: none"> Admission contest for NIJ has opened and it is transparent; Additional sources for the judiciary were not allocated when the 2007 state budget was rectified; 	<p><i>Encouraging:</i></p> <ul style="list-style-type: none"> Foreign assistance; Activity of NIJ; <p><i>Discouraging:</i></p> <ul style="list-style-type: none"> Allocation of insufficient resources; Quality of education, faulty selection/promotion of staff; Insufficient and unqualified auxiliary personnel with low salaries; 	+0.5	<ul style="list-style-type: none"> Moldovan legislation; ECHR judgments; Report on activity of NIJ, MJ; Independent researches; <p>Mass media;</p>
<p>Alternative ways to settle litigations</p> <p>/</p> <p>Prisons</p>	<ul style="list-style-type: none"> The law on mediation is adopted; A new law on arbitrage is adopted; 	<ul style="list-style-type: none"> Imperceptible; 	<p><i>Encouraging:</i></p> <ul style="list-style-type: none"> Activity of specialised NGOs; International assistance; <p><i>Discouraging:</i></p> <ul style="list-style-type: none"> Protraction of legal process; Insufficient knowledge of new mechanisms; Use of alternative punishments; 		<ul style="list-style-type: none"> Moldovan legislation; Mass media; Official communiqués; Web resources; Communiqués by CHRМ;
	<ul style="list-style-type: none"> Temporary detention facilities are not transferred from MIA to MJ; 	<ul style="list-style-type: none"> Temporary detention conditions are inadequate; 	<p><i>Encouraging:</i></p> <ul style="list-style-type: none"> Activity of specialised NGOs, of ombudsmen; International assistance; <p><i>Discouraging:</i></p> <ul style="list-style-type: none"> The law on probation is not adopted; Lack of adequate resources; inappropriate endowment and conditions in prisons; An independent mechanism to monitor prisons is not applied; 		

5. DEVELOPMENT AND ECONOMIC REFORMS

Poverty reduction

The Republic of Moldova and the International Development Association (World Bank) signed in May 2007 the agreement for the grant allocated by the British Department for International Development to finance the programme within the poverty reduction sustenance credit (PRSC). The grant is worth 1,470,000 pounds and it will be used as a budgetary aid to finance poverty reduction reform programmes, with public investments being a priority.

The medium salary of a worker in Moldovan economy accounted for 1,864 lei in January-May 2007 (enterprises with at least 20 employees), which is by 23 percent more than in the similar period of 2006 or a 10-percent rise of the real salary. The lowest salary rise rates in May 2007 compared with May 2006 were registered in following areas: education, public administration, transportation and communication. At the same time, the medium salary in education sector is below medium level on economy. The Government has fulfilled its promises to increase the salaries starting April 1, 2007, but the financial impact is minimal. The Medium-Term Expense Framework for 2008-2010 stipulates higher salaries for budgetary sector, as this is needed at present.¹¹⁷

Revenues remitted by emigrants are on the rise in continuation. Individuals transferred 381.7 million dollars via commercial banks in the first five months of this year. These earnings are an important poverty reduction factor, but most of them are used for current consumption and only less than 7 percent is invested in business in national economy.

Consolidation of economic growth

Available statistics allow the assessment of economic situation for the 1st quarter of 2007 only. According to data of the National Bureau for Statistics, the GDP advanced by 7.3 percent in the first 3 months of this year, compared with the same period of 2006. This figure is higher than the pessimistic forecasts of the CIS Committee for Statistics, which forecasted a 4-percent growth earlier this year, ranking Moldova on the last place among CIS member states.

However, the volume of production made by industrial enterprises in January-June 2007 returned to the level of January-June 2006, turning over 11.8 billion lei. Thus, the industry has got rid of the recession that started in April 2006 due to restructuring of production. At the same time, the alarming prospect of agriculture this year could seriously influence the economic growth in the 2nd quarter of 2007.

Thus, the Moldovan economy strongly depends on remittances from other countries and climatic factors, while the economic growth is based on consumption, not investments, being unsustainable.

Macroeconomic and financial stability

The National Bank of Moldova sterilised the liquidity excess in April, with Moldova continuing the evolution with a relatively low inflation rate. The inflation rate for the 1st half-year of 2007 was 3.9 percent, being much lower than in the similar period of the precedent year. However, prices of food stuffs have grown most – by 5.2 percent. Moldova did not register inflation in June. The indicator of prices of industrial producers rose by 0.8 percent compared with April.

The official medium monthly exchange rate of Moldovan leu versus U.S. dollar appreciated in May, being valued at 12.5657 lei per dollar. At the same time, the Moldovan leu depreciated versus U.S. dollar in late May compared with late April. The overall revenues in national public budget exceeded by 12.1 percent the planned incomes in January-May 2007, while the overall expenses represented only 81.2 percent of the planned expenditures. The deficit of trade balance was 825 million dollars in the period concerned, which is by 46.8 percent more than in the same period of 2006.

The International Monetary Fund (IMF) Board of Directors approved in early July the programme of cooperation with Moldova, which resulted with a 32-million-dollars tranche for Moldova to enhance the international reserves of the central bank, in order to encourage the macroeconomic stability and development of Moldovan economy.

Fiscal transparency and durability

The Moldovan law which modified and completed some legislative acts on legalisation of capital, fiscal amnesty and reformation of the system of taxation of incomes of individuals is very important.¹¹⁸ The capital will be legalised under voluntary declaration of currency, real estate and securities by individuals who are residents of Moldova and of material and financial assets by legal entities. Five percent of the difference between the declared value and the estimated value of the object of legalisation will be paid. Legalisation taxes will be distributed between the state budget (30 percent) and the state social insurance budget (70 percent).

¹¹⁷ Approved under Government Decision # 756 from July 2, 2007;

¹¹⁸ Monitorul Oficial # 64-66 from May 11, 2007;

Legal entities and individuals who have debts registered in the record system of the State Tax Service, National Social Insurance House, including the special record system on January 1, 2007, arrears for taxes, fees, other payments, delay rises and fines afferent to the state budget, state social insurance contributions, mandatory health insurance premiums, delay rises and fines afferent to the state budget, state social insurance budget and mandatory health assistance funds unpaid before enforcement of this law, inclusively postponed and restructured accordingly to legislation in effect are subjects of fiscal amnesty.

As expected, most confusion was linked to the fiscal amnesty, which aims to restore the fiscal discipline. However, such a step is capable to make optimistic the beneficiaries of fiscal amnesty regarding repeated actions of the Parliament and to discourage disciplined taxpayers. Other countries failed to restore the fiscal discipline, particularly as regards partial fiscal amnesties.

Monitoring grid 5. Development and economic reforms

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Poverty reduction	<ul style="list-style-type: none"> Continued rise of available earnings of some segments of population; 	<ul style="list-style-type: none"> Poverty reduction in urban areas and deepening of urban-rural inequalities, as well as in rural areas; 	<ul style="list-style-type: none"> Continued growth of real salary and remittances from other countries; 	0	Assessments by authors; NBS data;
	<ul style="list-style-type: none"> Growth of inequality between earnings of population; 	<ul style="list-style-type: none"> Worse quality of lives of salary-earners concerned and intensification of emigration; 	<ul style="list-style-type: none"> The Government did not fulfil its promises to increase salaries in budgetary sector; 		
Economic growth	<ul style="list-style-type: none"> 7.3-percent economic growth of GDP in the 1st quarter of 2007, compared with the 1st trimester of 2006; 	<ul style="list-style-type: none"> A sustainable economic growth is absent and it does not influence the structure and trends of national economy; 	<ul style="list-style-type: none"> Migration and currency transfers are main catalysers of economic growth; Rapid expansion of building and service sectors compensates the industrial recession; Growth of final consumption of households and investments; 	0	Assessments by authors; NBS data;
	<ul style="list-style-type: none"> Very weak performance of industry. Industry declined by 0.4 percent in the first half-year; 	<ul style="list-style-type: none"> Narrowing of GDP growth basis; Continued deformation of economic process; Decline of real salaries in several sectors and big enterprises; 	<ul style="list-style-type: none"> Crisis generated by foreign market, especially the major dependence on Russian market and restrictions on Moldovan wines imposed in 2006; Low competitiveness of domestic industrial production (standard and quality problem); Pessimistic forecasts for agricultural production this year, which will stop the economic growth process; 		
Macroeconomic stability	<ul style="list-style-type: none"> NBM maintained a cautious monetary policy and an active presence on monetary market; 	<ul style="list-style-type: none"> Attenuation of inflationist risks; Possibility of growth of monetary reserves of National Bank; 	<ul style="list-style-type: none"> Anchoring the macroeconomic policy on a rigid framework established by agreements with IMF; Remittances of emigrants are a risk capable to compromise the anti-inflationist policies; Sterilisation of liquidity surplus by NBM; 	+0.5	Assessments by authors;
	<ul style="list-style-type: none"> Continued growth of trade deficit; 	<ul style="list-style-type: none"> Risk of stronger worsening of deficit of current account; 	<ul style="list-style-type: none"> Improvement of commercial regime with EU is an opportunity; Slow reorientation of exports toward alternative markets and inefficient governmental policies compromise the progress; 		
Fiscal transparency and durability	<ul style="list-style-type: none"> The law on legalisation of capital and fiscal amnesty entered into force; 	<ul style="list-style-type: none"> Effects are not observed at present; 	<ul style="list-style-type: none"> Discouraging the disciplined taxpayers; 	+0.5	Assessments by authors;

6. SOCIAL DEVELOPMENT AND REFORMS

Social dialogue on employment

The major events registered in the period concerned include the merger of the two unionist confederations (the Confederation of Free Unions Solidaritatea and the Confederation of Moldovan Unions) into the National Confederation of Moldovan Unions (NCMU), with a total number of 720,000 members. The segregation of trade unions in December 2000 has permanently weakened the unionist movement in 2001-2006, with unresolved property conflicts compromising meantime the image of the organisations this way.

The merger of the two confederations could essentially improve the dialogue between Government and employers and the protection of rights and interests of employees. It is worth to note that a goal assumed by NCMU at the merger and constitution congress was "to make the lowest salary cover the minimum consumption basket."¹¹⁹ At the same time, the new organisation will be capable to reach this goal only if it keeps a real independence from Government.

It was symptomatic that the Government, Employers represented by the National Confederation of Employers and Trade Unions agreed before the merger on May 18, 2007 to modify the February 3, 2004 Collective Convention # 1 (at national level). The sides agreed in the new agreement to increase the tariff salary for the 1st qualification category, starting September 1, 2007 (for example, the tariff salary for employees of financially independent units will grow from 700 lei up to 900 lei).

Social protection

Important legislative and executive changes were observed in the social protection area in the 2nd quarter. In particular, the Government adopted on April 20 the minimum quality standards for care, education and socialisation of children from residential institutions.¹²⁰ The community of donors and active nongovernmental organisations that protect the rights of the child are promoting these standards for quite a long time. Overall, 23 standards establishing minimum quality requirements have been adopted, starting with principles of organisation of the child protection system in residential institutions and ending with evaluation of personnel of these institutions. It is strange that the Ministry of Education and Youth was empowered to control the implementation of these standards, not the Ministry of Social Protection, Family and Child (MSPFC). Or, these standards regulate elements related to **protection** of children from these institutions, which include a series of elements such as health, living standards, socialisation, participation in community life, etc., beside education, rather than elements linked to **education**. Thus, this decision reflects serious institutional shortcomings beyond the good intentions of Government. In spite of "rehabilitation" after a short integration with the Ministry of Health, MSPFC still lacks funds and human resources and does not have territorial units to monitor the implementation of central policies. Unfortunately, the role and responsibilities of MSPFC do not correspond to complexity of social problems faced by Moldova.

The national programme on rehabilitation and social integration of disabled people for 2007-2009 was adopted on April 25.¹²¹ The key goal of the programme is to promote **efficient measures** capable to prevent the incapacity, to encourage the rehabilitation and complete participation of disabled people in social life. At the same time, it is hard to believe that these efficient measures may be implemented in the limit of available finances, the way the programme stipulates. Superficial formulations and lack of an adequate financial planning make the impression that the programme was drafted in a hurry to mark the "elaboration" of a new programmatic document.

The studied period coincided with the electoral campaign for general local elections. In this context, a number of normative and legislative documents have been adopted to improve the protection of some social categories. In particular, the Parliament adopted on April 13 amendments to the Law # 121 from May 3, 2001 on additional social protection for war invalids, participants in the World War II and their families.¹²² The Law # 121 was modified again within two weeks, so that spouses, descendents or ascendants of participants in the cleanup of the Chernobyl catastrophe fall under its incidence. Finally, the legislature passed on May 11 new amendments to the Law # 121, increasing the monthly state allocations for beneficiaries.

Education

Several controversial decisions on education have been adopted. In particular, the Ministry of Education and Youth decided to limit the number of seats on faculties in educational institutions. On one hand, the desire of MEY to stimulate the admission at technical, medical and pedagogical faculties is reasonable. On the other hand, this objective must be correlated somehow with the persistent demand for economic and legal faculties.

The decree on creation of the University of the Moldovan Academy of Sciences was adopted in April.¹²³ The university will function as a state institution of higher education and will be financed from and in the limit of budgetary allocations for education stipulated for the Moldovan Academy of Sciences. We consider that this is a controversial decision because it fails to clearly establish the objectives which would justify the opening of a new institution of higher learning, not a better endowment of existing institutions. This decision is stranger on background of accreditation rigours imposed to private universities.

¹¹⁹ News "Members of the National Confederation of Moldovan Unions Elected the New Administration", published by Basa-Press News Agency on June 8, 2007;

¹²⁰ Government Decision # 432 from April 20, 2007;

¹²¹ Government Decision # 459 from April 25, 2007;

¹²² Law # 99 from April 13, 2007;

¹²³ Decree # 1093 by Moldovan president from April 23, 2007;

Health

A number of legislative acts and strategic and very important planning documents on health were adopted in the 2nd quarter. In particular, the National Programme on Mental Health for 2007-2011 was adopted on May 11. The adoption of this programme is a consequence of Moldova's joining to the Mental Health Declaration for Europe in January 2003. Unlike other programmes, the Mental Health Programme assesses the financial costs for implementation. Thus, the total cost of the programme for 2007-2011 is evaluated at 605 million lei, of which nearly 200 million lei lacks financial coverage.

The national programme called Transfusion Security and Self-Insurance of Country with Blood Products for 2007-11 is another exemplary document in terms of planning, establishing the targets and performance indicators and implementation and budgetary indicators in healthcare sector.¹²⁴ This programme costs approximately 260 million lei, of which more than 50 million lacks coverage.

At the same time, we think that the absent finances for both programmes can be mobilised in the period stipulated by programme, given the growing interest of the community of donors for Moldovan healthcare. Also, it is worth to note that the Ministry of Health is one of few sectoral ministries where the practice of planning the budgets of policies has become fertile.

The 2007-15 national programme on promotion of a healthy lifestyle was approved on June 12. Like the other two documents mentioned above, this programme contains a minute planning of future actions. Although the Ministry of Health is the key coordinator and observer of the programme, the document establishes a series of clear execution tasks for ministries and other central and local public authorities. The programme costs approximately 88 million lei, but it lacks a sustained financial coverage unlike the other two programmes which will be financed from public funds.

The Government adopted on May 17 the national programme on eradication of iodine-deficiency disorders until 2010. The document identifies the iodine-deficiency disorders both as a medical problem, and as a social-economic problem, which may be resolved by introducing and permanently maintaining the iodised salt. The programme establishes five precise and quantifiable goals capable to assess its success. Unlike the other three health programmes, this programme is not accompanied by a budgetary planning document, possibly because the planned actions stipulate administrative control and monitoring efforts rather than mobilisation of additional funds.

The Parliament has ratified the Framework Convention on Tobacco Control of the World Health Organisation.¹²⁵ At the same time, the convention was adopted with a series of derogations. In particular, Moldova states that the convention does not ban the growing of tobacco and does not restrict national subsidising policies. Moldova says that the convention must contribute to mobilisation of international financial and human resources to help developing and transit countries make viable the alternative activities in the context of national sustainable development strategies. Given these stances and paternalist policies of the Government toward domestic tobacco growing sector (policies of which processing companies have benefited more than tobacco growers), we think that the anti-smoking policies in Moldova will slowly advance in the predictable future. The rise of the tax for the licence needed to import cigarettes, planned by Government, will not significantly influence the behaviour of smokers, and some of them will choose domestic brands.

¹²⁴ Government Decision # 637 from June 7, 2007;

¹²⁵ Law # 124 from May 11, 2007;

Monitoring grid 6. Development and social reforms

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Social dialogue	<ul style="list-style-type: none"> The two unionist confederations merged; 	<ul style="list-style-type: none"> The impact is imperceptible so far; 	<ul style="list-style-type: none"> The IOM support for unification is a positive factor; Participation of trade unions in European projects is another positive factor; Political affiliation perceptions of the new party leadership are a negative factor; 	+1	Assessments by authors;
Social protection	<ul style="list-style-type: none"> Minimum quality standards for care, education and socialisation of children from residential institutions were adopted; 	<ul style="list-style-type: none"> The impact will be minor; 	<ul style="list-style-type: none"> The superposition of competences between MEY and MSPFC and deficit of human and financial resources for universal implementation of standards is the main factor which obstructs the progress; 	+0.5	Assessments by authors; NBM data;
	<ul style="list-style-type: none"> The national programme on rehabilitation and social integration of disabled people for 2007-09 was adopted; 	<ul style="list-style-type: none"> It is hard to assess it, but it is apparently minimal; 	<ul style="list-style-type: none"> The lack of a financial planning document and the lack of clear priorities are an essential factor which halt the progress; 		
	<ul style="list-style-type: none"> Amendments to the law on additional protection of some social categories; 	<ul style="list-style-type: none"> Medium, manifested through growth of allocations and extension of categories of beneficiaries; 	<ul style="list-style-type: none"> The electoral conjuncture objectives determined the changes. The effect on long term is minimal, while costs are high because of big errors of inclusion and exclusion of beneficiaries; 		
Education	<ul style="list-style-type: none"> Decision on opening of the University of the Moldovan Academy of Sciences; 	<ul style="list-style-type: none"> Short-term impact is minimal; 		0	Assessments by authors;
	<ul style="list-style-type: none"> Number of seats on faculties in institutions of higher learning is limited; 	<ul style="list-style-type: none"> Focus of graduates inflow on less prestigious but socially necessary faculties; 	<ul style="list-style-type: none"> A better public communication in the admission regulation process and building of a professional advising system could encourage the progress; 		
Health	<ul style="list-style-type: none"> Adoption of four national health programmes; 	<ul style="list-style-type: none"> The effect will be imperceptible on short term. The effects on long term will be strong and positive, if finances needed to cover the deficit are found; 	<ul style="list-style-type: none"> The successful adoption of financial planning practice for policies encourages the progress; 	+1	Assessments by authors;
	<ul style="list-style-type: none"> Ratification of the U.N. Framework Convention on Smoking Control; 	<ul style="list-style-type: none"> No perceptible effects in a predictable future; 	<ul style="list-style-type: none"> Presence of strong interests that compromise the anti-smoking fight halts the progress; 		

7. INTERNATIONAL TRADE

Commercial relations (Trade regime with EU)

A significant progress is observed in this area, with the process of awarding of the Autonomous Trade Preference (ATP) being at the "advanced" stage. Several rounds of negotiations took place this year.

Thus, Moldova is very close to receive the ATP from EU. For example, President Voronin told the Forum of Businessmen in April that these preferences could be awarded the next 6 months. In this context, the Moldovan authorities sought an assessment visit of experts of the European Commission (DG SANCO) to launch the export of a group of animal products (milk, eggs, meat) to the EU.¹²⁶ Meetings with experts of the EU Commission took place on June 6-7, 2007 and Moldova expects to gain the ATP in late 2007. The awarding of these preferences is now the topic of internal talks inside the EU. According to experts, the end of 2007 is the most realistic term for awarding of ATP.

At the same, benefices of a more preferential trade regime must not be underestimated. Some quotas will be introduced for strategic Moldovan exports of agricultural products and these deliveries will have to meet all European quality requirements. Successes in these areas are quite modest.

In addition, Moldova ratified in early May the CEFTA agreement, which includes 8 countries after Romania and Bulgaria have joined the EU, in particular, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia and Kosovo. Only Albania, Bosnia and Herzegovina have ratified the agreement so far. However, we fear that the agreement will have a marginal impact in commercial terms, given the limited potential of exchange of goods between Moldova and western Balkan countries.¹²⁷

Export promotion and development

Trends of changing the geographic structure and distribution of exports observed in early 2007 strengthened in the 2nd quarter of 2007. So, the commercial relations with EU are clearly intensifying (50.9 percent of the structure of exports in January-May 2007, compared with the similar period of 2006) on background of a strong decline of the trade with CIS and Russian Federation, in particular (15.3 percent, compared with 24.6 percent). At the same time, the geographic reorientation of exports is accompanied by changes in their structure. Thus, textiles (22.9 percent of all exports) have fortified their position of key Moldovan export, while the decline of spirits deliveries ranked these exports to the 3rd place in the structure of exports (16 percent), being defeated by vegetal products (17.6 percent).

At the same time, Moldovan authorities and companies have attended international bilateral business forums aimed to intensify the trade and investment activities. Thus, MIEPO assisted the participation of Moldovan companies in an industrial fair in Hanover (on April 16-20, 2007) and in the international fair London International Wine & Spirits Fair (on May 22-24, 2007).

In addition, three bilateral forums of businessmen took place. The first event, the Moldovan-Italian business forum was organised by the Ministry of Economy and Commerce, MIEPO, Chamber of Industry and Commerce and Italian National Foreign Trade Institute. Such a forum reflects both the increasing share of the Italian market for Moldovan producers and the growing interest of Italian entrepreneurs for investment opportunities in Moldova.

The second event - the festival of Moldovan culture and wine in Shanghai - aimed to promote the Moldovan wines and spirits in South-East Asia. The festival programme included a series of meetings between Moldovan winemakers and wine and trade companies based in China, Hong-Kong and South Korea. Representatives of companies based in Hong-Kong and South Korea sought such events in their countries as well. The promotion of Moldovan wines on dynamic markets in South-East Asia could significantly diversify the markets for our wines.

The situation of Moldovan wine exports to the Russian Federation is still uncertain. Apparently, following intense talks on political issues (Transnistrian conflict), the embargo seems to be withdrawn. At the same time, it is very unclear so far how the wines will be exported and which companies will be allowed to export them. According to Russian press reports, only companies controlled by Russian capital and Transnistria-based enterprises will enjoy the opening of the Russian market. The terms for "physical" appearance of Moldovan wines on Russian market are between September 2007 and early 2008. However, even if all Moldovan wineries are provided access to the Russian market, the wine exports will not be as large as before the embargo. More efforts will be needed for promotion, quality and price policy, in order to recover at least the former niche. Thus, the trend of augmenting the exports to EU will persist and the wine sector will have to undergo very important structural transformations.

Customs

¹²⁶ The Ministry of Agriculture and Food Industry has earlier approved the sanitary-veterinary norm on sanitary-veterinary requirements for production, trade with EU member states and importation of some food products and unprocessed eating products for pets from other countries.

¹²⁷ In addition, Croatia is negotiating the accession to the EU and it is expected to join the bloc in 2009, so that it will withdraw from this agreement after accession.

Important successes were registered in this area. The training and professional qualification of the Customs Service officers to ensure the certification and control of origin of goods is the key goal in continuation. A roundtable with participation of representatives of Moldovan authorities, EUBAM Mission and European Commission Delegation to Moldova was organised to inform and discuss the procedure with Transnistria-based entrepreneurs.

A plan on training of officers of the goods origin section of the Customs Service was worked out within the TACIS Project Border Management – Simplification and Harmonisation of Customs Procedures in Moldova. Four experts of the same section visited Latvia in May 2007 for this purpose.

Sanitary and phyto-sanitary standards

In order to fully benefit of liberalisation of trade with EU, Moldovan companies need a plenary adjustment of production processes to European quality and management systems. Progresses in this area are quite slow so far.

However, we note the adoption of a series of phyto-sanitary norms by Ministry of Agriculture and Food Industry to harmonise the national legislation with EU laws. The adoption of these norms is a condition to gain the ATP of EU and they cover many of our “sensitive” products.

Table 1. Harmonisation of national phyto-sanitary norms with European norms

Phyto-sanitary norm	European legislation
Sanitary-veterinary requirements for export and import of fowl and incubation eggs;	EC Directive 96/482/CEE;
Health requirements for production and introduction of milk, thermally treated milk and milk products on market;	EC Directive 92/46/CEE;
Establishing methods of analysis and testing of thermally treated milk for direct human consumption;	EC Directive 92/608/CEE;
Establishing health conditions which regulate the import and export of animals, seminal material, ovules and embryos from species unstipulated by specific legislation;	EC Directive 92/65/CEE;
Health and veterinary certification requirements for trade and export of sheep and goats;	EC Directive 91/68/EEC;
Health conditions of animals and model of veterinary certificate for export and import of fresh fowl;	EC Decision 94/984/EEC; EC Directive 91/494/CEE;
Health problems which regulate the production and sale of fresh fowl;	EC Directive 71/118/EEC; 92/116/EC;
Prohibition of use of some substances with hormonal or thyreostatic action and beta-agonist substances to raise farm animals;	EC Directive 96/22 CEE;

Also, we note that Moldova joined the European Committee for Standardisation (ECS) as a partner member in May 2007. We hope that this will ease the adjustment of Moldovan technical standards to European norms. It is worth to note that following countries hold the similar status (these countries are called partners, not members in ECS documentation) besides Moldova: Armenia, Australia, Bosnia and Herzegovina, Egypt, Russian Federation, Serbia, Tunisia, and Ukraine). The status of partner countries is awarded to national standardisation agencies which are ISO members, but they will unlikely become ECS partners or affiliated to ECS for geographic or political reasons.

Monitoring grid. International trade

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Commercial relations	<ul style="list-style-type: none"> Start of ATP awarding procedure; 	<ul style="list-style-type: none"> Enlargement of the range of products included in the free trade with EU; Geographic diversification of Moldova's foreign trade; "Sensitive" products will be admitted on basis of some quotas; 	<ul style="list-style-type: none"> Pro-active attitude of Moldovan diplomacy; Fulfilment of technical requirements of the European Commission by competent Moldovan bodies to gain he ATP; Readiness of the European Commission to liberalise the trade with Moldova; 	+1	MEC, MEPO, NBM, assessments by authors;
Export promotion and development	<ul style="list-style-type: none"> Maintenance of Russian commercial barriers against Moldovan wines; Promotion of Moldovan companies via international and bilateral business forums; 	<ul style="list-style-type: none"> Continued decline of wine industry; Decline of exports to Russian market; The impact is not evaluated; 	<ul style="list-style-type: none"> Stance of Russian authorities; 	0	Web resources; Statistics;
Customs	<ul style="list-style-type: none"> Better functioning of customs service; 	<ul style="list-style-type: none"> Implementation of the European origin certification system; Promotion of the "one-stop-shop" principle at all customs offices of Moldova; Permanent training of personnel of "goods origin" sections; Communication with Transnistrian exporters; 	<ul style="list-style-type: none"> Requirements for conduct of ATP awarding negotiations; Assistance of foreign partners (the United Kingdom, Lithuania); 	+1	Web resources; Execution of budget;
Sanitary and phyto-sanitary standards	<ul style="list-style-type: none"> Slow progress in implementing the 2005 veterinary recommendations by European experts; Adoption of a series of phyto-sanitary norms needed to adjust the legislation to EU norms; Joining to the European Committee for Standardisation as a partner; 	<ul style="list-style-type: none"> Perspective of conformation of Moldovan animal exports with requirements of community market; Facilitated adjustment of Moldovan technical standards to European norms; 	<ul style="list-style-type: none"> Institutional inertia and insufficient administrative capacity of specialised agencies; 	+0.5	

8. BUSINESS CLIMATE

Commercial Law Reform

No significant changes related to commercial law reform were registered in Moldova in the 2nd quarter of 2007.

Regulatory reform

The first round of the Regulatory Reform was successfully finished. The process of creation of regulatory reform units in local public administration was launched, and this will encourage the development of a favourable climate for entrepreneurship in future, if these units function efficiently.

As regards the second round of the Regulatory Reform, the special commission for the optimisation of the legislative framework for regulation of entrepreneurship decided on July 4 to extend the implementation term of this reform (Guillotine II). Thus, the law on basic principles of regulation of entrepreneurship will enter into force in late 2007, not on August 11, 2007, 12 months after publication of this law. According to commission members, this will ensure a quality approach and will identify a consensus and equilibrium between authorities and business environment. Also on July 4, the Government raised a package of arguments to the special commission, which seek amendments to more than 80 laws that regulate the entrepreneurship.

According to the annual research Business Code released by nongovernmental organisation International Development Alternatives and worked out in March-April 2007, the situation has improved, particularly regarding the registration of businesses, issuance of sanitary authorisations and certificates. The number of controls decreased in continuation this year, compared with the past years. However, the summary duration of controls did not change because the medium duration of a visit has grown.

The creation of the organisation for the development of small and medium businesses,¹²⁸ which aims to implement sustenance strategies and programmes for small and medium enterprises, is an important step toward supporting this sector. However, we may expect a good functioning only if adequate funds are allocated for small and medium business sustenance programmes. Otherwise, we must not expect better results than those obtained by predecessor of this organisation – the entrepreneurship sustenance and small business development fund.

A new small and medium business sustenance and development programme is being implemented by Moldovan Ministry of Economy and Commerce, with the support of Japan's Government to support the efforts aimed at structural economic adjustments. The programme is aimed to facilitate the purchase of a wide range of production equipment by subjects of the small and medium business sector.

In order to simplify the fiscal procedure, the Law # 82-XVI from March 29, 2007 on modification and completion of some legislative acts was approved, so that individual entrepreneurs, farms which have 3 workers on average in a fiscal period and are not registered as VAT payers before March 31 of the next fiscal period, were obliged to present unified reports.

Fiscal framework

The Medium-Term Expense Framework (MTEF) for 2008-2010 was approved under the Government Decision # 756 from July 2, 2007. The MTEF stipulates the following key changes for the fiscal policy:

- The tax on reinvested profit will be 0 percent, while the benefice distributed between shareholders or associates under the shape of dividends will be charged 15 percent;
- Starting 2008, two taxation shares will be applied on incomes of individuals. People with an annual taxable income of up to 25,200 lei will pay a 7-percent tax, while the revenue higher than 25,200 lei will be charged 18 percent. The non-taxable income will also grow. Thus, the annual personal exemption will grow by 900 lei every year, while the annual exemption for maintained persons will increase by 120 lei.
- The social insurance quota will remain 29 percent of the labour remuneration fund in 2008-09, and it will be redistributed in continuation between employer and employee. The employer will pay 24 percent and the employee will pay 5 percent in 2008. The mandatory health insurance premium will grow from 5 percent in 2007 up to 6 percent in 2008 and 7 percent in 2010, being divided into equal shares between employer and employee.
- Starting 2008, the system of restitution of VAT afferent to securities, services related to long-term capital investments (expense) (except for those for housing and vehicles) made in localities of the republic except for Chisinau and Balti municipalities will be introduced.

¹²⁸ The organisation was created under Government Decision # 538 from May 17, 2007;

- Expense priorities are linked to the rise of salaries in budgetary sector, growth of transfers to budgets of administrative-territorial units.

The 2007 state budget was modified, as higher revenues than planned in the first months of this year were collected to the state budget.¹²⁹ Thus, the state budget revenue on all components will count for 12.708 billion lei, while expenses will amount to 12.781 billion lei. The budget deficit counts for 72.9 million lei. The budget foresees 150 million lei for the salary programme in budgetary system.

¹²⁹ Under Law # 132 from 14.06.2007 on modification and completion of the 2007 State Budget Law # 348-XVI from November 23, 2006;

Monitoring grid 8. Business climate

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Regulatory reform	<ul style="list-style-type: none"> Proposal on modification of more than 80 laws which regulate the entrepreneurship; 	<ul style="list-style-type: none"> Imperceptible; 	<ul style="list-style-type: none"> Extension of the term for implementation of the second stage of the Regulatory Reform by the end of 2007; 	+0.5	MEC, assessments by authors;
	<ul style="list-style-type: none"> Creation of the organisation for the development of small and medium businesses; 	<ul style="list-style-type: none"> Imperceptible for the time being; 	<ul style="list-style-type: none"> The 2007 state budget foresees 3 million lei for the implementation of the state small and medium business policy; Role and higher status compared with its predecessor – the entrepreneurship development and small business sustenance fund; 		
Competiton	<ul style="list-style-type: none"> The agency for the protection of competition began its activity; 	<ul style="list-style-type: none"> Imperceptible; 	<ul style="list-style-type: none"> Interests of monopolists; 	0	
Fiscal Framework	<ul style="list-style-type: none"> The rise of state budget revenues by 16.7 percent over the plan for the first 4 months of this year; 	<ul style="list-style-type: none"> Following factors allowed the revision of state budget expenses: rise of allocations for growth of salaries in budgetary sector and transfers to budgets of administrative-territorial units for financing of arrangement; 	<ul style="list-style-type: none"> Higher share of income taxes, VAT and excises in state budget revenues; 	+1	Ministry of Finance, assessments by authors;
	<ul style="list-style-type: none"> Important changes in the tax policy for 2008-2010; 		<ul style="list-style-type: none"> Maintenance of European standards in establishing the income tax for individuals; 		

9. MARKET INSTITUTIONS

Capital market

The Action Plan seeks some measures needed to create a prudent regulatory framework for financial and supervision markets, which would be equivalent to the one of the EU. We have noted in the precedent issue that the adoption of a new law on insurance in April was a significant evolution. According to the new law on insurance, the minimum registered capital of companies providing general insurance services must be at least 15 million lei, life insurance services – 22.5 million lei and reinsurance services 30 million lei.

At the same time, the implementation of new cautious norms would suffer if a competent and strong supervision institution was absent. The adoption in June of legislative amendments, which created the National Commission of Financial Market (NCFM), is an important progress in this respect. NCFM aims, in particular, to ensure the stability, transparency, security and efficiency of the non-banking financial sector, prevent systemic risks and manipulation on non-bank financial market, protect the rights of participants in the non-bank financial market. The authority of the National Commission extends on participants in the non-bank financial market, which include securities issuers, investors, the insured, self-regulation organisations on securities market, the National Bureau of Motor Vehicle Insurers of Moldova, members of savings and loan associations, clients of microfinance organisations, professional participants in securities market, professional participants in insurance market, non-state pension funds, savings and loan associations, microfinance organisations, mortgage credit organisations and offices of credit stories. Competences of NCFM are similar as extension and function with functions of NBM on market of bank financial services.

At the same time, it is clear that NCFM will be able to execute its functions only if it has professional personnel. The first composition of NCFM was criticised because it was made of professionals of police and control bodies rather than of professionals who understand the non-bank financial services. We will see if this particularity will simplify or complicate the “order” of the market, in particular, the implementation of the new minimum registered capital norms for insurance companies.

The adoption of the Corporate Governing Code, which is a special obligation assumed by Moldova by signing the EUMAP is an important accomplishment. It is interesting that the code was adopted by National Commission for Securities¹³⁰ and recommends joint stock societies for accession. The code explains the corporate governing principles on rights of shareholders, responsibilities of managers, remuneration, independence, financial transparency and foreign audit. Even more, the code contains a series of positive practices recommended to joint stock societies to maintain goods relations between board of societies, executive body, shareholders and associates of companies. At the same time, the fact that the code has a recommending nature, though it was approved via a normative act, could complicate the implementation of this document.

Banking

Apparently contradictory evolutions were registered in the banking in the 2nd quarter of 2007. All financial consolidation and prudence indicators have improved. Domestic banks have signed foreign crediting contracts with some international or foreign banks. At the same time, interest rates on credits continued to grow, contrary to expectations of producers. The interest rates rose from 18.32 percent in February up to 18.98 percent in June, it means at the level of two years ago.

These evolutions are linked to increasing inflationist anticipations of bankers. These anticipations have intensified in spite of encouraging signals of NBM, which lowered its basic inflation rate (REPO) by one percentage point in April.¹³¹ At the same time, the lack of finances on long term is another factor that influences the crediting conduct of Moldovan banks. Concerned to attract more resources, commercial banks increased the interest rates on deposits in the 2nd quarter. The interest rates rose from 13.94 percent in February up to 15.49 percent in June.

Energy sector

Mixed evolutions were observed in the energy sector. On one hand, Moldova has drafted and delivered a new energy strategy until 2020 to the European Commission.

On the other hand, all important energy enterprises were withdrawn from privatisation programme, being called as objectives which cannot be privatised. This controversial decision was apparently made under pressures of energy players, not after rigorous economic calculations or with the purpose to ensure the energy security of the country. The thermal power plants which provide at least one third of the electricity consumed in Moldova are generators of losses rather than of electricity. The state lacks funds to invest in these plants but it refuses to sell them.

¹³⁰ Decision # 28-6 by National Commission for Securities from June 2007;

¹³¹ Decision # 87 by NBM Management Board from April 12, 2007;

The proposal launched by the Ministry of Industry and Infrastructure in the 2nd quarter to postpone the liberalisation of the energy market till 2015 is a controversial evolution. Although this initiative is argued by the need of “preparing the reforms”, it could violate the South-East European Energy Community Treaty initialled by Moldova in October 2005, if the legislature passes it in the final reading. Although our country did not ratify the treaty, the (repeatedly) postponed fulfilment of commitments could compromise the participation of Moldova in European energy projects and agreements.

Chisinau hosted in June the meeting of the Energy Chart Secretariat Group, with the participation of about 50 member states of the Chart. That was an opportunity for Moldova to demonstrate the seriousness of its appeals to ensure the energy security in the European integration context and to promote its image in Europe. Unfortunately, the chance was failed and the event was an organisational failure, according to specialists.¹³²

Infrastructure of quality

No significant evolutions were registered in this important area.

¹³² „Failure at the Chisinau Meeting of the Energy Chart Secretariat” published by Vasile Sarbu in Magazinul Economic ECO.

Monitoring grid 9. Market institutions

Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
Financial market	<ul style="list-style-type: none"> The law on insurance, a special condition from EUMAP, was adopted in April; 	<ul style="list-style-type: none"> The impact is imperceptible so far, but it will be manifested via restructuring of market till the end of 2007; 	<ul style="list-style-type: none"> The interest of foreign insurance companies to invest in domestic insurance market encourages the progress; The fact that the regulatory and supervising authority is not fully functional halts the progress; 	+1	MEC, MF, CNS, assessments by authors;
	<ul style="list-style-type: none"> Creation of the National Commission for Financial Market, an implicit condition of EUMAP; 	<ul style="list-style-type: none"> The impact will be perceptible only after a complete functioning of NCFM; 	<ul style="list-style-type: none"> The need of implementing the EUMAP provisions encourages the progress; At the same time, the fact that participants in financial market perceive the NCFM members as non-professionals could compromise the progress; 		
	<ul style="list-style-type: none"> Adoption of the Corporate Governing Code, another important provision of EUMAP; 	<ul style="list-style-type: none"> The impact will be determined by number of private companies which will join the code; 	<ul style="list-style-type: none"> The fact that more domestic companies join the international business networks could encourage the progress in implementing the code; But majority of companies feel themselves estranged by this code, as their business culture being formed; 		
Banking	<ul style="list-style-type: none"> Indicators of consolidation of banks are improving; 	<ul style="list-style-type: none"> Attractiveness of the banking for foreign investors is growing; 	<ul style="list-style-type: none"> Both the rigorous supervision policy of NBM and the desire of commercial banks to ensure high performances in a more competitive bank environment fuel the progress; 	+0.5	Assessments by authors; NBM data;
	<ul style="list-style-type: none"> Interest rates on credits and deposits are growing; 	<ul style="list-style-type: none"> The bank credit is becoming less accessible and discourages investments of some micro and small enterprises; 	<ul style="list-style-type: none"> NBM reduced the REPO rate by one percentage point; But banks still are not very confident over inflationist prospects; 		
Energy sector	<ul style="list-style-type: none"> The energy strategy of Moldova for 2007-20 was delivered to the European Commission; 	<ul style="list-style-type: none"> If it is considered feasible, the strategy will serve as a basis for mobilisation of foreign investment resources for modernisation of the national energy system and will enhance Moldova's chances to be accepted in European energy projects and agreements; 	<ul style="list-style-type: none"> Imperceptible; 	-0.5	Assessments by authors;
	<ul style="list-style-type: none"> The liberalisation of energy sector was postponed for 2015; 	<ul style="list-style-type: none"> Moving off Moldova's perspectives to join the Energy Treaty of the European Commission; 	<ul style="list-style-type: none"> Lack of necessary institutional infrastructure for liberalisation of commercial relations between energy producers and consumers; 		
	<ul style="list-style-type: none"> Introduction of energy companies in the list of enterprises which cannot be privatised; 	<ul style="list-style-type: none"> Attractiveness of enterprises from this sector for foreign investments is declining and this fact may undermine the energy security of the country on short term; 	<ul style="list-style-type: none"> This evolution is due to the very strong and uncontrolled corporate interests in energy sector which play in detriment of national interests; 		
Infrastructure of quality	<ul style="list-style-type: none"> Important evolutions were not signalled; 	<ul style="list-style-type: none"> Imperceptible; 	<ul style="list-style-type: none"> Imperceptible; 	0	Assessments by authors;

10. BORDER, MIGRATION AND HUMAN TRAFFICKING

State border guard concept

The process of updating the national legislation on provisions of the 2003 state border guard concept has continued with delays. The Parliament has passed in the first reading the **draft law on Border Guard Service**. The draft was elaborated by a working group of the Border Guard Service (BGS) to establish the legal, economic and organisational bases for activity of BGS. The draft regulates aspects of the status, destination, general structure, management bases and principles of activity of BGS, which is in charge with protecting and controlling the border. According to draft developers, the document was studied by EUBAM and the proposals of this mission were taken into consideration when the document was drafted.

A first draft **2007-10 state border guard concept** was elaborated, but it will be finalised after the national security concept of Moldova will be approved. According to the Parliament's Legislative Plan, the new state border guard concept should be adopted in the last quarter of 2006. Also, the national state border management strategy is being drafted.

Cooperation between border management agencies

Many progresses have been registered at this chapter, especially thanks to the work of EUBAM and BOMMOLUK Programme coordinated by this mission.

The 9th Meeting of the **EU-Moldova Cooperation Council** has highly appreciated the accomplishments of EUBAM and welcomed the two-year extension of the mission's mandate until 2009. The activity of EUBAM was also appreciated during visits of high-ranking European dignitaries and representatives of European border guard and customs services.

The 6th Meeting of the **EUBAM** Consultative Council has outlined progresses in strengthening the capacity of Moldovan and Ukrainian border guard services, continuing structural and management reforms, organising training programmes and providing technical assistance. The mission has organised training activities for Moldovan and Ukrainian customs services and study visits to border crossing points. Also, the mission continued assisting the BGS to reorganise and create a new Border Guard College.

A series of study visits to Greece, Croatia, Austria and Macedonia were organised within the EUBAM-coordinated **BOMMOLUK Programme** for customs and border guard services of Moldova and Ukraine to teach them the good European practices and integrated border management.

The third Joint Border Control Operation, with the participation of customs and border guard services, representatives of interior, security and fiscal bodies of Moldova and Ukraine, as well as competent services of EU and some neighbouring countries, was organised to strengthen the cooperation between agencies under the EUBAM aegis. The operation was successful, demonstrating advantages of cooperation between agencies from neighbouring states in ensuring an efficient border control.

Continuation of Soderkoping process and regional cooperation

The Border Guard Service has attended an international symposium on operational security cooperation at European borders, organised by the European Agency FRONTEX.

The BGS director-general has attended the 15th plenary session of the international conference on border matters, and he signed the **protocol of cooperation between the Border Guard Service of Moldova and the Border Guard Service of Hungary** with his Hungarian counterpart. Also, a meeting with the **FRONTEX** executive director held during the conference focussed on development prospects of bilateral cooperation aimed at the struggle against transborder organised crime, illegal migration, and other illegal activities at the border.

Also, a meeting of border guard services from **GUAM** member states took place in the period concerned, with participants discussing ways to implement joint agreements and initiatives on border security, inclusively the opening of the Virtual Centre called GUAM Interstate Information-Analytical System. The sides agreed to continue the cooperation of border institutions of GUAM member states and approved the action plan for 2008.

Assessment and monitoring of migration

As we have noted in the precedent issue of Euromonitor, the Bureau for Migration and Asylum is in charge with formal record of migration in Moldova starting January 1, 2007. Subdivisions created in the Ministry of Interior Affairs (MIA) and the Ministry of Economy and Commerce exercise the prerogatives of the former National Bureau for Migration dissolved in 2006. Respectively, the Bureau for Migration and Asylum was created in MIA to draft and implement state policies on migration and asylum and to monitor the migration inflows and award the status of migrant or repatriated person. The bureau will also be in charge with awarding the status of refugee and issue identity acts to refugees, issue invitations for foreign citizens and stateless persons, issue entry and exit visas, extend the validity of entry visas, expel and extradite foreign citizens and stateless people, etc.

At the same time, the section for migration policies with two new structures – the Unit for the Labour Migration Policies and the Directorate for the Implementation of Labour Migration Policies as part of the National Employment Agency – was created to advise MEC. They are in charge with drafting labour force migration strategies, negotiating and signing bilateral agreements on labour force migration and social protection of immigrant workers, as well as with issuing, extending or annulling labour permits of foreign citizens and stateless persons. Joint projects with competent organisations and international assistance agencies have restarted after these institutional restructurings.

International collaboration

Joint projects such as the project on optimisation of remittances,¹³³ implemented by the International Organisation for Migration (the Mission to Moldova), the Ministry of Economy and Commerce and the International Labour Organisation, with the financial assistance of the European Commission, will improve the monitoring of processes. The project aims among others to work out a national remittance programme, improve the collection of data on remittances, hold information campaigns to promote legal money transfer channels, teach emigrants and their families to start up business, etc. It is worth to note that the study Migration and Remittances. Moldova 2006, worked out by IOM with the support of SIDA was released in the period concerned. The study particularly focuses on assessment of migration inflows and remittances. Moldovan authorities have promised to negotiate bilateral agreements on labour force migration and social protection of Moldovans working abroad with European states. So far, Moldova has signed such agreements with CIS member states, including Russia, Ukraine, Azerbaijan, etc.

Moldovan authorities held events in the 2nd quarter of 2007 to discuss problems of Moldovans working abroad. In particular, Chisinau hosted in late April the first working sitting of consular functionaries of EU diplomatic missions, as well as of Croatia, Turkey, Serbia, Montenegro, Canada and the United States to Moldova, who discussed, in particular, the legalisation of Moldovans working abroad and the facilitation of visa regime. Also, Moldovan diplomats attended in May the high-level conference on Migration – Integration and Visions for a European Policy, which took place in Salzburg, Austria. Of course, these events and international cooperation will help resolve some problems, strengthen the migration control and management. In this context, the consolidation of cooperation for migration management and free move will be a priority of Moldova during the 2008-09 South East European Cooperation Process (SEEC) Presidency.

Correlation of internal legislation with European laws

Also in the precedent issue we have noted the importance of building the *automatic integrated migration information system* (AIMIS). Problems related to creation of this system have been discussed at sittings of the **commission for the coordination of some activities linked to migration process in Moldova**, which is a governmental permanent control and coordination body chaired by deputy prime minister, minister of foreign affairs and European integration. Many governmental structures, including MIA as beneficiary jointly with the Ministry of Information Development, Ministry of Foreign Affairs and European Integration, Ministry of Economy and Commerce, Border Guard Service, Customs Service and Information and Security Service are elaborating the AIMIS. They are due to create and implement the AIMIS (departmental information resource within basic information resource called state register of population) by September 1, 2007.

Sittings of the expert group for the creation of AIMIS (EGAIMIS) take place starting June 2007, beside sittings at level of ministers. EGAIMIS under the MID aegis made the inventory of institutional migration information resources, drafts the AIMIS concept and technical tasks, which will be finished by September 1, 2007. At the same time, two draft laws have been worked out, in particular, the law on labour force migration (drafted by MEC) and the law on status of foreigner (drafted by MIA) on basis of EU standards. The Government is to examine and adopt these drafts.

In addition, the adoption of the draft law on Border Guard Service in the first reading in the 2nd quarter of 2007 is an important legislative step. The draft aims to regulate aspects of the status, destination, general structure, bases of management and principles of activity of the Border Guard Service, which is in charge with protecting and controlling the border. Of course, the law has direct tangencies with migration, since this is a priority of the EUMAP, while developers of the draft law assure that this document corresponds to community standards and regulations, it was “coordinated with EUBAM” and its implementation “will not require additional expenses.”¹³⁴

Visa policies

The Joint EU Visa Issuance Centre opened on April 25 (in the Hungarian Embassy). It issues visas for Hungary, Austria, Latvia and Slovenia. Denmark, Finland, Estonia and Belgium, Croatia, Iceland, Cyprus, and Luxembourg intend to join the first group of countries. Further progresses in consolidating the centre will depend on Moldova’s successes in the EUMAP implementation process, firstly in the migration management area. In addition, the two agreements between EU and Moldova concerning facilitated visa issuance and readmission of illegal migrants were initialled in the 2nd quarter of 2007 and they will be enforced by the end of 2007. They will be signed this year (autumn 2007), so that to enter into force by December 31, 2007. Also, the National Action Plan on Facilitation of Visa Regime with EU was drafted and approved under Government Decision # 1306 from 13.11.2006. The plan is being implemented.

¹³³ www.iom.md;

¹³⁴ <http://www.e-democracy.md/e-journal/20070630/>;

According to the MFAEI, the first agreement sets up a cooperation framework for prevention and combat of illegal migration, while the second document stipulates a series of facilities for issuances of EU visas for Moldovan citizens. The facilities include the maintenance of the 35-Euro price for a visa (compared with 60 Euros); free visas for several categories of Moldovan citizens, especially students, transporters, retirees, journalists, businessmen, etc. The facilitated visa issuance agreement also stipulates the bona fidae principle, so that persons who have been issued EU visas and respected the stay conditions could obtain multi-entry visas for at least one year. The agreement also stipulates free visas for Romania and Bulgaria before accession of these countries to the Schengen area. Gaining the consent of member states to entrust European Commission officials to negotiate a facilitated visa regime and to sign the readmission agreement is a diplomatic success for Moldova. The Moldovan diplomacy has actually completed the negotiations with the European Commission regarding the visa facilitation and readmission agreements. However, we must take into consideration the fact that the negotiated agreements must undergo a long ratification procedure.

Human trafficking: current trends

We could not make a relevant quantity analysis because of insufficient statistics on human trafficking for the 2nd quarter of 2007, but we may assess that the situation in the area is better than formerly. Operative reports and press releases of the Centre for the Combat of Human Trafficking (CCHT),¹³⁵ which show that the police have annihilated and combated criminal groups involved in trafficking in persons, are a proof that the situation in the area is relatively better compared with the precedent periods. However, this may be only an appearance and the phenomenon may grow in future.

Prevention of human trafficking and assistance of victims

Several seminars on participation of priests and religious institutions in preventing and combating the human trafficking took place in the 2nd quarter. For example, CCHT officers jointly with representatives of the International Organisation for Migration Mission to Moldova have attended a seminar on mobilisation of priests in preventing and combating the human trafficking, in Ungheni in May, as part of the campaign for prevention and information of religious servants over trafficking in persons and illegal migration.¹³⁶ The primordial goal of these seminars was to raise the awareness of priests over risks of human trafficking, to cultivate a tolerant attitude toward victims in laic and religious community and to involve clerks in promoting messages against human trafficking.

In this respect, representatives of churches will be trained at about 40 regional information seminars and 4 preparatory forums for community actions. A compilation of sermons will be elaborated and the guide *Prevention of Human Trafficking Via Pastoral and Didactic Activities* will be reedited, and a mini-grant programme for the prevention of human trafficking by religious institutions at community level will be financed. These seminars are part of a project implemented by IOM jointly with the Partnership Programme for Moldova of the World Council of Churches, which includes the Orthodox Church of Moldova (the Metropolitan Church of Moldova and the Metropolitan Church of Bessarabia), the Romano-Catholic Church, the Union of Christian Evangelistic, Baptist Churches and the Lutheran Evangelic Church of Moldova.

In addition, organisations assisting victims of trafficking have held seminars on prevention of trafficking in human beings in the period concerned. Volunteers of the International Centre La Strada¹³⁷ held about 250 seminars in January-June 2007. More than 2,500 young men and women aged between 15 and 25 years attended seminars on prevention of risks of trafficking. As a rule, the seminars take place in secondary, high schools, colleges, and newest, in technical-professional schools in the Chisinau municipality (on basis of a programme coordinated with the Municipal Directorate for Education and Youth), and in educational institutions nationwide at the request.

At the same time, the First National Workshop in Moldova took place in Molovata Noua (Dubasari district) on June 11-12, 2007, as part of the Programme on Sustenance and Development of Transnational Referring Mechanism (TRM) for Trafficked Persons from South East Europe, which aimed at elaborating standards of assistance of victims of human trafficking. The participants (representatives of MFAEI, MIA, Prosecutor-General's Office, IOM and International Centre La Strada) studied draft normative acts in the area, discussed possible scenarios on identification of victims of human trafficking outside and inside of Moldova, worked out initiatives on delivery of information about all trafficking cases to the National Coordination Centre directly from every organisation which helps identify the victims of trafficking in persons. All participants agreed that specialists of any organisation which is in touch with border guards, mayoral functionaries, representatives of employment agencies, doctors, etc., may identify beforehand the victims of human trafficking, but only officers of specialised police subdivisions, social assistants or psychologists of a state social service or specialised NGOs may definitively identify the victims of trafficking in persons.¹³⁸

Several centres for assistance and protection of victims of human trafficking have opened at regional and community levels, while the Government approved the framework regulation on organisation and functioning of these institutions. Victims of human trafficking will benefit of protection and temporary accommodation in these centres, as well as of socialisation and reintegration into family and community. The Ministry of Health and Social Protection monitors the work of these centres. The National Reference System for victims of trafficking was created and implemented in the period concerned and the type-regulation for district commissions is being drafted and will be delivered to the Government for examination.

¹³⁵ http://www.mai.md/trafic_ro/;

¹³⁶ Idem;

¹³⁷ <http://www.lastrada.md/>;

¹³⁸ For relevant human trafficking statistics, visit <http://www.lastrada.md/date/statistica/cdc/>;

Coordination of actions and combat of phenomenon

The situation related to coordination of actions and combat of the phenomenon progressed in the 2nd quarter due to efficient cooperation between state structures, police bodies and competent organisations.¹³⁹ Even more, seminars and roundtables took place, with authorities declaring their interest to control the migration and assured that they are looking for permanent and efficient mechanisms for exchange of information about illegal migration. In addition, we must note the importance of the EU Border Assistance Mission (EUBAM) to Moldova and Ukraine¹⁴⁰ in preventing the human trafficking, as well as the initiative of MFAEI to create and coordinate an integrated automatic information system between the Ministry of Information Development, Ministry of Economy and Commerce, Border Guard Service and Information and Security Service, which would also monitor the illegal migration. Missions and organisations which evaluate and monitor this phenomenon have held conferences and training seminars¹⁴¹ to prevent and combat the trafficking in human beings.

However, the multitude of cases discovered in the period concerned reveals that this phenomenon is still grave and serious, in particular, cases of transborder trafficking. For example, the biggest network of trafficking of migrants from Moldova to Italy called Luciano, made of six Romanians and several Moldovans, was annihilated thanks to an efficient cooperation between competent bodies of Moldova and the Border Police (the Unit for the Combat of Organised Crime, SRI in counties of Iasi and Suceava). Investigators found out that more than one hundred Moldovans have been trafficked for amounts between 3,500 and 4,500 Euros each. The six leaders of the network have been preventively arrested for association with an organised crime group and trafficking in migrants, and they will be sentenced later. However, investigations on this case go on, in order to identify all those who recruited the “clients” in Moldova. Also, the Greek police have discovered a large network of pimps made of Moldovan, Greek, Ukrainian and Kazakh citizens who recruited young women from the former Soviet Union for prostitution purposes.

¹³⁹ Prosecutor-General's Office www.procuratura.md, MIA www.mai.md, etc.;

¹⁴⁰ www.eubam.org;

¹⁴¹ For more information, visit www.iom.md, www.migrație.md, www.lastrada.md, etc.;

Monitoring grid 10. Border, migration and human trafficking

Indicators / Areas	Evolutions / involutions 2 nd Quarter of 2007	Practical impact of changes	Factors encouraging/discouraging the progress	Quantification of progress in 2 nd Quarter of 2007	Sources used for assessment
State border guard concept	<ul style="list-style-type: none"> The draft law on Border Guard Service was adopted in the first reading; The draft state border guard concept for 2007-2010 is being elaborated; 	<ul style="list-style-type: none"> Updating of legislation in line with the 2003 state border guard concept is late and this fact slows down the modernisation of BGS; 	<ul style="list-style-type: none"> Assistance of European experts for concluding and applying the legislation in line with European standards; 	+0.5	BGS, EUBAM;
Cooperation in border management and control	<ul style="list-style-type: none"> Assistance of EUBAM for border guard and customs services under the shape of training, consulting, technical assistance and equipment; Four study visits BOMMOLUK aimed at studying good European practices and integrated border management; Joint border control operation with the participation of border guard, customs, interior, security and fiscal bodies of Moldova and Ukraine in cooperation with European agencies and states; 	<ul style="list-style-type: none"> Growth of capacities and technical endowments of customs and border guard bodies, inuring to European practices and Schengen standards, consolidation of cooperation with Ukraine; Consolidation of cooperation between border control agencies; Reduction of illegal trade and crimes registered at the Moldovan-Ukrainian border, including the Transnistrian segment; 	<ul style="list-style-type: none"> Support of EUBAM, EU, BGS of Moldova and Ukraine; Delayed reformation of BGS and Customs Service and adoption of an updated legislative framework; 	+1	EU, MFAEI of RM, BGS, EUBAM (www.eubam.org) Soderkoping Secretariat;
Soderkoping process and regional cooperation	<ul style="list-style-type: none"> Participation of BGS in European and international meetings, signing of a cooperation protocol with border guard service of Hungary; Participation in the process of cooperation with GUAM border guard services; 	<ul style="list-style-type: none"> Growth of regional, European and international cooperation for a better administration of transnational risks (illegal migration, human trafficking, smuggling, etc.) and a more efficient border control; 	<ul style="list-style-type: none"> Activity of EUBAM, collaboration with FRONTEX; 	+1	Soderkoping Secretariat, EUBAM;
Monitoring and assessment of migration	<ul style="list-style-type: none"> Better monitoring and assessment of migration by specialised structures with missions to Moldova (IOM, ICMPD, OSCE, Winrock, etc.); Good work of newly-created structures for migration monitoring and management (subdivisions of MIA and MEC); Process of creation of the Automatic Integrated Migration Information System; 	<ul style="list-style-type: none"> International cooperation in migration sector; Moldova's participation in AENEAS Programme; Consolidation of capacities in implementing migration and asylum policies; Organisation of seminars, conferences and workshops on migration; Imperceptible for the time being, but with optimistic expectations promptness of data; 	<ul style="list-style-type: none"> Local and international collaboration between specialised structures and authorities; EUBAM support; Institutional inertia of structures participating in this process is still felt; 	+1	MIA (BMA), IOM Chisinau, OSCE, MEC;
Visa policies and alignment of legislation to EU norms	<ul style="list-style-type: none"> Opening of the Joint EU Visa Issuance Centre; Initialling of readmission agreements with EU; 	<ul style="list-style-type: none"> Optimisation of the process of visa issuance for some EU members; Accession of new states to JVC; Temporary limited framework; 	<ul style="list-style-type: none"> Efficient cooperation between EU officials and Moldovan authorities; MFAEI efforts; 	+0.5	MFAEI, EC, EU diplomatic missions to RM, etc.;
Prevention of human trafficking and assistance of victims	<ul style="list-style-type: none"> Efficient cooperation between international and national missions in preventing and assisting victims of human trafficking; Opening of centres for assistance and protection of victims of trafficking in persons at community level; Participation of religious servants in preventing the human trafficking; 	<ul style="list-style-type: none"> Seminars and workshops on human trafficking and victims of this phenomenon; Financial and logistic contributions of international organisations to prevention and assistance of victims of trafficking in persons; Raising awareness of citizens; 	<ul style="list-style-type: none"> Collaboration between state bodies and relevant competent organisations; Implementation of the regulation on organisation and functioning of specialised institutions; 	+1	LaStrada, MIA (CCTP), OSCE, OIM, etc;
Coordination of actions and combat of phenomenon	<ul style="list-style-type: none"> Better collaboration between state structures, police bodies and competent organisations in the area; Filing of cases and higher number of persons tried on human trafficking charges; More intensive development of international cooperation; 	<ul style="list-style-type: none"> Mass media was more receptive to mediation of human trafficking cases; Receptiveness of police structures; Quality of some lawsuits leaves much to be desired; Experience; More promptness; 	<ul style="list-style-type: none"> Intensive activity of Moldovan NGOs which assist victims of human trafficking; Non-determination of mode of committing the crime; 	+1	MIA, Prosecutor-General's Office.

ABOUT PROJECT AND ORGANISATIONS

This report is published as part of the project "The European Union - Republic of Moldova Action Plan: A document accessible to public (2nd phase)". The project is being implemented by two non-governmental organisations: ADEPT and EXPERT-GROUP, and it is financed by Soros-Moldova Foundation. The concept of this project was born in a dynamic political context, which was determined by political, economic, and social factors. In this context, implementation of the EU-Moldova Action Plan will be a complex and an important task as well. The Government, the MFAEI, and other central public authorities will play a key role in the enforcement of this Plan. And the civil society, too, plays an important role both in promoting the Plan in society and in monitoring the implementation process.

Under these circumstances, the project is meant to create a wide and open framework for promotion of debate in Moldovan society concerning the implementation of the Action Plan. It bears therefore two objectives:

Objective 1: Improving knowledge about the EU-Moldova Action Plan among nongovernmental organisations and society in general, in order to facilitate their participation in discussion regarding Moldova's European policy.

Objective 2: Lobbying for adoption of public policies via the analysis and expertise in areas envisaged by the EU-Moldova Action Plan, in a way that makes the process more efficient, more transparent, and more focussed on achieving the actions described in the Plan.

The Association for Participatory Democracy ADEPT is a non-government, not-for-profit, independent, and non-partisan organisation, which is acting in the Republic of Moldova. ADEPT was registered in January 2000. It has gained status of an organisation working for public benefit. ADEPT is an analytical and practical centre that offers expertise in electoral and democratic processes in Moldova, in South-Eastern Europe, and in the Commonwealth of Independent States. The mission of ADEPT is to promote and to support citizen participation in all aspects of public life.

EXPERT-GRUP is an independent think tank that acts in the Republic of Moldova. Being a nongovernmental organisation, EXPERT-GRUP is not affiliated politically to any party and it decides independently on its institutional strategy. The mission of EXPERT-GRUP is to contribute to the economic and democratic development of Moldova and to consolidation of Moldova's international competitiveness. The organisation uses analyses and research at international quality standards as its practical instruments to achieve these goals. Economic policy, European integration, private and public management are the areas where EXPERT-GRUP expertise is applied.