



ADEPT and EXPERT-GRUP

EUROMONITOR

Issue 6 (15), Edition IV

**Implementation of reforms initiated accordingly to EU-Moldova Action Plan,
Assessment of progress in April-June 2009**

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

Within the project

***„EU-Moldova Relations – Monitoring Progress
Within the Framework of the Eastern Partnership”***

***Implemented by Association for Participatory Democracy ADEPT
and Think Tank EXPERT-GRUP***

Authors: Igor BOTAN
Corneliu GURIN
Oleg CRISTAL
Valeriu PROHNITCHI
Alexandru OPRUNENCO
Ana POPA
Adrian LUPUSOR
Victoria VASILESCU

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

Summary:

ABBREVIATIONS AND ACRONYMS.....	5
INTRODUCTION.....	6
SUMMARY.....	7
1. POLITICAL DIALOGUE AND DEMOCRATIC INSTITUTIONS.....	9
2. CONSOLIDATION OF ADMINISTRATIVE CAPACITY	15
3. TRANSNISTRIAN CONFLICT	18
4. RULE OF LAW.....	21
5. ECONOMIC DEVELOPMENT AND REFORMS.....	23
6. SOCIAL DEVELOPMENT AND REFORMS	26
7. INTERNATIONAL TRADE.....	28
8. BUSINESS CLIMATE.....	30
ABOUT PROJECT AND ORGANISATIONS.....	32

ABBREVIATIONS AND ACRONYMS

PCA – Partnership and Cooperation Agreement;

PACE – Parliamentary Assembly of the Council of Europe;

NBM – National Bank of Moldova;

NBS – National Bureau for Statistics of the Republic of Moldova;

CCECC – Centre for Combating Economic Crimes and Corruption;

CCTP – Centre for Combating Trafficking in Persons;

EC – European Commission;

CEC – Central Electoral Commission;

ECHR – European Court of Human Rights;

NIH – National Insurance House of the Republic of Moldova;

NCEI – National Commission for European Integration;

CoE – Council of Europe;

COEST – EU Council Working Group for Relations with Eastern Europe and Central Asia;

CHRM – Centre for Human Rights of Moldova;

CIS – Commonwealth of Independent States;

SCJ – Supreme Court of Justice;

SCM – Superior Council of Magistracy;

DPI – Department for Penitentiary Institutions;

EUBAM – European Union Border Assistance Mission to Moldova and Ukraine;

FAO - Food and Agriculture Organisation;

NIJ – National Institute of Justice;

MFAEI – Ministry of Foreign Affairs and European Integration;

MIA – Ministry of Interior Affairs;

MLPA – Ministry of Local Public Administration;

MID – Ministry of Information Development;

MJ – Ministry of Justice;

MSPFC - Ministry of Social Protection, Family and Child;

IOM – International Organisation for Migration;

OSCE – Organization for Security and Cooperation in Europe;

EUMAP – European Union – Moldova Action Plan;

ENP – European Neighbourhood Policy;

PGO – Prosecutor-General’s Office;

NAPHR – National Action Plan on Human Rights;

SPSEE – Stability Pact for Southern Eastern Europe;

CPA Reform – Central Public Administration Reform;

LPA Reform – Local Public Administration Reform;

RM – Republic of Moldova;

EGPRP – Economic Growth and Poverty Reduction Strategy Paper;

BGS – Border Guard Service;

CS – Customs Service;

EU – European Union;

UNFPA - United Nations Population Fund;

USD – U.S. dollar;

INTRODUCTION

After being extended with about one year, the implementation of the European Union – Republic of Moldova Action Plan (EUMAP) followed the same inert path and just in late January 2009 the National Commission for European Integration (NCEI) convened in a first sitting and approved the priorities of the European Integration Agenda for 2009. They are grouped into two divisions, with the first one covering **actions to draft and enforce public policies** in the areas:

- Human rights and freedom of the media;
- Rule of law;
- Anti-corruption fight;
- Migration and border management;
- Investment climate;
- Social policies.

The second division covering **legislative actions** to be taken in 2009 includes a package of 21 laws, which will be adopted just during the autumn-winter session of the Parliament.

Nor during April-June 2009 the NCEI functioned, as almost all its members were involved in the election campaign for parliamentary elections, with the only sitting being held on April 30, 2009. At the same time, the mechanism of coordinating the EUMAP implementation was modified again, with this task going back to MFAEI, which shall revise the flow chart and work in the area, and take over the functions of the NCEI Secretariat as well.

At the same time, the Eastern Partnership, a new EU initiative within the European Neighbourhood Policy, which covers Moldova, too, along with other 5 former Soviet states, EU neighbours, was formally launched in May 2009. The Eastern Partnership aims to deepen and intensify bilateral relations between EU and partner countries, inclusively by signing ampler Association Agreements. The Moldovan authorities received cold the inclusion of Moldova into the Eastern Partnership, as they expect a status of associated member, a deep exchange regime with EU and a free move of Moldovan citizens in EU.

The implementation of the European Integration Agenda in the first half of 2009 resides in a series of actions aimed to enforce the legislation and previously adopted normative acts, coordinate some actions between public institutions involved and cooperation with European partners to begin negotiations on a new agreement with EU.

The election campaign for election to the Parliament of Moldova marked the European integration process as well, with central authorities paying much less attention to the real fulfilment of priorities in the area, though they kept assuring firmly of the community integration vector.

Euromonitor # 15 tells in brief some events and actions which had a positive or negative impact on accomplishment of priorities in the 2nd quarter of the year.

Political dialogue and democratic institutions

The quality of political dialogue and functioning of democratic institutions in the 2nd quarter was deeply marked by post-electoral developments, especially by the April 7 protests and violence which followed the peaceful manifestations. The political dialogue between the Republic of Moldova and European Union focussed on political crisis in Moldova and violation of human rights after the April 5, 2009 parliamentary elections. In this context, there were meetings between Chisinau authorities and European high-ranking dignitaries, and telephone calls on these issues. The European Union proved a pro-active position, trying to help finding a compromise between government and parliamentary opposition from Moldova, as well as to clarify human rights violations. As well, the European Union gave green light to negotiations on a new legal framework with Moldova, but demanded Chisinau to respect certain preconditions.

The functioning of democratic institutions has degraded dramatically in the period concerned. The April 7 protests destroyed two state institutions, actions followed by repressions against participants in demonstrations, including political leaders. Ill-treatment of the people held or arrested by police, expulsion of foreign journalists, restricted access to information are just some violations recorded after the April 5 elections.

Consolidation of administrative capacity

The parliamentary elections and political crisis which followed them marked some reforms in the public administration area, which were suspended or inert. Despite a certain social-economic stability, the impact of the crisis is stronger, while authorities are late to take measures. The probity of governance has declined, while authorities are less transparent and open over people. Although some regulations and measures were implemented, anti-corruption efforts are minimal and the corruption is perceived as wider spread.

Transnistrian conflict

The April 5, 2009 parliamentary elections strained the Chisinau-Tiraspol relations. The Prosecutor-General's Office of Moldova has filed criminal charges relating to the baffled elections in Corjova. In their turn, Transnistrian representatives invoked the necessity of filing criminal charges on this case, as the Moldovan authorities would have committed an illegality in Transnistria's territory. Transnistrian leader Igor Smirnov said that he has nothing to discuss with the acting Chisinau authorities after the April 6-7 events. However, Vienna hosted "3+2" and "5+2" consultations in late April and June, with Transnistrian leader Igor Smirnov describing them as useful for finding some means to join efforts against crime and trafficking in human beings and drugs. In this context, the Transnistrian authorities stressed that the post-electoral political developments in the Republic of Moldova cannot influence their strategy on accomplishing objectives arising from results of the September 2006 referendum. They have plans to keep strengthening Transnistria's independence with the purpose to associate it with the Russian Federation. The "5+2" negotiations will restart only after the elimination of all pressures capable to harm Transnistria's interests, as accordingly to the Barvikha Declaration.

Rule of law

No major progress was observed in the area of rule of law, with the impact of reforms and actions being very weak, while the confidence of population towards judiciary does not grow. So far, there are problems relating to independence and fairness of the judiciary. Reactions of justice-makers after the April 7, 2009 events worsened the image of law enforcement organs, while toleration of abuses fuelled the distrust with the rule of law in general. The justice funding concept was not approved and enforced, while allocations do not cover the needs of the judicial system and penitentiary system.

Economic development and reforms

The economic crisis which escalated since the 1st quarter of this year worsened in the 2nd quarter on background of the political crisis and new election campaign. The economic development was not an important priority on governmental agenda in fact. The Government released an anti-crisis programme just in June, and it does not foresee concrete actions capable to restore the real sector of economy, encourage consumption and reduce negative effects on labour market. The reduction of budgetary incomes poses serious problems and uncertainties regarding the stability of fiscal system, while the Government decided to pass this burden on shoulders of local authorities by reducing the transfers by 20 percent. The reduction of inflationist pressures this year allowed the national bank to take actions for economic growth. Hence, the reduction of the basic interest rate and decision to credit the banking system in order to let it credit the real sector further were probably the most important decisions in the 2nd quarter. However, their efficiency will depend on crediting modality and transparency of the process. Bankruptcy of the commercial bank Investprivatbank is another event which inflamed the spirits in June and produced doubts regarding the invoked stability of the banking system in Moldova and capacity of NBM to supervise it.

Social development and reforms

No essential legislative changes were operated in the area of social development and reforms during April-June 2009, given the electoral period, deteriorated political climate in the country and reduced activity of the legislature. A **number of baffled** decisions were observed, especially in the gender equality area, as the draft national policy on gender equality and afferent medium and long-term action plans were not approved. **Great accomplishments** in the period concerned included among others progress in the area of social protection and integration and public health, especially the enforcement of Law # 10 concerning the state supervision of public health and approval of the national youth strategy for 2009–2013. One of major problems for all these areas in the period concerned, as well as unavoidable short and medium-term prospect is the reduction of available funds in the state budget after the deepening of effects of the world economic and financial crisis. Thus, the lack of funds could halt the implementation of the legislative acts concerned.

Business climate

The business climate was seriously influenced in the period concerned by developing of political and social tensions in country, which along with effects of the world economic crisis inhibited the activity of many enterprises. This was revealed by continuous fall in inflow of foreign direct investments in national economy, and the integral supply of foreign investments dropped for the first time in the last years particularly because of the worsening situation in the banking system. A direct effect of strained political relations between our country and Romania and introduction of visa requirements was the suspension or reduction of economic operations of many Moldovan-Romanian companies. Even more, the introduction of visa requirements by Moldova for an EU member state by invoking extremely serious and groundless accusations against Romania is a negative signal for international investors. Therefore, the disinvestment phenomenon could go on, and this would reduce the FDI inflow in economy. As well, though the Government was empowered to issue ordinances on regulation of economic sector, this possibility was not used so far. Decisive measures aimed to attenuate the effects of the economic crisis on business climate are late. Even more, Government's plans to reduce the excessive regulations on entrepreneurship were replaced de facto by increasing administrative pressures on business environment and, therefore, increasing collections to state budget from administrative fines and sanctions.

Foreign trade

Evolutions in foreign trade area cannot be evaluated univocally, but negative trends prevailed. These evolutions were mostly influenced by effects of the global economic crisis and internal crisis. Obviously, Moldovan trade kept suffering due to negative external conjuncture and there are no concrete reasons so far to anticipate a sudden improvement of prospects in this area. Even more, the fact that the internal political crisis has the relations with Romania as collateral victim makes one fear that the trade with this country could stop developing as well as before. At the same time, the internal political instability and uncertainty regarding the formation of the new government do not make a favourable climate for negotiations with EU concerning the further liberalisation of trade regime between the two parties. As expected, nor the adoption of European sanitary and phytosanitary requirements seems so important. Perhaps, the 3rd quarter will make premises for more consistent activities in this area.

Political dialogue: general overview

- Chisinau has appealed more than once upon Brussels, inviting the European Union to moderate the Moldovan-Romanian negotiations. The Moldovan Government released a declaration on July 16, reiterating the accusations against Romania regarding its meddling into Moldova's internal affairs and repeats the call upon EU to get involved in order "to normalise the relations (i.e. of Moldova) with Romania"¹.
- During April-June 2009, Moldovan officials and EU representatives had discussions and meetings: with the EU Presidency, EU High Representative for the Common Foreign and Security Policy, European Commission for External Relations and European Neighbourhood Policy; EU Border Assistance Mission to Moldova and Ukraine etc. Cooperation meetings were organised: the 3rd Meeting of the Moldova-EU Committee on Monitoring of the Visa Facilitation Agreement; the Cooperation Platform Meeting of the Mobility Partnership European Union-Moldova; EU-Moldova Cooperation Subcommittee on Energy, Transport and Telecommunication, Science and Technology, Training and Education².
- The Council of EU Foreign Ministers (GACRE) convened in Luxembourg on June 15, 2009 and adopted its Conclusions on Moldova, with EU reiterating its strong commitment for the further consolidation of relations with Moldova. Thus, EU is ready to provide consolidated support to Moldova in order to go on with political and economic reforms, with a special attention being required by democracy and rule of law, inclusively by launching a "comprehensive package" of actions for this purpose. At the same time, the Council raised concern with abuses related to human rights recorded after the April 5 parliamentary elections, and reduced freedom of expression and freedom of the media, and sought the conduct of unbiased and efficient investigations on violation of human rights, as well as on the April 7 events, jointly with civil society and international experts. As well, the Council announced the adoption of the negotiation format for the next Moldova-EU Agreement, which will be wider than the current Partnership and Cooperation Agreement. According to the Council, the negotiations will begin when necessary circumstances will be available, but only after the Republic of Moldova will ensure an equal treatment to all EU citizens and will respect the good neighbourhood principle. As well, the Council stressed the necessity of a constructive dialogue in the current political situation in Moldova and invited the Moldovan authorities to ensure free and fair early parliamentary elections, inclusively by cooperating with OSCE/ODIHR and Venice Commission of the Council of Europe.
- A meeting of the National Commission for European Integration (NCEI) chaired by incumbent President Vladimir Voronin took place on April 30. The president said that the Moldovan authorities shall focus in the near future on negotiating the next cooperation document with the European Union and its further implementation. He assured that the Moldovan authorities are interested in an association agreement, which would foresee a comprehensive trade regime with EU and visa-free regime for Moldovan citizens in the EU area. It was decided to hold the next NCEI sitting on May 26, but it was not convoked so far.
- Officials from the 27 EU member states and 6 East European states (Moldova, Ukraine, Belarus, Armenia, Azerbaijan and Georgia) signed the Joint Declaration of the Eastern Partnership Summit in Prague on May 7.³
- On July 2, the European Commission decided to allocate 40 million Euros to East European and Caucasian countries with the purpose to sustain a series of programmes on border management, combating of trafficking in persons, social policies, culture and environment, and preventing of natural disasters. The purpose of assistance is to join efforts of these countries in drafting socio-cultural and migration policies, strengthening capacities against natural disasters related to global heating, and combating organised crime and trafficking in persons. According to a communiqué by the European Commission, all these goals are also part of pilot initiatives of the Eastern Partnership.

Democratic Institutions

Electoral Process

Progress

- The Parliament lowered the electoral threshold for parties from 6 down to 5 percent; reduced the turnout for early elections from 1/2 to 1/3 of the number of electors included in voter rolls, and suppressed the (validation) turnout for repeat elections, shall elections be invalidated because of low turnout.⁴ Representatives of the Council of Europe and the European Union welcomed these amendments, but indicated the necessity of keeping improving the electoral regulations; under a special law on

¹ Declaration by Moldovan Government <http://www.mfa.gov.md/noutati/474114/>.

² The meeting discussed the opening of the Giurgiulesti port complex and linking of our country to the Central Route Axis, with Moldova being invited at the next meeting of the task force set up for this purpose. In the same thematic context of transports, the sides discussed working arrangements to establish cooperation with the European Aviation Safety Agency and eventual accession to the European Common Aeronautic Space. The community interlocutors highly appreciated the progresses made by national institutions in the area of public health, with the talks in this respect focussing on reformation of healthcare sector in the framework of the National Healthcare Policy for 2007-2021 and National Strategy on Development of Healthcare System for 2008-2017. As regards the energy sector, experts focussed on aspects relating to gradual convergence of natural gas and electricity market to EU principles, consolidation of investment climate and management of old debts, adjustment of legal framework, negotiations on accession to the Energy Community Treaty and modernisation of CET plants, as well as cooperation within regional initiatives and EU assistance for fortifying this sector. <http://www.mfa.gov.md/noutati/473525/>

³ Joint Declaration by the Prague Eastern Partnership Summit http://www.delmda.ec.europa.eu/whatsnew/pdf/declaratia_comuna.pdf

⁴ Law # 25-XVII of 15.06.2009.

implementation of regulations of the Election Code, all electoral procedures will be conducted in a shorter term of 44 days to organise early parliamentary elections;

- The Central Electoral Commission ordered the checking of electoral lists by local public administrations and electoral bureaus. As well, some projects on checking of electoral lists were released,⁵ which revealed many shortcomings related to issuing of these documents;
- In comparison with the winter-spring 2009 election campaign, a number of modifications to the regulation on media coverage of election campaign were operated during the current election campaign, which allowed the opening of electoral debates before the registration of all electoral runners⁶. However, TV stations including the public broadcaster Teleradio-Moldova did not hurry up to organise debates, so that CEC had to oblige Teleradio-Moldova to do it. Eighteen TV stations (by 5 less than during the previous campaign) and 7 radio stations announced that they would organise electoral debates during the current election campaign.

Shortcomings and problems

- Under a presidential decree, the incumbent President Vladimir Voronin set the early parliamentary elections for Wednesday, July 29. Hence, the elections will be held in the mid-week for the first time in Moldova's history, and this fact could have a negative influence on turnout besides the fact that the elections take place on summer and they are early⁷;
- Electoral messages are aggressive, especially after the violent developments on April 7-8⁸;
- During this election campaign again national observers signalled many breaches of electoral legislation, including intimidations, pressures, ill-treatment (inclusively the use of knuckles); differentiated treatment towards electoral contestants by law enforcement bodies and local public administrations; use of administrative resources; biased media coverage of election campaign, inclusively by public broadcaster Teleradio-Moldova; illegal advertising; destruction of electoral billboards; jeopardising of meetings with electors; restriction of access to information⁹;
- The Central Electoral Commission has become more reticent while reporting information about electoral contestants¹⁰;
- The problem of voting by Moldovan nationals abroad, as well as by Moldovan citizens from the Transnistrian region controlled by the separatist Tiraspol regime was not settled. Eleven polling stations opened for electors from Transnistria like at previous elections, but no information campaign is organised in those areas. The situation regarding the voting at the polling station in the village of Corjova, the district of Dubasari, where Transnistrian forces obstructed the elections was not clarified so far;
- Many media institutions, including the public company Teleradio-Moldova continued to cover the election campaign with derogations from electoral legislation, introducing the contestants unfairly¹¹.

Human rights

Progress

- On April 11, the Interior Ministry published the list of persons held after the April 6-7 protests, as well as the list of people in administrative custody¹². The list was contested because it would not include all arrested people.
- Under a presidential decree, a state commission chaired by Communist Deputy Vladimir Turcan was set to elucidate causes, conditions and consequences of the April 7-8, 2009 events¹³. Both opposition parties and civil society representatives criticised the composition of this commission, seeking an independent commission with the participation of European experts. European officials expressed the same position. The commission ceased its activity and will restart working after the July 29 early parliamentary elections.
- On April 15, Moldovan President Vladimir Voronin said in a TV address that he will initiate "a full amnesty and stop any investigations against participants in the street protests," except for "representatives of underworld and recidivists"¹⁴. The Prosecutor-General's Office has shortly started legal procedures to release the held people, with certain exceptions;
- During June-July all the people held after April 7 were released, except for Anatol Matasaru, who was held under other charges;
- During April-May 2009, the Committee on Foreign Affairs of the European Parliament convened in five meetings and discussed the situation in Moldova. During April 26-29, Moldova was visited by a delegation from the European Parliament, which collected facts on post-electoral situation in order to prepare a draft resolution of this forum. Following the fact-collection visit of EP members to Moldova, as well as debates by the specialised commission, on May 7 the European Parliament approved the Resolution on Moldova¹⁵;

⁵ Check the electoral list www.chisinau.md; CHRMs experts signal shortcomings related to issuing of voter rolls <http://www.info-prim.md/?x=25&y=24581>

⁶ http://www.cec.md/i-ComisiaCentrala/main.aspx?dbID=DB_RegulamentPrivindReflectare257

⁷ Further, the Government decreed the 29th of July (Wednesday) as a day-off, in order to allow people to participate in elections.

⁸ Contestants have warlike slogans: PCRm – Let's defend our Homeland! AMN – Let's defend our Homeland against communists! PD – Political war must be stopped!

⁹ Reports I and II by the League for the Protection of Human Rights on monitoring of electoral campaign for the July 29 parliamentary elections; Reports I and II by the Promo-Lex Association on monitoring of the July 29 parliamentary elections; quarterly report (6) on access to official information in Moldova worked out by an expert group under the lead of Acces-Info Association (April-June 2009).

¹⁰ CEC helps covering the PCRm donors, CIN <http://www.info-prim.md/?x=0&y=24557>.

¹¹ Reports on monitoring of electronic media outlets worked out by the electronic press association APEL www.apel.md; reports on monitoring of some TV stations worked out by the Independent Journalism Centre www.ijc.md.

¹² Press release <http://www.mai.md/content/57>.

¹³ Decree on setting up the state commission for the elucidation of causes, conditions and consequences of the April 7-8, 2009 events <http://www.president.md/press.php?p=1&s=7127&lang=rom>.

¹⁴ TV address by Moldovan President Vladimir Voronin <http://www.president.md/press.php?p=1&s=7118&lang=rom>.

¹⁵ The Resolution insists on respect for the state based on the rule of law and human rights, firmly condemning all related deviations and breaches recorded after parliamentary elections. In this context, it considered the concern with illegal and arbitrary arrests, lots of violations of human rights of

- On April 9, 2009, the Construction College hosted a meeting themed “Legal status of massive meetings. Rights and duties of participants in such meetings,” which brought together 250 students and 10 lecturers. On April 15, 2009, lecturers from the Interior Ministry’s Academy Stefan cel Mare held courses in high schools, colleges and institutions of higher learning (32 institutions overall) from Chisinau municipality, being in charge with explaining the necessity to respect legislation and social cohabitation norms, as well as the inevitable responsibility for anti-social actions, including contraventions and offences¹⁶.

Shortcomings and problems

- On April 7, peaceful protests which brought together between hundreds of thousands and tens of thousands of people, especially youths, according to various estimates, turned into violence. There were clashes between demonstrators and police forces, with security services using special measures (maces, tear gas and acoustic bombs, water guns etc.). The Presidency and Parliament buildings were stormed during the violent riots. Security forces failed to ensure peaceful protests, as accordingly to the law on public assembly¹⁷;
- Starting early on April 8 and the next days, between 166 (according to MIA accounts)¹⁸ and 800 people were held or arrested, inclusively 19 minors, with most of them being participants in the April 7-8 protests;
- Three persons were allegedly killed after the April 7 unrest. The forensic expertise made by a foreign expert proved that Valeriu Boboc was killed early on April 8¹⁹;
- Dozens of people (according to Chisinau mayor, 43 proved cases of inhuman treatment and torture) held by police after participating in the post-electoral protests said that policemen have ill-treated them while in detention, while the Prosecutor-General’s Office said that it has filed just one case on torture after getting 24 complaints²⁰;
- Several persons (businessman Gabriel Stati and the head of his guard team, Aurel Marinescu, former presidential adviser Sergiu Mocanu, Anatol Matasaru, etc.) were arrested after the April 6-7 protests, with these arrests being described as „political”²¹;
- Ombudsmen condemned vehemently the violence and vandalism acts during the April 7, 2009 demonstrations, describing them as intolerable for a democratic state based on the rule of law, in which the human dignity, human rights and freedoms, free development of human personality, justice and political pluralism are supreme values and are guaranteed²²;
- On April 15, a group of NGOs addressed an open appeal to international organisations, notifying them over “massive human rights violations after the April 6-7 protests”²³;
- On April 16, some human rights NGOs organised a public debate themed “Democracy in danger: to which extent the human rights are respected in Moldova,” while on July 1, 2009 the Promo-LEX Association organised the Conference “Functioning of democratic institutions and human rights in post-electoral period in Moldova.” Both meetings signalled grave shortcomings related to freedom of peaceful assemblies; security of people and right not to be tortured; freedom of the media / freedom of expression; functioning of democratic institutions²⁴;
- On April 24, the Parliamentary Assembly of the Council of Europe adopted a Resolution on Moldova (No. 1666), after CoE envoys have collected facts on the scene²⁵, and raised concern with the violence committed by policemen and urged the authorities to investigate all appeals signalling violation of human rights during the April events in Chisinau and punish all the guilty;
- The human rights organisation Amnesty International Moldova fears that the situation relating to human rights in Moldova has worsened, particularly after the April 2009 events. According to the world human rights report released by Amnesty International Moldova on May 29, Moldova keeps applying torture and other ill-treatment forms, especially against inmates; the freedom of public assembly is restricted, while the policemen who breach the law remain unpunished²⁶;
- The annual Freedom House report for 2009 signals the degradation of political rights and citizen freedoms in Moldova²⁷; While the June Freedom House report on democracy in the countries in transition in 2008 rated Moldova the worst in the last ten years, the Washington-based organisation says in the July 16 report that the individual freedom of Moldovan citizens was also on the decline in 2008. Both the condition of political

arrested people, especially the right to life, right not to be victim of ill-treatment, torture, inhuman, degrading or punitive treatments, the right to freedom and security, right to justice, freedom of assembly, associations and freedom of expression. The European Parliament demanded “a special investigation on people killed during the post-electoral events, as well as of all accusations of raping or ill-treatments during detention and arrests operated on political criteria,” and asked the authorities to “bring to law courts” all the persons responsible of brutality and violence against arrested people. As well, it was recommended the establishing of an independent commission to investigate post-electoral events, with participation of the EU and CoE experts.

<http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2009-0384&language=RO>.

¹⁶ Activity of MIA relating to cooperation and development of an active and lasting partnership with civil society in April 2009 <http://www.mai.md/content/1121>.

¹⁷ Law # 26-XVI of 22.02.2008 (Articles 21 and 22).

¹⁸ Press release by MIA www.mai.md.

¹⁹ New findings concerning the death of Valeriu Boboc <http://www.europalibera.org/content/article/1768975.html>.

²⁰ A single criminal case on police torture <http://www.europalibera.org/content/article/1614813.html>.

²¹ Charges, arrests, threatening with criminal charges <http://www.europalibera.org/content/article/1607951.html>.

²² Preliminary report on respect for rights of people held over the April 7, 2009 events <http://ombudsman.md/file/Raportare/tematic/Pentru%20Presa.doc>.

²³ Urgent letter concerning the ceaseless violation of human rights <http://www.azi.md/ro/story/2380>.

²⁴ Memorandum concerning the state of human rights and work of democratic institutions <http://www.civic.md/comunicate-de-presamemorandum-privind-starea-drepturilor-omului-si-activitatea-institutiilor-democratice.htm>.

²⁵ Resolution 1666 (2009), The functioning of democratic institutions in Moldova <http://assembly.coe.int/Mainf.asp?link=/Documents/AdoptedText/ta09/ERES1666.htm>.

²⁶ Moldovan policemen must be punished <http://politicom.moldova.org/news/video-poliitii-moldoveni-trebuie-pedepsii-amnesty-200977-rom.html>.

²⁷ <http://www.freedomhouse.org/template.cfm?page=475&year=2009>.

rights regarded as possibility of people to participate in free elections or join a party, and civil freedoms as right to expression or access to justice has degraded²⁸;

- The Council of Europe (CoE) Commissioner for Human Rights, Mr. Thomas Hammarberg, criticised the behaviour of Moldovan police forces and described as unacceptable the pressures against media outlets and nongovernmental organisations which denounced the violation of human rights after the April 7 events. The assessments are part of the report issued by the commissioner after his visit to Moldova²⁹.

Prevention of torture. Rights of prison inmates

Progress

- The regulation concerning the work of the commission for monitoring human rights in detention was published³⁰;
- On April 10, ombudsmen called upon authorities to use all available levers in order to protect human rights and freedoms, in particular: freedom of assembly, individual freedom and security of individual, right to life and physical and psychical integrity, freedom of move, right to have access to right and unbiased information³¹;
- On July 8, 2009, the Ad-Interim Director-General of the Department for Penitentiary Institutions met CoE Adviser Eric Svanidze, in charge with the Common Programme of the European Commission and Council of Europe against ill-treatments and impunity. The sides tackled issues related to prevention of torture and eradication of ill-treatments in detention facilities, conditions and methods to receive detainees in prisons, national priorities and necessities related to implementation of this programme. The talks also focussed on health assistance for inmates³²;
- Deputy prime-minister asked policemen to prevent abuses against citizens, prevent torture and illegal arrests. He also demanded a decisive struggle of inhuman treatments and torture³³.

Shortcomings and problems

- Many people held after the April 7 protests complained that policemen have beaten and ill-treated them, facts confirmed by an UN human rights representative³⁴. Inmates said that they were beaten with clubs, full plastic water bottles, fists and feet. All inmates said that they were not the only victims of ill-treatments; they were also witnesses of ill-treatment of other people;
- On April 11, members of the Advisory Council on Preventing the Torture (National Prevention Mechanism) accompanied by the UN Human Rights Adviser for Moldova and a lawyer tried to visit several police commissariats and prisons in Chisinau, which were holding or ill-treating the people concerned, according to knowledgeable sources. Under the law, the Advisory Council on Preventing the Torture shall be allowed to visit any detention facility at any time, without any preliminary notification. However, the Chisinau Police Commissariat-General restricted their access without motivating the denial. The Police Commissariat in Centru Sector has also denied access, saying that there were no inmates inside, but the Supervision Prosecutor confirmed meanwhile that there were five inmates inside. Just access to Prison No. 13 was provided after three hours of negotiation and intervention of ombudsman³⁵;
- The CoE Commissioner for Human Rights, Thomas Hammarberg, said in a report issued after the visit to Moldova following the April 7 events that "prompt measures relating to human rights violations, especially to lots of police ill-treatment cases are required"³⁶;
- Amnesty International Moldova released a memorandum on April 17, signalling "the excessive use of force by police bodies after demonstrations" and "the wide-spread use of torture and other forms of inhuman and degrading treatment in detention"³⁷;
- Many arrest cases following the April 7 events, related to torture inclusively, were signalled to ECHR, with the high court being expected to consider them emergently³⁸;
- Anatol Matasaru, who claims to be held in inhuman and degrading conditions submitted a new application to ECHR³⁹;
- A group of inmates from the Taraclia-based Prison No. 1 went in for a hunger strike to protest against inhuman treatment they face daily. An announcement in this regard was made by Stefan Uritu, chairman of the Helsinki-Moldova Committee for Human Rights⁴⁰;
- Transnistrian intelligence services held three Moldovan policemen who were on a mission to Tiraspol. Some NGOs and their relatives demanded their release⁴¹;

²⁸ Freedom House: political rights are on the decline in Moldova <http://www.europalibera.org/content/article/1779394.html>.

²⁹ CoE Human Rights Commissioner criticizes conduct of Moldovan police www.info-prim.md.

³⁰ Decision approving the regulation on work of the commission for monitoring respect for human rights in detention facilities, # 286 of 13.04.2009 // Monitorul Oficial # 78-79/337 of 21.04.2009

³¹ Preliminary report on the respect for the rights of persons held in connection with the April 7, 2009 events <http://ombudsman.md/file/Rapoarte/tematic/Pentru%20Presa.doc>.

³² Bilateral meeting: DPI and Council of Europe concerning the fight against ill-treatments <http://www.penitenciar.gov.md/ro/stiredetalii.html?idnews=7/8/2009%205:13:36%20PM>.

³³ Deputy Prime Minister Iurie Rosca visits the Ministry of Justice of Moldova <http://gov.gov.md/md/arch/?nid=4246707&y=2009&m=07>.

³⁴ UN Representative: "Moldovan inmates are beaten with water bottles by policemen" http://www.irp.md/news.php?news_id=418.

³⁵ Open letter by members of the Advisory Council on Preventing the Torture to international institutions http://www.viitorul.org/public/1934/ro/Moldova_Letter_of_Concern_13.04.2009_RO.pdf

³⁶ CoE Human Rights Commissioner criticises the conduct of the Moldovan police www.info-prim.md.

³⁷ Memorandum: Amnesty International's concern with the police actions during and after the April 7 events in Chisinau <http://www.amnesty.md/library/documents.php?id=247&ln=ro&typ=news>

³⁸ ECHR considers five applications vs. Moldova submitted after the April 7 violence <http://sanatate.md/?l=ru&a=newsprov&i=1704>; ECHR considers the torture in Chisinau <http://www.interlic.md/2009-05-27/cedo-analizeaza-tortura-de-la-chisinau-10377.html>; ECHR: Moldova will respond for the abuses against Matasaru <http://politicom.moldova.org/news/cedo-rmoldova-va-raspunde-pentru-abuzurile-in-cazul-mtsaru-198742-rom.html>.

³⁹ Anatol Matasaru, held in inhuman and degrading conditions, sends a new application to ECHR <http://www.stireazilei.md/news-959>.

⁴⁰ A group of detainees from Taraclia go in for a hunger strike, <http://www.azi.md/ro/story/3206>.

Rights of the child

Shortcomings and problems

- During January-May 2009 the number of children who were victims of sexual abuses and domestic violence increased by about 30 persons, compared with the similar period of 2008. These accounts are part of a comparative research carried out by the National Centre for Child Abuse Prevention "Amicul"⁴²;
- According to MIA data, 19 minors were held by police after the April 7, 2009 violent protests.

Fulfilment of CoE recommendations / Execution of ECHR decisions

Progress

- Three major events of the Common Project of the European Commission and Council of Europe against corruption, money laundering and terrorism funding in Moldova (MOLICO) took place in Chisinau on July 8, 9 and 10⁴³;
- The European Court of Human Rights (ECHR) will not consider any longer the applications depending on the period when they were recorded, but accordingly to their importance. The Moldovan judge to ECHR, Mihai Poalelungi, has informed audients of the political research school of Moldova in this respect.

Shortcomings and problems

- The Parliamentary Assembly of the Council of Europe approved a Resolution on functioning of democratic institutions in Moldova, and most of its provisions were not fulfilled.⁴⁴
- Deputy premier said that the local public administration does not honour obligations relating to execution of ECHR decisions and denies any cooperation with central public authorities aimed to find concrete solutions to existing problems in this area such as housing, and judicial nihilism in executing some definitive judicial decisions taken by national courts⁴⁵;
- The number of applications submitted by Moldovan citizens to ECHR is on the rise, as well as the number of sentences by the Strasbourg-based court against Moldova.

Cooperation with civil society

Progress

- The register of non-commercial organisations was introduced and the regulation on this register was established.⁴⁶

Shortcomings and problems

- Relationship between central public authorities and NGOs has worsened after post-electoral developments, with the dialogue between governance and civil society being sporadic;
- Shortly after the April 5 parliamentary elections many NGOs which are part of the Civic Coalition-2009 for Free and Fair Elections became the target of controls by the Main State Tax Inspectorate. On April 30, Coalition-2009 asked the Main State Tax Inspectorate to answer some questions relating to the purpose of controls and decisions they were based on⁴⁷;
- The Ministry of Justice accused the Coalition-2009 for Free and Fair Elections of being co-organiser of the April 7 protests which degenerated into violence and storming of the Parliament and Presidency buildings. The accusations would be based on a preliminary declaration submitted to the Chisinau City Hall, which would have notified the organising of a meeting by the Civic Coalition – Elections 2009 on April 7, 2009 along with a similar statement by a political party. Coalition-2009 members were "astonished and indignant with the accusations of the Ministry of Justice," explaining that the Ministry of Justice has mixed up the Civic Coalition – Elections 2009 with the Coalition-2009 for Free and Fair Elections"⁴⁸.

Freedom of media and access to information

Progress

- The Central Electoral Commission ordered through the regulation on media coverage of election campaign that all electoral debates shall begin before the registration of all candidates, and further obliged the public company Teleradio-Moldova to open debates;
- The supreme state leadership, authorities who also run for elections, decided not to be featured any longer by reports by public station Moldova-1 but within the column Elections 2009;

⁴¹ NGOs and relatives of policemen held in Tiraspol demand their release <http://www.info-prim.md/?x=&y=24592>.

⁴² Many children are victims of sexual abuses and domestic violence – research, AP Infotag.

⁴³ MOLICO presents key results of its activity for 3 years, <http://www.bice.md/?news=664>.

⁴⁴ The functioning of democratic institutions in Moldova // Resolution 1666 (2009) <http://assembly.coe.int/Mainf.asp?link=/Documents/AdoptedText/ta09/ERES1666.htm>.

⁴⁵ Iurie Rosca presents the totals of the first month of activity as deputy prime minister, at a news conference <http://gov.gov.md/ru/arch/?nid=4366948&y=2009&m=07>.

⁴⁶ GD # 345 of 30.04.2009

⁴⁷ See: www.civic.md/comunicate-de-presa/coalitia-2009-cere-transparenta-in-procesul-de-verificare-fiscala-a-organizatiilor-ne guvernamentale.html.

⁴⁸ Coalition-2009 rejects accusations of the Ministry of Justice <http://politicom.moldova.org/news/coalitia2009-respinge-acuzatiile-mj-197941-rom.html>

- The Audiovisual Coordinating Council (ACC) extended till after the early parliamentary elections the moratorium on organising a contest for the broadcasting licence of the TV channel PRO TV – Chisinau;
- Majority of electoral contestants including the ruling party organise news conference almost every day;
- All electoral contestants participate in electoral debates;
- Electoral contestants are pretty ready to provide information to journalists who ask them to do so.

Shortcomings and problems

- During April 7-10 several Romanian journalists were expelled from Moldova, with some foreign journalists being denied access to Moldova. Many journalists were held or abused by police;
- Starting April 7, the re-broadcasting of the Romanian TV station „Realitatea” in wire networks in Moldova was ceased for a couple of days;
- The access in Moldova to some websites of social networks (www.facebook.com, www.odnoklassniki.ru and others) was blocked for approximately one week after the April 6-7, 2009. Some Moldovan websites (www.unimedia.md, www.jurnal.md, www.garda.com.md) also faced access problems;
- There were many cases during the election campaign for early parliamentary elections when journalists were barred access to public meetings of Premier Zinaida Greceanii, with reporters being threatened once (in Donduseni) with a weapon by bodyguards;
- Nongovernmental media organisations raise deep concern with the worsening functioning climate for the media and degrading freedom of expression in Moldova prior to the early parliamentary elections⁴⁹;
- SEEMO (South East European Media Organisation) raised concern with latest evolutions involving the media in Moldova⁵⁰;
- Coalition-2009 released a statement to support PRO TV Chisinau, seeking respect for the right to unbiased and pluralistic information⁵¹;
- Monitoring reports on conduct of TV channels during election campaign for early parliamentary elections reveal that many TV stations keep covering unfairly and biased the electoral candidates⁵²;
- According to the report by an expert group which worked under the aegis of Acces-Info Centre, the access to official information has degraded much in Moldova in the 2nd quarter (April-June), reaching the lowest level this year⁵³.

⁴⁹ Declaration by media organisations, <http://www.civic.md/comunicate-de-presa/declaratia-organizatiilor-massmedia-in-legatura-cu-inrautatirea-climatului-de-functionare-a-presei.html>

⁵⁰ SEEMO/IPI Deeply Concerned about Recent Media Developments in Moldova, www.siemo.org.

⁵¹ Statement concerning the situation of the television station Pro TV Chisinau <http://www.alegeliber.md/index.php/ro/declaratii-comunicate?start=10>.

⁵² Monitoring reports by APEL and IJC available at www.apel.md and www.ijc.md.

⁵³ Press release by Acces-Info, <http://www.acces-info.org.md/index.php?cid=216&lid=876>.

2. CONSOLIDATION OF ADMINISTRATIVE CAPACITY

Administrative reform / Administrative efficiency

Progress

- Training courses for employees of public services go on⁵⁴;
- A draft decision on classification of public functions was worked out and tabled for consultations;
- Authorities benefit of foreign assistance to implement administrative decentralisation mechanisms⁵⁵; cooperation in the area is developing;
- Regional conferences are organised to work out regional development strategies⁵⁶;
- Local authorities are trained in information technologies area;
- The Information Technologies (IT) Sector is developing dynamically, new operators joined the electronic communication market⁵⁷;
- Modern regulations on electronic communications are approved⁵⁸;
- Electronic technologies on issuing some permits are being implemented.⁵⁹

Shortcomings and problems

- A higher-ranking official says that the situation relating to implementation and coordination of European integration process is faulty because of involvement of political factors, some obstacles born by group interests⁶⁰;
- A new reform strategy for central public administration was not drafted and approved, while the enforcement of the last one is not confirmed by an official act and a new action plan is unavailable;
- The enforcement of new regulations on public service is slow and faulty⁶¹;
- The LPA Reform stagnates, there are harmful factors which harden the implementation of reforms⁶²;
- Representatives of local authorities keep accusing the government of meddling into local affairs, obstructing funding⁶³;
- Despite a little improvement, Moldova is rated so far as a country with a very high software piracy⁶⁴; the use of unlicensed software by state administration and poor economic condition of population generate and fuel this situation in Moldova;
- The faster development of Internet is obstructed by lack of infrastructure and shortcomings of related regulation on building it in new constructions⁶⁵.

Depoliticising of public administration

Shortcomings and problems

- LPA authorities continue to face differentiated treatments based on political memberships⁶⁶;
- Activity of the Chisinau City Hall was obstructed, as execution bodies blocked its accounts to ensure the execution of some ECHR decisions with which the Government of Moldova is in charge⁶⁷;
- Necessary mechanisms for depoliticising public administration were not introduced; the new law on public function and status of public servants is short of regulations to ensure stability and independence of public servants.

Interference of administrative and economic interests

Progress

- The Road paper on improving the business climate is being discussed⁶⁸;
- Actions to facilitate entrepreneurial operations go on⁶⁹;
- The regulation on public acquisitions for work projecting services (GD # 352 from 05.05.2009) was approved.

⁵⁴ Workshops on implementation of the law concerning public function and status of public servant, socio-professional integration of new employees.

⁵⁵ Working visit to MLPA by Glen Wright, international expert in administrative decentralization;

⁵⁶ Conferences held in May in residence cities of centers of development regions Nord (Balti), Centru (Ialoveni) and Sud (Cimislia) by MLPA jointly with the technical assistance project "Moldova: Regional development cooperation" funded by DFID and SIDA.

⁵⁷ ANRCETI authorized 40 new operators in the 1st quarter.

⁵⁸ GD # 284 of 13.04.2009 for the approval of the regulation on electronic communication networks and execution of works in protection areas and electronic communication networks; ANRCETI Decision # 85 of 28.04.2009 on establishing of the list of relevant markets and/or electronic communication services;

⁵⁹ Starting June, the State Agency for Intellectual Property (AGEPI) accepts electronic applications and documents with the use of digital signature, www.agepi.md.

⁶⁰ Interview with Deputy Prime Minister Andrei Stratan, minister of foreign affairs and European integration, newspaper Timpul, 19.06.2009.

⁶¹ The law on public function and status of public functionary is not fully applicable because of the lack of amendments to legislation and new subordinated regulations, though it entered into force more than half a year ago.

⁶² The nomination of a new minister of local public administration and appointment of a person who was not in country the last three years may affect the paces of LPA Reform.

⁶³ Statements by the National League of Associations of Mayors and Association of District Chairpersons Pro-Europa, 23.05.2009.

⁶⁴ Moldova would be ranked the 7th place among 110 countries with the highest software piracy, Business Software Alliance research, May 2009.

⁶⁵ Statements by representatives of the National Association of private information technologies companies, 26.05.2009.

⁶⁶ Most of prizes were awarded to localities ruled by PCRM representatives at the contest „Nicest and cleanest locality” for 2008.

⁶⁷ Press release by the Chisinau City Hall, 08.06.2009.

⁶⁸ Roundtable under aegis of the Ministry of Economy and Commerce jointly with the USAID/BIZTAR Project;

⁶⁹ Working group for entrepreneurship regulation considers some legislative acts;

Shortcomings and problems

- The Chamber of Auditors assessed many shortcomings and violations in the area of public acquisitions⁷⁰;
- Despite negative effects of economic crisis, budgetary financial resources are used in continuation for unimportant and unplanned purposes, without an evaluation of impact⁷¹;
- The capital reconstruction of the Parliament and Presidency buildings was not argued and transparent enough, with governmental factors which are in conflicts of interests being interested in these works.⁷²

Stability of governing policy

Shortcomings and problems

- The April 5, 2009 elections strongly polarised the society, while confidence in public authorities (Parliament, Government, Presidency) has declined⁷³;
- The Government has arbitrarily introduced visa requirements for Romanian citizens, though a law abolishes visas for EU citizens (GD # 269/08.04.2009). This situation affected trade exchanges and investments;
- According to data of the State Registration Chamber, foreign investments in social capital of Moldovan enterprises have decreased much compared with last year;
- The restricted admission to higher education affects the university autonomy and reduces development possibilities of institutions of higher learning⁷⁴;
- Although it was officially announced, an "anti-crisis programme" of Moldovan Government was not published and enforced so far;
- According to foreign researches, Moldova did not take enough anti-crisis measures and these processes could have a very strong negative impact⁷⁵.

Probity and transparency of governance /Anti-corruption fight

Progress

- Projects on facilitation of access to information are being implemented with external support⁷⁶;
- Actions are taken to enforce corruption risk evaluation methods in public institutions⁷⁷;
- New corruption signalling mechanisms are introduced⁷⁸;
- The implementation of the Preliminary Country Plan had a positive impact in some areas⁷⁹;
- Some improvement relating to assessment of corruption spreading in certain professional groups is observed (functionaries from mayoralities, judges, prosecutors, customs officers, policemen)⁸⁰;
- The Civil Council for Monitoring of CCECC is now operational; it was provided endowments (with the support of AED/PCP);
- As many as 1,368 appeals signalling corruption and related offences were recorded in the first half a year, criminal charges were ordered in 305 cases; 137 criminal cases were sent to law courts and 82 sentences were pronounced (regarding 24 police officers, 32 public officials, 5 customs officers, 1 prosecutor and 49 persons of other categories).

Shortcomings and problems

- The conduct of law enforcement bodies, abuses and toleration after the April 7, 2009 events affected the probity and confidence in these authorities, as well as in central administration in general⁸¹;
- Authorities became closer to the media⁸²;
- The implementation of the anti-corruption package is imperfect, very important regulations (conflict of interests, publication of judicial decisions on corruption cases) did not enter into force;
- The evaluation of corruption risks faces serious problems because of the lack of adequate human resources, insufficient education of those involved in evaluation, superficial treatment of problems by administration of institutions;
- A major corruption risk is observed so far in public institutions⁸³;
- According to some surveys, discontentment of population with anti-corruption efforts of authorities has grown, with corruption being a constant concern in continuation⁸⁴; specialised surveys indicate an increased concern with corruption in the list of problems faced by population⁸⁵;

⁷⁰ Sitting of the Chamber of Auditors of 28.05.2009.

⁷¹ Large financial resources allocated under Government Decisions # 272 of 10.04.2009, # 280/10.04.2009; # 282 of 10.04.2009; # 337 of 28.04.2009; # 403 of 02.07.2009, # 404 of 02.07.2009, # 405 of 02.07.2009.

⁷² Ministry of Construction and its relatives were part of founders of companies which won tenders for reconstruction of the Parliament building.

⁷³ Barometer of Public Opinion, July 2009.

⁷⁴ According to findings of the research „Impact of policies of central public authorities on university system in Moldova”, IDIS Viitorul.

⁷⁵ Analytical study «Страны СНГ и мировой кризис: общие проблемы и разные подходы» released on 24.06.2009, FBK Company.

⁷⁶ UNDP Moldova proposes grants for projects on improving access to information and decision-making process via media.

⁷⁷ Under GD # 906 of 28.07.2008, MOLICO and CCECC experts organize training courses and consultations for self-evaluation groups.

⁷⁸ Anonymous surveys of CCECC employees, introduction of the „yellow card” system;

⁷⁹ The 5th quarterly consolidated monitoring report on implementation of the Preliminary Country Plan, Anti-Corruption Alliance, 16.04.2009.

⁸⁰ Evolution of corruption perception in Moldova (2005-2009), research report July 2009, IMAS+INC, with MOLICO support.

⁸¹ See also in this respect the statement by the Anti-Corruption Alliance, 17.04.2009.

⁸² Quarterly report (January-March 2009), Acces-Info Centre; Conference „Reaction of authorities to corruption signaled by the media”, 10.04.2009, newspaper Ziarul de Garda.

⁸³ According to conclusions of the 5th quarterly consolidated monitoring report on implementation of the Preliminary Country Plan, Anti-Corruption Alliance, 16.04.2009.

⁸⁴ Barometer of Public Opinion, July 2009.

⁸⁵ Evolution of corruption perception in Moldova (2005-2009), research report July 2009, IMAS+INC, with MOLICO support.

- Foreign assistance programmes (MOLICO, PCP) were finished; resources for reforms in the area are little so far, authorities did not allocate special resources for implementation of the national anti-corruption strategy.

3. TRANSNISTRIAN CONFLICT

Parliamentary elections strained Chisinau-Tiraspol relations

The Transnistrian administration described the attempt of the Moldovan authorities to open a polling station in the village of Corjova (native village of Moldovan President Vladimir Voronin) located in the security zone, in order to let people cast their ballots there during the April 5, 2009 parliamentary elections, as a provocation of the Chisinau authorities. According to Tiraspol's mouthpiece Olviapress, a protest meeting took place before the opening of the polling station on April 5 at 07:00 under flags of Transnistria and Russia, with participants carrying slogans "No to illegal elections!", "No to nationalism, yes to peace negotiations!" Several demonstrators broke into the polling station before the opening of voting and seized the ballot box. In order to clarify the situation, members of the Joint Control Commission (CUC) on behalf of Ukraine, Moldova and OSCE Mission visited the scene.

Prosecutor-General's Office of Moldova opened a criminal case on obstruction of elections in Corjova. On that occasion, the CUC co-chairman on behalf of Transnistria, Oleg Beleacov, said that the Prosecutor's Office's decision is political, as the village of Corjova is controlled by Transnistria. According to Beleacov, the Transnistrian administration should open a criminal case in this respect, as the Moldovan authorities committed an illegality in Transnistria.

Reactions of Transnistrian authorities to political crisis in Republic of Moldova

The political crisis in Moldova born by the April 7, 2009 revolt was widely mediated in the Transnistrian region. Main conclusions released by Transnistrian propagandists were reduced to affirmations such as "what has happened in Chisinau on April 6-7 after the parliamentary elections confirms one more time the right way of independence from the Republic of Moldova chosen by Transnistria." Transnistrian propagandists strived to extend their conclusions on Moldova's future as well – "young people who went to spontaneous protests have pro-Romanian visions and are supported by pro-Romania political forces. If not now, the Republic of Moldova will join Romania in future for sure... President Voronin strengthened his positions inside of Moldova after the crisis, but lost much on the country reintegration dimension. The country cannot be reintegrated on background of a "so strong Romanian factor" capable to organise a "coup d'état" in Chisinau, as President Voronin has said."

In the same context, Transnistrian leader Igor Smirnov was quoted by the Russian news agency Interfax as saying that he has nothing to discuss with the acting Chisinau authorities after the April 6-7 events: "the international community could realise who it has do deal with. What to discuss with a government which is fighting with own people? Does anybody believe that this government could defend Transnistrians against nationalists?" According to the deputy security minister of Transnistria, Valeri Iunevici, "the special destination subdivision DELTA of the Transnistrian MGB was put on alert with the view to prevent eventual provocations. These attitudes prove that the Moldovan authorities gave a serious blow to the country reintegration process by invoking the "Romanian factor" as main cause of the April 6-7 riots.

Efforts to resume the negotiation process

On April 28, 2009 Vienna hosted "3+2" consultations (without participation of representatives of Moldova and Transnistria). Participants in consultations on behalf of Russia, Ukraine, OSCE, US and EU drew the conclusion that the resumption of the "5+2" negotiations is necessary. As well, participants in consultations stressed the importance of contacts between conflicting parties at all levels, including expert groups.

On April 29, 2009, incumbent President Vladimir Voronin said in a TV interview that "the territorial integrity problem is of utmost importance for Moldova's leadership." He stressed that "in the situation after the April 5 elections some petty politicians are trying to play their card, inclusively in the Transnistrian settlement problem... But the resolution of this problem should not be linked to the events from early April. We must advance in the Transnistrian settlement process. Everybody should do its work in the current situation, inclusively politicians and Parliament... The fact that prospects of starting negotiations in a complete format were considered in Vienna for the first time after many years makes us happy and encourages us very much." According to Voronin, "the country leadership will follow the earlier built policy in the Transnistrian settlement process."

On April 30, Minister of Reintegration Vasili Sova had meetings with the Special Representative of the European Union to Moldova, Kalman Miszei, the head of the OSCE Mission to Moldova, Philip Remler, and US Ambassador Asif Chaudhry and shared opinions about the Transnistrian settlement. Minister Sova expressed readiness to continue consultations in diverse configurations with the purpose to prepare the "5+2" meeting and organise a seminar on demilitarisation and building military confidence in June. In the same context, Transnistrian leader Igor Smirnov and foreign minister Vladimir Yastrebchyak told meetings with representatives of mediators and international observers that the "5+2" format is consultative and aims to provide a framework for exchanging opinions, not for making decisions, which rests with the exclusive competence of the conflicting parties.

During June 21-22, Vienna hosted "5+2" consultations. Igor Smirnov described them as useful to find some means for joining efforts against crime and trafficking in human beings and drugs.

Transnistrian leaders not nourishing illusions regarding resumption of negotiation process

Transnistrian leader Igor Smirnov said in an interview with the Russian TV Center station on May 14 that he does not nourish illusions regarding the resumption of negotiations with the Chisinau authorities. Smirnov seized the opportunity to speak about the impact of the April 7, 2009 events on the Chisinau-Tiraspol relations. The events concerned were predictable for Smirnov, as the Republic of Moldova would promote a nationalist policy on grouping citizens on ethnic criteria. As well, Smirnov noted that he does not believe the Chisinau authorities who sign documents and ignore them later, and promote oscillating policies in general – either oriented to EU or to Russia. In this context, Transnistrian foreign minister Vladimir Yastrebchyak reconfirmed that the Transnistrian authorities will be ready to resume the "5+2" negotiations when all barriers imposed to Transnistria will be removed. As well, Yastrebchyak stressed that the foreign policy of Transnistria focuses on relations with Russia, Ukraine, EU and CIS-2 partners.

Despite optimistic reports by Moldovan authorities regarding the Transnistrian settlement prospects, especially after the June 22 visit to Moscow and meetings of outgoing President Vladimir Voronin with Russia's President Dmitri Medvedev and Premier Vladimir Putin, Transnistrian leader Igor Smirnov said that the reintegration of Moldova is impossible. Besides older propagandistic clichés, Smirnov brought new arguments to prove his assessments – he does not have anybody to discuss the Transnistrian settlement because of the political destabilisation in the Republic of Moldova, "as he would not discuss with an ad-interim president." Transnistria will keep its strategic line on strengthening independence and gradually joining the Russian Federation.

Developments in the Republic of Moldova will not influence Transnistria's strategy

The Transnistrian authorities said the post-electoral political events in Moldova cannot influence their strategy on achieving objectives related to results of the September 2006 referendum. Hence, the Tiraspol authorities have plans to keep building Transnistria's independence with the purpose to join the Russian Federation. In this context, the „5+2” negotiations will restart only after all pressures capable to harm Transnistria's interests will be removed, as accordingly to the Barvikha Declaration. The Transnistrian authorities expressed readiness to attend the June-scheduled Helsinki seminar under the OSCE aegis to discuss strengthening of mutual military confidence and security. Transnistria has already set up an expert group in the areas concerned, expecting Chisinau to do the same. During a conference organised on May 27, 2009 by the Institute of CIS member states led by Constantin Zatuliu, Transnistrian foreign minister Vladimir Yastrebchyak said that the statements of Chisinau regarding the dialogue with the Transnistrian side does not have any weight as long as a new president of Moldova is not elected. Secondly, the current status of Vladimir Voronin is unclear – head of the Parliament or chief of state, and this fact gives birth to confusions, obstructing the resumption of dialogue. Thirdly, invoking attachment towards continuing the "5+2" negotiations has become a tradition for Chisinau, but it means nothing but bowing to western partners which it would like to assure that nothing happened in the Republic of Moldova after the parliamentary elections, despite the events which should be taken into consideration during negotiations. Fourthly, the political instability in Moldova may be very long, and Moldovan functionaries would avoid assuming any risks and hold serious talks meantime, while their eventual successors would like to base all actions on the 2005 law, which stipulates a status of autonomy for Transnistria, but the latter does not accept it. Fifthly, these factors altogether and separately estrange Transnistria from Republic of Moldova.

Conflict of leading organs from Transnistria

On April 15, 2009, members of the Supreme Soviet of Transnistria passed in the first reading some amendments to constitution, giving green light to 'the initiative of the 17 legislators' (the Supreme Soviet is made of 43 members) who started the modification procedure. Most of the 17 legislators represented the Obnovlenye Party faction led by speaker Yevgeni Shevchyuk. The essence of modifications consists in suppressing the post of vice president; obliging the cabinet of ministers to present reports both to the president and to the legislative forum; obliging the president to address the legislature every year; allowing the legislature to elect a president with 2/3 votes in case of vacancy. The ad-interim president would run this office as long as causes of this state of things are remedied or until presidential elections that he/she would be denied participation.

Igor Smirnov and his cabinet of ministers had a very negative reaction to the "initiative of the 17". Smirnov recommended the postponement of the voting in the first reading and discussion of this initiative during public debates. His arguments also envisaged the violation of the "power separation" principle in case of a final adoption of amendments. Smirnov insisted that the amendments would target at vice president Alexandr Koroliov, who could succeed him.

Harmonisation of Transnistrian legislation to Russian laws and introduction of Russian rouble in the region

The "group of the 17" who initiated the modification of Transnistrian constitution motivated their actions with the intention to harmonise the legislative framework of the Transnistrian region with Russian laws. On the other hand, the conclusion of Smirnov's supporters was that the Supreme Soviet speaker would like to turn the presidential republic into a semi-presidential republic in a voluntary manner. They claimed that such transformations are inadmissible in the current situation and the presidential regime proved its efficiency. Igor Smirnov also attended the debates held before the voting of constitutional amendments. Debates proved that both Smirnov and Shevchyuk understand the

adjustment of Transnistrian legislation to Russian laws the way they like. Protesting against the fact that the Transnistrian legislature did not meet his objections, Smirnov and members of his cabinet left the sitting hall. However, before leaving the hall Smirnov threatened to hold a referendum on this issue.

Losing the propagandistic battle and ceding under pressures, the “initiative of the 17” concerning the modification of Transnistrian constitution was withdrawn. However, Smirnov promised that the separatist authorities will keep harmonising the Transnistrian legislature with Russian laws, but they will take into account the express regulations of the Russian Constitution. At the same time, Smirnov assures that harmonisation is not unification. In fact, it means promoting interests of influent groups behind “harmonisation”.

Concomitantly with harmonising the Transnistrian legislation to Russian laws, Tiraspol legislators consider the possibility to introduce the Russian rouble in the breakaway enclave. However, representatives of the republican bank of Transnistria contested the initiative on legalising the Russian rouble beside the Transnistrian rouble. According to bank experts, the introduction of the Russian rouble in Transnistria would have the following negative consequences: the loss of control on currency supply and issuing processes; devaluation of domestic currency; conversion of domestic currency into Russian currency by economic agents, so that the Transnistrian rouble would be eliminated from local circuit; loss of control on inflation; rise of the rate of illegal sector of economy; loss of people’s trust in economic policies promoted by authorities. Finally, Transnistria could lose its “economic sovereignty” after the eventual introduction of the Russian rouble.

Russian financial support to Transnistria

Russia transferred 7.3 million dollars to the Supreme Soviet of Transnistria on June 26. These resources are part of the third tranche of “financial humanitarian assistance” provided to Transnistria this year. The currency will be used as additions to pensions, foodstuffs for some categories of people in need from a number of institutions which take care of them. According to the agency Novy Region-2, this assistance is provided after the Supreme Soviet of Transnistria called upon the Russian State Duma on December 19, 2008 and argued the necessity of humanitarian financial assistance “with the purpose to remedy negative trends of economy and ensure social protection of people in need.” The agency noted that Transnistria receives such financial assistance from Russia for the third year.

4. RULE OF LAW

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

Progress

- The crime rate has decreased (11,541 offences were recorded in the first six months, by 828 (6.7 percent) less), compared with the similar period of 2008⁸⁶;
- The prosecutor's office continues to reform its work, in accordance with the new law⁸⁷;
- The regulation on establishing expenses for execution documents was adopted (GD # 285 from 13.04.2009);
- The Coordination Committee on implementation of the Common Programme of the Council of Europe and European Commission on enhancing independence, transparency and efficiency of the judiciary in Moldova evaluated positively the taken actions; initiatives on revision of the implementation plan were worked out;
- Certain progress in assessing the corruption rate in certain groups of justice makers (judges, prosecutors, and police) was observed⁸⁸.

Shortcomings and problems

- Reports by the Centre for Human Rights of Moldova (CHRM) keeps signalling lots of problems relating to access to justice, right to a fair trial, execution of judicial decisions, right to qualified protection⁸⁹;
- Foreign observers indicate the necessity of redressing the situation in judicial sector, stopping political accusations, telephone justice⁹⁰;
- The Resolution by the European Parliament concerning the situation in Moldova after the parliamentary elections⁹¹ raises concern with access to justice and adequate functioning of law courts in proceedings filed after the April 7, 2009 protests;
- There are many cases when judges breach the terms for editing judicial decisions and this fact affects the terms of examination of cases by courts of appeal, rights of the parties in lawsuits⁹²;
- Independent researches signal many problems involving majority of components of the judicial system of Moldova, inclusively in terms of implementation of EUMAP⁹³;
- Confidence of population towards justice is low so far, and even on the decline⁹⁴;
- Some measures foreseen by the action plan on implementation of the judiciary strengthening strategy are late.

Training of specialists from system / Material insurance

Progress

- A new contest was opened to select judges (10 seats) and prosecutors (25 seats)⁹⁵;
- Training seminars on judicial deontology (27.05.2009), training courses on information technologies take place;
- Activities are organised to evaluate the Measuring of Performance of Law Courts, human resources⁹⁶;
- The building of the Comrat law court is renovated.⁹⁷

Shortcomings and problems

- The process of nomination of the first graduates from the National Institute of Justice (NIJ) revealed problems relating to refusal of graduates to take over the proposed vacancies;
- SCM found out that some judges and employees of law courts do not participate in permanent training courses they have been admitted to, invoking groundless reasons;
- The justice funding concept was not approved, while allocations do not cover necessities for a quality and operative justice making process;
- The implementation mechanism of some regulations on judicial expenses was not elaborated and enforced⁹⁸;
- Law courts lack separate rooms to ensure security of victims and witnesses, while the Government does not provide law courts with facilities, transport and other endowments⁹⁹;
- Territorial treasuries turn down without motivated reasons the proposals of law courts regarding transfers for provided services, and this endangers the good functioning of law courts¹⁰⁰.

⁸⁶ Totals of activity of prosecutor's office for half a year, 2009.

⁸⁷ Methodical recommendations on activity of prosecutors in the area of general investigations under the new law were drafted.

⁸⁸ Evolution of corruption perception in Moldova, (2005-2009), research report July 2009, IMAS+INC, with the MOLICO support.

⁸⁹ CHRM report on activity for the first half of 2009. CHRM report for 2008.

⁹⁰ Commentary by the former head of the OSCE Mission in Chisinau, Louis O'Neill, aired by Radio Free Europe on 28.05.2009;

⁹¹ Resolution of 07.05.2009, www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P6-TA-2009-0384+0+DOC+XML+V0//RO;

⁹² SCM Decision # 121/6 of 30.04.2009;

⁹³ Study "Reform of the rule of law in the framework of the EU-Moldova Action Plan", AI.Cocirta, ARC/ADEPT printing house, 2009;

⁹⁴ Barometer of Public Opinion, July 2009;

⁹⁵ Announcement by NIJ Council, 30.06.2009;

⁹⁶ Report on initiation of international adviser, SCM, 09.04.2009;

⁹⁷ Renovation of the Comrat Law Court is part of the Preliminary Country Program of the Millennium Challenge Account;

⁹⁸ SCM Decision # 126 /6 of 30.04. 2009;

⁹⁹ *Ibidem*.

¹⁰⁰ SCM Decision # 165/7 of 21.05.2009

Alternative ways to settle litigations / Penitentiary institutions

Progres

- Important regulations were approved: state funding requirements for mediation of criminal lawsuits (GD # 303/21.04.2009); Regulation concerning the activity of civil committee on monitoring human rights in detention facilities (GD # 286/13.04.2009); training programme on release and social reintegration of former detainees for 2009-2010 (GD # 331/23.04.2009);
- The number of minors sentenced under criminal charges has decreased¹⁰¹;
- Works worth about 2 million lei were carried out to improve detention conditions in 2008 and six months of 2009 from own means and with support of local public authorities.

Shortcomings and problems

- Ombudsmen found out shortcomings in penitentiary system: impossibility to ensure the right to work to inmates; irregular practice of calculating privileged days; inappropriate detention conditions; faults relating to adjustment to recognised detention standards for inmates from MIA subdivisions; ill-treatment by DPI, MIA employees, convicts toward each other¹⁰²;
- The 2008 report on activity of the National Mechanism for the Prevention of Torture signals shortcomings in prisons and recommends necessary emergent measures¹⁰³.

¹⁰¹ According to DPI accounts (communiqué of 03.06.2009), the number of minors sentenced under criminal charges in 2008 decreased by 33 percent (445 minors were sentenced in 2008).

¹⁰² CHRM report on activity for the first half of 2009;

¹⁰³ CHRM report, <http://www.ombudsman.md/md/anuale/>.

Living standards of population

Progress

- The relative high rise pace of average salary early this year has tempered in the 2nd quarter (it was mainly linked to the fall in the number of salary earners and intact salary fund in the 1st quarter). Thus, the average wage on economy increased by 9.9 percent in January-May in real terms and 11.5 percent in nominal terms, compared with the similar period of 2008. The rise was particularly sustained by the increase of wages in budgetary sector in early 2009, being rather a pre-electoral gesture. At the same time, wages in sectors affected by crisis have dropped. Thus, salaries in extractive industry decreased (by 3.9 percent) in May 2009 compared with May 2008, building sector (by 11.3 percent) and transport and communication (by 2.4 percent).
- The indexation of pensions by 20 percent in April 2009 was likely a pre-electoral gesture as well. Under the law on state social insurance pensions,¹⁰⁴ pensions shall be indexed annually with a coefficient calculated as average between annual inflation rate and rise of annual wage for the last year, which would be 15 percent. The necessity of increasing pensions is incontestable, but the fact that pensions were increased before parliamentary elections and in the context of decreasing budgetary revenues raises doubts regarding “positive intentions” of government and use of efficient estimates on which its political decisions are based.
- The minimum consumer basket in the 1st quarter has decreased compared with the last quarter due to deflation in the period concerned, but was by 1.5 percent higher than in the 1st quarter of 2008. Given the deflation in April-May, the basket could decrease a little in the 2nd quarter as well.

Shortcomings and problems

- Available incomes of population have decreased in the 1st quarter of 2009, and kept falling in April-May on background of decline of remittances with impressive paces. Thus, remittances decreased by 42 percent in April 2009 compared with April 2008 and March 2009, though they increased during holidays in the previous years. Remittances decreased by 31 percent in May. The fall of remittances has a strong negative effect on consumption of population, which is observed for the third quarter in a row.
- Other negative evolutions are observed on labour market in parallel with the fall in people’s incomes. According to findings of the Labour Force Survey, the employment rate has declined, while the unemployment rate has increased up to 7.7 percent in the 1st quarter. As well, the number of jobseekers registered with National Employment Agency (ANOFM) has increased. The rise is explained by unemployment indemnities and comeback of migrants. According to the Labour Force Survey, by 12.7 percent fewer citizens were working or seeking jobs abroad in the 1st quarter, compared with 2008. The rise of the number of jobseekers may have serious implications on budget and requires the updating of passive policies on labour market.
- Budgetary incomes collected to the state social insurance budget in January-May are lower than planned, as stability of pension system becomes vulnerable when pensions are increased. Therefore, the necessity of implementing a multi-pillar pension system becomes urgent.

Consolidation of economic growth

Progress

- The evolution of GDP in the 1st quarter proved the vulnerability of Moldovan economy and the fact that the global economic crisis hit our country as well. After eight years of permanent growth, the GDP decreased by 6.9 percent in the 1st quarter, with Moldova being ranked in the middle of the top of countries in transition in terms of decline paces of economy. Thus, the economic growth model based on consumption developed its disadvantages, too. The fall in remittances affected the household consumption immediately, as it dropped by 10.2 percent in the 1st quarter compared with 2008. At the same time, the gross fixed capital formation dropped down to 16.8 percent of GDP, compared with previous years (about 30 percent).
- Given the trend of incomes in April-May and the ceaseless fall of remittances, the fall of final household consumption is unavoidable in the 2nd quarter as well. A proof in this respect is also the trend of retail sales, which dropped by 4.5 percent in five months of this year, compared with the last year.
- Nor expectations on evolution of gross value-added are optimistic. The decline of industrial production has deepened in the 2nd quarter, down to 25.3 percent in January-June, compared with the last year, affecting majority of industrial branches following the reduction of external and internal demand. The only important industrial branches in terms of production volume which achieved growths were manufacturing of plastic items (38.2 percent) and manufacturing of power appliances (32.8 percent). The agricultural production has increased by 2.6 percent in the 1st quarter, as forecasted in previous issues. However, the livestock sector alone achieved a growth, while vegetal production dropped by 11.1 percent. The transportation sector suffers from the current crisis the most, and it does not have any clear perspective to overcome it soon.

Shortcomings and problems

¹⁰⁴ Law # 156 of 14.10.1998 concerning the state social insurance pensions

- The economic growth forecasts worsen in continuation. Hence, while in April the IMF forecasted a 5-percent¹⁰⁵ decline for 2009, it forecasted a fall of at least 9 percent in June, after the visit of the IMF mission to Chisinau. On the other hand, economic evolutions in the 1st quarter indicate a decline of up to 12 percent.
- The political crisis experienced by Moldova starting April deepens the economic crisis as well. While the government did not recognise in early 2009 that Moldova was hit by the crisis, the difficult situation of economy could not be hidden any longer after the April elections. But the Government did not hurry up to take anti-crisis actions. The anti-crisis governmental programme released just in June recalls rather a political manifesto, without concrete proposals based on grounded economic evaluations. Even more, actions of the Parliament prove that this is not a priority in current conditions, and even addition barriers are imposed to business development such as introduction of visa requirements for Romanian citizens, which hit the economic relations between the two states.

Macroeconomic and financial stability

Progress

- The annual inflation in Moldova was negative in April for the first time after 1991. A deflation of 0.8 percent was recorded in the 1st quarter. Although the deflation is not a healthy economic phenomenon, the Government enjoys the opportunity to profit of its benefits and relax the monetary policy. Thus, the National Bank has taken some important actions to encourage crediting of the real sector. For the first time in the last ten years the central bank started crediting the banking system directly. It decided to provide credits to commercial banks in a cumulated volume of minimum 650 million lei for an interest rate at the level of refunding rate. The major condition imposed by NBM to commercial banks is to refund the real sector of economy, with the interest margin on these credits being 5 percent. As well, the basic interest rate on short-term monetary policy operations was reduced from 11 percent down to 9 percent in the 2nd quarter.
- The national currency depreciated by 2.6 percent versus US dollar and 9.5 percent versus Euro in the 2nd quarter. At the same time, international reserves of NBM rose by 6.8 percent after the central bank purchased foreign currency in May and June. However, this could have a temporary effect, being encouraged by a possible seasonal rise of agricultural products exported in this period.
- On June 15 the Parliament voted amendments to the law on financial institutions which simplify the procedure and term for liquidation of banks. Although the amendments are welcome, inclusively those on forced liquidation of banks, they could indicate the grave situation of Moldova.

Shortcomings and problems

- The NBM crediting of the banking system is welcome; however, the unfair providing of credits could affect the competitive environment in Moldova and efficiency of use of financial sources. Requirements for providing these credits and criteria for selecting commercial banks to benefit of these loans are unclear so far.
- Although it seems to be logical in the current conditions, the decision to suspend relations between IMF and Government until formation of a new Government and Parliament may halt the country to get assistance from the international community including the European Commission, should the Moldovan authorities throw irresponsible statements on relations with IMF. Government's actions and statements should be very cautious, so that not to make a negative image of our country in front of potential donors.
- At the same time, the readiness of the Russian Federation to provide a 500-million-dollar credit raised many questions and opinions in analytical and political environment. However, it is hard to estimate its effect as long as the providing requirements and funded activities are unclear.
- The bankruptcy of the commercial bank Investprivatbank SA proved that the banking system of Moldova is not as strong as indicated by figures. Investprivatbank was lifted the bank licence on June 19 because of the shortage of capital and liquidity rate, reporting of wrong data and underrated risk of credit portfolio. This case raises many questions regarding the capacity and independence of Moldova to supervise the banking system. The decision to nationalise the bank by letting Banca de Economii take it over was expectable in the current conditions to calm down depositors prior to elections. However, it is unclear so far how capable is Banca de Economii to take over the debts of IPB without worsening its financial condition fundamentally.

Fiscal transparency and stability

Progress

- Restrictions related to the global economic crisis manifested through reduction of budgetary incomes made the Government optimise the expenses. It reduced in April the allocations to administrative territorial units by 20 percent, compared with the planned amounts. Thus, by increasing expenses afferent to state social insurance and reducing allocations for districts, the Government transferred the responsibility and political costs on shoulders of local public administrations.
- The Ministry of Finance reduced the state debt by lowering the interest rate on state securities. Thus, the interest rate on treasury bonds was reduced from more than 23 percent in April down to 12-14 percent in June, depending on terms.

Shortcomings and problems

- Budgetary incomes have decreased compared with the last year, as well as with the planned level (by 9.7 percent), with the state budget recording a deficit of 1,147,700 lei in May. This decline endangers the

¹⁰⁵ World Economic Outlook, IMF, April 2009.

execution of some important expenses planned for 2009, inclusively the possibility to pay salaries in budgetary sector, pensions and other indemnities.

- Along with reduction of incomes, the necessity of increasing expenses related to damages suffered by the Parliament and Presidency headquarters during the April 7, 2009 riots has emerged. However, the necessary amount for renovation works is on the permanent rise, while an evaluation report on damages is unavailable. As well, the companies selected to carry out the works were chosen unfairly. The haste of companies to begin the works raises questions and doubts with probity of the process.

6. SOCIAL DEVELOPMENT AND REFORMS

Gender equality

Progress

- Law # 25 on approving the national youth strategy for 2009-2013 entered into force on April 7, 2009. The strategy concerned is especially based on principle of guaranteeing non-discrimination and ensuring equal chances to every youth regardless of race, gender, age, religion, ethnic and social origin, political orientation or any other criterion. An innovative aspect of the strategy is the focus on informal quality education, support to training of human resources involved in informal education.
- With the support of UN agencies in Moldova, several statistical publications on gender equality and democratic processes were released in the period concerned, including the 4th issue of „Femei si Barbati in Republica Moldova” (Women and Men in the Republic of Moldova), „Ghidul utilizatorului statisticilor de gen” (Guide of user of gender statistics). These publications include for the first time an analytical interpretation of available statistical indicators and present the existing discrepancies related to gender equality in country and details about economic and social costs of discrimination of women in society.

Shortcomings and problems

- The implementation of the national youth strategy for 2009–2013 is obstructed by budgetary allocations needed for this purpose. Thus, the elaboration of a programme on providing mortgage credits to young families and its funding in the limits of budgetary allocations becomes problematical because of the current economic crisis.
- Approving the draft national policy on ensuring gender equality and afferent medium and long-term action plans is baffled so far.

Social protection and integration

Progress

- The national youth strategy for 2009–2013 enforced on April 7, 2009 foresees the development of healthcare services and social protection of young people, participation of youths in economic life, access of young people to education and information services etc. As well, the strategy signals some disadvantages such as a big number of unemployed young graduates from secondary education, shortage of well-remunerated jobs for young people, and inefficient existing mechanisms to fund youth actions which would promote the social inclusion of this category.
- Law # 21 on ratification of the Agreement between Republic of Moldova and International Development Association concerning additional funding to the Social Investments Fund Project II in Moldova entered into force on June 19, 2009. FISM II contributes especially to renovation of social facilities, making necessary minimum conditions for development and promotion of educational and social services in rural communities to improve social conditions.
- Government Decision # 331 “Concerning some measures of social reintegration of former detainees” entered into force on May 8, 2009. The importance of this decision is approving a concrete programme on preparing detainees released from prisons this year and 2010 for release and reintegration into society, contributing to the social inclusion of this vulnerable group.
- The social reintegration of former detainees by improving the legal-normative framework, elaboration of the methodological and institutional framework on organisation of assistance, advisory and supervision of former detainees, as well as continual training of personnel rest with a strategic partnership between competent ministries and OSC, including NGOs and UNICEF Moldova.
- Government Decision # 258 concerning simplification of procedures for registration of new-borns and issuance of identity cards entered into force on April 7, 2009. The importance of this decision is simplifying the procedure of registration of new-borns and supporting young families to issue identity cards to new-borns in the national passport system. In particular, it will facilitate the issuing of necessary identity documents in short terms, a procedure which was very difficult formerly especially for beneficiaries from rural areas.
- Government Decision # 351 approving the action programme on youth for 2009 entered into force on May 19, 2009. This action programme will be materialised by detailed action plans worked out by competent ministries. The programme has ambitious purposes including gradually increasing scholarships for students from educational institutions, increasing the number of seats funded from the state budget in educational institutions, modernising student hostels, etc., in the limit of available budgetary resources.
- Initial training courses of community social assistants began on June 22, 2009, with 400 social assistants nationwide being schooled. Courses are part of the strategy on building the system of continual professional formation of personnel in the social assistance system for 2009 – 2012. The regional experience proves that the professional qualification of social assistants influences directly the quality of social assistance services for population. About 80 percent of social assistants in Moldova graduated from other specialties than social assistance.

Shortcomings and problems

- Simplification of the procedure of registration of new-borns by issuing birth certificates in maternities was complicated by the lack of state funds to print birth certificates, with competent services using sources from foreign donors, especially UN agencies.

- Limited available budgetary resources for implementation of the action plan on youth for 2009 could be a serious obstacle for reaching the planned ambitious goals.

Public health

Progress

- The action plan on youth for 2009 enforced on May 19, 2009 foresees a series of actions aimed to promote a healthy lifestyle, including approving and implementing quality standards of health services friendly to young people and disseminating guidelines on enforcement of these standards, organising information campaigns for the benefit of young people, promoting sport culture, etc.
- The agreement on cooperation in the area of healthcare and medical sciences between the Ministry of Health of Moldova and Federal Health Ministry of the German Federal Republic was signed on June 3, 2009. The signing of this agreement is part of the EU-Moldova Action Plan, development strategy of the healthcare system of Moldova, as well as part of common efforts to accomplish Millenary Development Goals for our country. The most important in this context is the fact that signing of this agreement opens access to German funds to sustain this area.
- Law # 10 on state supervision of public health entered into force on May 3, 2009. The importance of this law resides in regulating the mode of organising state supervision of public health and establishing general public health requirements, rights and obligations of individuals and legal entities.

Shortcomings and problems

- Limited available budgetary resources for the established goals seriously halt their accomplishment, especially given the deepening consequences of the world economic and financial crisis and obvious reduction of available budgetary resources.

7. INTERNATIONAL TRADE

Commercial relations (Trade regime with EU)

Progress

- The position of European market continued to strengthen as key destination for Moldovan exports. Thus, according to statistics for the first five months of 2009, about 54.3 percent of Moldovan exports went to the EU market (compared with 51.7 percent a year ago).
- Moldovan exporters continued to enjoy advantages provided by the Autonomous Trade Preferences. According to data of the Ministry of Economy and Trade, the wine export quotas were used 66.98 percent in the first half of 2009, sugar – 85.22 percent, barley 19.73 percent, and corn 87.3 percent. At the same time, the wheat export quota was used up. On the other hand, no major progress is observed regarding the export of animal products, as European sanitary norms are not respected.
- An aspect capable to influence negatively the commercial and economic relations with the European Union is the introducing visa requirements for Romanian citizens by Moldova, while the neighbouring country is the major economic partner of Moldova. The obvious deterioration of political relations is not capable to encourage economic relations between the two countries. At the same time, two economic forums „Moldova presents” were organised in the Romanian cities of Bucharest and Ploiesti in May, which could not have a major positive impact on commercial relations between the two states on such a political background.

Shortcomings and problems

- Problems are generally the same: internal barriers which obstruct the complete use of Autonomous Trade Preferences by Moldovan producers. At the same time, the internal political instability does not encourage the further development of commercial relations between EU and Moldova.

Export promotion and development

Progress

- Data for May 2009 indicate a better condition of external trade compared with April, when both exports and imports dropped in annual and monthly expression. This negative trend was reversed in May: exports rose by 8.5 percent while the free fall of imports ceased and imports have even increased (by 0.6 percent) compared with April. On the other hand, the fall of trade exchanges in annual expression is dramatic so far. Exports decreased by 21.6 percent and imports by 34.5 percent in January-May 2009. These negative trends reveal the vulnerability of economy in front of external shocks and compression of demand for Moldovan exports and labour force on foreign markets (the decline of remittance inflow is at a similar level with imports). However, as imports drop faster than exports an unprecedented trend is observed: the trade deficit has dropped by 40.5 percent compared with the similar period of 2008. But this trend should not mislead Moldova, as the deficit decreases because of the decline of internal demand in connection with the fall of remittances from Moldovan nationals working abroad, rather than because of the rise of Moldovan exports and competitiveness of Moldovan economy;
- As already noted above, the EU market becomes the leading destination for Moldovan exports. At the same time, an unusual trend is observed on background of augmenting EU position in the top of destinations for Moldovan exports. In particular, Romania’s share decreased from over 20.5 percent of overall exports in January-May 2008 down to 20.1 percent this year, while this country was the engine of growth of Moldovan supplies to European direction the last years. So far, it is early to affirm that this evolution is a trend or a fluctuation related inclusively to political aspects of relations between the two states;
- Not all categories of exports suffer to the same extent on background of the aggregated fall in exports. Supplies of vegetal products (grapes and fresh apples, cereals and rape and sunflower seeds) have very high rise paces (+240 percent), while exports of machines and equipment grow slowly (+0.3 percent). The share of foodstuff, drinks and tobacco exports increased in overall supplies from 21.8 percent a year ago up to 24.7 percent this year, though they dropped in absolute terms. Former “champions” such as textiles and metals are on a deep decline. Thus, Moldovan exports migrate more and more to “agricultural” categories, a trend observed more as result of spreading of effects of the global economic crisis in Moldova;
- As regards imports, the situation is different. The share of imports from EU is on the decline: 39.8 percent versus 44.5 percent last year. The fall in imports from EU has more alert paces than those from CIS: 41.4 percent versus 27.8 percent. Unlike the exports, all categories of imports experience the contraction of trade exchanges. However, the deepest decline is observed for “transport means and materials”, particularly personal cars. This fall is obviously linked to the strong reduction of consumption demand and reveals the vulnerability of this demand towards external circumstances – the global economic crisis this time.

Shortcomings and problems

- The fact that the evolution of trade exchanges has a less positive dynamic than a month ago should be interpreted with maximum caution. The stabilisation of imports is rather explained by stabilisation of the remittance inflow, which accounts for 90 million dollars for the third month in a row. At the same time, the growth of exports is sustained by the rise of agricultural supplies (a result of influence of seasonal factor, as well as dynamical development of fresh fruit exports). The external conjuncture is quite negative so far, while the external demand will unlikely recover in the near future. For this purpose, improving political relations with trade partners such as Romania is very important.

Sanitary and phytosanitary standards

Progress

- No great progress was observed in the 2nd quarter. It is worth noting that some sanitary-veterinary regulations “concerning health conditions of animals and water products and measures to prevent and combat certain diseases on water animals,” technical regulations concerning “the system of organising the vine growing and winemaking market and traceability of products” (which regulates the certification of conformity of wine products), “Natural honey” (sets minimum quality, food security requirements, presentation and labelling harmonised with Codex Alimentarius), and the regulation on methods to try and interpret sanitary-veterinary results were approved.
- Concomitantly, two very important drafts are being discussed: the draft Government decision on approving the regulation concerning official controls conducted to check the conformity of requirements on fodders, food products, as well as health and welfare norms for animals (this regulation aims to cover shortcomings signalled during the DG SANCO mission last year) and the technical regulation on “hygienic requirements for fresh fruit and vegetables” (meets the Codex Alimentarius and aims to meet related EU standards).

Shortcomings and problems

- A slow progress is recorded so far in the development of the Automatic Information System of Identification and Traceability of Animals and endowment of reference laboratories. Both conditions are critical to qualify Moldova’s animal exports to EU market.

8. BUSINESS CLIMATE

Progress

- Starting June 19, 2009 till validation of elections to the 18th Legislature, the Government was empowered to issue ordinances on diverse areas, inclusively on entrepreneurship regulation¹⁰⁶. According to Constitution, areas covered by ordinances shall not be subjects of organic laws¹⁰⁷. Thus, this measure aims to relieve the government's activity with the view to regulate the regulatory framework, especially relating to implementation of measures aimed to temper effects of the economic crisis. However, the Government did not issue any ordinance until now, and this fact raises doubts with utility of this measure.
- The Technical Concept of the Automatic Information System called state register of public procurements entered into force on May 15, 2009¹⁰⁸. It calls for building an online platform (www.tender.gov.md) which would allow economic agents and representatives of state institutions to participate in public acquisitions online. The goal of this measure is to implement an efficient and transparent mechanism of conducting, recording and controlling public procurements. Given the current shortcomings of this process, which have a basic impact on domestic business climate, the efficient implementation of such a measure will improve the competitive environment and enhance transparency of public acquisitions. According to the Agency of Material Reserves, Public Acquisitions and Humanitarian Aid, the first functional bloc of this system is being tested in five pilot authorities (Ministry of Information Development, Ministry of Finance, Ministry of Defence, Ministry of Local Public Administration and National Social Insurance House), and will be extended on other public institutions this year.
- The regulation on licensing of credit story offices¹⁰⁹ was published on April 14, 2009 to set conditions for issuing, suspension and withdrawal of licences for providing services of opening, processing and storing credit stories. This regulation has a vital importance, given the obligation of credit story bureaus to hold a licence for opening, processing and storing credit stories¹¹⁰. The regulation stipulates requirements to be fulfilled by individuals and legal entities in order to become associates of credit story bureaus, technical and other requirements on offices, as well as procedures of issuing, suspending, turning down and lifting the licence.
- A Government decision established a list of risks and objects covered by subsidised insurance in agriculture in 2009¹¹¹. For this purpose, the state budget will subsidise the insurance against excessive drought (which reduced the crop by more than 30 percent), hailstones, low temperatures below biological limit for plants, storms, floods, death of animals and flows for certain reasons, cutting of animals for necessity. At the same time, agricultural goods covered by subsidised insurance are: sugar beet, corn, sunflower, vegetables and tobacco from the 2009 crop; autumn wheat, barley and rape for the 2010 crop; multiannual crops; animals and poultry.

Shortcomings and problems

- Dramatic repercussions of the world financial and economic crisis continued to hit basically the domestic investment climate. Therefore, direct investment inflows in domestic economy decrease starting late 2008. In particular, foreign investments in the 1st quarter of 2009 accounted for 50.12 million dollars only, which is over 2.5-fold less than in the similar period of 2008. A strong reduction was observed for subscriptions to social capital of enterprises, which dropped about three-fold compared with the 1st quarter of 2008 (23.41 million dollars versus 68.88 million dollars¹¹²). The fall of investment activity in the period concerned was anticipated by the last issue of Euromonitor (No. 14) and is quite predictable in the context of restrictions related to the current world economic crisis. In addition, the political factor played an important role. Thus, while investors were expecting post-electoral developments in the pre-electoral period, the post-electoral events compromised the investment attractiveness of the country definitively. Therefore, the investments are expected to continue falling, both foreign and domestic, on background of deepening effects of the world economic crisis and development of social and political strains in country after elections (2nd quarter).
- The supply of investments in national economy reveals the unfavourable evolutions typical to domestic business climate in the period concerned. Hence, despite the rise of foreign direct investments by 12.71 million dollars in the 1st quarter of 2009 compared with the last quarter, especially of social capital subscriptions, the overall supply of foreign investments has declined for the first time in the last years. It decreased by 79.05 million dollars in the period concerned (from 6,061,029 million dollars in the 4th quarter of 2008 down to 5,982,024 million dollars in the 1st quarter of 2009). The worsening situation in financial-banking sector was the major cause of these evolutions. Therefore, the supply of foreign investment in social capital of commercial banks decreased from 214.35 million dollars down to 204.84 million dollars (-4.4 percent). In addition, the overall supply of foreign investments in this sector declined by 7.9 percent for the first time in the past years¹¹³.
- On background of developing political tensions between Moldova and Romania in post-electoral period, Moldova introduced visa requirements for all Romanian citizens,¹¹⁴ and this fact had a direct impact on economic relations between these states and not only. The share of Romanian investments in overall foreign direct investments in 2008 accounted for 5.9 percent or 151.8 million dollars, ranking the 4th place in the top of foreign investors in Moldova,¹¹⁵ a volume which will likely fall this year under influence of political factors. Thus,

¹⁰⁶ Law # 26 of 15.06.2009 which empowers the Government to issue ordinances;

¹⁰⁷ Article 106 (1), Constitution of 29.07.1994, Constitution of the Republic of Moldova.

¹⁰⁸ Decision # 355 of 08.05.2009 concerning the approval of the Technical Concept of Automatic Information System called state register of public procurements.

¹⁰⁹ Decision # 7/4 of 20.02.2009 concerning the approval of the regulation on licensing of credit story bureaus.

¹¹⁰ Article 12 (1), Law # 122 of 29.05.2008 concerning credit story bureaus.

¹¹¹ GD # 250 of 01.04.2009 concerning establishing of risks and objects covered by subsidised insurance in agriculture in 2009.

¹¹² Trade balance of Republic of Moldova, http://www.bnm.md/md/balance_of_payments.

¹¹³ International investment position of Republic of Moldova, http://www.bnm.md/md/international_investment_position.

¹¹⁴ GD # 269 of 08.04.2009 on introduction of visa requirements.

¹¹⁵ National Bank of Moldova, www.bnm.md.

after Moldova introduced visa requirements for Romania, many Romanian companies had to suspend their work in Moldova because of complicated visa issuance procedures for owners, partners or employees of these enterprises. At the same time, this measure has seriously affected the business climate for other companies which employ Romanian citizens, especially based in districts near the border. Or, the decision on introducing visa requirements was not supported by any regulations on visa application procedure for Romanian citizens, status of Romanian citizens with permanent domicile or working in the Republic of Moldova.

- The Chisinau government perceives the effects of the world economic crisis particularly in the light of reduction of state budget collections. Therefore, the first implemented “anti-crisis” measures aimed to consolidate budgetary incomes, and administrative pressures exercised against some enterprises by increasing fiscal controls were chosen as means. In consequence, in full economic and financial crisis the national public budget reported in late May a rise of the volume of fines and administrative sanctions by 62.1 percent, compared with the planned amount. In addition, the hypothesis of constraining some business representatives to transfer finances to certain budgetary or extra-budgetary funds (ex: ecological fund) may be validated by accounts on incomes of special funds which recorded an almost double level in the same period, compared with the planned amount (+98.5 percent)¹¹⁶. Of course, such practices hits extremely seriously the domestic business climate and reduces more the confidence of investors in public institutions.

¹¹⁶ Operative report on execution of national public budget in January-May 2009, http://minfin.md/common/nationalbuget/inopexbug/mai_2009/1Informatia_operativa_privind_executarea_bugetului_public_national.pdf

This report is published as part of the project "*EU – Moldova Relations – Monitoring of Progress Within the Framework of the Eastern Partnership*". The project is being implemented by two non-governmental organisations: ADEPT and EXPERT-GRUP, and is funded by Soros Foundation-Moldova.

The concept of this project was born in a dynamic political context, which was determined by political, economic, and social factors, as well as the launching of the Eastern Partnership, a new initiative of the European Union within the European Neighbourhood Policy. Formally launched in May 2009, the Eastern Partnership comes to support the existing dialogue between Republic of Moldova and European Union by opening new cooperation dimensions and opportunities to bring Moldova closer to EU, inclusively by signing a new EU-Moldova legal agreement, wider than the current Partnership and Cooperation Agreement. In this context, implementation of reforms initiated accordingly to the EU-Moldova Action Plan is a premise to intensify the EU-Moldova dialogue and bringing Moldova closer to the EU.

At the same time, the democratic transformation process is a complex task. Government, Ministry of Foreign Affairs and European Integration, National Commission for European Integration and other central public authorities play a key role in implementing these reforms and priorities. However, civil society also plays an important role both in promoting reforms in society and monitoring the implementation process.

Under these circumstances, the project is designed to strengthen the framework of public debates on European integration policy of Moldova, built within previous similar projects implemented by ADEPT and EXPERT-GRUP, and help improving associated governmental policies. The project bears three objectives:

Objective 1: Monitoring evolutions in the EU-Moldova relations and conducting relevant analyses.

Objective 2: Enhancing awareness and improving knowledge about major political developments in the Moldova-EU dialogue.

Objective 3: Providing information assistance and advisory upon request to the Ministry of Foreign Affairs and European Integration during the negotiation of a new agreement between Moldova and European Union.

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 and 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. 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 non-government 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.