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SUMMARY

Political dialogue and democratic institutions

The political dialogue between the European Union and Moldova was dynamical in continuation in the 4th Quarter of 2007. The approval of the visa facilitation and readmission agreements was the key progress in relations between the Parties. The adoption of the communication strategy on European integration of Moldova by Government was another progress with potential implications on the E.U.-Moldova dialogue. In addition, Moldovan and European high-ranking officials visited Brussels and Chisinau and E.U.-Moldova cooperation organisations had meetings in the 4th quarter of 2007. On these and other occasions, Moldova has tried to persuade the E.U. that it is ready to begin negotiations on a new relationship framework. As the EUMAP potential was not fully used in the first three years of implementation, the Commission recommended the extension of the implementation term of this document with one more year.

Moderate accomplishments observed in the field of democratic institutions in the 4th quarter of 2007 include among others: the ratification of international human rights tools; rise of allocations for children in need; negotiation of agreements on cooperation with civil society and development of the dialogue between authorities and CoE. On the other hand, the main problems concern the formal cooperation between authorities and civil society; intimidation of a team of the PRO TV Chisinau channel by policemen; sentencing of Moldova in a record number of cases (31) by the ECHR; delayed adoption of regulations in the field.

Consolidation of administrative capacity

A *minimal progress* was observed in this area. Authorities took measures to implement the CPA Reform in specific fields, in particular, formation of analytical structures, internal reorganisation, training, reduction of inspection personnel (but these changes were unplanned and they were operated at indication). Most of *shortcomings* were not remedied: incapacities, delayed planned measures, ad-hoc approaches, politicising of public administration, low use of modern IT, non-transparency, low confidence of population toward authorities, staff fluctuation, high corruption rate, and faulty management of public funds.

Evolutions in the LPA field are as follows: the allocation of funds for regional development, training and certain measures to implement previous laws. *Shortcomings* are linked to the lack of a strategic approach of reforms in the field, delayed enforcement of earlier adopted laws and adoption of new regulations, selective treatment of administrations by central government, obstacles from control bodies, and law capacities of local functionaries and insufficient use of IT.

The combat of corruption is a *priority* for public authorities, legal-normative framework is improving, cooperation with international organisations and civil society is developing, training and monitoring measures are being taken, guilty functionaries are punished in continuation. The Anti-Corruption Strategy is being cogently implemented, the law on prevention and combat of money laundering and financing of terrorism entered into force. Measures aimed to enhance the transparency are being promoted. The following *shortcomings* were observed: delayed updating of the legal-normative framework and ineffective elaborations, non-transparency of central and local authorities. Anti-corruption efforts are insufficient (studies, surveys, statements) and sever punishments on corruption charges are seldom applied.

Transnistrian conflict

The 15th OSCE Ministerial Meeting failed this year again to adopt a final declaration and a regional statement on Moldova. The „Five-Plus-Two” negotiation mechanism is blocked in continuation, while the Russian Federation has resumed the financial assistance for the Transnistrian region. President Voronin has discussed the Transnistrian problem with high-ranked European officials in Brussels, while EUSR for Moldova ensured a permanent dialogue between Moldovan authorities and EU institutions concerning the Transnistrian conflict. The EU, the OSCE, the US and Ukraine backed the initiatives by President Voronin aimed to strengthen the confidence and security, but their implementation is uncertain so far because Tiraspol is not interested. The EUBAM continued to achieve progresses, as it helped securing the Moldova-Ukraine border and implementing the single customs regime and legalising Transnistria-based economic agents.

Justice

Like previously, *progresses* are related to the updating of the legal-normative framework. New programmes and strategies were launched, terms of examination of cases were reduced, measures aimed to enhance the transparency and prevent corruption were promoted, foreign assistance increased, the National Institute of Justice has started working, thematic training actions took place. Measures aimed to enforce some laws (on mediation, state-guaranteed legal assistance) were

taken, the number of inmates decreased, certain actions were eliminated from the list of offences, and the situation in prisons is permanently monitored. Most of *problems* observed in this area were not resolved, in particular, the delayed execution of institutional, legal and normative measures; changes in the justice sector are not observed, confidence of people towards the judiciary is low; meddling of dignitaries in proceedings and judicial persecution of political opponents are signalled in continuation; transparency is still low. The number of cases is too high, quality of other legal bodies did not improve much, and the execution of rulings is unsatisfactory. Prisons still need large investments, while allocations are insufficient to ensure appropriate detention conditions.

Development and economic reforms

The National Bank of Moldova slowed down the price rise pace in the 4th quarter of 2007 by increasing the basic interest rate and the mandatory reserves for deposits in lei and freely convertible currency. However, evolutions in the 3rd quarter, the last summer drought and higher electricity tariffs affected the population. Therefore, the Government approved a draft law on social protection measures for population in connection with higher electricity tariffs.

The economic growth is based in continuation on large remittances which support the consumption and deepen the trade deficit. But their rise pace declined in the 4th quarter. At the same time, the industrial production in 11 months of 2007 and agricultural production in 9 months of last year decreased compared with the same periods of 2006.

Development and social reforms

No significant progresses were observed in the social dialogue on employment policies in the 4th quarter of 2007. As regards the social protection sector, the adoption of functioning regulations of the commission for the protection of the child in need and professional parent assistance services will help but not ensure the implementation of the strategy on reformation of the residential child care system. The Ministry of Health promoted the national programme on combat of viral hepatitis B, C and D for 2007-2011. This programme is very necessary, given the economic and social costs associated with viral hepatitis. Thus, directly measurable financial costs (cost of treatment plus losses suffered by budget because of the absence of patients at work) were estimated at 266.5 million lei, which is 0.2 percent of the GDP registered in the period concerned.

International trade

Trends of the foreign trade in the 4th quarter of 2007 varied between stagnation and progress. On the other hand, authorities failed the plenary implementation of the "one-stop-shop" principle as regards customs procedures.

As regards the evolution of trade inflows, the trade deficit has increased in continuation. A strong restructuring of Moldovan exports in terms of geographical direction and assortment was also observed. The awarding of the Autonomous Trade Preferences and resumption of wine exports to the Russian Federation will support the growth of Moldovan exports in future. The adoption of European quality standards and development of these laboratories will keep being a priority direction for Moldovan authorities in the near future as well.

Business climate

The National Auditing Standard 545 called "Audit of assessments and revelations of true elements from financial reports" and the National Internal Audit Standards enforced on January 1, 2008 were approved in late 2007. The adoption of amendments to the law on basic principles of entrepreneurship in the final reading and its enforcement on January 1, 2008 was another important event well-expected by the private sector. But a recent study by The Heritage Foundation and The Wall Street Journal concerning economic freedoms ranked Moldova on a lower place, signalling problems related to issuance of licences and certificates.

Accordingly to the law on management and privatisation of public property # 121-XVI from May 4, 2007, the Stock Exchange held Dutch auctions in November and sold state securities in 33 societies.

Border, migration and trafficking in human beings

Progresses are linked to the growth of assistance, cooperation between agents, continuation of the EUBAM mission, training of employees and other subjects concerned, enforcement of earlier adopted laws and promotion of new agreements with the E.U. (on visa issuance and readmission), active measures against trafficking in human beings. *Shortcomings* consisted of the delayed adoption of the state border guard concept and other planned actions, shortage of funds, rise of the number of migrants.