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SUMMARY

Political dialogue and democratic institutions

An activation of the Moldova-EU **political dialogue** was observed in the 3rd quarter of 2007. The Ministry of Foreign Affairs and European Integration (MFAEI) has played an important role in stirring up the dialogue between the Parties. Many meetings at level of EU institutions and member states have taken place in the period concerned, with Moldova expressing its vision regarding prospects of its relationship with the EU. Chisinau laid the stress on Moldova's progressive joining to the EU four-freedom area, at the meetings with the EU.

Moderate accomplishments and problems similar to those reported for the first half of 2007 were observed in the field of **democratic institutions**. The moderate accomplishments include the consolidation of legislation on human rights, development of dialogue between authorities and civil society, and the Council of Europe (CoE). The main shortcomings observed in the period concerned are: violation of human rights, sentencing of Moldova by ECHR in another 7 cases, existing concerns with efficiency of the national anti-torture mechanism and situation of the media, as well as delayed adoption of laws in the field.

Consolidation of administrative capacity

Although it is a declared and necessary priority, the consolidation of administrative capacity did not progress much, except for development of information technologies. Although the social-political and economic condition is relatively stable, progresses of the Central Public Administration Reform are modest so far, and there are many shortcomings. The Local Public Administration Reform is actually stagnating, and no essential measures are taken to depoliticise the public administration. Authorities did not work hard to enhance the probity, and the transparency of public authorities is regressing again. In spite of ongoing anti-corruption strategies and plans, the situation did not improve much. Authorities are late to work out and enforce reforming acts and measures, letting alone the efficient, adequate and rigorous implementation of new regulations and practices which is harder, and it is already clear that they will not meet deadline for the EUMAP implementation.

Transnistrian conflict

Efforts of Moldovan authorities, mediators and observers to resume the political **Transnistria settlement** negotiations have failed. The EU-Ukraine Summit has taken notice of Ukraine's important contribution to the Transnistrian settlement, in particular, by implementing the single customs regime at the Moldovan-Ukrainian border and through the constructive cooperation of Ukraine with the EU Border Assistance Mission (EUBAM) to Moldova and Ukraine. The European Parliament has adopted a resolution on human rights in the Transnistrian region, condemning the violation of human rights and fundamental freedoms in the region and calling on the EU to participate more actively in the settlement efforts. The most important progress was achieved in continuation thanks to the EUBAM, which helped elaborating and implementing the basic mechanism allowing Transnistria-based economic agents to benefit of the European trade preferences.

Justice

The authorities have started paying more attention to the **judiciary**, contributing to the support and promotion of specialised assistance programmes by adopting important legal and normative acts. The independence and quality of the judiciary still raise an essential concern in Moldova, as well as among foreign observers, community institutions. The political and administrative influence is not excluded and limited at a minimum, inoffensive level. Problems of the local judiciary give birth to new applications to the ECHR, and the number of cases and sentences is on the rise. Alternative ways to settle litigations are not promoted well; the situation in prisons unfits so far the international standards and even the national regulations in the field.

Development and economic reforms

Unfavourable circumstances for Moldova's economy were observed in the **development and economic reform** area in the 3rd quarter of 2007. Prices have grown in parallel with the appreciation of the domestic currency. Thus, the cumulated inflation rate reached 9 percent in the first nine months of this year, so that it will be impossible to maintain

the 10 percent target rate in 2007. This fact alarmed the authorities and, therefore, the National Bank of Moldova increased the basic interest rate in September up to 16 percent. The trade deficit has also increased, reaching 1.4 billion dollars in January-August.

Earnings of population have decreased after the drought, which affected the incomes of rural population and reduced by about 30 percent the medium monthly salary in budgetary sector in August, compared with June. However, it will be impossible to analyse how they affected the poverty rates because of the new methodology used to calculate the poverty rate and poverty indicators starting 2006, and they are not comparable with the data for the precedent years.

The industry only has recovered after recession, and it is on the rise starting July 2007. It rose by 0.6 percent in January-September 2007, compared with the same period of 2006.

The state budget law for 2008 based on a 6 percent GDP growth in 2008 and a 9.3 percent medium annual inflation rate was voted in two readings.

Development and social reforms

The Government was tabled an action plan on optimisation of the social assistance system in the 3rd quarter of 2007, in order to examine and approve it. Also in the field of **social reforms**, the National Strategy and the Action Plan on residential child care system reform for 2007-15 were adopted, and they stipulate that the child has the right and the necessity to grow up in a family or in an environment close to the family, in order to normally develop. However, the 2008 budget does not foresee enough resources for this purpose. Thus, the economic, financial reasons will defeat the social protection reasons, hardening the implementation of this strategy.

A series of activities have been organised to deepen the quality of reforms in the context of the Bologna Process. Starting September 1, 2007, four TEMPUS projects are being implemented to grant scholarships outside of Moldova. A number of scholarships have been awarded under bilateral cooperation agreements.

International trade

Contradictory trends were observed in the **foreign trade** sector in the 3rd quarter of 2007. On one hand, the process of awarding of the Autonomous Trade Preferences is almost over. In addition, important progresses are observed in the customs sector – the Customs Service issues all preferential export certificates starting August 1.

On the other hand, the trade balance is worsening in continuation on background of an increasing disparity between growth rate of imports and exports. One anticipates the rise of the trade deficit in continuation. The wine exports have apparently restarted, but in a “formula” promoted by the Russian Federation. At the same time, there are grounds that the resumption of exports will be delayed in continuation.

Business climate

Important laws such as the law on limited societies, which maintains the minimum registered capital of societies at the level of 5,400 lei, have been adopted in the **business climate** sector. The new law on accountancy and the law on auditing which will enter into force on January 1, 2008 are better and meet the present development requirements. The Parliament has adopted the law on state registration of legal entities and individual enterprises, which essentially simplifies the procedure of registration and erasing of these businesses from the State Register. According to the World Bank report „Cost of doing business 2008”, Moldova has climbed on the 92nd place among 178 countries, compared with the 103rd spot in 2006, achieving progresses regarding taxation, but regressing in the employment area.

Market institutions

The new law on savings and loan associations, which will be enforced on January 1, 2008, allows both individuals and legal entities to join these associations, relieving much their territorial functioning restrictions. The law on industrial parks aims at a regional development and at reducing discrepancies between the Chisinau municipality and other areas of the country, though local public authorities play a marginal role in building and monitoring the parks.

As regards the **market institutions**, the Energy Strategy of Moldova until 2020, which is actually an updating of the precedent strategy drafted with the support of CoE experts, was published. It is worth to note that the implementation of the precedent strategy was not evaluated.

Border, migration and human trafficking

Following a period of modifications and structural changes, the institutional and legal framework on evaluation and monitoring of **migration** was finalised. Competent structures work accordingly to norms and regulations stipulated by legislation. However, their activity is monitored a little or not at all. At the same time, though the Government has

decided on elaboration of the draft automatic integrated information system on migration by September 1, 2007, the concept was not presented so far. Many state structures participating in migration monitoring hold their databases, but they are not integrated and they are at different development levels, and this fact hardens the integral record and evaluation of migration. However, the quality of migration monitoring in Moldova has improved thanks to international cooperation via joint projects between missions of international organisations in Chisinau and state structures.

The shortage of statistics on **human trafficking** halts a clear image of this field. However, according to reports and statements by NGO representatives, the general situation tends to improve. The number of trafficked Moldovans is constant due to the help of state institutions and specialised NGOs to stop the trafficking. At the same time, Moldova has improved its positions in the world standing on gravity of human trafficking, leaving the 1st group and joining the 2nd group of the standing besides Romania and Ukraine. Commitments and initiatives by ONGs participating in prevention and struggle of the trafficking in persons are also important to combat this phenomenon. Their activity is often more efficient than of state authorities participating in the prevention and fight against human trafficking.