



*ADEPT and EXPERT-GRUP*

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**Implementation of reforms initiated accordingly to the EU-Moldova Action Plan,  
Assessment of progress in October – December, 2009**

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

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***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.*

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## ***ABBREVIATIONS AND ACRONYMS***

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**ACC** – Audiovisual Coordinating Council  
**AEI** - Alliance for European Integration  
**BGS** – Border Guard Service;  
**CCECC** – Centre for Combating Economic Crimes and Corruption;  
**CCTP** – Centre for Combating Trafficking in Persons;  
**CEC** – Central Electoral Commission;  
**CHRM** – Centre for Human Rights of Moldova;  
**CIS** – Commonwealth of Independent States;  
**CoE** – Council of Europe;  
**COEST** – EU Council Working Group for Relations with Eastern Europe and Central Asia;  
**CPA Reform** – Central Public Administration Reform;  
**CS** – Customs Service;  
**CVAC** - Common Visa Application Center;  
**DPI** – Department for Penitentiary Institutions;  
**EC** – European Commission;  
**ECHR** – European Court of Human Rights;  
**EGPRP** – Economic Growth and Poverty Reduction Strategy Paper;  
**ENP** – European Neighborhood Policy;  
**EU** – European Union;  
**EUBAM** – European Union Border Assistance Mission to Moldova and Ukraine;  
**EUMAP** – European Union – Moldova Action Plan;  
**FAO** - Food and Agriculture Organization;  
**FDI** – Foreign Direct Investment;  
**GPO** - General Prosecutor’s Office;  
**IOM** – International Organization for Migration;  
**LPA Reform** – Local Public Administration Reform;  
**MFAEI** – Ministry of Foreign Affairs and European Integration;  
**MIA** – Ministry of Interior Affairs;  
**MID** – Ministry of Information Development;  
**MJ** – Ministry of Justice;  
**MLPA** – Ministry of Local Public Administration;  
**MSPFC** - Ministry of Social Protection, Family and Child;  
**NAPHR** – National Action Plan on Human Rights;  
**NBM** – National Bank of Moldova;  
**NBS** – National Bureau of Statistics;  
**NIH** – National Insurance House of the Republic of Moldova;  
**NIJ** – National Institute of Justice;  
**OSCE** – Organization for Security and Cooperation in Europe;  
**PACE** – Parliamentary Assembly of the Council of Europe;  
**PCA** – Partnership and Cooperation Agreement;  
**PGO** – Prosecutor-General’s Office;  
**RM** – Republic of Moldova;  
**SCEI** – State Commission for European Integration;  
**SCJ** – Supreme Court of Justice;  
**SCM** – Superior Council of Magistracy;  
**SPSEE** – Stability Pact for Southern Eastern Europe;  
**UNFPA** - United Nations Population Fund;  
**USD** – U.S. dollar;

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## ***SUMMARY***

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### ***Political dialogue and democratic institutions***

The revival of Moldova-EU bilateral relations initiated in September 2009 in the aftermath of Filat Government appointment and Prime Minister's visit to Brussels continued at a fast pace. Concrete actions have been taken both by the Moldovan authorities and Brussels. The Government approved the new structure of the State Commission for European Integration (SCEI) and the Parliament delegated the MFAEI to negotiate the prospective political agreement with the Community. The newly appointed Government proved openness towards the cooperation within the Eastern Partnership. The activation of political dialogue between Moldova and the EU prompted the Community to take a decision for starting negotiations on a new political bilateral agreement for 2010 and on signing the Joint Statement on rapprochement between the EU and the Republic of Moldova at the EU-Moldova Cooperation Council meeting in December 2009. Herewith, the European Union acknowledges Republic of Moldova's European aspirations and outlines the main prerequisites for the future bilateral collaboration.

The area of democratic institutions registered positive trends, referring to the removal of restrictive stipulations from the Electoral Code, resuming the dialogue between authorities and civil society, a slight improvement of aspects concerning mass-media freedom, use of torture as a tool to get evidence, access to information and transparency of the decision-making process. As per PACE recommendations, the Parliament set up an Investigation Commission to elucidate the events after April 5, with the Prosecutor's Office investigating the cases of ill-treatment and incidence of torture in the wake of the April 7-8 events. However, the situation in the field of human rights has not changed completely compared to the previous period, the load of problems requiring comprehensive and long-term actions. Main problem areas refer to: defective law enforcement, a culture of oppression and a sense of impunity within the police, little progress in improvement of the detention facilities, violation of the right to religious freedom.

### ***Strengthening the administrative capacity***

The political environment has known a worsening of the situation in the area of administration. During the examined period the new Government started its activity with reshuffles in several central bodies within the Central Public Administration with impact on reforms' implementation. Basically, the developments are rather led by inertia; no new policies or draft projects are being approved to replace the old ones; there are delays in the enforcement of the new legislation. However, the administration was swift in the negotiations process with international bodies, which points to the existence of administrative capacities. Time will show whether these will be translated into actions, in line with the commitments taken. The postponement of wages' increase in the public sector, the delay in implementing new stimulation principles are all very upsetting and reduce the level of public trust in certain reforms. No tangible actions are being taken in order to depoliticize the public administration; the efforts in preventing and fighting corruption generate few positive effects.

### ***Transnistrian conflict***

Half a year after ex-president Voronin waived the requirement regarding the withdrawal of foreign troops from the Moldovan territory, as a result of signing the Barvikha Declaration on March 18, 2009, the new Government brought the issue back into focus and included in its foreign policy agenda the requirement of military contingent withdrawal and replacement of the current peace-keeping mission with international forces. According to the Republic of Moldova's official delegation that took part in the 17<sup>th</sup> OSCE Council of Ministers on December 1-2, 2009 in Athens, the solution to the Transnistrian conflict lies in defining the legal status of the separatist region, while respecting the sovereignty and territorial integrity of the Republic of Moldova; removal of obstacles impeding the free movement of persons and goods between the two banks; immediately and unconditionally resuming the "5+2" talks, as the only internationally recognized mechanism for identifying a comprehensive, viable and sustainable solution; continuing constructive cooperation with all partners for rehabilitating mutual trust and understanding; maintaining the activity of the EUBAM at the Moldovan – Ukrainian border; complete and final withdrawal of foreign military troops from the Republic of Moldova, as provided for by the OSCE Summit in Istanbul; makeover of the current peace-keeping arrangement in the Transnistrian region by replacing the Russian military contingent with a multi-national civilian mission with international mandate. The Council of Ministers has not succeeded repeatedly in adopting a final political declaration, as well as a Regional declaration on Moldova.

### ***Justice***

One cannot say that conceptual reforms are under way within the judicial system. Some reshuffles are among the attempts to promote re-formation ideas, focused on specific areas. Despite delays in enforcing the law, the first positive signs in the Prosecutor's Office activity can already be seen, as well as an increased web transparency, a more substantial focus on professional training and compliance with international law. The system shortcomings are the same as before, though resolute allegations of political encroachment in law enforcement are rare.

### ***Economic development and reforms***

The new Government appointed on September 25, 2009 had little time at its disposal to tackle the load of unsolved problems on economic development remained by the year-end. However, the first steps have been made. First, the

Government has drawn up the Stabilization and Economic Recovery Program for the Republic of Moldova for 2009-2011. Moldova negotiated the agreement with the IMF, which constitutes one of the most difficult and priority actions for the country's stabilization and economic recovery. In this context, the Government had to negotiate various aspects, some of them - difficult to accept, given the harsh impact on the population (tariffs' increase, keeping wages' level unchanged), but vital for the stabilization of the public finance system and for obtaining the IMF financial support, directed not only towards increasing the state official reserves, but also for covering the budget deficit. The Government had to urgently make changes to the 2009 State Budget Law, given the unrealistic macroeconomic forecasts it contained. By the end of November, only 70% of the planned revenues have been accumulated. In our opinion, the State Budget Law for 2010 is also based on too optimistic expectations, one example being the consumption increase by 5% - fact, hard to believe, given a weak remittances' recovery process and wages' maintenance at the level of 2009.

### ***Social development and reforms***

2010 has been declared the European Year for combating poverty and social exclusion. The European Union, its Member States and partners, including Moldova, are strongly committed to tackling poverty, take the necessary steps for the promotion of a society that supports and improves living standards, social welfare and equal opportunities for everyone. According to some estimates, currently, about 17% of the EU population cannot afford basic goods and services. This index is much higher in the Republic of Moldova and is ever growing, being impacted by the economic crisis. Both the reforms' implementation, and maintaining the progress made on the social arena have been strongly undermined by the economic crisis, as well as by the unstable political situation in the aftermath of the 2009 parliamentary elections. The last three months of 2009 were characterized by a series of positive developments, as well as by a number of drawbacks related to the limited financial resources for the implementation of measures, necessary for coping with the precarious situation of the labor force market, social security and public health. Given the current crisis, the Government pledged to implement an ambitious plan of stabilization and economic recovery for the period of 2009-2011. This program is to be carried out in the context of an expected deficit of MDL 4.13 billion, that would most probably be covered from foreign sources. However, it is already obvious that the short and medium-term implementation of a number of activities aimed at tackling social problems, particularly the ones affecting social exclusion groups, would be impossible because of the backwardness of the anti-crisis management measures taken in 2009.

### ***Foreign trade***

Foreign trade has known relatively positive tendencies. One can notice a slight boost in exports, due to a modest demand revival on several foreign markets. Exports registered positive dynamics in November, both in annual and monthly terms. Still, these signs have to be regarded with caution, taking into consideration the fact that all comparisons are made against relatively low ratios, as of the end of 2008, when the crisis knew its peak. The positive trends are better outlined in terms of policies. Negotiations on signing the Comprehensive Free Trade Agreement between the EU and Republic of Moldova will be launched in 2010. At the same time, the Government started the process of removing barriers that posed serious threat to exports' promotion. Unfortunately, one cannot see any significant progress with regard to complying with the EU sanitary standards, necessary for fully benefiting of the Autonomous Trade Preferences granted by the EU in March 2008.

### ***Business climate***

During the past three months, the Moldovan business climate has been sharply influenced by two major trends: the first symptoms of stabilization, though anemic, of the economic situation in the country and the appointment of Filat Government. In the reference period, a slow animation of the entrepreneurial activity has been noted. The strengthening of tendencies specific to the end of 2009 will lead to a more pronounced stimulation of the investments' flow in 2010. The unblocking of the political situation and activity resumption by the main public institutions have given green light to a number of initiatives for market de-monopolization (which have not yielded any tangible results yet), removing administrative restrictions, reforming the institutional framework for regulating the entrepreneurial activity, customs procedures liberalization etc. These actions target the improvement of the local business environment and stimulation of the economic agents' activity. However, many of these initiatives are still at the stage of projects, which means that their effects would be felt in 2010 when all pre-requisites for an increase of investments' inflow are in place.

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## 1. POLITICAL DIALOGUE AND DEMOCRATIC INSTITUTIONS

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### *Political dialogue: general overview*

The revival of Moldova-EU bilateral relations initiated in September 2009 in the wake of Filat Government appointment and Prime Minister's visit to Brussels continued at a fast pace. Concrete actions have been taken both by the Moldovan authorities and Brussels. The latter showed an unprecedented openness, reiterating its support for the new Government's objectives in implementing domestic reforms and for Moldova's endeavors to get closer to the EU. A major accomplishment in the political dialogue between Republic of Moldova and the European Union in the 3<sup>rd</sup> quarter of 2009 was the EU's decision to launch negotiations on a new Association agreement between the Republic of Moldova and the European Union in January 2010 and to sign a Joint Statement at the Moldova–EU Cooperation Council. This event's importance lies in EU's acknowledgment of the country's European aspirations and outlines the framework for future collaboration. Despite such openness, the European Union is cautious about providing a European perspective for Moldova, even in the remote future, so aspired to by the current administration. At the same time, the new Government has not come up yet with an Agenda for 2010 for the implementation of the commitments taken under the EU -Moldova Action Plan.

The main events that determined the political dialogue between the Republic of Moldova and the European Union in the 3<sup>rd</sup> quarter of 2009 were:

- Meeting of COEST Troika in Brussels (October 6), when the Moldovan delegation called on the European officials to launch negotiations on the future EU-Moldova agreement, and reported Moldova's expectations regarding the content of the agreement.
- Visit of EU Troika to Chisinau (October 16), headed by Carl Bildt, Swedish minister for foreign affairs. The visit had two goals: fact-collection and attempt to conciliate the Alliance for European Integration (AEI) and PCRPM in regard to the election of President on December 7<sup>1</sup>. At the end of the visit, Troika announced the EU decision to launch negotiations on the EU-Moldova Association Agreement and to provide Moldova with the financial assistance and technical expertise during negotiations. At the same time, Moldova should ensure a stable political environment that will not further jeopardize the domestic democratic reforms.
- Council of Europe in cooperation with European Commission initiated the "Democracy Package for Moldova". This package is aimed to assess the Moldovan human rights law and its enforcement in compliance with the international convention on human rights. Later on the actions ensuring respect for human rights will be carried out.
- First round of technical consultations with the Moldovan Government over the future Association Agreement, and the 10th meeting of the Republic of Moldova – European Union Cooperation Committee (October 21-23), with participation of European Commission delegation, headed by Gunnar Wiegand. At the meetings, the schedule of the future Association Agreement negotiations was drawn up. It was approved the procedure of initiating the negotiations on visa liberalization and creation of a deep and comprehensive free trade area. In this regard, the officials agreed upon the list of economic and visa regime issues for the forthcoming EU assessment missions.
- Government approved the nominal composition of the State Commission for European Integration of the Republic of Moldova and nominated Natalia Gherman as Moldova's chief negotiator in the talks over the new EU-Moldova cooperation agreement<sup>2</sup>, and the Parliament issued the Minister of Foreign Affairs and European Integration the mandate to launch negotiations with the EU.
- First Eastern Partnership Civil Society Forum<sup>3</sup> (November 16-17), with participation of a Moldovan delegation, representing Moldovan NGOs. The forum aims to reach recommendations over the modalities for cooperation within the four thematic platforms of the Eastern Partnership, through large debates between the civil society representatives of the six Eastern Partnership countries<sup>4</sup>, of the EU member states and European institutions.
- Visit of Mrs. Benita Ferrero-Waldner, European Commissioner for External Relations and European Neighborhood Policy to Chisinau (November 26-27). The European Commissioner sent a positive message to the acting Moldovan authorities, expressing the support of European Commission for Moldova's endeavors towards political and economic stabilization. However, the EU Commissioner conditioned the Moldova's approach to the EU by the country's ability to implement reforms and respect the commitments taken in front of the European Union. Benita Ferrero-Walder urged Moldova to use all opportunities provided by the Eastern Partnership and to cooperate with international donor institutions. It was confirmed the EU readiness to provide the technical and financial assistance needed by Moldova to strengthen democratic and economic reforms<sup>5</sup>.
- 2nd High-Level Meeting of Mobility Partnership (November 23). The key goal of the meeting was to assess results achieved during the first year of implementation of the Mobility Partnership signed on June 5, 2008, and to identify new directions of activity for the immediate period.

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<sup>1</sup> During the visit, the EU Troika met the leaders of all parliamentary parties.

<sup>2</sup> Government Decision No. 679 of 13.11.2009.

<sup>3</sup> For more details see: [http://ec.europa.eu/external\\_relations/eastern/civil\\_society/index\\_en.htm](http://ec.europa.eu/external_relations/eastern/civil_society/index_en.htm).

<sup>4</sup> Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine.

<sup>5</sup> According to Mrs. Benita Ferrero-Waldner, initially the EU will grant Moldova an Assistance Package for supporting democracy, aimed at Parliamentary cooperation, worth EUR 4 million and a Package of budgetary support worth EUR 26 million. In addition to the future IMF agreement (to come into force supposedly in January 2010) the Commission will make available very substantial macro-financial assistance.

- First meeting of foreign ministers within the Eastern Partnership (December 8), with participation of the representatives of EU institutions. The participants<sup>6</sup> discussed the achievements of the first year of Eastern Partnership implementation and established the priorities for the next year.
- The accession of Moldova to the European Energy Community (December 18). The accession will be effective just if Moldova gets rid of shortcomings in national legislation on natural gas and adjusts it to requirements of the *acquis communautaire*.
- Meeting of the Republic of Moldova-EU Cooperation Council (December 21), where the parties reviewed the bilateral cooperation issues, the situation regarding justice, respect for human rights, Transnistrian problem. The sides signed a joint political statement at the end of the meeting<sup>7</sup>, that set the commitments of parties on the way to rapprochement, as well as a Memorandum of Understanding on providing EU consultancy to the Moldovan Government<sup>8</sup>.
- Belgium and Finland joined the Common Visa Center (CVC). The Greece and Holland is expecting to join the CVC in January 2010.

## ***Democratic Institutions***

### **Electoral Process**

#### **Progress:**

- In October, the Central Electoral Commission made a post-electoral analysis of the April 5, 2009 parliamentary elections and of the July 29, 2009 early parliamentary elections. The results have been presented during an international seminar with participation of experts from the Venice Commission<sup>9</sup>. The seminar findings are to be taken into consideration when drawing up a medium-term action plan for improving the electoral legislation and the performance of electoral bodies and judges involved in electoral disputes.
- The Central Electoral Commission implemented a test pilot project of the automated information system „Electronic voter register” during the local elections in Stefan Voda district on November 15, 2009. The system is aimed at improving the mechanism of drawing up voter lists and ensuring transparency of the electoral process.
- The Parliament set up a special Parliamentary Committee charged with the refinement of the electoral legislative framework<sup>10</sup> for ensuring free and fair elections in the future.
- At the recommendation of Venice Commission<sup>11</sup>, the Parliament repealed the provision from the Electoral Code prohibiting members of Parliament to hold double citizenship<sup>12</sup> and the Government endorsed the draft law on canceling the Electoral Code interdiction of electoral coalitions.

#### **Shortcomings and problems:**

- While the Parliamentary Committee on harmonizing the electoral legislative framework has been set up, a deadline for working out the draft law on amendments to the electoral legislation has not been set yet.
- During the local elections of November 15, 2009 and testing of the automated information system „Electronic voter register”, the observers noted a number of violations in the elections’ organization, notably related to insufficient preparedness of the electoral process and shortcomings in testing the electronic voter register<sup>13</sup>.
- On October 14 the OSCE/ODIHR Election Observation Mission issued its final report on the early parliamentary elections of July 29, 2009. The document reads that the elections were well administered overall, but revealed a number of problems that could negatively impact the quality of the electoral process in the future. These refer to: flaws in electoral lists, misuse of administrative resources, infringement of Transnistrian citizens’ right to vote, unskilled electoral staff, the Audiovisual Coordinating Council not taking resolute action in addressing imbalances in media coverage by the communist-affiliated TV and radio stations<sup>14</sup>.

<sup>6</sup> A notable achievement was the elaboration of agendas for the four thematic platforms within the EP for two years and launching pilot initiatives in the area of integrated border management, regional integration of electric power markets, increasing energy efficiency and use of renewable energy resources, etc.

<sup>7</sup> The full text of the declaration is available at: <http://www.mfa.gov.md/declaratia-comuna-ue-rm/>.

<sup>8</sup> This is a group of high-ranking counselors within key state institutions of the Republic of Moldova, who will assist the authorities in implementing democratic and economic reforms aimed at furthering the country’s rapprochement to the European Union.

<sup>9</sup> The seminar on „Electoral problems in the focus of the Central Electoral Commission of Moldova” was organized on October 30, 2009, as part of the EC and CoE joint project „Support for Free and Fair Elections”, implemented in cooperation with the Venice Commission and the Central Electoral Commission.

<sup>10</sup> Parliament Resolution No. 39 of 15.10.2009.

<sup>11</sup> Joint opinion No. 484/2008 of the Venice Commission on the Electoral Code of Moldova, as of April 10, 2008, 23.10.2008.

<sup>12</sup> Law No. 125 of 23.12.2009.

<sup>13</sup> The monitoring was done by Promo-Lex Association, the report is available at: <http://www.promolex.md/upload/publications/ro/>.

<sup>14</sup> The full version of the report is available at: <http://www.osce.org/odihr/documents.html>.



## Human Rights

### Progress:

- The Parliament set up an Investigation Commission to elucidate the events following April 5<sup>15</sup>, comprising members of all parliamentary factions, national and international experts, including the EU. The OSCE and UNDP stand ready to contribute to the commission's activity. The Commission is to present to the Parliament within 60 days its final report.
- In September-October the Ministry of Justice registered 3 religious groups and in December 2009 the institution launched a dialogue with representatives of religious entities with a view to improving the legal and institutional frameworks of religious cults and preventing faith-based discrimination<sup>16</sup>.
- The Government approved the draft law on amendments to Article 54 of Republic of Moldova's Contravention Code No. 218-XVI as of 24 October 2008<sup>17</sup>, currently limiting the right to free and unhindered expression of religious beliefs or faith, presented for examination in Parliament.

### Shortcomings and problems

- Republic of Moldova has not yet ratified the Roma Statute of the International Criminal Court, despite the commitments taken under the RM-EU Action Plan for 2005-2008<sup>18</sup>.
- The adoption of the new National Action Plan for Human Rights, to replace the old one, expired in 2008 is being protracted. A new NAPHR project has been presented for public debate in the spring of 2009. However, the project was removed from the web site of the Ministry of Justice in the aftermath of the April 7-8 events.
- The activity of the Investigation Commission to elucidate the events following April is being unfolded in a tedious and non-transparent manner. The deadline for submitting the final report has been postponed for 3 more months<sup>19</sup>.
- Up till now, the authorities failed to make public the final list of persons detained during the April 7-8 events in 2009. According to a Moldova Soros Foundation report, 600 to 700 persons were detained during and after the April protests, including minors. The inquiry revealed that 212 persons reported beatings and ill treatment by the police<sup>20</sup> - which exceeds the number of complaints sent to the General Prosecutor's Office.
- The authorities did not take appropriate measures in impeding the anti-Semitic actions instigating ethnical and religious hatred from December 13 in Chisinau<sup>21</sup>.
- The examination by the Government of the draft law on preventing and fighting discrimination is still due<sup>22</sup>.
- According to data provided by the Center for Human Rights „Green line”, most of the complaints of human rights infringements registered in November claimed cases of violation of rights to social assistance and social protection, healthcare, education, equitable court case etc. There were claimed four reported instances of abuse in detention, through use of torture and other cruel, inhuman or degrading treatment<sup>23</sup>.
- The Muslims, as well as representatives of other religious faiths face difficulties in their cults' registration with Moldovan authorities.
- According to OSCE Mission to Moldova experts, protection writs are not being applied by courts in cases of family violence. This undermines the effectiveness of the Law on preventing and fighting family violence<sup>24</sup>.
- In October-December 2009, the European Court for Human Rights ruled a decision on the cases: Deservire SRL vs. Moldova, Petru Roșca vs. Moldova, Godorozea vs. Moldova, Business și Investiții pentru Toți vs. Moldova, Valeriu and Nicolae Roșca vs. Moldova, Matei and Tutunaru vs. Moldova, Flux vs. Moldova (No. 7), Ipteh SA and others vs. Moldova, Leva vs. Moldova, Gavrilovici vs. Moldova, Fedotov vs. Moldova<sup>25</sup>. The court decided on the violation of human rights by use of torture (3 cases), violation of the rights to: freedom of speech, freedom and security, fair trial and property law, and to an effective remedy. The total sum of compensations on these cases amounts to EUR 41.768, 25.
- In October 2009<sup>26</sup> the United Nations Human Rights Committee made public its findings on the situation of human rights in the Republic of Moldova, noting among others: the lack of notable progress in the implementation of several Committee recommendations, especially relating to the improvement of detention facilities, human trafficking, pre-trial detention, independent justice, the right to religious freedom, women

<sup>15</sup> Parliament Decision No. 43 of 20.10.2009.

<sup>16</sup> On December 1 the Ministry of Justice hosted a round table focused on „The registration of religious entities”. Speaking at the event, the Minister of Justice, Alexandru Tănase, noted that the MJ started the process of reopening older faith-related cases.

<sup>17</sup> Government Decision No. 885 of 28.12.2009.

<sup>18</sup> In October 2009 Amnesty International Moldova launched an open appeal to the Moldovan Parliament with the view to ratifying the Roma Statute of the International Criminal Court, [www.amnesty.md](http://www.amnesty.md).

<sup>19</sup> Parliament Decision No. 115 of 18.12.2009.

<sup>20</sup> The report „Entrenching impunity: Moldova's response to police violence during the April 2009 Post-Election Demonstrations”, <http://www.soros.md/docs/>.

<sup>21</sup> The General Police Commissariat of Chisinau started an investigation on the case of the priest Anatolie Cibric, organizer of anti-Semitic actions.

<sup>22</sup> The draft law, together with recommendations from civil society and international organizations were submitted to the Ministry of Justice in 2007.

<sup>23</sup> CHRM, [www.ombudsman.md](http://www.ombudsman.md).

<sup>24</sup> Angelina Zaporozjan-Pîrgari's declaration within the National conference „Human rights and fundamental freedoms – supreme values”, organized by the Center for Human Rights of Moldova on December 9, 2009.

<sup>25</sup> [www.echr.coe.int](http://www.echr.coe.int).

<sup>26</sup> The findings were presented at the 97th session of the Committee as of October 12-30, 2009 in Geneva. The report is available at: <http://www2.ohchr.org/english/bodies/hrc/hrcs97.htm>.

empowerment and participation in decision-making, use of abortion as a contraception tool, discrimination against Roma people.

## Torture prevention. Detainees' rights

### Progress:

- The new MIA administration pledged to punish police personnel found guilty in instances of inhuman and degrading treatment, and announced about launching a comprehensive reform within the police.
- The institution ruled a penal investigation against a police employee from Cahul, charged for abuse of authority and neglect of an ill-treatment case reported in Penitentiary No. 5 from Cahul<sup>27</sup>.
- The MIA embarked on a dialogue with the General Prosecutor's Office, courts of law and civil society, aimed at working out a joint National Action Plan on Torture Prevention in the Republic of Moldova<sup>28</sup>.
- By the end of December the General Prosecutor's Office registered 106 complaints filed against ill treatment and incidence of torture in the aftermath of the April 7-8 events. 43 penal investigations were started on these cases, 6 files on 11 police employees being submitted to courts<sup>29</sup>.
- The GPO launched the „trust line”, aimed at registering and addressing citizens' claims on human rights violation cases admitted by public servants and law enforcement, with specific focus on the use of torture and other cruel, inhuman or degrading treatment or punishment. The „trust line” has national coverage.
- A Twinning project on „Sustaining reform of the Penitentiary Institutions and Penal reform in the Republic of Republic Moldova” has been launched. It pursues the refinement of the national probation system<sup>30</sup>.
- The penitentiary institutions furthered measures of pandemic flu A (H1N1) prevention.

### Shortcomings and problems

- The General Prosecutor's Office has been accused of protracting the prosecution of the policemen culpable of ill treatment during the April 7-8 events in 2009<sup>31</sup>.
- Pre-trial detention facilities have been transferred under the jurisdiction of the MIA and MJ (Chapter 7 of the NAPHR; objective (4) of the EUMAP);
- An Amnesty International Moldova report reads that the sense of impunity that allowed policemen to admit detainees' ill treatment still persists, despite the authorities' efforts to eradicate the phenomenon. Few cases against policemen who perpetrated abuses during the April 2009 events have been filed. At the same time, many victims did not file complaints either out of fear or lack of trust in the complaints' resolution<sup>32</sup>.
- The Council of Europe Committee on Torture Prevention noted the occurrence of violence in police custody in Moldova and brought recommendations for addressing the issue<sup>33</sup>. One of them refers to the elaboration of a National Action Plan on Torture Prevention.
- The creation of commissions to monitor human rights in detention facilities, planned for October 2009 by the former Ministry of Local Public Administration has not taken place yet<sup>34</sup>. After the abolition of the MLPA neither the MJ, nor the Ministry of Construction and Regional Development committed to include this provision into the 2009 Integration Agenda.
- The MJ program on the implementation of the RM Government agenda on „European Integration: Freedom, democracy, welfare 2009-2010” for November-December 2009 and 2010 does not provide for any measures aimed at improving detention conditions or social inclusion of detainees<sup>35</sup>.

## Rights of the child

### Progress:

- A National Awareness Campaign „A healthy family is one without violence” has been launched<sup>36</sup> to sensitize the citizens to family violence issues.
- The Ministry of Social Protection, Family and Child pledged to take 12 measures over the next two years towards developing national plans on child protection systems' reform, with special emphasis on preventing child separation from the parents<sup>37</sup>.

<sup>27</sup> The investigation started at the request of the ombudsmen.

<sup>28</sup> The Torture Prevention Project, funded by the European Commission and co-financed and implemented by United Nations Development Program in Moldova, organized on October 29, 2009 the round table "Criminal remedies against torture and other cruel, inhuman and degrading treatment and/or punishment"

<sup>29</sup> According to the Press Service of the General Prosecutor's Office, [www.procuratura.md](http://www.procuratura.md).

<sup>30</sup> Project financed by Holland and Germany.

<sup>34</sup> „The mystery of Special forces battalion „Fulger” register” and „The witness Papuc” by Pavel Păduraru, Timpul newspaper, 11.12.2009.

<sup>32</sup> Amnesty International Moldova, „Torture and ill treatment in the police: still a „usual” phenomenon in Moldova”, November 2009, [www.amnesty.md](http://www.amnesty.md).

<sup>33</sup> Council of Europe Torture Prevention Committee's report submitted to the Moldovan Government, as of July 27-31, 2009, published December 14th, 2009, <http://www.cpt.coe.int/documents/mda/2009-37-inf-eng.pdf>.

<sup>34</sup> As per European Integration Agenda. Priorities for 2009, [www.integrare.gov.md](http://www.integrare.gov.md).

<sup>35</sup> <http://www.justice.gov.md/ro/strateg/>

<sup>36</sup> The campaign is realized by UNFPA, the UN Population Fund and the International Center for the Protection and Promotion of Women's Rights „La Strada”.

<sup>37</sup> The commitment was taken at the regional conference „Reform of the Childcare System”, 24-26 November 2009, Chisinau.

- A new guide „Hearing of children – victims/witnesses of abuse and neglect” for specialists assisting abused children during legal proceedings (investigators, prosecutors, judges, psychologists, teachers, inspectors in child protection) was published<sup>38</sup>.

#### **Shortcomings and problems:**

- During the academic year 2009/2010 there were enrolled 4.7% less children in the elementary and secondary education as against the previous year (413.7 thousand students compared to 434.1 thousand)<sup>39</sup>.
- There is a lack of official statistics on instances of child abuse.
- A social survey focused on children’s perception of respect for their rights revealed that most frequent infringements refer to the right to: free time, opinion, education, family and protection against violence<sup>40</sup>.

### **Fulfillment of CoE recommendations / Execution of ECHR decisions**

#### **Progress:**

- There have been implemented several Council of Europe recommendations of Resolution 1666 (2009), particularly referring to amendments to the Electoral Code (reduction of electoral threshold, cancelling the interdiction for persons with double citizenship to hold public positions) and setting up the Inquiry Commission to investigate into the events following April 7<sup>th</sup>.

#### **Shortcomings and problems:**

- Among the 217 complaints sent to the ECHR and reported to the Moldovan Government in 2009, 40% refer to non-enforcement of judicial decisions.
- The authorities failed to come up with an Action plan for the implementation of the recommendations of the Council of Europe Parliamentary Assembly, as per Resolutions 1666 (2009) and 1572 (2007)<sup>41</sup>.

### **Cooperation with civil society**

#### **Progress:**

- The Government decided on the creation of National Participation Council to include representatives of the civil society, business and academic environments. The Council will take part in the elaboration, monitoring and assessment of national strategic policies<sup>42</sup>.
- The dialogue between a number of ministries and civil society has been given an impetus: NGO representatives have been elected to the ministries’ associations (Ministry of Finance). Round tables on public policies with the participation of civil society representatives (Ministry of Economy) were organized.

#### **Shortcomings and problems:**

- One can note the persistence of the phenomenon of drawing up and promoting decisions in a non-transparent manner, with no public participation<sup>43</sup>.
- Civil society representatives remark sporadic citizens’ participation in the proceedings of the Investigation Commission to elucidate the events following April 5<sup>th</sup><sup>44</sup>.

### **Freedom of media and access to information**

#### **Progress:**

- The current administration launched a disclosure process of the Government decisions taken until 2009.
- The Audiovisual Coordinating Council (ACC) extended and issued new broadcast licenses to a number of TV and radio stations, including the radio station “Vocea Basarabiei”, which has been denied a license extension over the past few years.
- The ACC extended the broadcast license for Pro TV Chisinau, as per a court ruling.
- The ACC has taken a stand on the violations of equidistance and pluralism principles in news broadcasting at the TV station „NIT”<sup>45</sup>.
- A number of civil institutions founded the Moldovan Press Council, which is an independent entity regulating media activity in Moldova<sup>46</sup>.

<sup>38</sup> The guide was published by the National Center for Child Abuse Prevention, December 2009, [www.cnpac.org.md](http://www.cnpac.org.md).

<sup>39</sup> NBS „The activity of the elementary and secondary schools at the beginning of 2009/2010 academic year”, [www.statistica.md](http://www.statistica.md).

<sup>40</sup> The questionnaire has been drawn up with support from the Child Rights Information and Documentation Center (with 1215 inquired children aged 9-18).

<sup>41</sup> The Action Plan is to be drawn up per PACE recommendation, Resolution 1666 (2009), p.10.6, <http://assembly.coe.int/>.

<sup>42</sup> The National Participation Council comprises 30 civil society representatives.

<sup>43</sup> Draft laws and Government decisions are adopted as urgent matters and are not subject to public debate.

<sup>44</sup> NGO’s stance presented in a letter on 30.11.2009, <http://www.credo.md>.

<sup>45</sup> [http://cca.md/sites/default/files/decizii\\_cca\\_2009.pdf](http://cca.md/sites/default/files/decizii_cca_2009.pdf).

<sup>46</sup> [www.consiliuldepresa.md](http://www.consiliuldepresa.md).

- Several amendments have been made to the Audiovisual Code. These refer to the procedure of appointing ACC and Council of Observers' members, as well as regulating the voting procedure. The measure aims at unblocking the CO activity<sup>47</sup>.
- Most ministries improved their web sites by adding columns on transparency of the decision-making process, interactive columns and even blogs.

**Shortcomings and problems:**

- Republic of Moldova registered regress in the area of media freedom, according to the World Press Freedom rating among 175 states, issued by the organization „Reporters without borders”<sup>48</sup>.
- Public servants keep violating the law on access to information. The process of public acquisitions has an opaque character rather than a transparent one, as revealed in a report issued by “Acces-info” Center<sup>49</sup>.
- There were reported cases on investigative journalists' intimidation<sup>50</sup>.
- Though most ministries made changes and improvements to their web sites, the older information posted on the sites became inaccessible.
- One cannot access draft laws (information notes) addressed during Government sessions.

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<sup>47</sup> Law no. 42 of 20.10.2009.

<sup>48</sup> In 2009, Moldova ranked 114th, compared to the 98th position in 2008, <http://www.rsf.org/en-classement1003-2009.html>.

<sup>49</sup> Center „Acces-info”, [http://www.acces-info.org.md/upload/akizitsii\\_ultima.pdf](http://www.acces-info.org.md/upload/akizitsii_ultima.pdf).

<sup>50</sup> In December journalists of „Ziarul de Gardă” newspaper were intimidated during an investigation into a corruption case at the Moldovan enterprise „Cale Ferată” (Moldovan railway).

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## **2. STRENGTHENING THE ADMINISTRATIVE CAPACITY**

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### ***Administrative reform / Administrative efficiency***

#### **Progress:**

##### *Central Public Administration (CPA) Reform:*

- The CPA structure has been changed, as provided for by the amendments made to the Law on Government (No. 21-XVIII as of 18.09.2009) and the appointment of the new Government;
- The implementation of the CPA Reform strategy, as well as of the provisions of Law No. 158-XVI of 04.07.2008 on public servants and their status is underway<sup>51</sup>;
- The delegation of several CPA responsibilities and reshuffles are among other current measures (Government Decision No. 597 of 21.10.2009);
- There was approved the 2010 state order regarding the professional training of public administration personnel (Government Decision No. 892/28.12.2009);
- The structure and regulatory framework of the central authorities (ministries, agencies, services) were approved with delay;
- The memorandum signed with the IMF foresees, among others, the reduction of budgetary spending, implementation of a new merit- and performance-based wage system for public sector employees, optimization of the number of employees in the budgetary sector;
- The Government passed a resolution on the functioning of the State Chancellery branch offices (Decision 845/18.12.2009);

##### *Information technology (IT):*

- The number of Internet users is on an upward trend<sup>52</sup>;
- The Strategy for developing postal communication in 2010-2013 has been worked out;
- The IT sector is seen as a dynamic one, however, leaving room for improvement;
- New on-line public services were worked out and launched.

#### **Shortcomings and problems:**

##### *CPA and LPA reform:*

- The CPA reform is being implemented with delay, changes and reshuffles influenced by shifts in the political environment lead to deferral of a number of issues<sup>53</sup>;
- A new CPA reform plan has not been drawn up yet;
- A new wage system for civil servants has not been approved and the economic crisis still impedes the promised raise;
- The action plan regarding the Law on public servants and their status (Government Decision No. 133 of 10.02.2009) is being fulfilled with considerable delay and shortcomings;
- There were reported cases of using budgetary funds for low-priority areas<sup>54</sup>;
- The reshuffles within the CPA lead to significant expenses (of about MDL 12 million), incurred from the funds of the CPA reform strategy (Government Decision 895/29.12.2009);
- The regulatory framework for secretariat activities within public authorities has not been updated and the regulation adopted in 2007 is not being implemented;
- The memorandum signed with the IMF provides for postponement of all wage increase in the public sector, freeze in budgetary sector employment, cutting vacant staff positions – which means a conservation of the current situation and fueling employees' distrust.
- A number of actions on „e-government” are not being implemented;
- The reform and reshuffles within the structures of the competent ministry obstructed a number of actions planned for the IT sector<sup>55</sup>;
- Rural settlements face low-quality or inexistent access to Internet and/or on-line services.

### ***Depoliticizing of public administration***

#### **Shortcomings and problems:**

- As per Law No. 41/20.10.2009, the deputy minister position was brought back under the political category, with no stability and prone to change or influence once a new minister/Government is appointed;

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<sup>51</sup> Government Decision No. 822 of 14.12.2009 refers to the written agreement on continuous service upon graduating from professional training programs. Other approved acts: Regulation on state employees' professional performance assessment; Recommendations on the application procedure for public office, etc.

<sup>52</sup> According to the National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI), during the 9 months of 2009 the number of subscribers to Fixed-Point Wireless Internet increased by 43,5%, reaching 165.2 thousand, while the number of mobile broadband internet services' users was of 62 thousand.

<sup>53</sup> Acts that have not been approved include: the regulation on performance-based assessment of public servants; the regulation on the application procedure for vacant public functions; the single public office register.

<sup>54</sup> Government Decisions No. 899/29.12.2009; No. 895 of 9.12.2009; and No. 821 of 14.12.2009.

<sup>55</sup> Re-subordination of the Civil Registration Office, of the State Chamber of Registration (according to GD no. 597 of 21.10.2009).

- High-ranking positions within central authorities, able to ensure a sense of continuity, promotion and protection of the employees' professionalism are non-existent;
- The reorganization of the State Chancellery leads to hierarchical reshuffles at the level of territorial offices, where the recruitment process for administrative positions was tergiversated, given principles of political distribution.

### ***Stability of governing policy***

#### **Progress:**

- No flaws were registered in the public authorities' activity; budgetary and social welfare payments have been duly honored;
- The Government approved the Stabilization and Economic Recovery Plan for Moldova for 2009-2011 (Resolution No. 790/01.12.2009);
- Policies and reforms are implemented through consultancy with social stakeholders;
- Relationships with international donors have been restored, expressed in the negotiation and signature of foreign assistance agreements;
- The restrictions on holding multiple citizenship have been canceled; certain electoral commitments are being implemented; the authorities take actions for demonopolizing the economy;
- The Government unfolds its activity according to earlier approved agendas (Government Decision No. 598 of 22.10.2009);
- The Government approved the National Plan on legislation harmonization in 2010 (Resolution No. 842 of 18.12.2009).

#### **Shortcomings and problems:**

- The economic crisis persists, generating dangerous effects; there is a serious budgetary deficit; tariffs and prices for a number of goods/services have been increased;
- The planned rise for the budgetary sector has been postponed (Law No. 83/03.12.2009);
- Holding double office (position of minister and member of the legislative) in the case of 9 Government members underlines current political interests and uncertainties with regard to the future activity - fact, severely criticized. The allegations brought imply challenging the constitutional provisions.

### ***Probity and transparency of governance /Anti-corruption fight***

#### **Progress:**

- The Government decided on the mechanism of citizens' audience (Resolution No. 689 of 13.11.2009);
- Civil society is being consulted when drawing up draft laws on transparency within the decisional process;
- Republic of Moldova registered progress in the Corruption Perception Index rating<sup>56</sup>;
- Actions envisaged in the Plan for the implementation of the National Strategy for Preventing and Fighting Corruption in 2007-2009 have been realized;
- GPO embarked on investigating cases of abuses committed by Government representatives<sup>57</sup>. The anti-corruption activity has been given impetus;
- A number of proceedings against corruption and related offence are underway<sup>58</sup>.

#### **Shortcomings and problems:**

- There are delays in implementing the Law on transparency within the decisional process, the Law on conflict of interest, the Law on preventing and fighting corruption;
- Neither a new plan for the implementation of the National Anticorruption Strategy, nor a new strategy in the field has been approved yet. There are delays in assessing corruption instances within the CPA, as well as in the elaboration of institutional integrity plans. The National Ethics Committee or the Ethics and Discipline committees within CPA have not been set up yet;
- Sanctioning of corruption cases is too mild<sup>59</sup>;
- One can still note shortcomings with regard to incomes/property declaration. Besides the ones for judges, no other declarations are made public (on-line). The legislation in the field is defective;
- The anti-corruption expert appraisal of draft laws and normative acts is being implemented fragmentarily. The Parliament still examines draft laws with risk of corruptibility<sup>60</sup>.

<sup>56</sup> CPI 2009, realized by Transparency International, [www.transparency.org](http://www.transparency.org).

<sup>57</sup> Examination of the activity of the former Ministry of Information Development leadership; investigation into the lawfulness of state patrimony and privatizations during 2001-2009.

<sup>58</sup> In 2009, CCECC investigated 242 cases of corruption.

<sup>59</sup> The report is available at: <http://www.cccec.md/strategy>.

<sup>60</sup> See also the civil society reports: [www.capc.md](http://www.capc.md), [www.transparency.md](http://www.transparency.md).

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### ***3. TRANSNISTRIAN CONFLICT***

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#### ***Moldova reiterated the desideratum of demilitarizing and democratizing the Transnistrian region***

Republic of Moldova's representative to the 64<sup>th</sup> session of the United Nations General Assembly, Alexandru Cujba, noted that Moldova will call for the withdrawal of foreign troops from its territory and replacement of the current peacekeeping contingent with multinational mission of civilian observers under international mandate. He also mentioned that the newly formed governing Alliance for European Integration (AEI) will do its utmost to find a solution to the Transnistrian problem within the "5+2" format and will plead for an increased role of the US and EU within the process. Moldova will stick to the principle of peaceful conflict resolution, aiming at demilitarizing and democratizing Transnistria. The Moldovan authorities noted the existence of a mixed peacekeeping mission in the region, comprised of 453 representatives of the Moldovan Army, 335 Russian military men, 490 Transnistrian soldiers and 10 Ukrainian military observers.

#### ***Resuming the "5+2" talks***

A reunion in the „5+2” format on the resolution of the Transnistrian conflict took place in Vienna on November 6, 2009. Moldova delegated Deputy Prime Minister for reintegration issues, Victor Osipov, and Ex-Deputy Minister of Reintegration, Ion Stăvilă, to represent Moldova. Transnistria was represented by the „head of Tiraspol diplomacy”, Vladimir Yastrebeac; Russia – by the ambassador with special mission of the Russian MFA, Valerii Nesteruşkin; Ukraine – by Ukrainian President's standing representative within the Transnistrian conflict resolution process, Yurii Krijanovski, the US – by the Department of State official, Dan Rastel; the EU – by the Special Representative, Kalman Mizsei; and the OSCE – by the Chief of the Mission to Moldova – Philip Remler. The goal of the reunion was to try unfreezing the negotiations and resume the talks in the "5+2" format.

According to Victor Osipov, an eventual resumption of the negotiations is to be preceded by a dialogue on the „cooperation on infrastructure development, environment protection, healthcare and trade”. Until then, the main task for the Moldovan authorities is „to tackle the multiple problems faced by the population on the left bank of Dniester”. Osipov also mentioned "Moldova will look into Tiraspol's proposal, backed by Moscow, regarding a regime of permanent meetings between Moldovan and Transnistrian representatives in the 1+1 format".

Transnistria's representative to the talks, Vladimir Yastrebeac, underscored the fact that the Moldovan administration's expectations for a speedy resumption of negotiations are unfounded. In his opinion, this problem can be addressed within following terms:

- Going from the Barvikha Declaration as of March 18, 2009, that provides for a dialogue in the "2+1" format (i.e. Chişinău+Tiraspol+Moscow), provided that Chisinau would not insist on the Russian troops' withdrawal from the region;
- Removal by Chisinau of the restrictions faced by Transnistrian exports, id est. cancelation of compulsory customs registration with the Moldovan authorities.
- Republic of Moldova is to sign a friendship and cooperation agreement with Transnistria, as customary between two sovereign and independent states.

#### ***NATO's stance on the negotiations' process and peacekeeping mission***

During a Digital Video Conference organized by the Information and Documentation Centre on NATO from Moldova, in collaboration with the Lithuanian Embassy to Chisinau, NATO Deputy Assistant Secretary General, Ambassador Robert Simmons, stated that NATO supports the „5+2” negotiations format for the resolution of the Transnistrian conflict, as most viable for finding a final solution. At the same time, Robert Simmons underlined that NATO pleads for a larger negotiations format, under the aegis of the OSCE. In his opinion, a possible shift in the „5+2” format and initiation of bilateral Moldova-Russia talks would be counter-productive. What concerns the peacekeeping mission, Ambassador Simmons stressed that not a replacement of the existent Russian contingent is necessary, but its withdrawal from the Republic of Moldova.

#### ***Moldova ensured Transnistrian enterprises' trade activity***

The State Chamber of Registration of the Republic of Moldova issued a report on the activity during January-October 2009, referring also to Transnistrian enterprises' registration. Thus, according to a statement made by the apparatus of the Deputy Prime Minister on reintegration issues, the State Chamber of Registration registered 86 Transnistrian economic agents, including 64 on a temporary basis and 22 – on a permanent basis. Totally, by November 1<sup>st</sup>, 2009 there were registered 594 economic agents from Transnistria, 402 – temporarily and 192 – on a permanent basis. During the reference period the Chamber of Commerce and Industry of Moldova issued 595 non-preferential origin certificates for exporting goods to 33 Transnistrian economic agents. The Customs Service of Moldova issued to 52 Transnistrian economic agents 2206 non-preferential origin certificates for export to the CIS, EU, Central and Eastern Europe. 33 Transnistrian economic entities have been issued 1734 origin certificates for exports to the EU, within Autonomous Trade Preferences.

Thus, according to Moldovan customs clearing acts, during the reference period the volume of Transnistria's foreign trade amounted to USD 370 million, including USD 301.7 million in exports and USD 68.3 million in imports.

### ***Russia's financial support for Transnistria***

At the beginning of November, Russian Federation disbursed the next tranche of financial assistance for Transnistria worth USD 2.3 million to supplement the Pension Fund. Russia's grant adds another USD 15 to the average pension in the breakaway region. The aid was negotiated by Transnistria's Supreme Soviet proving the lack of confidence in Smirnov's administration that used to take advantage of Russia's financial backing. According to statistical data, pensioners make up around 1/3 of the Transnistrian population, with average monthly pensions of USD 60. Russia's financial aid is vital for Transnistria's survival, the industrial production in the region in 2009 dropping by 40% against 2008, making up for USD 570 million during the 10 months of the previous year.

### ***The constitutional conflict in Transnistria***

On November 18, 2009 debates were held in the region's Supreme Soviet, winding up with the rejection of Smirnov administration's proposal to organize a referendum on January 24, 2010 regarding the approval of a new draft constitution. On this occasion, Smirnov's administration press service issued a statement, reading:

- In April 2009 a group of Transnistrian deputies launched the initiative of making amendments to the constitution, aiming at a change from a presidential regime to a parliamentary one, as set in the goals of the September 2006 referendum on ensuring Transnistria's independence and joining Russia;
- A special commission by the presidential administration, with representatives from local and central authorities was tasked to work out during May 7 - October 16 a new version of the constitution (as an alternative to the amendments proposed by the Supreme Soviet);
- Supreme Soviet representatives failed to take part in half of the commission's sessions, during which around 80 amendments to the constitution were put forward;
- On October 26 the Supreme Soviet was submitted a draft law on the organization of a referendum on endorsing the presidential constitution;
- The Supreme Soviet examined the document on November 18 in a very emotional and disrespectful way, blatantly showing a preconceived and non-constructive approach to such an important issue;
- On November 16 a number of public organizations and political parties decided not take part in the debates, knowing that these will fall into a political show. The "president's administration" thanked the supporters and decided to insist on adopting a new constitution and a checks and balances system in Transnistria, that would ensure the best harmonization with Russian Federation's Constitutional provisions.

The above-mentioned statement aimed at warning the Supreme Soviet of the initiation of signatures' collection (15.000) for the referendum organization, given, the presidential project is not backed. Accusing the parliamentary "Obnovlenie" faction majority of "legislative power usurpation", Smirnov disposed the creation of a conciliation commission to finalize the draft constitution. In his turn, one of the „founding fathers” of the separatist regime in Tiraspol, ex-president of the Supreme Soviet and Smirnov's partner, Grigorii Maracuță, accused Smirnov of "usurpation of power". Smirnov reiterated his arguments, invoking the threat posed on Transnistria's statehood, as a result of „monopolization of the decisional power by the legislative, where any party can accede (hinting at "Obnovlenie" party supposed to be financed by „friends of the republic from outside”). Thus, according to Smirnov, only a bicameral parliament, as provided for by the presidential constitution, could reduce the threat posed by „legislative power dictatorship”. Moreover, Smirnov implied that Transnistrian political parties receive foreign financial support, including from the Republic of Moldova, exceeding EUR2 million. At the same time, he denied the allegations that Russia's assistance for supplementing Transnistria's Pension Fund was due to the „collaboration” between "Obnovlenie" faction of the ex-speaker Evghenii Șevciuc and the Russian governing party "Edinnaya Rossia".

### ***The problems faced by the inhabitants from the Security Zone***

Chisinau and Tiraspol political representatives met on November 27, 2009 in Bender within the process of Transnistrian conflict resolution. The parties tackled a number of problems faced by the population on both banks of Dniester, with specific focus on the inhabitants of the Security Zone. They addressed:

- The restrictions imposed for the free movement of persons, goods and transportation means;
- The access to the plots of land on the other side of Ribnița-Tiraspol highway;
- Unfolding import-export operations by Transnistrian economic agents, etc.

The parties pledged to further the dialogue on issues of concern within sector-based work groups for the promotion of measures aimed at strengthening trust between both banks of the river.



## ***Incident in the Security Zone***

On November 26, 2009 the Russian representative in the Unified Control Commission asked for additional Russian peacekeeping contingent in the Security Zone, as a response to the requirement set forth by the Moldovan delegation in the UCC to enforce the mixed military Command with a view to promptly respond in instances of peacekeepers' detention. Moldova rejected Russia's proposal, as it runs counter to the 1998 agreement on the peacekeeping mission format. Moldova's request was based on a recent incident on October 30, 2009, when Transnistrian customs officers detained for 5 hours the Commander of Republic of Moldova's peacekeepers, Aurel Fondos, claiming that two sacks of potatoes were found in his car. It is worth mentioning that the Regulation on peacekeeping units stipulates that commanders of peacekeeping troops cannot be stopped or detained. At the same time, Transnistrian customs officers failed to unveil 200 cases of smuggling, identified by the Moldovan police as originating from Transnistria.

## ***The OSCE Ministerial Council of December 1-2, 2009***

Deputy Prime Minister, Minister of Foreign Affairs and European Integration of the Republic of Moldova, Iurie Leanca, headed the Moldovan official delegation at the 17<sup>th</sup> OSCE Ministerial Council in Athens. In his statement, addressing the Plenary Session Mr. Leanca mentioned that:

- A comprehensive, lasting and viable solution to the Transnistrian conflict can only be achieved by ensuring a special legal status to the Transnistrian region, based on the respect for the sovereignty and territorial integrity of the Republic of Moldova;
- Removal of existing barriers in the way of free movement of the people and goods between the two banks is absolutely crucial;
- The sides must resume without preconditions the negotiations in the 5+2 format - the only internationally recognized mechanism aimed at identifying a comprehensive, lasting and viable solution to this problem;
- Moldova will build on the commitment to work constructively with all participating States to reach a substantive outcome and help restore mutual trust and confidence;
- Maintaining the activity of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) is important;
- There should be ensured a complete withdrawal of the remaining Russian Federation's troops and munitions, in accordance with the relevant 1999 Istanbul Summit Decisions;
- The current peacekeeping arrangement in securing stability in the region should be transformed into a multinational mission of civilian observers under international mandate.

The Ministerial Council failed this time too in adopting a Final Political Declaration, as well as a Regional Declaration on Moldova. The Moldovan diplomacy chief expressed regret for such an outcome. Still, 27 NATO member states made a declaration, reiterating their position on the need to ratify the adapted Treaty on Conventional Armed Forces in Europe (CFE) and meeting the commitments taken under the agreements reached at the 1999 OSCE Istanbul Summit, known as the Istanbul Commitments. The delegations of the Republic of Moldova, Ukraine and Georgia joined the NATO declaration.

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## 4. JUSTICE

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### *The capacity to impose respect for the rule of law/ Status and independence of judges and prosecutors / Transparency*

#### **Progress:**

- The Government Program provides for a number of reforms of the judiciary<sup>61</sup>;
- The structure of the Superior Council of Magistrates (SCM) has been updated;
- Important developments refer to the appointment of a new Prosecutor General; creation of the Superior Council of Prosecutors, Disciplinary College and Association for professional training of prosecutors;
- GPO revised previous decisions on charges against official persons and expressed regret for faulty accusations brought under political pressure<sup>62</sup>; At the same time, the GPO opened criminal investigations into allegations of abuses perpetrated by ex-statesmen<sup>63</sup>;
- GPO enforced judgments of convictions for perjurer;
- The General Prosecutor appointed GPO departments heads, who will be responsible for ensuring transparency within their divisions;
- The courts of law took measures for enforcing Parliament Decision No. 72/28.03.2008 on ECHR resolutions regarding Republic of Moldova, their execution and preventing violations of human rights and fundamental freedoms<sup>64</sup>;
- Web sites of a number of courts is being recurrently updated<sup>65</sup>;
- Amendments were made to the legislation, aimed at impelling court rulings' enforcement (free access to state registers)<sup>66</sup>.

#### **Shortcomings and problems:**

- A number of activities envisaged in chapter II of the European Integration Agenda, Priorities for 2009 were not realized fully or in due terms;
- One can note arrears in the implementation of the Strategy for strengthening the judiciary in 2007-2010<sup>67</sup>;
- Foreign reports<sup>68</sup> reveal multiple shortcomings within the organization and functioning of the judiciary in Moldova, including: lack of material and human resources, lack of effective organizational and communication skills, the need to amend the legislation and increase transparency, etc.;
- The Parliament approved a Declaration on corruption and political encroachment<sup>69</sup> within the judiciary. The concerned authorities did not react, which means a tacit acknowledgment;
- The reshuffles made and decisions taken by the Government were severely criticized by the Superior Council of Magistrates<sup>70</sup>, qualifying the actions as intromissions and disrespect for the judiciary;
- The Department of judicial administration has not been transferred under the jurisdiction of the SCM;
- The creation of the GPO administrative and specialized bodies is being tergiversated;
- The new web site of the Ministry of Justice lacks information on a number of chapters; part of the archive information is not accessible<sup>71</sup>.

### *Training of specialists in the judiciary / Technical equipment*

#### **Progress:**

- The initial and continuous training within the National Institute of Justice is underway<sup>72</sup>;

#### **Shortcomings and problems:**

- The assessment of the program and curriculum on initial and continuous training has not been finalized yet; training materials on specific subjects (Community law, training on the ECHR) are lacking;
- The 2010 budget of law courts is lower than the one for 2009;
- There is a serious gap in financing and implementing investment projects within the judiciary.

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<sup>61</sup> The liberalization of court rulings' enforcement, bar reform, abrogation of specialized courts.

<sup>62</sup> The cases on Pasat, Urechean, Pleșca, Chirtoacă.

<sup>63</sup> The cases on Papuc, Botnari, ex-administration of the Ministry of Information Development, Moldovan Railways.

<sup>64</sup> The SCM letter and informative note No. 5s-270/09 as of 17.12.2009.

<sup>65</sup> For more information see: [www.justice.gov.md](http://www.justice.gov.md), [www.csj.md](http://www.csj.md).

<sup>66</sup> Law No. 103/17.12.2009.

<sup>67</sup> A number of actions are only partially realized or stand still;

<sup>68</sup> The final report drawn up under the World Bank grant, part I „Assessment of the judiciary and measures to improve the quality of the judiciary act in Moldova”, see SCM Decision No. 327/14 of 29.10.2009; the final report of the OSCE Mission on law courts monitoring.

<sup>69</sup> Parliament Decision No. 53/30.10.2009.

<sup>70</sup> The stance of the Supreme Court of Justice on the initiative to abrogate Economic Courts (27/11/2009), the SCJ Plenum Decision No.7 as of 09.11.2009 on recalling the plot of land allotted for the construction of the SCJ new premises.

<sup>71</sup> Subcategories „Budget”, „Studies and analysis”, „Elaboration of normative acts”, „Law enforcement” etc.

<sup>72</sup> Information about the NIJ activity, [www.inj.md](http://www.inj.md).

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## 5. ECONOMIC DEVELOPMENT AND REFORMS

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### *The standards of living*

#### **Progress:**

- The average monthly wage in the 11 months of 2009 increased by 8.5% against the same period of 2008, with a reduced growth rhythm in October and November, as compared to the previous months. This index resulted from a decrease of wages in agriculture in November, given a decline in phytotechnical production in the sector, as well as in other sectors seriously hit by the crisis, such as: the mining industry, constructions, transportation and communications, financial activities.
- In November 2009 the average monthly salary in the economy was established at MDL 2950 lei<sup>73</sup> for 2010. However, this figure is more of a necessity for budget estimate, rather than an accurate target to be reached in 2010.
- In December 2009 the Parliament made amendments to the Law on social protection of several categories of population<sup>74</sup>, according to which, starting with 01.01.2010, no more nominative indemnities would be established. The act provides for the establishment of net income ratios<sup>75</sup> for a more efficient distribution of nominative benefits. The measures comply with the provisions of the Stabilization and Economic Recovery Program that does not provide for a complete removal of nominative indemnifications, but for a transition to a social security system, based on incomes' testing.
- Another trend in November referred to an increase in foreign remittances, due to stabilization or even slight economic increase in the host countries with most Moldovan migrant workers (a number of European countries).

#### **Shortcomings and problems:**

- The number of unemployed registered at the Labor Force offices continued to increase in the 4th quarter of 2009. At the end of the 3rd quarter, there have been registered 35838 unemployed, whereas by the end of the year their number reached 38101 persons. This fact contributed to a significant increase of budgetary expenses on social welfare. These do not have a major share in the social security budget, but their increment still leads to a rise in state budget transfers, which, given a budget deficit, is an additional burden. At the same time, according to our estimates, during the last quarter of 2009 there was noticed an increase of the underemployment rate.
- With an expected inflation of about 5% in 2010, the planned increase of the average salary this year would mean a real increase of wages by approximately 4%. Such a development is hardly possible in 2010. First, it is expected that the budgetary sector will be subject to an increase of 24% for the teaching staff, whereas earnings of other categories are expected to decrease in real terms, being at the same nominal level.
- Despite some modest developments expected in various sectors of the economy, we cannot expect an actual wages' increase. These will remain at the current level and entrepreneurs would opt for investments for overcoming the effects of the crisis, rather than increase wages.

### *Strengthening the economic development*

#### **Progress:**

- In October 2009 there was created the Council for coordinating the process of drawing up the Stabilization and economic recovery program for the Republic of Moldova<sup>76</sup> during 2009-2011 – this, being one of the first significant steps taken by the new Government. The program focuses on three main areas: stabilization of public finances, strengthening the economic activity and the promotion of an efficient and just social security system.
- A slow foreign demand recovery led to an increase of exports in the 4th quarter, while the weak domestic demand resulted in a continuous decline of imports, thus tempering the trade deficit.
- The 4th quarter has been characterized by the initiation of the negotiations process between the Republic of Moldova and the International Development Association for additional financing through the Development Loan Agreement.
- President ad-interim of the Republic of Moldova and the EBRD Director for Caucasus, Moldova and Belarus, Paul-Henri Forristier, discussed about the possibility of granting Moldova USD 100 million for investment projects and infrastructure reforms. The defective infrastructure (especially the roads) represents one of the main impediments to the country's sustainable economic growth.

#### **Shortcomings and problems:**

- Short-term, economic growth is possible only based on consumption increase, given the limited resources for investment in the next years, as well as the foreign investors' reluctance to invest in Moldova, as long as

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<sup>73</sup> The Government's decision No.773 of 27.11.2009 on the approval of the 2010 average monthly wage in the economy.

<sup>74</sup> Law No.135-XVIII of 29.12.2009 on the amendments to the Law No.933-XIV of 14.04.2000 regarding the social protection of some categories of population.

<sup>75</sup> Decree No.188 of 16.11.2009 regarding the approval of the Regulation on net incomes.

<sup>76</sup> Government Decision No.588 of 12.10.2009 regarding the creation of the Council for coordinating the process of drawing up the Stabilization and economic recovery program for the Republic of Moldova.

a friendly political environment is not settled. Statistical data reveal that retail sales in the 4th quarter have not recovered yet, though one can notice a boost in the tertiary sector. The increase of remittances' volume in November leaves room for hope; however it will not be strong enough in 2010 in order to make up for the decline in 2009 (experts forecast a remittances' increase by 5% in 2010<sup>77</sup>). Thus, we can expect a modest economic growth of about 1% in 2010.

- The FDI decrease by about 85% in the 3 quarters of 2010 will prove the impact of the global economic crisis on big investors, as well as will mirror the country's political climate. Though the aftermath of the new Government's appointment has shown some progress, a massive inflow of investments to Moldova cannot be expected and thus, its impact on economic growth will be marginal.

## ***Macroeconomic and financial stability***

### **Progress:**

- The IMF mission has reached a staff-level agreement with Moldova for Extended Credit Facility/Stand-by Arrangement of USD 588 million for a period of three years. In addition, Moldova can use its 117.7 million Special Drawing Rights (SDR) allocation from the IMF (equivalent to about USD 186 million) to cover its immediate budget financing needs<sup>78</sup>.
- The Moldovan legislative established areas of activity of the Parliament standing committees (including the Standing Committee on Economy, Budget and Finance).<sup>79</sup>
- Another important development was the appointment of the new National Bank Governor<sup>80</sup>. The 4<sup>th</sup> quarter was not characterized by major changes in the NBM monetary policy (interest rates, compulsory reserves). At the same time, interest rates on loans provided by commercial banks have had a delayed reaction. Real interest rates registered a decrease during the last 3 months of the year.
- Despite the inflationary trend started in August 2009, the year-end annual inflation reached 0.4%. The deflation in the first half of the year led to a low annual inflation. However, the inflationary developments registered in the last quarter of 2009 can also be expected in 2010. These will lead to inflationary pressures.

### **Shortcomings and problems:**

- Foreign assistance is critical to the Republic of Moldova, given the budget deficit from 2009. The Moldovan Government had to agree on a number of politically „expensive” requirements put forth by the IMF, pledging to strongly adhere to the agreed policies, such as: tariffs' increase, keeping state employees' wages unchanged, except for the teaching staff, decrease budget deficit.
- Despite an improvement of the cash reserves ratios in the banking system, the share of non-performing loans increased by 2 p.p. from 14.6% to 16.6% in September – November, thus posing a real threat to commercial banks. Another increase by 2 p.p was registered by expired and non-cumulative interest loans (from 16.5% to 18.5%).
- The last quarter has been characterized by a depreciated Moldovan leu (by 5.2% against EURO and 6.9% against the USD). Though the new Government's policy is based on the principle that the strong leu is a disadvantage for exporters, the population and economic agents are still very vulnerable to its fluctuations and react to the currency volatility. At the same time, the NBM bought USD 166 million during 3 months. Thus, it used the currency inflows for meeting the IMF requirements and increased its official reserves, which led to the currency depreciation. Given a favorable currency conjuncture, the NBM improved its reserves that could cover the 2010 expected inflation.
- The issuance of state securities continued in the 4th quarter at a slightly slower pace than in the previous quarter. Though one can note a trend of issuing state securities with longer circulation terms - 182 and 364 days, these represent a risk for covering the budget deficit and should be handled by the new Government with maximum caution.

## ***Transparency and fiscal sustainability***

### **Progress:**

- As an emergency action, the main financial laws for 2010 have been swiftly passed in the last quarter of 2009: The State budget law for 2010<sup>81</sup>, The Law on 2010 state social insurance budget<sup>82</sup> and the Law on 2010 compulsory health insurance fund<sup>83</sup>. The 2010 state budget law forecasts incomes of MDL 15.318 billion and spending of MDL 19.454 billion, with the deficit standing at MDL 4.36 billion, which is about 7% of GDP. This target would be difficult to reach, given the political uncertainties in the republic.
- Major changes in the state's fiscal policy occurred at the end of 2009. The decisions taken refer to: the increase of the territory development tax; location of trade units; tax increase for fuel, beer, alcoholic beverages, tobacco, jewelry and luxury cars. Despite the criticism expressed by the parliamentary opposition, such measures are crucial, having a just fiscal impact from a social viewpoint. Republic of

<sup>77</sup> Expert-Grup, MEGA – biennial economic publication, 2009 autumn issue, [www.expert-grup.org](http://www.expert-grup.org).

<sup>78</sup> Law No. 51-XVIII of 30.10.2009 on the SDR allocation from the International Monetary Fund.

<sup>79</sup> Parliament Decision No. 48-XVIII of 29.10.2009 regarding the mandate of the Parliament standing committees.

<sup>80</sup> Parliament Decision No. 50-XVIII of 30.10.2009 regarding the appointment of the NBM Governor.

<sup>81</sup> The 2010 State budget law No. 133-XVIII of 23.12.2009.

<sup>82</sup> The 2010 State social insurance budget law No. 129-XVIII of 23.12.2009.

<sup>83</sup> The 2010 Compulsory health insurance funds law No. 128-XVIII of 23.12.2009.

Moldova has also signed agreements with Belgium, Portugal and Ireland on double taxation and prevention of income tax evasion.

**Shortcomings and problems:**

- The newly appointed Government had little time to make amendments to the key financial acts for 2009: the State budget law<sup>84</sup> and the Law on state social insurance budget<sup>85</sup>. Thus, the financial year 2009 reached a deficit of MDL 4.64 billion. The inaccurate and unattainable financial forecasts for 2009 led to a 70% budget fulfillment in terms of incomes, and 78.5% in terms of spending during 11 months of the year. Almost all categories have not met the forecasted incomes. An alarming signal is the fact that the Government had to increase the transfers to the State social insurance budget.
- The Government will be subject to great pressures, given the IMF requirements on foreign assistance. Thus, the budget deficit is to be reduced to 7% in 2010, 5% in 2011 and 3% in 2012. This will consequently lead to major pressures on spending and the Government will have to keep balance between the huge social and economic needs and the limited financial backing in the years to come.
- Apparently, the Government had too optimistic expectations when drawing up the 2010 state budget draft law. This concerns an expected 5% consumption increase, which is hardly possible, given a slow increase of remittances and unchanged wages. This may impose the need for amendments to the state budget law by the end of the year.

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<sup>84</sup> Law on amendments to the 2009 State Budget laws No. 244-XVI of 21.11.2008, No. 82-XVIII of 03.12.2009.

<sup>85</sup> Government Decision regarding the approval of the draft law on the amendments to the 2009 social insurance budget laws No. 262-XVI of 11.12.2008, No. 694 of 06.11.2009.

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## **6. SOCIAL REFORMS AND DEVELOPMENT**

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### ***Social dialogue on employment***

#### **Progress:**

- The Moldovan Government approved on December 1, 2009 the National stabilization and economic recovery program for the Republic of Moldova for 2009-2011. The program provides for a number of measures with major social impact (both positive, and negative). The program provisions aim at boosting the employers' and employees' responsibility by minimizing the expenses for temporary sick leave, non-work related accidents, through changes in indemnification amount and financing source; improving the information and counseling referring to demand and supply on the labor force market (targeting, among others, Moldovan migrant workers who lost their jobs and returned home). The program also stipulates changes to the mechanism of providing unemployment benefits, by compelling the unemployed to start a job search and integrate into the labor market. The final target is a decrease of the unemployment benefits' spending by 15 % after 3 months of unemployment and by another 15% during the following 3 months. Another initiative refers to the elaboration of the Labor Force Market Informational System, with specific focus on the structure of labor force migration. The fulfillment of the program provisions will bring benefits both to employers, and to the targeted social strata.

#### **Shortcomings and problems:**

- The current legislative framework needs improvement, especially, taking into consideration the lessons learned as a result of the economic crisis. One important step is to draw up a new, performance based remuneration system in the public sector, as well as to establish the minimum wage in the real sector of the economy. Other important measures refer to stimulating a higher employment rate, given the increase of the number of migrant workers who returned in 2009 and the ambiguous prospects for overcoming the global financial crisis.
- The financial crisis augmented the vulnerability of Moldovan migrants, who most often work abroad illegally. The regulation of labor force migration becomes imperative, especially under bilateral agreements on migration between the Republic of Moldova and EU.
- The control mechanism on the compliance with labor legislation needs improvement for ensuring the employees' social and economic rights, as well as for decreasing the arrears on wages' payment in the real sector of the economy. These significantly increased in the 4<sup>th</sup> quarter of 2009 (reaching over MDL 200 million) and constitute a serious violation of the employees' rights.

### ***Gender equality***

#### **Progress:**

- On December 29, 2009 the Government approved the National Program on Gender Equality for 2010-2015, aimed at addressing the gender equality inequalities in the context of national efforts to guarantee human security and human rights in the economic, political and social life of all citizens in the Republic of Moldova - men and women. The program will contribute to a more efficient use and channeling of the financial resources for the implementation of various policies on gender equality and the promotion of gender equality as a prerequisite for rights-based sustainable development. One goal is to align the program functions with the requirements of the UN Committee on women's rights (elimination of discrimination against women in the Republic of Moldova), as well as to fulfill the country's commitments taken under international agreements in the area of human rights, especially pertaining to gender equality. Among these: the Universal Declaration of Human Rights (1948), the Convention on the political rights of women (1952), International Covenant on Economic, Social and Cultural Rights (1966), UN Convention on the Elimination of All Forms of Discrimination against Women (1979), Beijing Declaration and Platform for Action (1995), Millennium Development Goals (2000), other relevant IOM conventions etc.

#### **Shortcomings and problems:**

- The approval of the National Program on Gender Equality for 2010-2015 has been tergiversated in 2009 for several reasons, including political ones. The program and action plan implementation is the Government's duty and in this frame of reference, the international community is very open and is inclined to render the necessary technical assistance.
- Even if an integrated national plan on gender equality has been approved, there is reasonable fear for the lack of human and financial resources, given the past experience, when donor organizations did not manage to come up with a complex sustainable policy for supporting existing programs. Moreover, the progress in the area can be significantly slowed down by the effects of the economic crisis on the incomes of the population, on the development and promotion of women entrepreneurship in the country etc.

## ***Health and safety at workplace***

### **Progress:**

- On November 26, 2009 the Parliament passed the Law No.72 on the ratification of the Convention no.187 of the International Labor Organization concerning the promotional framework for occupational safety and health. The Convention basically suggests a new approach, calling on the employers to work more closely with the government and employees in securing a viable culture in which the right to a safe and healthy working environment is respected at all levels, with a view to reducing the incidence of sickness, disease and injury arising out of employment. The convention's ratification ensures the framework necessary for a continuous improvement of the bodies involved in managing occupational safety and health, as well as the mechanism for their implementation. The ratification will speed up the process of drawing up and deliberating on the National program on occupational safety and health and respectively, of the state programs stimulating companies with good results in the area.

### **Shortcomings and problems:**

- The economic crisis negatively impacts the efforts of meeting international standards in the area. The implementation of the Convention stipulations on ensuring appropriate occupational safety and health require not only political will, but also available financial resources, especially at the level of enterprises.

## ***Social protection and integration***

### **Progress:**

- On December 8, 2009 Decision no.808 regarding the approval of the draft law on state social insurance budget for 2010 came into force. The Law sees a deficit of MDL263 million, despite the forecasted indexations and an increase of social contributions, especially referring to pensions' adjustment by 4.56%, starting with April 1, 2010 and the increase of one-time allowances for child birth etc.

### **Shortcomings and problems:**

- The Government and the National Bank forecast an inflation of up to 5% in 2010. Even if the margin is not exceeded, the expected level will significantly erode the increases provided for by the 2010 state social insurance budget, given the impossibility to predict the price increase for foodstuffs and energy resources.
- The Government admits the need to extend the community and specialized social services, as well as to improve their efficiency. The gap between the residential and community public services is considerable, fact that comes at the expense of beneficiaries, especially – children at risk of abandonment.

## ***Public health***

### **Progress:**

- On December 23, 2009 the Parliament ratified Law no.128 on the 2010 funds of compulsory health insurance. Derogating from the Law no.411-XIII of March 28, 1995 on health security, health insurance for non-insured persons, for emergency ambulatory aid, primary medical assistance, as well as specialized ambulatory or in the case of socially-conditioned diseases with major impact on public health, will be covered from the compulsory health insurance funds, as per a list drawn up by the Ministry of Health. This should improve the condition of vulnerable strata of the population.
- The National stabilization and economic recovery program for the Republic of Moldova for 2009-2011 stipulates a number of urgent actions in the area of health security, including the increase of population categories subject to compulsory health insurance, the extension of health assistance contributions by all the persons working on the territory of the Republic of Moldova; the reduction of retail prices for 5-10 basic medicines used in the treatment of the most frequent diseases of children and the elderly etc.

### **Shortcomings and problems:**

- Starting with the 4th quarter in 2009, the public health system of the Republic of Moldova had been seriously hit by the evolution of the epidemic situation, caused by the pandemic flu A (H1N1). In 2009 there have been registered 21904 cases of flu, including 2590 cases of pandemic flu A (H1N1), confirmed by methods of molecular biology, most of them occurring during the last quarter of the year. In October 1, 2009 – January 11, 2010, 35 deaths caused by pandemic flu A (H1N1), including 23 women and 12 men, have been registered in Moldova. Overall, one can note the adequate reaction of the authorities that swiftly handled the situation and ensured the acquisition of the necessary medicines for treatment and vaccination (probably even exaggerating the scope of the threat, since only a little over 10% of the 200.000 Tamiflu packages have been prescribed up till now).

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## **7. FOREIGN TRADE**

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### ***Commercial relations (Trade regime with the EU)***

#### **Progress:**

- The European Union remains Republic of Moldova's main trading partner, having strengthened its position in January-November 2009. This market makes up for 52.2% (51.6% in 2008) in total Moldovan exports, imports from EU constituting 43.7% (43.6% in 2008).
- According to data provided by the Ministry of Economy, Moldovan wine and wheat producers have completely used the export quotas provided by the EU. At the same time, quotas for sugar were used at 89%, for corn – at 99%.
- During the 4th quarter of 2009 the Government worked out the draft Decision on creating the working group for launching and negotiating the Deep and Comprehensive Free Trade Agreement between the Republic of Moldova and the European Union, reiterated at the summit of the 1<sup>st</sup> RM-EU Subcommittee „Trade and investments” that took place in Chisinau on November 20, 2009.
- Negotiations on a possible free trade agreement between the European Union and the Republic of Moldova could start in the summer of 2010, as best case scenario. Moldovan authorities should direct all efforts towards establishing the priorities and defining a position with regard to the future agreement. Simultaneously, several fiscal and political tools should be revised prior to concluding the agreement.

#### **Shortcomings and problems**

- The existence of inner barriers poses a significant threat to the development of trade relations with the European Union. The latest World Bank report on trade logistics quantifies the Logistics Performance Index, rating 155 countries basing on 6 sub-indices. Moldova ranks 104<sup>th</sup>, while several important indices, such as: customs, infrastructure and logistical competence bring Moldova closer to the lowest ratings (124<sup>th</sup>, 123<sup>rd</sup> and 132<sup>nd</sup> respectively). In order to be competitive and be able to integrate into the common European market, Republic of Moldova needs competitive logistical performance. The cited report reveals the fact that Moldova still has a long way to go until it reaches good performance.

### ***Exports' promotion and development***

#### **Progress:**

- Statistical data show an upward trend of Republic of Moldova's foreign trade. This tendency is specific for exports that registered an increase of 10.9% in November 2009 against the previous month and for the first time during the economic crisis increased by 12.1%, compared to the same month last year. This step forward has been backed by two major factors: (a) improvements on the international market as a result of a relative demand recovery in the partner countries, (b) „the statistical comparison effect” against the reference period affected by crisis (id est. – previously, the annual comparison was being made against the months not yet affected by the crisis). At the same time, in January-November 2009 aggregated exports continued to register negative dynamics, dropping by 21.2%.
- One can note the maintenance of the tendency revealed in the previous issue of „Euromonitor”: strengthening of Russia's position in the top target markets for Moldovan exports. In January-November 2009 it accounted for 22.1% in total exports, compared to 19.9% in 2008. Simultaneously, Romania's share dropped from 21.4% in January-November last year to 19.1% during the reference period in 2009. Overall, exports to Romania decreased considerably (by 29.8%), but did not exceed the highest level among Moldova's trading partners. However, we should stress that the decrease of total Romanian imports has been even bigger, thus, data for the first 10 months of 2009 point to a 41% total imports' compression in this country.
- Agricultural food products proved to be the most resistant to foreign demand compression caused by the global economic crisis. These have either registered spectacular increase by 27.6% (such as the vegetable products), or quite modest decrease of 10.6% for foodstuffs, beverages and tobacco. The categories most hardly hit by the global economic crisis have been common metals and metal products (-78.0%), textiles and related products (-19.0%), mineral products (-79.0%), stoneware, plaster, cement, ceramics, glassware and similar goods (-51.8%).
- The new Government has taken a number of steps for increasing the competitiveness of Moldovan wine exports (canceling state trade mark excises starting with February 2010), exports' liberalization for wines in bulk and distilled wine. These measures come at hand during a worsening of the financial sector situation hit by multiple crises over the past few years.
- The draft decision on the approval of the Action Plan for the elimination of administrative restrictions within the business environment provides for a number of measures aimed at facilitating Republic of Moldova's foreign trade. These include: drafting proposals for decreasing taxes and tariffs for customs and ware-house services; revision of the customs procedure tax; the simplification (exclusion, if not requested by the importing country) of the procedures for obtaining licenses for vegetable products' export (phytosanitary and hygiene certificates); the simplification of customs clearance procedure through: (i) the approval of the integrated customs tariff (TARIM) with the specification of the necessary papers (certificates, licenses,



permits etc.); and (ii) the introduction of on-line declaration procedures for economic agents with high credibility.

**Shortcomings and problems:**

- The steady trade flows' recovery will further depend to a big extent on the economic recovery globally – critical aspect for the stimulation of foreign demand on Moldovan exports, as well as on fueling the domestic demand with remittances from Moldovan migrants, who could benefit of the economic recovery in the respective host countries.
- The removal of inner barriers should be a priority for the new Government. These administrative and logistical obstacles impede exports' development and domestic market de-monopolization.

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## 8. BUSINESS CLIMATE

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### Progress:

- During the last 3 months of 2009 there have been noticed the first signs of a weak foreign and domestic demand stabilization, proven by the imports', exports' and remittances' evolution<sup>86</sup>. Aside from the economic factors, the business environment has been also influenced by the political situation in the country. Thus, the appointment of Filat Government on September 25, 2009 sent a positive signal to the current and potential investors, who, throughout 2009, waited for changes to happen on the Moldovan political arena. Therefore, the tempering of the elections' fever and resumption of the main public entities' activity, along with the first signs of economic stabilization have all improved the business climate in the country. At the same time, the foreign policy promoted by the new Government and especially, the substantial improvement of diplomatic relations with Romania, create pre-requisites for the stimulation of investment inflows from this partner country. However, its effects, expressed in terms of investments, will only be felt in 2010-2011.
- With a view to removing the impediments in the way of business development, imports' and exports' de-monopolization, implementation of modern reporting technology, the Government approved on November 12, 2009 the Action Plan for removing administrative barriers within the business environment. The plan provides for 59 important measures aimed at stimulating investment and entrepreneurial activity, by removing the old barriers to business development. The main measures refer to the re-examination of the activity types subject to licensing, the institutionalization of „single window” business registration, import and export liberalization (for meat and other agricultural products), simplification of customs clearing procedures, reduction of the economic agents' reporting burden, etc. The plan's efficient implementation will contribute to ensuring a friendly business climate in Moldova, taking into consideration the administrative and institutional barriers during the past few years. At the same time, these steps will stimulate the domestic business climate, with no significant burden on the state budget.
- On December 12, 2009 the Government approved the draft law with amendments to Law no. 451-XV of July 30, 2001 on entrepreneurial activity licensing<sup>87</sup>. It envisaged the further implementation of the regulatory reform under Guillotine I and Guillotine II, aimed at decreasing the costs related to starting and unfolding economic activities. The main amendments refer to: the significant reduction of the types of activity regulated through licensing by the Licensing Chamber (from 37 to 28); the exclusion of the applicant's preliminary inspection in meeting the licensing requirements; reduction of administrative burdens on the private sector; decrease by 50% of the license tax for the economic agents who started their activity at least one year prior to the submission of the license issuance request. This measure is very important, given the burdensome licensing procedure, fact also reflected in international ratings (such as: Doing Business, Index of Economic Freedom).
- The draft Law on market supervision<sup>88</sup> was published on December 17, 2009. It is in line with the EC Regulation No.765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93. This initiative has mainly a social impact, being directed towards ensuring a high protection level of health, safety, the environment and consumers. The enforcement of its provisions will positively influence the domestic business climate through the creation of a competent body to perform conformity assessment activities.
- The signature of the Romanian-Moldovan Small Border Traffic Agreement on November 13, 2009, ratified by Government Decision on 20.11.2009<sup>89</sup>, confirmed the substantial improvement of the Moldovan-Romanian diplomatic relations<sup>90</sup>. This agreement has been signed quite quickly, taking into consideration the fact that the negotiations on the act started only one month prior to the event.<sup>91</sup> Though the agreement will be functional and applicable by March 2010, provided that a series of technical procedures are in place, it is already clear that it will boost the entrepreneurial activity in the regions located within 50 km from the Romanian border.

### Shortcomings and problems:

- Though data on FDI development during the last 3 months of 2009 have not been made available yet, it is already known that despite the relative stabilization of the political and economic situation in the country, the FDI volume is not on an upward trend. On the one hand, the first signals of economic stabilization are too weak; on the other hand, the appointment of the new Government cannot lead to an immediate increase of investments' inflows. The investors planning to come to the Republic of Moldova maintained a pondering position during the elections' period - time frame, during which they analyzed the economic policies and the functioning model of the new Government.
- Therefore, one can assume that the FDI volume remained at the same minimal historic level, a slight activation being registered at the year-end. According to available data, the FDI volume in the 3<sup>rd</sup> quarter of

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<sup>86</sup> NBS and NBM data.

<sup>87</sup> Ministry of Economy of the Republic of Moldova.

<sup>88</sup> Ministry of Economy of the Republic of Moldova.

<sup>89</sup> Decision No. 698 of 20.11.2009 regarding the approval of the Agreement between the Moldovan and Romanian governments on small border traffic, signed in Bucharest on November 13, 2009.

<sup>90</sup> Decision No. 698 of 20.11.2009 regarding the approval of the Agreement between the Moldovan and Romanian governments on small border traffic, signed in Bucharest on November 13, 2009.

<sup>91</sup> Decision No. 590 of 17.10.2009 regarding the start of the negotiations on the draft agreement between the Moldovan and Romanian governments on small border traffic.

2009 constituted USD 30.71 million (by USD 1.36 million more against the previous quarter)<sup>92</sup>. Still, a structural analysis of investment flows shows the disinvestment phenomenon, outlined during the 2<sup>nd</sup> quarter of 2009.

- Similar to the previous quarter, the disinvestment phenomenon in the 3<sup>rd</sup> quarter has been reflected by the development of stock of subscribed registered capital. Thus, while the volume of subscribed registered capital increased by USD 34.61 million compared to the 2<sup>nd</sup> quarter, its balance account increased by only USD 29.88 million. This fact reveals that during the same period the value of registered capital retrieved by the foreign capital companies amounted to USD 4.73 million.<sup>93</sup> However, the volume of disinvested capital is far lower than in the previous quarter, pointing to stabilization in this area.
- The poor economic situation continues to negatively impact the commercial banks' profitability, the share of non-performing loans in the banking system portfolio increasing twofold, against the beginning of 2009<sup>94</sup>. Consequently, the decrease of the reinvested capital balance account by USD3.66 million was mainly a result of the commercial banks' activity, with a downturn of USD 5.78 million.
- Moldova's economic freedom score is 53.7, making its economy the 125<sup>th</sup> freest among 179 analyzed countries in the 2010 *Index of Economic Freedom*. Its score has decreased by 1.2 points<sup>95</sup>. According to the rating, our country is considered a state, where overall economic freedom remains constrained by a number of institutional shortcomings that impede economic dynamism and its overall score is below the world and regional averages (with a gap of 3.8 points from the extreme category of repressive regime states). The rating being published at the beginning of 2010, it reflects the situation of 2008. Thus, Republic of Moldova's development was analyzed in terms of quite a remote time and political retrospect. Therefore, the country's performance and downward trend is a legacy from the previous government. Among 10 rating categories, Republic of Moldova registered progress only in terms of overall freedom to conduct a business and freedom from corruption. These have been relatively well protected under Moldova's regulatory environment (Guillotine II), aimed at removing red tape barriers in the way of entrepreneurial activity, as well as the official authorities' steps taken with support from international donors in fighting corruption. A number of problems still persist, including in the area of licensing. Corruption is perceived as widespread. Moldova ranks 109<sup>th</sup> out of 179 countries in Transparency International's Corruption Perceptions Index for 2008. Despite the abrogation of the income tax for legal entities, Moldova registered regress in this area, given the complex fiscal regime and difficult reporting procedure. Other regress areas include: trade, monetary, budget policy and labor market.

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<sup>92</sup> Republic of Moldova's balance of payments, NBM, [http://www.bnm.md/md/balance\\_of\\_payments](http://www.bnm.md/md/balance_of_payments).

<sup>93</sup> Republic of Moldova's balance of payments, NBM, [http://www.bnm.md/md/balance\\_of\\_payments](http://www.bnm.md/md/balance_of_payments).

<sup>94</sup> Financial indices in Republic of Moldova's banking system, NBM, [http://www.bnm.md/md/financial\\_indices\\_of\\_bank\\_system/2009](http://www.bnm.md/md/financial_indices_of_bank_system/2009).

<sup>95</sup> Heritage Foundation and Wall StreetJournal, [www.heritage.org](http://www.heritage.org).

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## **ABOUT PROJECT AND ORGANISATIONS**

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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.