

EUROMONITOR

QUARTERLY MONITORING REPORT ON THE PROGRESS IN IMPLEMENTING THE
EUROPEAN UNION-MOLDOVA ACTION PLAN IN JUNE-SEPTEMBER 2013

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Note: The authors have developed this report in good faith and with good intentions. The authors are solely responsible for their affirmations and conclusions, which are not necessarily shared by the Soros-Foundation Moldova, Government of Republic of Moldova or other institutions mentioned in the report.

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■ Introduction

The quarterly monitoring Report on European Union – Moldova Action Plan (EURMAP) implementation during **July-September 2013** is developed within the joint project "EU -Moldova - monitoring the progress in the Eastern Partnership 2013 " funded by the Soros Foundation –Moldova.

The project aims to harness the debate previously initiated and to ensure access to information and high public participation in European integration debate. The project adopted a new progress monitoring mechanism based on more attractive and user friendly monitoring tools, with a deeper assessment of risks and opportunities, of costs and benefits of the economic integration and of the reforms in priority policy areas. The project also includes advocacy and public information efforts.

EUROMONITOR quarterly report is focused on **28 areas** presenting (1) the main evolutions during the monitored period, (2) impact evaluation of the action taken and (3) the major problems identified in the sector. The report is available on the website of the partner organizations www.e-democracy.md and www.expert-grup.org. Also, it was created a separate webpage www.euromonitor.md presenting Moldova's European integration progress in a more intuitive and user friendly way. The webpage also presents the starting point in Moldova's EU integration efforts (2005), the current situation (2012) and the quarterly progress achieved in each of the sectors.

The conclusions on the initial state of play (2005) and on the current situation (2012) in all sectors reside from the Assessment report on Moldova's progress in EURMAP implementation for the years 2005 to 2012.

■ Justice sector reform

MAJOR QUARTERLY DEVELOPMENTS

- The strategy of justice sector reform for 2011-2016 is under implementation. In September 2013, the Ministry of Justice published seven intermediate sector reports. According to them, by the first half of the current year, 65% of the actions scheduled for **justice sector** reform had been fully completed and 29% partially completed; **criminal justice** – 75% of the scheduled actions were completed and 27% partially completed; **access to justice and implementation of judgments** – 33% fully and 46% partially completed; **the integrity of the justice sector actors** – 47% fully and 37% partially completed; **the role of justice in the economic development** – 47% fully and 40% partially completed; **respect for human rights in the justice sector** – 66% fully and 31% partially completed; **a well-coordinated, well-managed and accountable justice sector** – 74% fully and 17% partially completed. During his meeting of 03 July 2013 in Strasbourg with the Council of Europe Secretary General, Mr. Thorbjørn Jagland, the Moldovan President Nicolae Timofti stated the priorities of the justice sector reform, stressing the need to focus on the selection, appointment and promotion of judges and prosecutors, on strengthening the role of the National Institute of Justice, and on fighting corruption in the justice sector.
- The Constitutional Court adopted Decision no. 17 of 02 July 2013 on Verifying the Constitutionality of Some Provisions of Law no. 947-XIII of 19 July 1996 on Superior Council of Magistracy, in the version amended by Law no. 153 of 5 July 2012 on the Modification and Supplementation of Some Legislative Acts. The Court found that according to Law no. 154 on the Selection, Assessment and Career of Judges, the *transfer of a judge to a court of the same or lower level* shall be performed by the Board for the Selection and Career of Judges according to some clear, transparent, objective and merit-based criteria. The Court concluded that the establishment by the Superior Council of Magistracy of the procedure and criteria of selection of judges for their transfer to other courts is not only constitutional and legal, but also normal for the nature and operation of this body of judicial self-administration.
- On 11 July 2013, the Prosecutor General and the Minister of Justice signed a joint decree on establishing a working group for the development of draft laws concerning the reform of the prosecution service. The working group was made up of representatives of the prosecution service, the Ministry of Justice, and specialized organizations of the civil society. Also, the working group involved representatives of the EU Delegation to Moldova, the OSCE Mission, the US Embassy in Moldova, and the Council of Europe Office in Moldova. The working group had the task of developing a package of legislative amendments, including proposals for amending the Constitution, the Law on the Prosecution Service, and other legislative acts related to criminal justice. Priorities were focused on reviewing the procedure of appointment and dismissal of the Prosecutor General; establishing criteria for the selection, appointment and promotion of prosecutors; disciplinary sanctions; elimination of the general immunity of prosecutors; demilitarization of the prosecution service, including by examining the possibility to give prosecutors the status of magistrates as it is provided in the government program of the Pro-European Coalition.

IMPACT OF THE ACTION TAKEN

- Development by the Government and adoption by the Parliament of draft laws concerning increased accountability of judges committing abuses and illegalities, proper remuneration of the body of judges in order to ensure the independence of magistrates, and improved communication of the body of judges with society were identified as urgent tasks in the promotion of the justice sector reform by the Moldovan President Nicolae Timofti, who presided, on 19 September 2013, over a meeting dedicated to the justice sector reform, which was also attended by the Prime Minister, the Minister of Justice, the president of the Superior Council of Magistracy, the president of the Supreme Court of Justice, and the president of the Chisinau Court of Appeal;

- Final public hearings concerning a package of laws providing for stricter sanctions against corrupt judges took place on 09 September 2013. The drafts prescribe a compulsory testing of candidates for the position of judge or prosecutor with a lie detector, confiscation of goods whose origin cannot be explained, and introduction into the Criminal Code of a new type of offence – “unjust enrichment”;
- Creation of a special parliamentary committee was announced, which would be made up of presidents of standing committees, Members of Parliament, and civil servants engaged in the justice sector in order to debate legislative amendments concerning reform of the prosecution service. The above was announced during a working visit of the President of Parliament to the Prosecutor General’s Office;
- According to the Law on the Rehabilitation of Victims of Political Repressions, rehabilitation requests shall be submitted to the Prosecutor General’s Office by the persons that had been found victims of repressions by decisions of judicial or non-judicial bodies. During the first half of the current year, the Prosecutor General’s Office examined 296 applications for the rehabilitation of victims of political repressions. The applications served as basis for issuing and delivering 215 rehabilitation certificates concerning 283 persons. The representatives of prosecution submitted to the Supreme Court of Justice 10 appeals requesting annulment of criminal cases and rehabilitation of the convicted persons.

MAIN PROBLEMS IDENTIFIED

- Adoption of regulatory acts prescribed by the strategy of the justice sector reform and of regulations governing the operation of legal authorities, as well as expression of good intentions by high officials in favor of the justice sector reform is not seen in a good light by litigants. Thus, the refusal of the country’s President to authorize the transfer of some judges from a district commercial court to the Central Court had been easily overcome by the Superior Council of Magistracy (SCM), and the Prosecutor General’s undertakings to initiate criminal procedure against some magistrates or prosecutors are rather sporadic and unable to convince the public of the fact that the justice sector reform is giving the expected results. The positive effects of the above actions shall be felt once there is political will to properly implement them;
- To reform and ensure the independence and efficiency of justice one needs to focus efforts and prove a general political will and administrative capacities in several dimensions, such as a political and unbiased approach towards the justice reform process, combating and prevention of corruption in justice, etc.

■ Combating corruption

MAJOR QUARTERLY DEVELOPMENTS

- The National Anticorruption Center (NAC) operated within the established framework and reported as follows: arrests *in flagrante delicto* for corruption of employees in the sectors of health, education, business, law enforcement, etc.; organization of anti-corruption trainings for various categories of beneficiaries in the public sector;
- The NAC published its activity report in the first quarter of 2013. The statistics concerning the operation of the NAC allows making a general overview of institution’s activities and of the rate of criminality per sectors. Thus, during the reported period there were identified and counteracted 268 offences, including 206 acts of corruption and related offences and 62 offences of other types. The areas affected by corruption, given the identified offences, are as follows: local public administration (mayors’ offices, local councils) – 49 acts of corruption and related offences; law enforcement bodies – 27; state enterprises (subordinated to the State Chancellery, Ministry of Transport and Road Infrastructure, Ministry of Information Technology and Communications, Agency for Land Relations and Cadastre, the Government, etc.) – 14; health – 12; justice (courts, officers of the court,

penitentiaries, probation bureaus) – 11; members of the Bar – 8; the Customs Service under the Ministry of Finance – 8; education – 8; bodies of the Main State Tax Inspectorate under the Ministry of Finance – 5. Criminal investigations were finished in 240 cases, as follows: 78 cases concerning 108 persons were referred to court and 162 cases were dismissed. 7 criminal cases were dismissed for reasons of non-rehabilitation and 155 – for reasons of rehabilitation. Criminal investigations were suspended in 24 cases, including 20 cases related to non-identification of the person that committed the crime and 4 cases of the accused persons' evasion of criminal prosecution.

- The National Integrity Commission (NIC) operated within the established framework and reported about decisions to initiate verification of the income and property of a number of Members of Parliament, judges, prosecutors, mayors, etc., and about decisions to verify conflicts of interest. In its decisions, the NIC stated about violations of the current legislation mainly by mayors.

IMPACT OF THE ACTION TAKEN

- Adoption of regulatory acts prescribed by the strategy of the justice sector reform and of regulations governing the operation of legal authorities is not seen in a good light by litigants. The positive effects of the above actions shall be felt once there is political will to properly execute them;
- The administration of the Parliament and of the NIC agreed on the need to make certain legislative adjustments in order to improve the legal framework, and thus the mechanisms, for the verification of the income and property statements and personal interest statements, to unify legislative norms and to eliminate the norms that allow ambiguous interpretations and contradictory applications, etc.

MAIN PROBLEMS IDENTIFIED

- Institutional consolidation, implementation of regulations concerning the prevention of corruption, management of the system for the verification of income, conflict of interest and incompatibility, as well as cooperation with national authorities are still the major problems faced by the NIC. Such was the conclusion that the President of Parliament made during his visit to the NIC.
- The maintenance of political and group influences on public institutions and legal authorities favor the persistence of corruption, which is also stimulated by the perception of impunity generated by political coverage applicable on the vertical and horizontal.

■ Human rights and fundamental freedoms

MAJOR QUARTERLY DEVELOPMENTS

During the reported period, there have been minor developments in the field of human rights. During this time the Moldovan Parliament approved no laws concerning human rights, since it was on vacation. The Government, in its turn, approved a new draft law on the people's advocate and sent it for the Parliament's approval; approved a new action plan aimed at ensuring gender equality; progressed in organizing the activity of community mediators for the Roma-populated communities; and continued its efforts of increasing social inclusion of the persons with disabilities.

Thus, the Government approved Decision no. 557 of 17.07.2013 on Approval of Framework Regulations for Organizing the Activity of Community Mediator; Decision no. 569 of 29.07.2013 on Approval of Framework Regulations for the Organization and Operation of the Daycare Center for the Elderly and Minimum Quality Standards; Decision no. 599 of 13.08.2013 on Approval of the Action Plan for the Implementation of Actions Ensuring the Disabled Persons' Access to the Social Infrastructure; Decision no. 572 of 30.07.2013 on the Modification and Supplementation of Government Decision no. 933 of 31.12.2009 on Approval of the Action Plan for Gender Equality. Also, during this period the Government designated the Interethnic Relations Bureau as the authority responsible for ensuring the presentation of the Government's comments to the

individual or collective applications against the Republic of Moldova addressed to the UN Committee on the Elimination of All Forms of Racial Discrimination.

IMPACT OF THE ACTION TAKEN

The small number of actions undertaken by authorities in order to ensure respect for human rights between July and September 2013 was the reason of little progress in the field. Some of the expected results following the decisions adopted by the Government are as follows:

- 15 community mediators are to begin their work this year in 14 communities and to contribute to efficiently ensuring the access of citizens of Roma ethnicity to the services of social assistance, education, health care, etc.;
- A number of daycare centers are to provide specialized services of care, rehabilitation and social (re)integration of the elderly and to contribute to preventing institutionalization by keeping the elderly in families and communities;
- Access of persons with disabilities to the social infrastructure shall be assessed and technical standards and regulatory acts shall be reviewed in order to ensure the access of persons with disabilities to the social infrastructure, by harmonizing the above legislation with the EU standards;
- The effort of observing equality of men's and women's rights is to be continued by implementing new activities and continuing the activities initiated in the period of 2010-2013;
- A positive development of the reported period is the smaller number of complaints concerning acts of torture and a twice smaller number of criminal cases initiated to combat human trafficking than last year. These results can be attributed to the recent years' efforts of prevention and combating human trafficking and eradication of ill-treatment and torture.

MAIN PROBLEMS IDENTIFIED

- The efforts of ensuring human rights and freedoms are, however, still undermined by some decisions of the central authorities, which violate such fundamental principles as non-discrimination, physical and mental integrity of a person (e.g. amendment of the Contravention Code, introduction of chemical castration, which was subsequently declared unconstitutional);
- Entry into force of new provisions of the Contravention Code establishing sanctions for spreading information that promotes relations different from marriage or family triggered a wave of reactions from civil society and international organizations, which question authorities' determination to ensure non-discrimination;
- During this period Moldova was subjected to 4 convictions by the ECHR in cases relating to violations of the principle of safety in legal relations, torture and inhuman treatment, for procedural reasons and lack of diligence in conducting criminal investigations;
- There still are difficulties in ensuring freedom of the press and freedom of expression, especially in investigative mass media. The impact of the Law on the Freedom of Expression is still little due to a lack of information about its existence among judges and journalists;
- The adoption of the legislation regulating the transparency of media property, the advertising market and de-monopolization of the media market was still postponed;
- Serious injuries at work and deaths caused by accidents at work persist, since there is no control that is necessary to ensure oversight of basic labor standards.

■ Transnistrian conflict settlement

MAJOR QUARTERLY DEVELOPMENTS

- An ordinary round of the "5+2" negotiations format was held on 16 and 17 June 2013 in Vienna. The meeting was held as part of the "small steps for great perspectives" strategy thus reformulated by

the Special Representative of the OSCE Chairman-in-Office, Andrei Descita. The problems examined at the meeting are as follows: ensuring the conditions necessary for free movement of persons and vehicles; tracking migration flows; education (solving the problems faced by Moldovan schools teaching in Latin script in Transnistria); ecological situation in the Nistru River basin (conflicting parties signed a protocol decision on joint activities for protection of environment and of the River Nistru ecosystem); removal of the funicular over the Nistru in the vicinity of Rezina and Ribnita; evacuation from Transnistria of disused radioactive sources; economic cooperation, eventual creation of a single economic space; interaction of law enforcement authorities in fighting organized crime;

- The “5+2” negotiations were preceded by calls from the Parliamentary Assembly of the OSCE, which adopted on 3 July in Istanbul a Resolution recommending “intensification of efforts in advancing negotiations,” expressing concern “in connection with recent incidents in the Security Zone”;
- The political support group for Moldova at the US Congress made public a declaration regarding the current situation in the process of Transnistrian settlement. The declaration mentions the need to develop a legal status for Transnistria as agreed in the „5+2” format in order to prevent further escalation of the conflict and to finalize the evacuation of the Russian troops and munitions from the region according to the (officially) recognized international commitment of the Russian Federation, which it made at the OSCE summit in 1999.

IMPACT OF THE ACTION TAKEN

- On 24 September Prime Minister Iurie Leanca met with the leader of the Tiraspol administration Evgheni Shevchuk, and they prolonged the protocol decision regarding cargo railroad transportation through Transnistria;
- The parties’ working groups for humanitarian problems agreed on a draft protocol decision regarding the mechanism of calculating pensions and social benefits. The draft refers to the payment of pensions or social benefits to Moldovan citizens residing in Transnistria and vice versa;
- The representatives of Chisinau and Tiraspol agreed to search for interaction methods between the Moldovan police and the Transnistrian militia.

MAIN PROBLEMS IDENTIFIED

- The representatives of Tiraspol administration formulated the reasons of resisting to Moldova’s accession to the Deep and Comprehensive Free Trade Area (DCFTA) with the European Union (EU): the emergence of new bureaucratic obstacles imposed by the EU on Moldova and subsequently extended automatically on Transnistria, which will increase Tiraspol’s dependence on Chisinau; the EU’s refusal to take into account the interests of Transnistrian businesses, presenting them with a *fait accompli* – the need to accept Moldovan standards. Tiraspol administration believes that the developing situation deprives the cooperation of Transnistrian businesses with the EU of any perspectives. In such circumstances, Tiraspol announces its “firm decision” to join Eurasian integration processes;
- Russian Federation continues insisting on opening a general consulate in Tiraspol, characterizing it as a “pressing need.” According to Russian Deputy Minister of Foreign Affairs Grigory Krasin, “About 180 thousand of our compatriots live in Transnistria. We cannot leave the needs of these people without attention. The Russian party insisted and will insist that a general consulate be opened in Transnistria”;
- Chisinau Government’s intention to place border checkpoints along Nistru has caused tensions in relations with Tiraspol and Moscow. Russian Ambassador-at-Large Sergey Gubarev said that his country disapproves of the “intention to set up border checkpoints on Nistru. The most important problem that must be addressed today is restoration of trust between the two banks of Nistru.” On the other hand, Ukrainian representatives drew attention to the inadmissibility of resorting to “unilateral measures.” The situation was only clarified through the intervention of the Minister of Foreign Affairs and European Integration Natalia Gherman, who explained that two border

checkpoints are already in operation in order to test their functionality and “permanent installation of checkpoints along Nistru has been postponed for an indefinite term,” since there is opposition from some participants of the “5+2” format, while “the Moldovan Parliament has already even approved sanctions for the stay on the left bank of Transnistrian residents with Ukrainian and Russian passports”;

- A matter of concern arose in connection with the discussions on providing Russian peacekeepers with new military equipment. It required explanations of the Defense Minister Vitalie Marinuta, who said that it is necessary to abandon “provision of the peacekeeping units with additional military equipment, especially with such powerful devices as combat helicopters. We have enough weapons on Nistru. Chisinau believes that the military component of the Nistru operation should be minimized. ... The possibility of introducing helicopters or other weapons systems on the territory of Moldova without Chisinau authorities’ consent is excluded.” Similarly, Prime Minister Iurie Leanca in a speech at the UN General Assembly reiterated the need to withdraw Russian military presence from Transnistria.

■ Improving welfare

MAJOR QUARTERLY DEVELOPMENTS

During the third quarter several actions were undertaken in order to contribute to population’s welfare, including approval on 30 July 2013 by Decision no. 572 of the “New Action Plan for 2013-2015 for the Implementation of the National Gender Equality Program for 2010-2015,” which for the first time provides for gender equality in the areas of security, law and order, and military service in the National Army. At the same time, beginning with 07 August 2013, the Republican Fund for Population Social Support transferred subsidies for school children from vulnerable families to local funds. Unique allowances for school attendance were set at the minimum amount of MDL 300, which is MDL 100 more than in the previous year. It should be mentioned that in the middle of August the Framework Regulations for the Organization and Operation of the Joint Bureau of Information and Social Services was approved. Thus, joint information bureaus will be created under various authorities, and such bureaus will provide consultation and information to local population in the areas of social protection, job search and business development, agriculture, land property, and various legal and financial services. The basic concept is the principle of “one stop shop” information desk.

IMPACT OF THE ACTION TAKEN

- Approval of the New Action Plan for 2013-2015 for the Implementation of the National Gender Equality Program for 2010-2015 aims to contribute to ensuring the information and awareness of the general public, particularly in rural areas, about the right and access of men and women to equal treatment on the labor market and in economy, providing financial guarantees for the loans granted to the enterprises run by women, organizing training sessions for advertising agencies in order to prevent sexist content in advertising, etc.
- The above-mentioned aid aims at supporting vulnerable families with school age children, including orphan non-institutionalized children, children with disabilities, single-parent families, large families, and Roma children.

MAIN PROBLEMS IDENTIFIED

- Although actions are taken to ensure gender equality, the society is still traditional, with clear demarcations between “women’s work” and “men’s work,” which have also been noted in a recent study regarding the use of time, conducted by the National Bureau of Statistics. Simultaneously, the rooted practices of using sexist advertising will be difficult to eliminate, as it requires a change of mindset both of responsible entrepreneurs and of consumers of such advertising.

- The purchasing power of the population is very small, and while the allocated material aid is welcome, the given amount is still very small compared with the minimum expenses necessary for surviving. So, many families continue relying on remittances from abroad.
- The establishment of joint information bureaus under regional public authorities is an appreciated initiative that would facilitate both access to information and data/information exchange. However, the main problem in this regard is the relatively small number of population and civil servants using IT tools in their work, including limited knowledge and skills in the field.

■ Macroeconomic and macro financial policies

MAJOR QUARTERLY DEVELOPMENTS

One of the key developments in this field is the approval of a roadmap for the Government's actions aimed at removal of critical constraints for businesses. The roadmap prescribes about 90 legislative and regulatory measures and includes a series of actions in the key policy areas with direct impact on businesses: tax administration, cross-border trade and customs administration, competition, access to financing and to an efficient and credible justice. At the same time, the Innovation Strategy of the Republic of Moldova for the period of 2013-2020 and the national strategy of information society development *Digital Moldova 2020* were approved. The first document sets the measures for the development of innovation, which would allow Moldova to implement efficient development mechanism with a long-term impact. The *Innovation for Competitiveness* strategy covers the entire range of innovation, both external and internal. Also, a set of National Accounting Standards, Methodical Indications and the General Plan of Bookkeeping Accounts have been approved this August with effect from 1 January 2014. In a very short time, methodical recommendations for transition to new national accounting standards are to be approved, which will contain provisions concerning the manner of transitioning from the current national accounting standards, in force since 1 January 1998, to new standards, developed based on EU directives, IFRS and national legislation. Between 19 August and 14 October 2013, public officials and accountants representing 898 local public authorities from the villages, towns and districts of Moldova will participate in specialized seminars dedicated to the creation and management of local budgets according to the financing system provided by the new edition of the Law on Local Public Finances. According to the concept, mobile teams made of representatives of the State Chancellery, the Ministry of Finance, the Congress of Local Authorities of Moldova (CLAM) and experts from development partners will visit all districts of the country in order to explain in detail the new method of forming local budgets, relations between central and local authorities in terms of forming budgets, and other aspects of interest for mayors' offices.

IMPACT OF THE ACTION TAKEN

- The organization of specialized seminars dedicated to the formation and management of local budgets according to the system of financing provided by the new edition of the Law on Local Public Finances will allow public officials and accountants from the local public authorities of the villages, towns and districts of Moldova to gather the necessary knowledge. The new system of financing the local public administrations has been introduced according to the provisions of the Government Program, *Moldova 2020* strategy, and the National Decentralization Strategy adopted by the Moldovan Parliament, and it is part of the decentralization reform that aims at a balanced and durable development of all settlements of Moldova, strengthening of capacities and increase of local autonomy, and larger participation of citizens in the life of the community.
- The removal of critical constraints for the development of a favorable business environment will increase the competitiveness of Moldovan companies and will allow the economy to benefit the most from the preferential trade regimes with the CIS and the EU. The measures are particularly targeted at the benefit of small and medium enterprises and involve a simplification of conditions at all stages of a business – from its establishment to liquidation. The Government will establish an efficient mechanism of sanctioning public officials and heads of public authorities for violating the

regulatory framework that governs business activities. In addition, it will annually review the sanctions for such violations.

- The *Innovation for Competitiveness* strategy covers the entire range of innovations, both external and internal. A correct and adequate implementation of the strategy will contribute to ensuring a consistent framework of policies for increasing the country's international competitiveness and building a knowledge-based economy by strengthening the capacities of Moldovan companies to absorb, generate and disseminate innovations and by their closer interconnection with universities and research centers.
- The framework program of support to the ongoing and future agreements between Moldova and the EU will allow the implementation of more Twinning, TAIEX, and SIGMA projects and will provide technical assistance worth EUR 30 million. The money will be allocated for the development and review of national policies and legislation aimed at reforming public administration, justice, home affairs, and trade, so that the provisions of the Moldova-EU Action Plan are implemented within the European Neighboring Policy and that Moldova can participate in the EU programs and agencies. The program aims at institutional consolidation and fulfillment of preconditions necessary to sign the Association Agreement, create the Free Trade Area, and move towards visa liberalization.
- The *Digital Moldova 2020* strategy comes to ensure a fertile ground for the development of an information society in Moldova, so that the public can fully benefit from the advantages provided by information technology. At the same time, its implementation involves the development of infrastructure so as to ensure the access of all citizens to broadband Internet.

MAIN PROBLEMS IDENTIFIED

- One of the key problems that still persist concerns the deficiencies in the development and implementation of efficient and adequate mechanisms for the implementation of strategies and provisions of the regulatory framework. Exceptions from the rule dominate, and corruption, which is rooted in nearly all sectors, hampers the development and equitable application of norms to an even greater degree.
- Capacity building, increase of local autonomy and greater participation in the life of the community are factors that would undoubtedly contribute to the balanced and sustainable development of all settlements in Moldova. However, one of the basic problems that often impede positive intentions is the existence of a certain reticence, including from some representatives of local authorities, to involve and stimulate broad participation of citizens in the life of their communities and particularly in the formation of local budgets.

■ Functional market economy

MAJOR QUARTERLY DEVELOPMENTS

One of the main developments in this field has been the establishment of the Inter-Institutional Communication Platform that brings together the heads of central public authorities, managers of national development funds, directors of regional development agencies, business consultancy and support institutions (Organization for Small and Medium Enterprises Sector Development, Moldovan Investment and Export Promotion Organization, Agency of Intervention and Payments for Agriculture, Chamber of Commerce and Industry, Agency for Energy Efficiency), representatives of economic development platforms (free economic zones, industrial parks, business incubators), and representatives of businesses and civil society. At the first meeting, held this 26 July, participants agreed to meet quarterly, including in thematic meetings, in order to discuss the main constraints identified in the implementation of projects of economic development and capitalization on the regional potential. The objectives of the Platform are aimed at ensuring an integrated view on the economic problems faced by the country's regions and identification of sustainable solutions for the future, such as increasing the efficiency of referring public investments for the development projects implemented throughout the country in order to exclude duplications/overlaps that might arise in the process of realization of projects. Also, the *Strategy of Reform of the Regulatory Framework for*

Entrepreneurial Activity for 2013-2020 has been developed. By the new Strategy, the Ministry of Economy aimed to change the philosophy of previous reforms, following a paradigm of the country's economic development based on investment, innovation, and competitiveness. The action plan proposed for the implementation of the Strategy has been set for three years and shall be renewed annually, providing flexibility and opportunity of more operative adjustment to changing circumstances. In the context of development of the medium-term budgetary framework for the period of 2014-2016, the Ministry of Economy initiated the development of a spending strategy in the area of private sector development. This strategy shall contain provisions regarding the continuation of the Program in 2014-2015.

IMPACT OF THE ACTION TAKEN

- Communication and coordination for the implementation of the country's inter-institutional economic development policies by integrating the main players involved in this process on the newly launched communication platform is an important initiative that should lead to a positive impact. The communication platform aims at informing businesses, social partners, the civil society, and the development partners about the actions taken and the results obtained in the process of implementation of the economic development projects at the local/regional level. The inter-institutional communication platform will serve to facilitate discussion and analysis of the investment needs for solving the problems related to the diversification of economies throughout the country, development and modernization of the industrial potential, support for entrepreneurship, uniform development of infrastructures (energy, transport, utilities), prevention of natural disasters and environmental protection, etc.
- If previously the major emphasis was placed on de-regulation, elimination of useless rules and excessive administrative procedures focused on the quantity of reforms rather than on their quality, now the focus is on the development of a smarter regulatory system. It requires a regulation that would be more responsive and adaptable to scientific and technological developments, providing flexibility for innovation and performance standards for businesses. At the same time, smart regulation is characterized by clear rules that need to be fully observed.

MAIN PROBLEMS IDENTIFIED

- Creation of a competitive economy that would ensure sustainable and qualitative development is still a challenge. To ensure reliable pillars, an efficient and fair justice system, favorable business environment and increased confidence in public institutions, important efforts and coherent and coordinated actions are still needed. Non-involvement in the realization of profound changes generated a situation when the national economy has accumulated structural and functional imbalances that are difficult to overcome.

■ Rural and regional development

MAJOR QUARTERLY DEVELOPMENTS

One of the key developments in this area is the elaboration of the draft law on energy efficiency and its submission to the Government for examination and approval, including the updating of regional strategies. Also, the perspectives of economic collaboration with Greece have been established this September. The CO-WANDA Project (Convention for Waste Management for Inland Navigation on the Danube) has been launched, which is a convincing achievement within the EU SDR (EU Strategy for the Danube Region). It should be mentioned that the project was initiated at the proposal of a development partner from Galati city, Romania. At the same time, a financing agreement with the European Bank for Reconstruction and Development (EBRD), concerning provision of EUR 150 million for the rehabilitation of the main roads in Moldova, was ratified on 12 July 2013. The loan will be provided in three installments depending on the progress achieved.

IMPACT OF THE ACTION TAKEN

- The establishment of collaboration with Greece aims at the economic development of regions in both countries. In this regard, the creation of a Moldovan-Greek Chamber of Commerce would contribute to the mutual promotion of goods and services and enable diversification of markets for the sale of local products.
- Adequate implementation of CO-WANDA will contribute to advancing the operation of the naval waste management system, and an exchange of experience with more countries, especially the countries of the Rhine region, will be beneficial.
- Reception of external funding necessary for road rehabilitation will have a positive impact on advancing the objective of ensuring national roads of high quality that would contribute to a recovery of the country's economy, among other things. It should be mentioned that to this date, the EBRD has signed 100 investment projects in Moldova amounting to EUR 897 million, and they cover the sectors of energy, transport, agricultural business activity, industry, and banking.

MAIN PROBLEMS IDENTIFIED

- Thus far, energy sources are very poorly diversified. Alternatives achievable over a short term for the existing main provider have not yet been identified; the only alternative is the construction of a gas pipeline Iasi-Ungheni, which requires time.
- Local resources are still limited, and the differences in economic and social development between the country's regions are significant. Also, public authorities have insufficient institutional capacities and, therefore, little experience in the implementation of regional projects and inter-community partnerships.
- It is absolutely necessary to properly and qualitatively use external financial sources so as to contribute to the development of regional infrastructure and, implicitly, to the recovery of national economy. In this regard, it is imperative to ensure high quality of planned works and to monitor the implementation and proper use of financial sources, since there were numerous deficiencies in this respect in the past, especially in the rehabilitation of national roads. It led *de facto* to much higher costs both in terms of quantity and quality.

■ Social and employment policy

MAJOR QUARTERLY DEVELOPMENTS

During the third quarter, a series of efforts were undertaken in this field. Key developments include the signing of the agreement between Moldova and Poland in the area of social insurance and the administrative arrangement for its application, including completion of equipment and training of all social assistants nationwide for the use of the Automated Information System "Social Security." The above-mentioned agreement aims to protect the social rights of the persons insured in Moldova who work or reside in Poland. It should be mentioned that Moldova has currently signed 8 similar agreements with Romania, Bulgaria, Portugal, Estonia, the Czech Republic, Luxemburg, Austria, and Belgium. Also, negotiations have been initiated to sign an agreement on social insurance with Italy.

IMPACT OF THE ACTION TAKEN

- The agreement in the area of social security will enable beneficiaries to enjoy the following types of payments: retirement pensions, pensions for disabilities caused by illness, pensions and allowances for disabilities caused by accidents at work or by occupational diseases, survivors' pensions. It is important to mention that the document shall be applied also to the persons who paid social

insurance contributions prior to the agreement's entry into force, according to the legislation of both or one of the countries part to the agreement.

- The implementation of the Automated Information System "Social Security" should ensure monitoring of beneficiaries in order to prevent risks for vulnerable families and more efficient management of the difficulties of poor families. Another stake is a more efficient analysis and planning of the social security system, better record keeping of data about applicants and beneficiaries, and more operative registration of applications for social aid and social services, leading to more secure social protection for the population.

MAIN PROBLEMS IDENTIFIED

- The situation on the labor market saw no significant changes; the insufficiency of jobs still persists, being the most acute in rural regions, where employment opportunities are limited. Consequently, strong factors arise that stimulate the migration of qualified labor force, favoring brain drain. In this regard, while a number of projects, including road reconstruction, were initiated aiming at creation of new jobs, they required use of foreign workers with the necessary qualifications, since the local offer is unfortunately limited and does not meet the necessary criteria.

■ Commercial relations

MAJOR QUARTERLY DEVELOPMENTS

The third quarter was dominated by a series of trade constraints related to restrictions on Moldovan exports of wine and farm-produced foods applied by the Russian Federation. The interdiction for the export of alcoholic beverages was introduced by Russia on 10 September, being applicable only to manufacturers on the right bank of the Dniester. This interdiction might create prerequisites for intensified commercial relations with the EU. Thus, European officials bring to discussion the possibility of increasing quotas for Moldovan wine exports to the EU. Also, the European side expressed its intention to provide expert assistance to Moldova in order to overcome the barriers existing in other sectors, such as production of chicken meat. In order to solve the problem of commercial restrictions imposed by the Russian Federation, the Moldovan Government asked the Ministry of Agriculture and Food Industry to take action so as to ensure the quality of exported goods. At the same time, the Ministry of Economy had the task of developing a mechanism that would enable delivery of alcoholic products according to the Free Trade Agreement with the Commonwealth of Independent States, based on the provisions of the WTO. To fulfill the preconditions for signing the Association Agreement and the DCFTA, the Moldovan Government approved the draft law on ratification of the financing agreement with the EU, which provides technical assistance amounting at EUR 30 million. In addition, the Ministry of Economy developed a Competitiveness Roadmap. The document prescribes the creation of a business environment that will allow the national economy to capitalize on the benefits of preferential trade regimes with the EU and the CIS. Since 10 September, a number of fees charged by Romanian consulates have been reduced, including fees for legalization of seals and signatures on a document required to export or import goods, which will cost ROL 47, compared to the previous fee that varied between EUR 300 and EUR 1,500.

IMPACT OF THE ACTION TAKEN

- The Roadmap identifies the problems that hinder the establishment of a favorable business environment – human resources, access to financial resources, transport and energy infrastructure, quality infrastructure, competition, etc. The prepared document proposes a number of policy interventions, accompanied by about 300 European legislative acts that are to be transposed in order to implement the Association Agreement and the DCFTA. To coordinate the above-mentioned actions, the Ministry of Economy has proposed to create a Competitiveness Council, formed on parity basis from the representatives of public authorities and businesses.

- The intentions of the European side to increase the quota for Moldovan wine exports represent a gesture of encouragement and support of Moldovan manufacturers. Also, the expert analysis in manufacturing sectors and in animal products (chicken) offered by the EU can create preconditions for improving the quality of some categories of particularly sensitive products that cannot be exported on the European market because of poor quality. In any case, the restrictions introduced by Russia will stimulate manufacturers to further diversify the sales market, which will require improvement of the product quality. On the other hand, it will reduce dependence on the Russian market.
- The crisis in the export of alcoholic beverages allows Moldovan authorities to focus on renewing the Moldovan-Russian bilateral framework, particularly in trade. In addition, the predictability and stability of commercial relations with Russia could be ensured due to the EU's intentions to create a greater convergence between the regulatory system (technical and phytosanitary standards, customs procedures, etc.) of the EU and those of the Customs Union.
- The technical assistance provided by the draft law on ratification of the financing agreement with the EU involves realization of Twinning, TAIEX, and SIGMA projects. It also includes the development and review of national policies and legislation in various fields, including trade, according to the provisions of the Action Plan Moldova-EU.

MAIN PROBLEMS IDENTIFIED

- The Competitiveness Council will represent a new platform of communication between authorities and businesses. However, the functionality of the future platform is uncertain as long as it does not include involvement of a third party, such as the civil society (representatives via the National Council for Participation). Therefore, involvement of the NGO sector can generate greater transparency, increasing the efficiency of the Council's activities.
- The opportunities provided by European partners should be complementary to the actions of national authorities aimed at improving the quality infrastructure. The proposals introduced by the EU are rather a "life buoy" for overcoming the crisis faced by Moldova. Therefore, restoration of communication channels with Russian authorities is an inevitable process that is to result in annulment of trade restrictions. The loss of the Russian market cannot be compensated by massive participation on the European market, as the price and quality of Moldovan products are uncompetitive compared with the European ones. Thus, the efforts of authorities should aim at full use of the preferential trade regime with the CIS and simultaneous compliance of products with the requirements of the European market.
- Although authorities proposed an action plan for managing the problem of wine exports, their reaction was delayed. Also, the origin of the problem had not been identified and the institutions to be sanctioned had not been established. In fact, the Ministry of Agriculture and Food Industry and its subordinated agencies (National Agency for Food Safety) are among the authorities responsible for ensuring the quality of the exported Moldovan products.

■ The Customs Service

MAJOR QUARTERLY DEVELOPMENTS

The Moldovan Government approved a Draft Law on the Modification and Supplementation of Some Legislative Acts aimed at harmonizing the national legislation with the EU in the field of customs procedures and trade. It included approval of relevant modifications to the Customs Code and Contravention Code, the Law on the Customs Tariff and the Law on Service in the Customs Structures. Also, the Draft Law on Combined Nomenclature of Goods in Moldova was published, and it included tariff and statistical nomenclature, as well as the import customs tariff. The Customs Service launched the concept of electronic customs clearance, which involves simplification of customs procedures for businesses. According to the

“single information desk” principle, the control and monitoring of authorizing documents (licenses, permits, and certificates) shall be conducted by means of electronic interaction between the issuing authorities and the customs authorities. We shall remind that the implementation of this model has become possible due to an improvement of the customs information system in June 2013. Further, the Regulations on Mobile Teams of the Border Police and modifications to the Regulations on Road Patrol in the Border Area were approved. In addition, the mobile teams are to be created with involvement of other institutions, too, such as the Customs Service, the General Police Inspectorate, and the Bureau for Migration and Asylum.

IMPACT OF THE ACTION TAKEN

- The production and approval of the Moldovan Combined Nomenclature of Goods complies with the arrangements mentioned in the Moldovan Action Plan for the Implementation of the European Commission Recommendations concerning establishment of the Deep and Comprehensive Free Trade Area between Moldova and the European Union, approved by Government Decision no. 112 of 14 December 2010. As the new Combined Nomenclature of Goods enters into force, the previous nomenclature, approved by Government Decision no. 1525 of 29 December 2007, will be annulled.
- The introduction of the electronic customs clearance will enable transportation of goods directly from the border, without needing a visit to an internal customs office, which will reduce administrative costs and the time of customs clearance of goods. The concept of electronic customs clearance was developed in order to modernize the activity of the Customs Service, according to the objectives of the Framework of Standards to Secure and Facilitate Global Trade, approved by the World Customs Organization in 2005.
- According to the Regulations on Mobile Teams of the Border Police, the Border Police Department of the Ministry of Internal Affairs (MIA) is to create mobile teams in order to ensure broader inspection of the supervised territory during border operations.

MAIN PROBLEMS IDENTIFIED

- Although the Draft Law on Combined Nomenclature of Goods was developed in 2012, most likely due to the political factor it was not adopted within the deadline provided so that it could be in force in 2013. According to current estimates, it might be adopted in the fourth quarter of this year, which would mean that it is possible to come into force since 01 January 2014.

■ Standards, technical regulations, and conformity assessment procedures (harmonized areas)

MAJOR QUARTERLY DEVELOPMENTS

During the reported period, the Accreditation Council discussed the need to strengthen the institutional capacity of the conformity assessment system in order to increase the credibility of Moldovan certificates on foreign markets. Once the European co-operation for Accreditation (EA) gives a positive conclusion to the work of the MOLDAC Accreditation Center, the EA Multilateral Agreement (EA MLA) can be signed. According to Law no. 235 of 01.12.2011 on Accreditation and Conformity Assessment and to the Regulations of Organization and Operation of the Public Institutions, MOLDAC initiated the signing of a number of conventions with the regulatory authorities. In this regard, a convention was signed with the Ministry of Agriculture and Food Industry concerning recognition of conformity assessment bodies that request the right to work in the fields of agriculture and food industry. Earlier, a similar document, covering the field of constructions, had been signed with the Ministry of Regional Development and Construction. Draft Government Decision on Approval of the Technical Regulation for Non-Automatic Weighing Instruments was published. This Regulation transposes Council Directive 2009/23/CE on Non-Automatic Weighing Instruments, published in the Official Journal of European Union (OJ) no. L122 of 16.05.2009. Also, the

Government published draft Decision on Approval of Legal Units of Measurement, which requires optimization of the current regulatory framework. Thus, a major legislative gap caused by the fact that the national legal framework lacks a regulatory act regulating legal units of measurement – sizes, units and their definitions – will be eliminated. It would regulate the use of units of measurement for the purposes of economy, public health, public safety, and administration. The two Government Decisions were developed with the support of the World Bank's Competitiveness Enhancement Project. Their approval will allow optimization of the existing regulatory framework. As a result, it will become possible to export local products to the European market by implementing the requirements set by the EU Member States. Also, it will become possible to obtain recognition for the non-automatic weighing instruments imported from the EU. Draft Government Decision on Approval of Tariffs for the Services Provided by the National Institute of Standardization was presented, and it implements item 21 of the Regulations of Organization and Operation of the National Institute of Standardization (NIS), approved by Government Decision no. 996 of 27 December 2012. The Government Decision proposes that tariffs on the publication and dissemination of regulatory documents on standardization be approved by the Government, since these services are of public interest.

IMPACT OF THE ACTION TAKEN

- The signing of the European co-operation for Accreditation Multilateral Agreement (EA MLA) will open the European market to Moldovan products based on the conformity certificates issued by the conformity assessment bodies accredited by MOLDAC. It will contribute directly to enhancing the competitiveness of Moldovan products.
- The provisions of the Technical Regulation for Non-Automatic Weighing Instruments will reduce trade barriers, setting essential requirements for non-automatic weighing instruments and a simpler way of assessing conformity. The implementation of the directive has a high potential to improve the business environment. It will reduce the costs of introducing weighing instruments to the market and using them.
- Tariffs will be set based on the fact that the State budget will cover about 90% of the NIS expenses on standardization. Thus, the tariffs for the publication and dissemination of regulatory documents on standardization will allow recovery of about 10% of the NIS expenses. As a result, according to estimates, over the following 5 years financial pressure on businesses will be reduced with about MDL 20 million.

MAIN PROBLEMS IDENTIFIED

- The National Accreditation Center, MOLDAC, must ensure credible and competent services of confirming the quality of local products and their compliance with European requirements. There still is no clarity regarding the terms and readiness of Moldova for signing the agreement with the European co-operation for Accreditation. The reason of this uncertainty might be caused by the persistence of deficiencies in the capacities of accreditation institutions.
- If the essential requirements provided by Annex 1 of the Regulation are not met, the Ministry of Economy shall inform about it the Standing Committee of the European Commission established in order to implement the procedure of providing information on standards, technical regulations, and rules governing the information society services. Depending on the decision of the European Commission, the list of national standards, approved and updated by order of the Minister of Economy, shall be modified.

■ Elimination of restrictions and administration optimization (non-harmonized sectors)

MAJOR QUARTERLY DEVELOPMENTS

During the third quarter, the Working Group for the Regulation of Entrepreneurship had periodical meetings, where it discussed regulatory and legislative acts, as well as impact analyses to these acts in various areas

that are directly or indirectly related to entrepreneurship (customs procedures, product standards, etc.). The visibility of the WTO Notification and Information Centers created according to Government Decision no. 560 of 01.08.2012 remains extremely low. In the context of DCFTA establishment, these Centers will have to become an important informational support, since their functions will include information and notification about the free trade area with the EU. Therefore, their work needs to be resuscitated both to perform the tasks related to the WTO and future tasks in case of DCFTA.

IMPACT OF THE ACTION TAKEN

- The Group brings together for discussion key actors in entrepreneurship with the purpose of improving relevant State policies based on consultations conducted on the vertical.
- Overall, 5 WTO Notification Centers must operate: 2 within the Ministry of Economy and 1 within the Ministry of Agriculture and Food Industry, the Ministry of Finance, and the State Agency on Intellectual Property, each. The Centers' responsibilities include notification of the WTO Secretariat and of the partner countries about regulations affecting foreign trade applied by Moldova. Also, they must ensure communication with partner countries and the WTO Secretariat in order to accept the partner countries' changes in the area of foreign trade regulations.

MAIN PROBLEMS IDENTIFIED

- Although the meeting agendas of the Working Group for the Regulation of Entrepreneurship are publicly available on the website of the Ministry of Economy, it is difficult to assess the impact of its work, the level and quality of participation of its members, and the degree of relationships with the civil society. It is further necessary to introduce clear criteria that could be used to assess the efficiency of this platform of relations between authorities and entrepreneurs.
- In the third quarter, the visibility of the WTO Notification and Information Centers was still low. It is difficult to find the contact data of persons coordinating with the Centers, although their appointment and training were to be conducted by the end of 2012, according to the Report on the Implementation of the Action Plan concerning the elimination of non-tariff barriers to trade approved by Government Decision no. 824 of 07.11.2011. The amorphous nature of Centers can be determined by the difficulty of identification of their workers' contact data on the website of the relevant institutions. In fact, the contact data and the names of persons responsible for the work of the Centers within the Ministry of Economy and other institutions must be publicly accessible. It should be noted that the Centers' role consists not only in the notification of the WTO, but also in the provision of information to the interested public (including exporters). Thus, the Ministry of Economy is to fully implement the Government Decision and ensure to centers sufficient visibility, which results in their efficiency and usefulness for local businesses. This task is imperative in the context of establishment of the DCFTA, when the Centers will receive the responsibilities of providing information and notification related to the free trade agreement with the EU.

■ Sanitary and phytosanitary issues

MAJOR QUARTERLY DEVELOPMENTS

The main concerns in this sector lie in the many problems related to the quality of products exported by Moldovan manufacturers and of imported products. Thus, according the Federal Service of Veterinary and Phytosanitary Surveillance of the Russian Federation (Rospotrebnadzor), a series of non-compliances were detected in the wine and fresh fruit production (particularly in apples and plums), although its interdictions directly targeted wines. Thus, harmful substances (concentrations of dibutyl phthalate) were found in the alcoholic production of the companies *Vinaria Purcari*, *Cricova*, and *Aroma*. Following the export restrictions imposed by Russian authorities, Belarus adopted the decision to prohibit the re-export of wine products to Russia. Also, Belarus authorities will take samples of Moldovan wines to establish whether they comply with

their own sanitary standards. In addition, in the third quarter, on 11 September, the National Vine and Wine Office (NVWO) was established according to the Regulations of the Vine and Wine Fund. In a letter to the Ministry of Agriculture and Food Industry on 10 September, the Russian party warned that it might also suspend the exports of fruit and vegetables. The reason they claimed was the identification of products infected with quarantine pests in batches of fruit. During the same period, in order to improve the technical capacity of the National Food Safety Agency in terms of guaranteeing the safety and quality of foods, the USA offered technical equipment and accessories amounting at USD 160,000 through the USAID and the Millennium Challenge Corporation (MCC). The Ministry of Agriculture and Food Industry undertook actions to increase the accountability of manufacturers and exporters. In the area of wine production, we can mention the signing of a memorandum with local vine and wine associations, according to which manufacturers committed to produce wines of quality. Other actions result from Order no. 184 of 30.08.2013 on the Export of Vine and Wine Production to the Russian Federation. With the participation of the Czech side, national authorities intend to prepare a technical sheet for the start of the Project on Creation and Implementation of the Vine and Wine Register of Moldova. In this regard, the representatives of the Central Institute for Supervision and Control of the Czech Republic made a visit to assess the Moldovan vine and wine sector and the capacities of involving the sector's institutions and manufacturers into the creation of the Vine and Wine Register. In addition to problems in export, there were a number of cases of poisoning, including death, caused by consumption of imported chicken infected with Salmonella. According to the available information, investigation showed that the chicken products were not accompanied by documents confirming their quality and safety. On the other hand, the sanitary and veterinary standard for establishing the requirements for sales of poultry was approved on 14 August. On 16 September, the cases of poisoning were discussed by the Special National Committee for Public Health (SNCPH), which recognized the insufficiency of product quality control conducted by the National Food Safety Agency. In addition, the SNCPH recommended an intensification of communication between the National Food Safety Agency and the National Public Health Center under the Ministry of Health. In the same context, Government Decision no. 264 of 12.04.2011 on Approval of the Regulations for the Monitoring of Zoonoses and Zoonotic Agents had to be modified and supplemented. The purpose was to establish clear duties and responsibilities of the institutions subordinated to the Ministry of Health and the subdivisions of the National Food Safety Agency.

IMPACT OF THE ACTION TAKEN

- The Moldovan Government's requests to the Ministry of Agriculture and Food Industry and other authorities could contribute to increased quality control of Moldovan exported products, at least in a short-term perspective.
- The technical equipment offered by the USA is aimed at improving the National Food Safety Agency's capacities to inspect and certify the imports and exports of agricultural products. This assistance is intended to improve the capacity of national authorities in terms of ensuring food safety and quality, according to international requirements. It is part of a broader American program dedicated to strengthening Moldova's capacity of increasing exports of high agricultural value.
- The National Vine and Wine Office is a public institution subordinated to the Ministry of Agriculture and Food Industry and responsible for implementing policies in the sector of viticulture and production and sales of wine on domestic and foreign markets. Also, the NVWO is to promote Moldovan wine products and facilitate the diversification of markets for sales.
- The memorandum signed by the Ministry of Agriculture and Food Industry with local vine and wine associations is intended to regulate the production of wines with designation of origin and geographical indication, which would involve a strict control at all stages of production. Also, the Memorandum refers to the operation of the National Vine and Wine Office.
- Order no. 184 of 30.08.2013 on the Export of Vine and Wine Production to the Russian Federation requires the following actions: (i) certification of wine production by certification bodies on the basis of the test report of the National Center for the Verification of Alcoholic Products Quality for enterprises entitled to export to Russia; (ii) verifications at exporting companies by the State Inspectorate for the Supervision of Alcohol Production.

- The project Creation and Implementation of the Vine and Wine Register of Moldova involves a budget of EUR 800 thousand and a term of implementation of two years. According to the project, the Register will be created in an electronic format. It will include systematized information about the surface of vine plantations, the names of owners, and the species of grapes used by manufacturers.
- The sanitary and veterinary standards for establishing the requirements for the sales of poultry regulate the aspect and weight of products; ways of application of the name under which such products should be sold; optional indication of the manner of growing, slaughtering, and refrigerating; storing conditions; labeling; the transportation of certain types of poultry; and the periodicity of checks.

MAIN PROBLEMS IDENTIFIED

- Although the political factor persists, Moldovan authorities presented no evidence from national or foreign (European) laboratories that would prove that the objections formulated by Russia are unsubstantiated.
- Further, the national authorities responsible for verifying and ensuring the quality of products do not take sufficient measures to guarantee the safety of the Moldovan products exported to the Russian market and to counteract cases of non-compliance with sanitary standards.
- In the case of contaminated products of chicken meat, specialized authorities could not identify the supplier. This situation highlights a chain problem related both to the quality of customs control and the capacity of the National Food Safety Agency to guarantee the safety of food immediately after imported products enter the domestic consumer market. It emphasizes institutional deficiencies within the National Food Safety Agency, which could produce in the future risks for public health. At the same time, the low efficiency and poor functioning of the institution raise questions about Moldova's readiness for DCFTA.
- Together with establishment of the NVWO, a Vine and Wine Fund will be created from the taxes that will be paid by wine manufacturers. The financial resources of the Fund will be directed for the development of the wine sector.

■ The right of establishment and company law

MAJOR QUARTERLY DEVELOPMENTS

Key developments include approval of four new sets of regulations regarding the organization and conduct of tenders for public procurement. Documents establish new methods of public procurement – by competitive dialogue, using negotiation, the dynamic system, and electronic tenders. At the same time, the Government endorsed a draft law that provides for modification and supplementation of some legislative acts for the purpose of harmonizing the national legislation with the EU legislation in the area of customs procedures and trade. In this regard, the necessary modifications to the Customs Code and the Contravention Code, the Law on Customs Tariff and Law on Service in Customs Structures were approved.

IMPACT OF THE ACTION TAKEN

- The modifications were made to increase transparency and efficiency and to ensure impartiality in the process of public procurement. Also, their application is part of the measures for the implementation of European standards in the area of public procurement.
- The harmonization of the national legislation with the EU legislation in the area of customs procedures and trade will contribute to bringing customs procedures in compliance with the ones practiced in the EU Member States, which will have impact on the trade with the respective countries and the flow of goods and services.

MAIN PROBLEMS IDENTIFIED

- The deficiencies found in the process of ensuring a healthy competition in entrepreneurship still persist, the market being characterized by uncertainty and high transaction costs. Moldova ranks 83rd out of 185 economies according to the most recent *Doing Business* report, and 87th out of 144 economies according to the Global Competitiveness Report. Companies face significant barriers in their work, including in obtaining licenses for certain types of activities, import of goods, access to and obtaining of cheap financial sources and deficient competitive environment. However, measures have been taken in this regard in order to reduce and eliminate these deficiencies, but their implementation needs time and significant efforts from all stakeholders.
- Moldova still faces difficulties with attracting foreign direct investments (FDI) in economy, especially because of some important factors (political instability, inadequate investment climate, high country risk, imperfect legislation, underdeveloped stock exchange, poor infrastructure), as well as some more specific obstacles (high level of corruption, present at practically all levels). Deficiencies in the labor market add to these constraints and could affect the long-term investment attractiveness. Moreover, internationally, Moldova is perceived as a country with a very high level of risk, although the level of investment protection saw some improvements compared to the previous period.

■ Services

MAJOR QUARTERLY DEVELOPMENTS

The main development in the area took place in the sector of information technology services. The *Digital Moldova 2020* strategy was adopted, providing for actions in the area of information society development and enhancing of citizen interaction with information technologies. The strategy exposes the vision and development objectives of the Moldovan information society, identifies constraints, proposes strategic solutions, outlines the necessary actions and implementation stages, establishes the monitoring and evaluation framework, and is intended to ensure a systemic and predictable development of the country, being based on the principles of *Digital Agenda for Europe 2020*. Another development was the launch of the electronic payment service MPay, which facilitates rapid payment for public services. At the same time, MPay can be used for commercial services. In the third quarter, the National Agency for Regulations in Electronic Communications and Information Technology (NARECIT) proposed for public consultation the draft decisions of the Administration Board on imposing special preventive obligations to *Moldtelecom* JSC in connection with its significant power on the market of wholesale access to network infrastructure at a fixed location and on the market of wholesale broadband access. Thus, NARECIT proposed modifying the special preventive obligations imposed on *Moldtelecom* in 2011, during the first cycle of analysis of the above markets, and imposing new special preventive obligations.

IMPACT OF THE ACTION TAKEN

- The draft national strategy for information society development *Digital Moldova 2020* focuses on 3 main pillars that are at the basis of information society development: infrastructure and access, digital content and electronic services, and strengthening of capacities to use the benefits of Information and Communication Technologies (ICT). Its efficient implementation will boost the sector's development by facilitating broader access to infrastructure and increasing the penetration of information technology geographically and in the business environment and public institutions. The implementation of ICT instruments in the process of commercial transactions, interactions between companies and public institutions and application in the work of public institutions will essentially improve the quality of the business environment and will increase the quality of public services.
- The *Digital Moldova 2020* strategy provides for a set of activities dedicated to strengthening the digital literacy and competences of local public authorities. Thus, there are plans to implement the program *Developing Digital Competences for Public Institutions' Employees*. In this regard, the following measures are to be taken: development of occupational standards of digital competence

for public functions; organization of modules for traditional and online training of public institutions' employees; development of certification mechanisms for public officers. Also, the procedures of employing public officers will include minimum compulsory requirements in the ICT.

MAIN PROBLEMS IDENTIFIED

- The *Digital Moldova 2020* strategy includes information about potential sources of funding and hypothetical assistance that could be provided by the current development partners of Moldova. However, there is no detailed description of costs or an estimated amount for the implementation of programs and other actions provided for ICT development in the period of 2013-2020. Also, the document prescribes no measures aimed at ensuring the liberalization of the sector and elimination of the monopoly currently held by Moldtelecom. We believe that the liberalization of this sector can generate competition and significant investments that could be subsequently used to achieve the objectives set by the strategy.
- The implementation of the Strategy may face difficulties related to reluctance, lack of skills, or insufficiency of technical capacities within public institutions. The reason is the insufficiency of human resources with the skills and time necessary for involvement in this process and the persistence of some obscure interests, which do not want to increase transparency or give a technologic nature to certain processes.
- At the negotiations for the creation of the Deep and Comprehensive Free Trade Area between Moldova and EU, the objective of liberalization of the service sector was one of the most sensitive and difficult issues. The reason is mostly a major share of state-owned companies in various sectors (telecommunications, air transport, postal services) and the reticence of Chisinau authorities with regard to the liberalization of these markets. As a result, the parties negotiated certain transition periods for the final implementation of the provisions of European directives.

■ Financial services

MAJOR QUARTERLY DEVELOPMENTS

One of the major developments in this field was the establishment in September of the National Payments Council and the signing of its Statute as a result of entry into force on 15 September this year of the Law on the Payment Services and Electronic Money, emphasizing its mission to facilitate the development of cashless payments in Moldova. The National Payments Council was conceived as a professional forum for high-level consultation between various public and private institutions, for the support of safe and stable operation of the payment system in Moldova.

IMPACT OF THE ACTION TAKEN

- Encouragement of competition on the market of cashless payments will enable businesses and the general public to benefit from qualitative payment services at reasonable prices. The increase of cashless payments by assimilation of new technologies is possible only through close and transparent cooperation between public institutions and payment operators.

MAIN PROBLEMS IDENTIFIED

- It is not yet quite clear how the safety of personal information and of cashless payments around the country will be ensured, while the associated risks are important, including if taking into account the experience of other countries in this regard.

■ Capital circulation and current payments

MAJOR QUARTERLY DEVELOPMENTS

The key developments in this field include a 3.5 percentage points increase in the share of foreign investors' means compared to the achievements of January-June 2012, representing 9.4% of the total volume of investments used. At the same time, the approval of the Roadmap for the Government's actions to eliminate critical constraints in the way of businesses will have a positive impact on the circulation of capital and attraction of new investments into the national economy. The Roadmap stipulates about 90 legislative and regulatory measures and includes a series of actions in the key policy areas that have a direct impact on the business environment: tax administration, cross-border trade and customs administration, competition, access to funding and to efficient and credible justice.

IMPACT OF THE ACTION TAKEN

- Operative and adequate implementation of the planned reforms will contribute to an increase of attractiveness of the national economy to foreign investors and, accordingly, will lead to its better development through the use of its full potential.
- Foreign direct investments have significant effects on the economies of host countries, and the most important effects are related to an increase in labor productivity through the transfer of know-how, technology, management and marketing skills, thus favoring long-term technological progress and economic growth in the developing countries.

MAIN PROBLEMS IDENTIFIED

- Key problems include a relatively low confidence of investors both in the judicial system and in public authorities, which affects the level of investments in economy and implicitly the circulation of capital. However, the efforts made give some hope.

■ Movement of persons, including movement of workers, and social security coordination

MAJOR QUARTERLY DEVELOPMENTS

In the third quarter, developments were registered in the area of ensuring the social security of Moldovan emigrants in Poland and Belgium. Thus, on 9 September Moldova signed with Poland an agreement on social security and an administrative arrangement for its implementation. Negotiations were held with Belgium on finalizing the administrative arrangement for the implementation of a similar agreement, signed in September 2012. Moldova has currently similar agreements signed with Romania, Bulgaria, Portugal, Estonia, Czech Republic, Luxembourg, Austria and Belgium. Negotiations concerning social security are taking place with Italy and Germany. A Memorandum of Understanding with the National State Guaranteed Legal Aid Council and the Public Association *Law Center of Advocates* was signed by the Bureau for Migration and Asylum (BMA) under the Ministry of Internal Affairs. Since 1 July, the services of compulsory medical assistance included in the medical insurance policy have been extended to various categories of foreigners and stateless persons. Also, the Government adopted Decision no. 708 of 10.09.2013 on Approval of the Draft Law on Modification of Law no. 200 of 16.07.2010 on the Regime of Foreigners. This draft law is currently pending in the Parliament.

IMPACT OF THE ACTION TAKEN

- Social security agreements provide for the protection of the social and economic rights of emigrated Moldovans. They apply to the persons who pay or previously paid social security contributions according to the legislation of both or one of the countries that signed such an agreement. Therefore, each of the participating countries is to pay the part of pension calculated for the period of work on its territory. As a result, pensions will be transferred to the person on the territory of the country where he/she resides. The clauses of an arrangement, which is a document complementing an agreement, establish the payment mechanisms for a set of benefits: retirement pensions,

pensions for disabilities caused by illness, pensions and allowances for disabilities caused by accidents at work or by occupational diseases, survivors' pensions.

- According to the Memorandum signed by the BMA, legal aid will be guaranteed to foreign citizens and stateless persons in public custody at the Center for Temporary Placement of Foreigners subordinated to the Bureau. This initiative is part of the efforts aimed at ensuring free and equal access to legal aid by organizing and providing state guaranteed legal aid, thus reducing the economic and financial constraints that might restrict access to justice.
- Foreigners with the right to temporary residence (for family reunification, work, studies, etc.), foreigners with the right to permanent residence, stateless persons, refugees, and beneficiaries of humanitarian protection have been equated in rights and obligations to Moldovan citizens in terms of compulsory health insurance. Thus, they must purchase insurance policies like Moldovan citizens, paying a fixed insurance premium.
- Modifications to Law no. 200 of 16.07.2010 on the Regime of Foreigners cover several articles (21, 22, 24, and 25), which refer to such areas as issuance of visas in exceptional circumstances, annulment and revocation of visas, refusal to issue a visa, and conditions of validity of documents for crossing the State border. This law provides for partial transposition of European standards (Regulation (EC) no. 810/2009 of the EP and of the Council of 13.07.2009 establishing the Community Code on Visas).

MAIN PROBLEMS IDENTIFIED

- Negotiation and signing of agreements on social security need to be accompanied by extensive information campaigns for Moldovan citizens, including by developing some online information tools. Thus, authorities must distribute detailed information on the following aspects: general provisions of agreements, institutions responsible for the payment of allowances, list of eligibility criteria for potential beneficiaries, documents required for presentation upon receiving the allowances provided. Currently, the mostly used means of information is the presentation of the benefits of these agreements at meetings with expat communities, organized during the official visits of representatives of the Ministry of Labor, Social Protection and Family.
- The high cost of the insurance premium (MDL 3,318) may constitute an impediment to the exercise of the right to compulsory health insurance. Considering the possible financial difficulties of certain categories of persons, such as refugees, their access to compulsory medical care is unlikely. Moreover, various groups of Moldovan citizens receive discounts and benefits upon purchasing the insurance policy (e.g. farmers – 75% discount, unemployed persons – MDL 1700). So far, authorities provided no facilities for categories with limited financial possibilities among foreigners, stateless persons, and refugees.

■ Taxation

MAJOR QUARTERLY DEVELOPMENTS

During the third quarter, the Draft Law on the Ratification of the Convention between the Government of the Republic of Moldova and the Government of Turkmenistan on Avoidance of Double Taxation and Prevention of Tax Evasion for Income and Property Taxes was proposed for examination in the Parliament. New provisions of the Tax Code regarding the right to carry VAT to account on the basis of invoices subject to registration in the General Electronic Invoices Register (GEIR) entered into force. They were approved by Law no. 172 of 12.07.2013 on the Modification and Supplementation of Some Legislative Acts. On 17 July, the Court of Accounts presented its report on the evaluation of public finance management by the Main State Tax Inspectorate, emphasizing certain problems related to the implementation of the tax legislation.

IMPACT OF THE ACTION TAKEN

So far, Moldova has double taxation avoidance agreements signed with 45 countries. Their importance is undeniable, given the facilitation of economic cooperation with other countries, establishment of tax equity for all businesses, and consolidation of capacities of tax authorities in combating tax evasion at the international level.

MAIN PROBLEMS IDENTIFIED

- Moldova has not yet managed to conclude double taxation avoidance agreements with some countries that it maintains relatively intense economic relations with, such as France, Greece, or the Netherlands.
- According to the audit report to the Main State Tax Inspectorate produced by the Court of Accounts, there are a number of problems, deficiencies and irregularities in the organization and conduct of control over the following aspects: compliance with the tax legislation; correct calculation and full and timely payments to the national tax budget; administration of VAT; anti-evasion and anti-fraud activities.

■ Competition policy

MAJOR QUARTERLY DEVELOPMENTS

One of the key developments is the production of the Draft Roadmap for Improving the Competitiveness in Moldova and its submission for approval to central public authorities. The Roadmap is focused on creation of a favorable business environment, but it also addresses such problems as human resources, access to financing, transport and energy infrastructure, quality infrastructure, information society, trade facilitation, tax policy and administration, scientific research and innovation, competition. The Draft Roadmap was extensively discussed with main stakeholders, including in working groups specialized on various sectors of industry, agriculture and services. At the same time, this year a draft law has been approved, according to which the salaries of the Competition Council members are to be increased so that they are not lower than those of the Court of Accounts employees, which is one of the prerogatives of the Law on Competition.

IMPACT OF THE ACTION TAKEN

- Creation of the DCFTA with the EU and the extension of the application of the Free Trade Agreement with the CIS will generate multiple opportunities for Moldova in terms of access of its goods and services on the market and support and encouragement of the necessary structural reforms aimed at increasing the competitiveness of the national economy. Proper implementation of the planned policy interventions could improve the short- and medium-term situation, targeting certain sectors and sub sectors.

MAIN PROBLEMS IDENTIFIED

- Some of the major impediments in this regard are the deficit of investments generated by the inefficiency of institutions, as well as the costs determined by the quality of public services provided to businesses, the legal and regulatory framework, the availability and competence of the labor force, etc.

■ Intellectual and industrial property rights

MAJOR QUARTERLY DEVELOPMENTS

In the third quarter the National Commission on Intellectual Property (NCIP) had a meeting where a report was presented on the system of collective management of copyright and related property rights. The Commission examined the problem of royalty rates and the need to develop a methodology for the

calculation of amounts to be paid depending on each way of exploitation of copyrighted works. As a result, it was decided to establish a working group that would involve a number of institutions, including the Ministry of Economy, the Ministry of Justice, the State Agency on Intellectual Property (AGEPI) and the Chamber of Commerce and Industry. Action was taken to raise awareness of the importance of research institutions to capitalize on the objects of intellectual property (IP). The first certificates confirming the right to use a protected geographical indication (PGI) were issued by the AGEPI on 14 August. Thus, it registered *CODRU* and *DIVIN* PGIs issued by the Vine and Wine Association of the Designated Geographical Region CODRU and by the Brandy Manufacturers Association of Moldova, respectively. AGEPI finalized the certification process conducted by the Romanian Certification Body, SRAC CERT Ltd., which is member of the International Certification Network IQNet. As a result, AGEPI obtained the ISO 9001:2008 Compliance Certificate. With the support of the IPR Helpdesk Service of the European Commission, it conducted the seminar on *Intellectual Property Management in European Research Programs*. Also, AGEPI conducted trainings on instruments for combating software piracy for the employees of the National Investigation Inspectorate and the General Prosecutor's Office.

IMPACT OF THE ACTION TAKEN

- The working group on royalty rates is to propose solutions for improving the collective management system, including royalty rates and calculation methodologies.
- The GI certificates for *CODRU* and *DIVIN* help protect the products with these indications and promote them on domestic and foreign markets.
- The FP7 framework program, which Moldova joined in 2012, was presented at the seminar on the management of intellectual property (IP) in the field of research. Thus, information was provided about good practices in the regulation of IP aspects in the FP7 project financing contracts and about instruments that would enable takeover of IP as a result of research programs.
- The training of law enforcement employees focuses on their involvement into combating of piracy by application of legislation on intellectual property, given that software is an object of IP.

MAIN PROBLEMS IDENTIFIED

- The report on the system of collective management of copyright and related property rights, presented by the NCIP, emphasized the problems connected to the lack of principles of transparency, competition, and fairness in the treatment of authors/rights holders and users.
- In terms of geographical indications (GI), designations of origin (DO) and traditional specialty guaranteed (TSG), it is necessary to further promote the national protection system among local businesses/manufacturers. This objective requires activities of information and training of businesses about registration procedures and necessary documents, including specifications for these objectives. Moreover, focus should also be set on the identification of other local products that could be protected by GI, DO, and TSG. In the period of 2010-2012, the number of applications for the registration of GI and DO by local nationals was extremely small, and they resulted in non-issue of certificates (DO: applications – 3, certificates issued – 0; GI: applications – 5, certificates issued – 0).
- The trainings conducted by AGEPI for investigation officers on combating of piracy need to include evaluation of the knowledge obtained by participants (licensing evidence, legal aspects and methods to control the legality of using software, etc.). To ensure greater efficiency, it is proposed to establish an instrument for monitoring the professional performance of participants in combating of piracy. The process is to be transparent, and criteria – measurable. In parallel, AGEPI needs to take action to raise awareness of the phenomenon of piracy by citizens through organization of public and educational campaigns for various social groups.

■ Public procurement

MAJOR QUARTERLY DEVELOPMENTS

The third quarter saw a positive evolution in the improvement of public procurement. Thus, new regulations concerning the organization and conduct of tenders for public procurement was adopted by the Government. The Automated Information System State Register of Public Procurement (AIS SRPP) is still under development. Also, there are certain deficiencies relating to the publication of tenders and price offers.

IMPACT OF THE ACTION TAKEN

- The regulations adopted by the Government establish new methods of realization of public procurements, based on a competitive dialogue and by using negotiation, a dynamic system, and electronic tenders. It should be mentioned that in the old system of public procurement, priority in tenders was given to the companies offering smaller prices. Thus, offers based on quality were disadvantaged.

MAIN PROBLEMS IDENTIFIED

- The website of the Public Procurement Agency contains tenders or price offer requests that are in no way reflected in the State Register of Public Procurement (AIS SRPP). One explanation may be the fact that the Register contains data on tenders or price offer requests that are in the process of execution or finalized, but not the recent ones.
- The entry into force of new regulations does not exclude the phenomenon of “arranged tenders.” This problem can be especially encountered in smaller communities, where the transparency of public procurement is lacking.

■ Statistics

MAJOR QUARTERLY DEVELOPMENTS

The key developments of this field include adoption of methodological principles and drafts of questionnaires for the Population and Housing Census of 2014. The methodological and organizational principles were produced by the National Bureau of Statistics in accordance with the recommendations of the Conference of European Statisticians on conduct of population and housing censuses, round 2010, given the specificity and particular characteristics of Moldova and the international practice in this field.

IMPACT OF THE ACTION TAKEN

- The conduct of the population and housing census according to new internationally accepted standards will allow collection and formation of timely and reliable informational resources on the number of population, its territorial distribution, composition by sex, age, education, ethnicity and language, occupational status, marital status, housing, living conditions and many other socio-demographic characteristics. These data are necessary for the proper functioning of the central and local public administration of all levels and for determination of the country’s social and economic development perspectives.

MAIN PROBLEMS IDENTIFIED

- Although efforts are made to update the methodology of calculation of some indicators according to European standards, certain indicators that are present and widely used in the international practice, which would also allow comparability of data, are either missing or not made public, which makes difficult the analysis of trends and research in the fields concerned.

■ Financial control and related aspects

MAJOR QUARTERLY DEVELOPMENTS

During the third quarter, the Court of Accounts issued 12 decisions regarding the audit reports on management of public property at state enterprises, compulsory health insurance, budget execution at public institutions, execution of the State budget, and public debt and State guarantees. The institutions subjected to audit included the Prosecutor General's Office, the Republican Hospital, the State Tax Service, and the Customs Service. As a result of the audit, the Court of Accounts found various irregularities and proposed a number of recommendations to increase efficiency in the use of public funds.

IMPACT OF THE ACTION TAKEN

- The audit of the use of public funds and of their efficient spending is particularly important, and it is meant to make the decision makers of the institutions concerned accountable for their work and to bring to public attention the irregularities thus detected, so that necessary measures are taken to remove the deficiencies.

MAIN PROBLEMS IDENTIFIED

- However, most of the recommendations issued by the Court of Accounts remain on paper and are executed in a small degree. This situation undermines the efficiency of the use of public money and the Court of Accounts' efforts to combat fraud, evasion, and other crimes affecting national funds.

■ Industrial policy

MAJOR QUARTERLY DEVELOPMENTS

The main developments in this field include the initiation of strengthening of the business infrastructure throughout the entire country by developing a network of business incubators. The creation of a network of business incubators is an initiative of the European Commission, aimed to support and strengthen the infrastructure of small and medium enterprises in rural areas. The costs for the creation of the network of business incubators in Moldova and development of its institutional capacities shall be covered by the EU. It should be mentioned that the network of business incubators will be connected to another network, the one of development institutions. At the same time, the draft roadmap for the development of the network of business incubators for 2013-2015 in Moldova was presented, accompanied by the development of the Action Plan on the creation and development of Business Incubators in Ceadir-Lunga and Nisporeni in 2013, the Study on Business Incubators Needs Analysis and Methods of Meeting such Needs, and the Concept on the Development of a Network of Business Incubators in Moldova for 2013-2015.

IMPACT OF THE ACTION TAKEN

- By means of the network of business incubators, entrepreneurs in the regions will be provided with access not only to production facilities, but also to informational assistance and consultancy on enterprise management, access to financial services, training, and exchange of experience, so that they are further able to self-support.
- Proper implementation of the proposed roadmap will contribute to conducting programs and projects of support to small and medium enterprises and provide institutional instruments for their implementation, such as facilitation of SMEs' access to informational resources, improvement of the public-private dialogue, administration of the State Loan Guarantee Fund, etc.
- The active involvement of relevant institutions in the direct dialogue with entrepreneurs on solving the problems faced by manufacturers in the industry concerned, collaboration and necessary support in the promotion of initiatives aimed at improving the regulatory and legal framework in the fields with the most barriers, such as taxes, customs, health insurance, labor market, access to foreign markets, promotions, etc. would contribute to improving the business climate.

MAIN PROBLEMS IDENTIFIED

- Major constraints that are still faced by the business environment are mainly related to some provisions of the Customs Code, especially the regulatory draft on increasing the raw material import duty, and also to taxes and restrictions applied for the sales of some domestic products on foreign markets, high taxes on the import of equipment and raw materials, social insurance, labor inspection, and poor promotion of national manufacturers on foreign markets. Also, such factors as the high level of corruption, outdated technology, high non-tariff barriers, poor investments, which ultimately result in the problem of competitiveness, hinder the development of the industrial sector. The main focus should be placed on facilitating cross-border trade, improving tax and customs administration, removing bureaucratic barriers to obtaining various licenses, protecting property rights, ensuring proper and efficient activity in the main regulatory agencies, and transparency of public institutions.
- Given that in many cases the quality of specialized education does not meet the requirements of the domestic market, the reform of vocational and technical education is absolutely necessary to bring it in compliance with the labor market requirements. Also, the growth of the informal sector, the deficiencies in the availability of qualified personnel, the high transaction costs and a high country risk lead to difficulties in attracting foreign investments into the country and, accordingly, to renewal of technologies applied in industry.
- There still are deficiencies in public procurement processes, which do not always follow the principles of ensuring transparency. It is necessary to ensure more competitive tenders and to intensify the quality audit of such works. Also, it is necessary to strengthen the transparency of tendering for such projects, to ensure free and equal treatment for each participant, and to create a clear mechanism for monitoring and accountability.

■ Transport

MAJOR QUARTERLY DEVELOPMENTS

Efforts for the tax compliance of carriers were made by the State Tax Inspectorate (STI) as part of the action *Tax Service in Support of Honest Carriers*, conducted between 19 August and 19 September. The measures taken were aimed at counteracting illegal transport activities with the purpose of combating the phenomenon of tax fraud and other illegal activities in this field caused by illegal road transportation. In this regard, mixed working groups were created with the participation of the Ministry of Transport and Road Infrastructure, the Ministry of Internal Affairs, the Ministry of Finance, the Main State Tax Inspectorate, and the General Police Inspectorate. The Transportation and Logistics Strategy for 2013-2022 was adopted according to the objectives of the National Development Strategy *Moldova 2020*. The document covers the transport areas that were absent in previous strategies. They provide, overall, for facilitation of citizen mobility and intensification of national and regional economic relations and trade. The first segment of the European gauge railway in the country was put into operation, which allows railway connection of the Giurgiulesti International Port with European railway networks. At the same time, the Ministry of Transport and Road Infrastructure intends to launch two passenger trains – Basarabasca-Cahul and Giurgiulesti-Cahul. Negotiations on air services were initiated with the authorities of Qatar and the United Arab Emirates. In this regard, bilateral agreements were initiated, which would enable the launch of new air flights. Currently, a low-cost company from the Emirate of Dubai, FlyDubai, has announced its readiness to operate weekly flights Chisinau-Dubai beginning this November. Following a closed tender for the concession of assets of the Chisinau International Airport, the tender commission chose the Russian company *UK Komaks*. On 4 September, the Moldovan Government approved the report on the tender results. However, following the Liberal reformers' notification (no. 39a/2013) to the Constitutional Court, the Court ruled on suspending the exercise of Government Decision no. 321 of 30 May 2013 on Approval of Concession of the Assets of State Enterprise *Chisinau International Airport* and Concession Conditions. The Court's decision postponed the

execution of provisions on concession until the case is solved on the merits and a new final decision is issued. The Minister of Economy said that the tender complied with the current legislation, and the decision concerning the concessionaire company is to be defended in court. The reason invoked by the Constitutional Court was that the tender results might cause damage and imminent negative consequences for the economic or financial security of Moldova. Nevertheless, on 12 September, the Government approved Decision no. 715 on Approval of the Report on the Conduct and Results of the Tender for Concession. As a result, the Court issued another decision, repeatedly suspending the Government's actions on the tender for concession. Therefore, the Court prohibited carrying out any actions to implement the two suspended Government decisions (Government Decision no. 321 of 30 May 2013 on Approval of Concession of the Assets of State Enterprise *Chisinau International Airport* and Concession Conditions and Government Decision no. 715 of 12 September 2013).

IMPACT OF THE ACTION TAKEN

- Following the campaign initiated by the State Tax Inspectorate, actions were conducted to discourage illegal activities in transportation, which, combined with services of poor quality, endanger the safety of persons and reduce revenues to the state budget.
- The Transportation and Logistics Strategy for 2013-2022 provides for the development of an efficient and high-performance system of transportation and logistics, both for the transportation of citizens and for facilitation of economic and commercial operations on the domestic and foreign markets. Thus, the document prescribes rehabilitation of the road infrastructure, which would increase the geographic role of Moldova and the transport connections linking the EU with the countries of the CIS.
- The launch of European-gauge railway tracks will facilitate railway interconnection with the European space for the transportation of passengers and of goods. Thus, according to the Ministry of Transport and Road Infrastructure, a passenger train on the European-gauge segment Giurgiulesti-Galati will be launched by the end of the year. This segment will be further extended for the passenger train Cahul-Giurgiulesti-Galati. At the following stage, it is planned to adapt this train for the transportation of goods.
- The entry of the FlyDubai company on the domestic air market will increase the number of destinations accessible (in terms of price and location) for Moldovan citizens, given that this company manages connections with about 60 destinations.
- The shares of the State Enterprise *Chisinau International Airport* were given in concession for a period of 49 years. Concession shall be accompanied by the company's investments amounting at EUR 230 million, made in stages and according to the flow of passengers and aircraft and cargo transport movements. The first stage involves extension of the terminal, construction of the car parking area, and modernization of the runway, apron, lighting system, and drainage system. Subsequently, depending on the number of passengers, the concessionaire will have to build a new terminal and a cargo terminal and to extend the car parking area. It should be mentioned that investments will be reimbursed from the income obtained from the activity of the concessionaire company, which, according to the results of the tender approved by the Moldovan Government, is the Russian company *UK Komaks*.

MAIN PROBLEMS IDENTIFIED

- The measures of combating illegal transport and (semi-)clandestine bus stations target both the operators of illegal transport and the persons that use such services. Therefore, to discourage such practices, authorities must improve the working conditions of the legally operating public and private transport. Moreover, the actions of authorities must include public awareness campaigns, with active involvement of citizens. Thus, they need to be informed about the risks for safety of life and about the negative consequences on budget revenues, generated by illegal road transport.

- According to estimates, the implementation of the Transport and Logistics Strategy for 2013-2022 will require over MDL 43 billion (or EUR 2,405 million). Expenses shall be covered by funds from the state budget, foreign investments, and other sources, yet unknown. Also, foreign investments into the development of the road sector will require about EUR 1,242 million more. Due to high costs and unpredictability of the political factor, there may be financial difficulties in attracting external financial resources necessary to fully implement the Strategy.
- The engagement of low-cost companies that operate in locations less accessible to citizens generates general benefits for the domestic aviation market. However, authorities need to focus their efforts in order to engage low-cost companies operating flights to the European countries that are destinations for Moldovan emigrants (Portugal, Spain). Moreover, negotiations for the possibility of increasing the number of destinations and their diversification need to be held with the representatives of the companies that are already present on the domestic market, such as Wizz Air. It should be mentioned that Wizz Air currently operates flights only to Rome and Venice. Flights to other European destinations that are attractive to Moldovans are operated by the same company, but from neighboring countries, Romania and Ukraine.
- The Constitutional Court decision to suspend the action of Government Decision no. 321 of 30 May 2013 on Approval of Concession of the Assets of State Enterprise *Chisinau International Airport* and Concession Conditions puts the Government into difficulty, since the latter approved the results of the tender selecting the concessionaire. In fact, the Court questioned the process of selection of the concessionaire and the conditions of concession, which include the clause of transmission of shares for a period of 49 years. Given the fact that Chisinau Airport is an object of strategic importance for the country, both for the economy and for the security of the national air space, the tender for concession requires a broader framework of transparency. Moreover, it is doubtful that within 35 days from the date of invitations to the companies potentially interested in the shares of the Airport, of the 7 companies concerned, only two companies registered for the tender, both from the Russian Federation, and according to conditions, the tender could be held once at least two companies submit applications for participation. To exclude any conflict of interests, given the originating country of the companies that participated in the tender, the tender organizers (the Ministry of Economy) had to ensure balanced participation of the companies and to exclude the possibility of over-representation of the companies representing a certain country. Also, the tender for the concession of shares in a national strategic object must involve an innovative and pro-active approach for the active engagement of companies. Invitations for participation were sent to Western companies that do not operate on the aviation market of East Europe, particularly the Moldovan market, and do not know it well. Therefore, to ensure fair competition at the tender, its organizer (the Ministry of Economy) must be obliged to conduct in a transparent manner some actions for a comprehensive promotion of the offer. However, any correction of tender results might lead to financial losses, given the possible sanctions for failure to meet tender conditions by the Moldovan party.

■ Energy

MAJOR QUARTERLY DEVELOPMENTS

During the monitored period, public consultations on several strategic documents continued: draft Government decision on approval of the National Action Plan on Renewable Energy for 2013-2020 and Government Decision on Approval of the *Solid Biofuel* Regulations, both concerning the diversification of the country's energy sources.

On 8 August, an EU-funded grant agreement was signed between the National Agency for Mineral Resources of Romania as project holder and the Managing Authority of the Joint Operational Program Romania–

Ukraine–Moldova under the Ministry of Regional Development. The project amounts to EUR 7 million and includes 5 stages. Moldova is to receive EUR 3 million for the interconnection of gas networks.

The procurement tender that was aimed at the selection of a contractor for the execution of construction works resulted in the signing on 21 August of a construction contract with the consortium of companies JV Habau Pipeline Systems SRL, Romania (founder: Habau Hoch- und Tiefbaugesellschaft m.b.H, Austria), Inspec SA, Romania and IPM-Partners Romania SRL, Romania.

On Moldova Independence Day, the Iasi-Ungheni gas pipeline was officially launched, but the event was symbolic, since the long-awaited construction works had not started. The reason of delay was the still unrealized expropriation of lands along the route of the pipeline and the lack of pipes.

Traditionally, in autumn, before the start of the heating season, the heating provider SA Termocom conducts broad campaigns of visits to non-payers and communication with each debtor in part in order to convince them to pay their debts, while informing them on the ways of payment and on the consequences of non-payment. The results of the campaign are to be announced in mid-October.

IMPACT OF THE ACTION TAKEN

- The construction of the Iasi-Ungheni gas pipeline is only the first step towards the liberalization of the natural gas market and towards Moldovan energy security, but due to the slow process of construction, it is difficult to predict the time when the gas pipeline might be finished and introduced in full operation;
- The contractor for construction works submitted a performance guarantee of 5% of the contract value upon its signing, so there is possibility for the gas pipeline to be built within the deadlines.

MAIN PROBLEMS IDENTIFIED

- The gas pipeline construction works fail to be performed within the planned deadlines and volume. The main problems that prevent active commencement of works are the unfinished process of expropriation of lands for the construction of the gas pipeline and the lack of pipes, which were to be provided by the end of September according to the working plan;
- In addition, attention should be given to the fact that not all types of construction works can be carried out in winter due to weather conditions;
- It is currently unclear whether all the persons that offered lands for the construction of the gas pipeline received compensations. In this regard, a Government decision needs to be adopted both by Romania and by Moldova;
- The construction of the gas pipeline includes a second stage – modernization of the energy infrastructure on both banks of the Prut. It means that natural gas will come from Europe to Moldova and will be delivered to Chisinau, but financial coverage for such works has not been provided.

■ Informational society

MAJOR QUARTERLY DEVELOPMENTS

In the third quarter, the public service of electronic payments, MPay, was launched, allowing online payment for public services. The e-Civil Status platform was completed with other three services: multilingual extracts of birth, marriage, and death certificates. Also, the e-Apostille service was launched, making Moldova the second European country after Spain to introduce this type of service. According to the goal on the agenda of technological modernization of government (e-Transformation), the Electronic Government Center signed a memorandum of collaboration with the State Enterprise *Posta Moldovei*. Also, the Center launched, together

with the Civil Status Service of the Ministry of Justice, a project for the digitization of the archive fund of civil status documents. The development and finalization of the Action Plan for Open Government for 2014-2015 is taking place with the participation of the E-Government/Government Thematic Group (under the National Council for Participation) and representatives of the Electronic Government Center. By the end of the third quarter, central public authorities shall present sector commitments for this Plan. The Draft Law on Approval of the National Strategy for Personal Data Protection Development for 2013-2018 and the Action Plan for its implementation are still pending in the Parliament. On 18 September, the Government approved the *Digital Moldova 2020* strategy, which provides for actions in the field of information society development and intensification of citizens' interaction with information technology.

IMPACT OF THE ACTION TAKEN

- The MPay service of electronic payments facilitates quick payment for public services. Also, besides electronic services in the public sector, MPay may be used for commercial services. The MPay system creates the possibility of payment through plastic cards, payment terminals, and e-banking systems. In addition, MPay enables cash payments for the citizens that have no access to Internet. Thus, the latter can address the banks connected to the MPay system or the offices of *Posta Moldovei*.
- The issuance of a broader set of documents by means of e-Civil Status enables transition to a more advanced stage of e-Transformation. Implemented since November 2012, e-Civil Status responded to requests of two types of acts: (i) marital status certificate; and (ii) notification on unchanged name and/or surname. Thus, by means of this platform, applications for documents may be submitted at QIWI terminals with the logo of the Civil Status Service throughout the country.
- E-Apostille will contribute to diminishing the involvement of intermediaries (notaries and persons with proxies). It could improve the interaction of citizens with public institutions and enable reduction of bureaucratic barriers and the incidence of corruption by eliminating direct contact with authorities.
- The project of digitization of the archive fund of civil status documents provides for 4 million of civil status documents to be transformed into an electronic format. Also, it involves development of an information system for managing digitized documents. Thus, all civil status documents are expected to be digitized by 2020.
- The *Digital Moldova 2020* strategy aims to create favorable conditions for the development and wider use of information and communication technologies (ICT) by public institutions, businesses, and citizens. The strategy is based on the following pillars: (i) increase of access and connection to the ICT infrastructure in the period of 2013-2020 for all, including citizens (the speed of 30 Mbps and affordable Internet, transition to terrestrial digital television, development of networks through radio access); (ii) diversification of digital content and accessible electronic services (development of the program *Creation, Development and Use of the Digital Content in Moldova*, digitalization of public services); (iii) strengthening of ICT skills by increasing the use of ICT by citizens (developing digital literacy and skills in ICT, implementation of the program *General Digital Education in General Education for All*, programs aimed at providing digital training for a wider public and technical equipment for educational institutions).

MAIN PROBLEMS IDENTIFIED

- The extensive use of the new payment system MPay requires more active information campaigns, with the use of more diversified instruments for the citizens that have no Internet access. The MPay system was launched with a delay, on 17 September, although the head of the Government required transition to online payments for public services by 25 August.

- The price for the electronic services included in the e-Civil Status was not increased, and upon submission of the application for documents, terminals levy a charge of MDL 10.
- The *Digital Moldova 2020* strategy includes information about potential sources of financing and hypothetical assistance that could be provided by the current development partners of Moldova. In any case, there is no detailed description of costs or an estimated amount for the implementation of programs and other actions provided for the development of the ICT sector in the period of 2013-2020. Also, the document includes measures for ensuring the liberalization of the sector and removing the monopoly that is currently held by Moldtelecom. We believe that the liberalization of this sector could generate competition and significant investments that could subsequently be used to achieve the objectives set by the strategy.

■ Public health

MAJOR QUARTERLY DEVELOPMENTS

Key developments in this sector include elaboration and initiation of negotiations on the draft of the framework government agreement concerning the migration of health professionals. The agreement involves establishment of an integrated comprehensive legal framework, observance of ethical principles in recruitment of health professionals, and the rights of the emigrant health professionals, including by: ensuring recognition of professional qualifications, and if necessary, providing the possibility of an adaptation internship or a skills testing; ensuring access to decent working and living conditions; ensuring social security and health of the emigrant medical personnel; etc. At the same time, discussions and negotiations were initiated with Ukraine and Norway regarding the opportunities of development of neonatal and pediatric heart surgery; modalities of collaboration in combating HIV/AIDS; updating of the collaboration agreement between Moldova and Ukraine in the health sector; finalization of collaboration agreement Moldova-Norway in the field of financing of the hospital sector and public health; and mutual collaboration between the hospitals of our countries. Also, as part of the project *Enhancing the Management of Health Professionals Mobility in Moldova*, funded by the European Union, an inter-sector working group was created with the participation of international and national experts that facilitated an exchange of information about the international practice of negotiation of bilateral treaties regulating the mobility of health professionals and contributing to the formation of participants' practical skills in negotiation of bilateral agreements in the field.

IMPACT OF THE ACTION TAKEN

- Collaboration with foreign partners contributes to the exchange of experience, introduction of new technologies in the field, improvement of cognitive and practical skills of health professionals, mutual collaboration between hospitals, including development of areas of the medical interventions performed.
- The expert analysis planned as part of the TAIEX program with the support of the EU will lead to the development of a legal framework that would facilitate cooperation between universities and medical institutions in order to increase the quality and efficiency of higher medical education in Moldova.
- The establishment of the legal framework to ensure conditions for the circular migration of health professionals will lead to an increase in the quality of health services provided in source countries due to the new specialized knowledge and skills obtained by emigrant health professionals. The negotiation and conclusion of such bilateral agreements with a number of countries, in the EU and otherwise, is determined by the importance of fulfilling the commitments that our country assumed to support the adoption of the Global Code of Practice on the International Recruitment of Health Personnel and implementation of paragraph 33 of the Action Plan of the Moldovan Government for 2013-2014.

MAIN PROBLEMS IDENTIFIED

- Although the signing of a number of collaboration agreements with other countries is welcomed, bilateral agreements are not an isolated solution for settling the problem of migration of health professionals, since in the absence of relevant policies in the field they fail to have the expected effect. They need to be supplemented by efficient mechanisms and policies aimed at retaining health professionals, improving working conditions, reintegrating those who return home into the system, etc.
- The problem of ensuring a satisfactory level of the population health indicators is still acute. The population health indicators for Moldova continue worsening, life expectancy at birth (69.13 years) being one of the lowest in the European region, and the mortality rate is still high, placing Moldova among the countries with the highest mortality rates.
- The exodus of health professionals, being mainly caused by unsatisfactory salaries and inadequate working conditions, creates great difficulties in the organization and conduct of preventive and anti-epidemic measures throughout the country. The republican anti-epidemic fund does not cover the needs in exceptional situations and epidemiological emergencies.
- Provision of public health institutions with medical equipment is still precarious. The sanitary-hygienic and sanitary-technical situation of some medical institutions is unsatisfactory and working conditions are inadequate, which leads to professional illnesses and a high rate of diseases with temporary loss of work capacity, including among the medical personnel.