



EUROMONITOR

QUARTERLY MONITORING REPORT ON THE PROGRESS IN
IMPLEMENTING THE EUROPEAN UNION – MOLDOVA ACTION
PLAN IN OCTOBER - DECEMBER 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 the 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 October – December 2013 is developed within the joint project of ADEPT and Expert Grup “EU-Moldova relations - monitoring the progress in the Eastern Partnership in 2013” funded by the Soros Foundation – Moldova. This represents the 30th Euromonitor developed since 2005 in order to monitor the progresses of the authorities in fulfilling the commitments undertaken in relation with the European Union.

Euromonitor is developed on a quarterly basis in order to inform and stimulate an active participation of the public in European integration debates. The report is based on assessing the progress of the authorities, the challenges and opportunities of the integration process at all levels of priority policies. Progress monitoring is based on a specially developed methodology and its results are presented to the public in an accessible and attractive manner.

The quarterly report is focused on **28 areas**, presenting the evolutions during the monitored period, evaluating the impact of the actions taken and identifying the major problems. The report is available on the websites of the partner organizations www.e-democracy.md and www.expert-grup.org. Also, a separate webpage - www.euromonitor.md was created to reflect the dynamics of Moldova's European integration progress in a more intuitive and user friendly way. The webpage www.euromonitor.md also presents the initial situation (2005), the current situation (2012) and the quarterly progress achieved at the level of each action/reform separately, at the policy level and at the global level. The initial situation (in 2005) and the current situation (2012) is presented based on the conclusions of the progress assessment report for 2005-2012 and is focused on the areas included in the report. The quarterly progress for 2013 is also assessed on the basis of the areas included in the report.

Justice sector reform

MAJOR QUATERLY DEVELOPMENTS

- The Strategy of Justice Sector Reform for 2011-2016 (SJSR) is under implementation. Under the terms of the Methodology for monitoring implementation of SJSR, approved by the order of the Minister of Justice No. 503 of 06.11.2012, implementing authorities are elaborating only quarterly and annual monitoring reports, and for this reason - the most recent report available is an external monitoring report, which was elaborated by the Promo-LEX Association and Association for Efficient and Responsible Governance (AGER). According to the report, out of the total 209 actions scheduled for the period until 30 September 2013, only 126 actions were completed, the other 83 actions were not completed by the end of third quarter 2013, indicating thus a total achievement rate of 60% (compared to 59% completed at the end of the previous quarter).
- Parliament examined several draft laws related to the justice sector. In the context of SJSR, the following are the most relevant draft laws: i) draft Law on the salaries of judges; ii) draft Law on disciplinary liability of judges; iii) draft Law on testing professional integrity; iv) draft Law on amending and supplementing some legislative acts, which, among others: establishes a ban for inappropriate communication of the judge with the participants in the trial or with other persons; toughens criminal sanctions for crimes of corruption; includes a new security measure "Extended confiscation" and a new offense "Illicit enrichment" in the Criminal Code; establishes mandatory polygraph testing of the candidates for the position of judge and prosecutor. Parliament adopted the respective draft laws in the plenary session of 23.12.2013, except for the draft law on the disciplinary liability of judges.
- On 12.11.2013, Ministry of Justice and General Prosecutor's Office announced about finalization of the Concept on reforming Prosecutor's Office. The document is focused on the following: the place and role of the Prosecutor's Office; organization and activity of the Prosecutor's Office body system; functional independence and liability of the prosecutors; social guarantees of the prosecutors. The respective Concept aims, inter alia, at: reviewing the procedure of appointing General Prosecutor; detailing competences of the Prosecutor's Office, including - focusing prosecutor's activity on criminal aspects; strengthening procedural independence of the prosecutors and ensuring their specialization; development of prosecution bodies and self-administration bodies; ensuring independence and financial autonomy of the Prosecutor's Office; strengthening mechanisms aimed at ensuring prosecutors' accountability; providing social guarantees to the prosecutors.
- On 21.11.2013, Parliament amended the Law no. 947 of 19.07.1996 on the Superior Council of Magistracy and the Law no. 294 of 25.12.2008 on the Prosecutor's Office, providing appointment by the Parliament of the three members of the Superior Council of Magistracy and three members of the Superior Council of Prosecutors (SCP) among titular professors of law, as a result of conducting a public competition by the Legal Committee of the Parliament for Appointments and Immunities. Following this

competition, all selected candidates were elected on 24.12.2013 based on the Decision of the Parliament no. 342 and Decision of the Parliament no. 341.

IMPACT OF ACTIONS TAKEN

- In general, only insignificant progress in the implementation of SJSR can be ascertained. However, this seems to be satisfactory, including for the external partners. According to the announcement made during a press conference held on 23.12.2013, RM received the first installment of 15 million euros from the total of 60 million euros provided by the EU for reforming the justice system. During the event, both Minister of Justice, Oleg Efrim, and the Head of the EU Delegation to Moldova, Pirkka Tapiola, mentioned that this was possible due to the fact that RM has met its predetermined obligations in this regard. In order to receive financial support from the EU, RM must meet the following general conditions and ensure: satisfactory implementation of SJSR; stable macroeconomic framework; proper management of public finances; transparency and monitoring of the state budget. The other three installments of the European financial support will be provided by 2016, and their amount will depend on the extent of undertaken reforms; certain conditions were introduced for the next installment and they are related to reforming the justice system, the criminal investigation process, the juvenile justice system, the enforcement of judgments, implementation of certain anti-corruption actions and certain actions in the field of human rights protection.
- Impact of the adopted draft laws could be assessed only after their implementation. However, based on the notorious formula of corruption (Corruption=Monopoly+Discretion-Accountability), the level of corruption in the justice system cannot be reduced without application of effective accountability mechanisms in relation to judges, including - disciplinary mechanisms. Therefore, the potential impact of the adopted draft laws is compromised by the Parliament, which continues to postpone examination of the draft Law on disciplinary liability of judges. The draft law was elaborated in order to regulate the grounds for disciplinary liability of judges, the categories of disciplinary offences, the disciplinary sanctions, the stages of disciplinary procedure, the powers of institutions involved in the disciplinary procedure, the procedure of examination, delivery and challenging decisions in disciplinary cases.
- The Concept of reforming the Prosecutor's Office remains only at the level of vision for the working group (author) and it is not clear which one of the proposed alternative solutions will be supported.
- SCM and SCP have essential role in ensuring the integrity of justice sector. Intention of the Parliament to elect members of the SCM and SCP based on a competition process shall be saluted. However, the celerity of implementing the respective procedures compromised the good will. By way of example, Regulation on the organization and carrying out the competition process for selecting candidates for the position of SCM member from among titular professors of law was adopted on 06.12.2013; organization of the competition was announced on the same day and a deadline was announced (09.12.2013-16.12.2013) for submitting applications; on 17.12.2013 the list of persons who submitted their applications, their CVs and decision on the candidates who were admitted and invited for interview were published; interviews were held on 19.12.2013, and, after a short deliberation, the selected candidates were announced about the

decision on the same date, without explaining the reasons for selecting certain candidates and rejecting the others.

MAIN PROBLEMS IDENTIFIED

- The slow pace, with delays and arrears, of the SJSR implementation cannot but raise concern. And at this stage, authorities focus excessively on legislative actions, without monitoring implementation of the adopted laws. Thus, in public perception, justice remains corrupt. We would like to recall here that according to the Global Corruption Barometer (2013) (Transparency International), justice and police are considered the most corrupt institutions in the RM, and they are followed by the Parliament and political parties. This perception also affects the level of trust in the justice system. According to the Public Opinion Barometer, in November 2013, only 15.5% of the respondents declared that they have a lot of confidence and some confidence in justice. The SJSR implementation process needs to be further boosted, including by monitoring effective and efficient implementation of the adopted laws.
- Legislative interventions seem to be unbalanced. By offering certain guarantees, including - social guarantees to the sector actors, Parliament delays introducing effective mechanisms for ensuring their accountability. Examination and adoption of the draft law on disciplinary liability of judges becomes a priority, which needs to be enforced.
- The process of reforming the Prosecutor's Office needs to be correlated with the logical framework of the SJSR, but also with the processes of reforming other law enforcement bodies, such as: Ministry of Internal Affairs (MIA), National Anti-Corruption Center (NAC), Customs Service. There is also a need to address other issues, such as: ensuring inadmissibility of jurisdictional conflicts among criminal investigation bodies, establishing relevant criteria for assessing performance of criminal investigation bodies, enhancing independence of prosecutors, examining legality of their acts (actions), competence that exclusively belongs to the law courts. In general, intentions of reforming the system must be justified by an analysis of the statistics.
- Authorities are slow in putting forward legislative initiatives, and equally hasty in the appointments. Such practices, including – practices related to public competitions, as well as the celerity of the decisions adopted in this regard and failure to motivate them, are discouraging. Parliament must be calculated, transparent, conscious and responsible in this process. Otherwise, not only the image of the appointing bodies is affected, but also the image of those appointed. This is unacceptable in case of SCM and SCP, as credibility of these bodies is a precondition for the credibility of the entire sector.

Combating corruption

MAJOR QUARTERLY DEVELOPMENTS

- The National Anticorruption Strategy for 2011-2015 (NAS) is under implementation, and this process is guided by the Action Plan for 2012-2013 on implementation of NAS, approved by the Decision of the Parliament No. 12 of 17.02.2012. Action Plan includes four components, 12 measures and 63 concrete actions for achieving them, including 34 to be achieved in 2012, and 6 in 2013; 23 - on annual / permanent basis. According to

the most recent available Report on monitoring implementation of the Plan (9 months in 2013), which was prepared by the NAS Monitoring Group Secretariat, at the end of nine months of 2013, 6 actions were still outstanding from the list of actions that had to be implemented on annual / permanent basis and in 2013, as well as from the list of actions that were not implemented in the previous year and which are still pending in the current year. In the context of NAS, it is worth mentioning the adoption, by the Law No. 252 of 10.25.2013, of the Regulation on operation of anticorruption hotline system. Regarding corruption offenses, according to the NAC Activity Report for 9 months in 2013, which is the latest available report, CNA detected and countered 400 offences in the reporting period, including 314 acts of corruption and corruption related acts and 86 of other types. Based on the recorded crimes, the following institutions were the most affected: local public administration - 60 documented corruption acts and acts related to corruption; MIA – 53; private sector enterprises - 29; justice (judges, bailiffs, penitentiary institutions, probation offices, law firms) - 27 (including law firms - 12); Ministry of Health – 20; Ministry of Education – 20; state and municipal enterprises - 16; Customs Service - 10; Main State Tax Inspectorate - 7 etc. At the same time, according to the operative information on the delinquency in the RM during the 9 months of 2013 (without closed cases) provided by the MIA, the following offenses of corruption were reported: bribery (total) - 171; passive corruption – 145; active corruption – 19; abuse of power – 214; excess of power – 203; negligence at work – 68. The following statistics has been provided in December 2013: bribery (total) - 205; passive corruption – 173; active corruption – 25; abuse of power – 267; excess of power - 241; negligence at work –73.

- NAC has carried out its activities according to the provided competences, and under the guidance of the Strategy on NAC institutional consolidation, approved by the Decision of the Parliament No. 232 of 26.10.2012. This strategy is focused on three objectives: ensuring independence of NAC against improper pressure and influences; enhancing capacities of preventing and combating corruption at all levels; receiving public support for anti-corruption efforts. According to the statement of NAC director, expressed during the IX National Anticorruption Conference, these objectives are partially achieved. The conference was held on 09.12.2013 and its main objective was to assess the anti-corruption efforts undertaken by the authorities and civil society during 2013, to consolidate anti-corruption monitoring practices and identify strategic priorities for subsequent periods.
- The National Integrity Commission (NIC) has been operating based on its institutional powers. According to the NIC Activity Report for 9 months of 2013, which is the most recent report available, the institution had to examine 128 cases in the period of reference, including 61 cases - by notifications and 67 cases - following ex officio interventions. At the initial stage of checking notifications, 34 cases were dismissed based on lack of legal grounds and factual elements. In the period covered, 78 controls were initiated, including 45 - ex officio interventions and 33 – based on notifications. Initial controls targeted 19 judges, 10 MPs, 7 prosecutors, 4 ministers and deputy - ministers, 9 mayors and vice mayors, 7 civil servants with special status, 6 civil servants with various functions from public institutions of central public administration, 5 civil servants from local public administration, 4 directors of state and municipal enterprises with majoritarian statutory capital belonging to the state, 4 directors of medical institutions and 4 directors of educational institutions. In the period of reference, NIC

finalized examination of 38 files, including: 19 cases - where the act of committing the offence was established; and 19 cases were dismissed, because the facts were not confirmed. On 01.10.2013, NIC had 40 control files under its examination. NIC notified a number of competent bodies about cases of violations in order to ensure their examination and taking of a necessary decision: false declarations (Article 352¹ of the Criminal Code) - 8; failure to declare conflict of interest (Article 313² of the Contravention Code) - 5; failure to submit income and property declaration, or declaration of personal interests in due time (Article 330² of the Contravention Code) - 1; failure to execute NIC requests (Article 319¹ of the Contravention Code) - 1. In the same period, 357 contravention minutes were drawn on the failure of the subjects of declaration to submit income and property declarations, or declarations of personal interests, within the due date set by the law, and 207 decisions were adopted, where the court found that offender committed a violation and, respectively, applied the necessary fines. On 19.12.2013, NIC organized "The doors open day" in the context of marking the first year of its activity.

IMPACT OF ACTIONS TAKEN

- Despite the anti-corruption efforts taken by the authorities, the perceived level of corruption in RM continues to be high. According to the Corruption Perception Index (CPI) launched by Transparency International on 03.12.2013, RM recorded in 2013 a CPI score of 35 points (on a scale of 0 to 100, where "0" represents the highest and "100" - the lowest level of perceived corruption), and was ranked 102nd out of 177 countries included in the rating (for comparison, in 2012, the index score was 36 points, and Republic of Moldova was ranked 94 out of 178 countries included in the rating). According to the Public Opinion Barometer from November 2013, only 11.6% of the respondents believe that corruption has decreased since the current government is in power, 88.1% of the respondents are not satisfied at all or are not very satisfied with the Government's policy related to combating corruption.
- In what concerns NAC, it will be possible to assess the impact of the Strategy on NAC institutional consolidation, completed in October 2013, during analysis of the institution's activity in the post-strategy period, by comparing its performance with performances from the pre-strategy period. Most of the expected results related to the elaboration and adoption of the legal framework, which however may not bring the spectacular institutional performances. However, it is noteworthy that the dynamics of the current activity of NAC do not seem to decrease, despite of the unpredictable political intervention in reforming the institution (placing CNA under parliamentary control, followed by its placement under the Government).
- At the same time, NIC is currently at the phase of institutional emancipation. However, we can ascertain beginning of implementation of the Law no. 16 of 15.02.2008 on conflict of interest, as well as application of the first sanctions, including in relation to persons holding public offices, for violating the law on income and property declaration, and declaration of personal interests.

MAIN PROBLEMS IDENTIFIED

- Similarly to SJSR, deficiencies (delays) still persist in the implementation of NAS and in the implementation of actions related to elaboration (adoption) of draft normative acts.

- According to the statement of CNA Director, expressed during the IX National Anti-Corruption Conference, CNA continued to face the problem of insufficient budgetary resources for properly equipping its subdivisions with special technical equipment.
- In case of NIC, budgetary deficiencies seem to be even more serious. According to the Decision of the Parliament no. 299 of 12.12.2013, the 2014 NIC budget represents 4.0442 million lei, despite of the fact that NIC asked by 2422.0 thousand lei more. Moreover, the budget is by 1207.8 thousands lei lower than the NIC budget in 2013 (5252.0 thousands lei). Therefore, NIC budget allows covering only expenses related to salary payments and urgent institutional needs, without however covering the strategic needs, such as those related to technical resources. We would particularly like to refer here to the development (launch) of a unified automatic information system on declarations of personal interests, income and property, as well as to ensuring the possibility of online declarations. Along with financial shortcomings, NIC is also facing other difficulties that need to be overcome on a priority basis, such as: an imperfect legislation related to the declaration and control of income, property, personal interests, including allocation of certain related powers to different authorities - other than NIC; limited access to the database of the state enterprise "Cadastru"; lack of human resources.

Human rights and fundamental freedoms

MAJOR QUARTERLY DEVELOPMENTS

- Implementation of the National Human Rights Action Plan for the period of 2011-2014 (NHRAP) has continued. Although there were attempts to measure implementation of NHRAP, a complex assessment of the level of its implementation in 2013 is still lacking. CHRM presented the results achieved in 2013 in the context of NHRAP implementation, 57% of the planned activities were completed. The main results achieved include: 227 preventive visits to institutions of detention; 5 trainings for police and employees of penitentiary institutions; public awareness of the phenomenon of torture and discrimination; 11 preventive visits to psychiatric institutions; opening an office of the CHRM in Varnița.
- During October-December 2013, Parliament approved several laws with positive implications for human rights, such as: the Law on amending and supplementing certain legislative acts no. 270 of 11.07.2013, Monitorul Oficial no. 290/794 of 10.12.2013, where the Criminal Code was amended in the part related to trafficking of human beings; amendment of Contravention Code to exclude administrative arrest in case of minors (Article 38 was supplemented by the Law no. 233 of 11.10.2013, in force from 08.11.2013); ratification of a loan agreement for construction of a prison in Chisinau; and grant agreement for integration of children with disabilities in schools.
- Government adopted Decision no. 918 of 18.11.2013 on the minimum safety and health signal requirements at work.
- Article 98 para. (2) letter b1) and Article 104.1. of the Criminal Code and, respectively, Article 174, paragraph (3.1.), Article 291.1. of the Enforcement Code of the Republic of

Moldova were declared unconstitutional and subsequently revoked. These Articles regulated institution and application of the security measure - chemical castration of offenders who encroach on sexual inviolability of other persons, including minors, in order to remove a threat and prevent criminal offences (Law on amending legislative acts No. 315 of 20.12.2013, Monitorul Oficial 17-23/42, 24.01.2014).

- The Law on Ombudsman, approved by the Parliament in December, was not promulgated by the President. This law was returned to the Parliament for reexamination, because the voted draft law contained a number of deficiencies.

IMPACT OF ACTIONS TAKEN

- A number of amendments were introduced in the Criminal Code in order to prevent and combat trafficking in human beings, including amendment of art. 165 “Trafficking in human beings”, introduction of art. 165.1. and amendment of art. 206 “Trafficking in children” (Law on amending and supplementing certain legislative acts no. 270 of 07.11.2013, Monitorul Oficial no. 290/794 of 10.12.2013). These amendments have expanded the range of crimes that fall under the category of human trafficking, toughened penalties for trafficking in human beings, introduced penalties for the use of products and/or services that resulted from exploitation in crimes of trafficking in human beings or trafficking in children.
- A number of actions were taken to create better conditions of detention, carry out reconstruction, current and capital repairs, provide equipment and inventory necessary for the good functioning of prisons (Law 295/12.12.2013 on the ratification of the Framework loan agreement between Republic of Moldova and the Council of Europe Development Bank for implementation of the Project related to the construction of a penitentiary in Chisinau, Monitorul Oficial 315-319/865, 31.12.2013). The loan of 39 million Euro has been provided by the Council of Europe Development Bank for the construction of twelve detention blocks with the capacity of 1536 detainees, 64 cells per detention block, disciplinary isolator for 50 inmates, medical block with the capacity of 128 inmates and transit block for 128 inmates. This will replace the Penitentiary. 13 in Chisinau.
- Approval by the Parliament of the Law on Ombudsman was planned to have positive implications for strengthening National Preventive Mechanism against torture, for capacity building of the CHRM and allocation of resources for CHRM in accordance with international standards. Given that the draft law approved by the Parliament in the second reading was different from the draft law adopted by the Government in September, the law was not promulgated by the President and was returned for Parliament’s review. Decision of the President was based on the appeal of civil society and development partners of the RM who asked for non-promulgation of the Law on Ombudsman, which needs to be further amended and resubmitted for vote, by observing requirements on transparency of decision-making process. The law voted by the Parliament also included, besides the unjustified and discriminatory requirements related to the work experience of the candidates for the position of Ombudsman, a number of other shortcomings that represent a significant step back comparing to the draft law passed in the first reading.

- A grant agreement was ratified between the Republic of Moldova and the International Development Association (World Bank) in the amount of 2,860,000 US Dollars for implementation of the project “Integration of children with disabilities in schools”, signed in Chisinau on 06 August 2013 (Law 308/19.12.2013 on ratification of the grant agreement between the Republic of Moldova and the International Development Association on the project “Integration of children with disabilities in schools”, Monitorul Oficial 9-13/16, 17.01.2014).
- Decision of the Government no. 918 adopted on 18.11.2013 on the minimum safety and health signal requirements at work introduces certain labor standards, including general requirements on how to use safety and health signals at work, general rules on alternation and their complementarity. According to the decision, in cases when employer will not be able to avoid or reduce in sufficient manner professional risks, he/she will have to adequately provide safety and health signals at work. The purpose of this decision is to reduce serious injuries during work and establish a more effective control of the observance of core labor standards as a result of implementation of this decision.
- There is some progress in relations between mass-media and justice, due to the decrease in the number of lawsuits filed against journalists and, more importantly, due to the decisions of judges, who have recently avoided applying excessive compensation in cases of defamation. Freedom of internet and online media is another important performance: there were no cases of blocking websites and no cases of arrest, assault or harassment of bloggers or active internet users.
- The draft law that aims at amending the Broadcasting Code continues to be blocked in the Parliament. The Parliament Committee on Culture, Education, Research, Youth, Sports, and Mass Media conducted public consultations on the provisions of the draft law, which should increase the transparency of mass-media property.

MAIN PROBLEMS IDENTIFIED

- During this period, Moldova was convicted seven times by ECHR in cases of violation of the principle of legal certainty, torture and inhuman treatment, as well as on procedural grounds and lack of due diligence in prosecution of cases.
- Implementation of NHRAP at local level is deficient due to the lack of local coordinators responsible for promoting provisions of national and international legislation on human rights in the activity of public administration authority. Although Decision of the Government no. 3 of 02.01.2007 for approving Regulation on the activity of human rights coordinator provides for the designation, within local and central public authority, of an official who shall exercise the duties of human rights coordinator, these positions are often not filled for lack of financial support.
- Employment of community mediators to work in communities populated by Roma is not carried out according to the objectives set by the law. By the end of 2013, only seven community mediators out of 15 envisaged mediators were employed. As a result, the access of Roma citizens to social services, education, healthcare is not effectively secured.

- Insufficient information on the implementation and the results achieved following implementation of the National Action Plan for Gender Equality for 2010-2015 continues to represent an obstacle in assessing the *de facto* situation in ensuring gender equality in economic, political and social life of women and men.
- Progressive amendments of the Law on gender equality between women and men, but also of a number of related laws, which include some provisions with the potential to advance gender equality, remain undiscussed and are not adopted by the Parliament (draft legislative norms on funding political parties, which include affirmative measures aimed at promoting gender equality).
- Despite undertaken efforts to combat trafficking in human beings, Moldova remains a country of origin for trafficking of persons for sexual and labor exploitation. Indulgent sentences delivered for traffic offenders represent a reason of concern.
- Passing of the legislation that would regulate the transparency of mass-media property, the advertising market and de-monopolization of the media market was further postponed. Comparing with the previous quarter, neither legal framework, nor political circumstances have registered significant changes related to the freedom of the press.

Transnistrian conflict settlement

MAJOR QUARTERLY DEVELOPMENTS

- Two rounds of negotiations in the “5+2” format were conducted under the auspices of the OSCE, which specifically referred to ensuring necessary conditions for the free movement of people: monitoring and recording migration flows, especially, of foreign citizens who come to Moldova through Transnistrian region; excluding application of fines for the residents of Transnistria with foreign identity documents; rehabilitation of infrastructure objects; protection of ecosystem in Dniester river; removal of funicular between Rezina and Rîbnița cities.
- Parties signed protocol decisions related to the following: agreements reached in the provision of pensions and social benefits; implementation of the project aimed at rehabilitation of the waste water cleaning system in Dubosari and Criuleni towns; free movement of people.
- Debates were organized on the impact of signing the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU on Transnistrian settlement. During the conference “Confidence-building measures in the Transnistrian settlement process”, held under the aegis of the OSCE, the proposal was made to include Transnistrian entrepreneurs in a working subgroup, along with national and EU experts. Until concrete solutions are found, preferential trade rules for Transnistrian enterprises will be kept at least for the next two years.

IMPACT OF ACTIONS TAKEN

- During the twentieth reunion of the OSCE Ministerial Council, a Declaration on the “5+2” negotiations on the Transnistrian conflict settlement process was adopted, where the following essential elements were reaffirmed: identification of a comprehensive, fair

and viable solution to the conflict, based on the observance of Moldova's sovereignty and territorial integrity; working out a special statute for Transnistria within internationally recognized borders; refraining from any unilateral actions that might undermine the security in the region; advancing of the talks on the three topic-related "baskets" included in the agenda, including on institutional, political and security issues; fostering efforts in promoting confidence- and security-building measures, and abstaining from unilateral actions that might undermine the security in the region; continuing actions aimed at removing obstacles for the free movement of people, goods and services.

MAIN PROBLEMS IDENTIFIED

- Confidence building measures were accompanied by measures undermining confidence. On 05 December 2013, Transnistrian authorities took actions against the "Lucian Blaga" school from Tiraspol, teaching in Latin script, by abusively asking school administration to submit a set of documents on the activity of this educational institution, and drawing minutes, etc. These actions were qualified by Moldovan authorities as a return to the exercise of pressure on school administration, teachers, students and their parents.

Improving welfare

MAJOR QUARTERLY DEVELOPMENTS

During the fourth quarter, various actions were undertaken in order to contribute to population's welfare, including elaboration of the draft Strategy and National Action Plan on child and family protection. The draft Strategy was discussed with children, who determined the priorities of the respective policy document, and, also, expressed their visions for potential Action Plan. Simultaneously, the Law on the legal status of adoption was supplemented and amended. The Law on special protection of children at risk and children separated from their parents entered into force as of 01 January 2014. Two new services were established for children at risk: support service for families with children, representing a service provided to families with children aimed at preventing and/or overcoming situations of risk and ensuring fostering and education of children within family environment. This service also envisages provision of financial support in the form of monthly or single payment for raising children and/or their inclusion in the educational process. It is worth mentioning that the draft law on 2014 budget envisages financial resources for implementation of this service in 17 administrative-territorial units. The second service represents the community home service for children at risk, which is a new specialized social service of temporary placement, which aims at fostering and educating children temporarily or permanently deprived of their families and children at risk in a family-type environment. Currently, three community houses are already operating in the country, providing services to 30 children.

IMPACT OF ACTIONS TAKEN

- Proper implementation of the Strategy and National Action Plan on child and family protection will lead to the development and streamlining the system of protection of families with children at risk and children in need.

- The Law on legal status of adoption envisages actions related to ensuring a more efficient application of the principle aimed at observing the best interest of the adopted child, at optimizing the legal basis for implementation of adoption procedures by the central authority responsible for adoption in the Republic of Moldova, at ensuring necessary accreditation procedures of foreign organizations in the field of adoption and harmonizing the Civil Procedure Code with legal norms of the respective Law.
- The Law on special protection of children at risk and children separated from their parents defines a number of basic concepts used in the system of child protection, reviews activity of guardianship authorities, suggests empowering mayors and territorial structures of social assistance and family protection with guardianship powers, regulates the procedure of ex officio interventions and registration of notifications related to children at risk, terms, specialists and authorities responsible for issuing orders on assessment of the situation of children, providing necessary status and placing children separated from their parents.

MAIN PROBLEMS IDENTIFIED

- The purchasing power of the population remains very low and while the allocated humanitarian aid is welcome, the given amount is still very small compared with the minimum expenses necessary for surviving. Therefore, many families continue to rely on remittances from abroad. According to sociological study conducted by the ILO, about 1.5 million people live in households with migrants and depend on remittances, considering that money received from abroad represent over 80% of these households' income. And according to the results of the study conducted by UNICEF on the effects of migration on children, about 155,000 children have one or both parents working abroad (130,000 have one parent; 25,000 children have both parents abroad).
- Even though creating new services oriented to children at risk is very necessary and welcome, financial resources available for their operation are very limited and cover only a small amount of costs necessary to support these children. At the same time, the methodology of allocating funds that are planned to be managed by local public authorities is not clearly determined.

Macroeconomic and macro financial policies

MAJOR QUARTERLY DEVELOPMENTS

The key developments in this field include approval of the Strategy on development of domestic trade for 2014 – 2020, which provides for the development in the Republic of Moldova of business activities related to selling products and services and modifies the existing concept of domestic trade. The main objectives of the Strategy include: enhancing efficiency of domestic trade regulation, increasing competitiveness of products/services placed on the market, improving trade infrastructure on local level, especially in rural areas, improving the forms of distribution and marketing of products/services, providing trade sector with qualified labor forces, which is under continuous improvement. Simultaneously, decision of the Government was approved with reference to the amendments proposed to the Law on Electricity no. 124/23.12.2009, in the context of the Republic of Moldova's commitments undertaken as a signatory party to the Energy Community Treaty, which aims at guaranteeing the security of

electricity supply and investments in the infrastructure, as well as to simplifying the procedures for connecting household and non-household consumers to power supply. Amendments and additions to the Law on Electricity aim at transposing the Directive 2005/89/EC of the European Parliament and of the Council of 18 January 2006 concerning measures to safeguard security of electricity supply and infrastructure investments. Transposition of the Directive requires creating a legal and institutional framework to ensure continuous monitoring aimed at covering balance between supply and demand on the electricity market, forecasting the future demand for electricity and available sources of coverage, additional capacities planned or under construction, perspectives in securing electricity supply for 5 and 15 years, the quality and maintenance level of electrical networks, security exploitation of electrical networks, investment projects developed by the transport and system network operator, as well as by other parties related to the construction, the commissioning of new inter-connectors, as well as carrying out measures to cover the top capacity and the shortage in electricity supply in case one or more suppliers become unavailable. Simultaneously, the Roadmap was elaborated to facilitate the connection of businesses to electricity, an indicator where Republic of Moldova registered a low score in the World Bank's Doing Business ranking, Republic of Moldova ranks 161 out of 185 countries.

IMPACT OF ACTIONS TAKEN

- The emphasis of the Strategy is on the access of the population both from rural and urban environment to a modern trade infrastructure that meets the consumers' requirements. But the most important is to create jobs for rural population through trade networks – stations for collecting agricultural products, for their processing (cottage industry), units (workshops) for providing trade related services. Reforming and adjusting the legal framework in this field will help create better conditions for economic activity, increase investments and thus create a platform of activity that corresponds to the principles of transparency, fair competition and consumer protection. This will effectively reduce the operational costs and, therefore, consumers will benefit from goods and services at lower prices.
- Simplifying connection of the operators of transport or distribution networks by potential applicants (household and non-household consumers) to electricity represents an important element of the draft Law. In these circumstances, the maximum time limit for connecting businesses to electricity, and related costs, is greatly reduced, almost by 50% (from 140 to 70 days (together with the period for issuing connecting notice). This reform represents another step in the range of complex actions taken to improve the business climate, eliminate constraints and increase competitiveness of national economy. Legislative amendments provide maximum terms for carrying out the works and administrative sanctions for persons holding responsible positions within energy institutions and companies responsible for tergiversating the process of connecting to electricity.

MAIN PROBLEMS IDENTIFIED

- One of the key problems that still persists concerns to 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 prevail

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 impedes 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 was elaboration and approval of the Roadmap for improving the competitiveness in the Republic of Moldova. This document is essentially a response to the realities conditioned by DCFTA for businesses, in order to ensure that its institution produces positive impact on the economic performances of the country, but also on the society as a whole. The Roadmap is a strategy for complying to the realities that will exist after the entry into force of the Agreement on creation of the Deep and Comprehensive Free Trade Area with the European Union, which will lead to a number of economic changes. Roadmap for improving the competitiveness proposes a number of policy interventions, which are grouped in a matrix, and a list of about 300 EU legislative acts to be transposed for implementation of the Association Agreement and DCFTA. The draft roadmap was approved by the Government and subjected to public debates on each sector of the economy.

IMPACT OF ACTIONS TAKEN

- According to the document, competitiveness will be considered both at the macro level, as well as at the level of the enterprise. This will allow local markets to resist additional competitive pressures from EU producers and will allow domestic producers to find or extend new markets in the EU, by making use of Moldova's competitive advantages. This can open up larger economic opportunities for domestic businesses and population, contributing to the increase of their income and further stimulating the efforts of the state, and diversification of reforms.

MAIN PROBLEMS IDENTIFIED

- The following constraints and problems were identified: investment deficit caused by low efficiency of institutions and costs determined by the quality of public services provided to businesses, by the legal and regulatory framework, availability and skills of workforce, etc. This document also focuses on policy interventions that could improve the short and medium term situation, targeting specific sectors and sub-sectors.
- Deficiencies recorded on the labor market continue to persist, particularly those related to the qualification and training of human resources, as well as limited access to financial resources, poor transport and energy infrastructure, low infrastructure quality, gaps in information system, trade facilitation, tax policy and management, innovations and technology transfer, unfair competition.

- Creation of a competitive economy that would ensure sustainable and qualitative development is still a challenge. In order 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 required. Non-involvement in carrying out profound changes generated a situation when 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 organization of public consultations on the draft law on condominium, the event attended also by the experts from EBRD who presented information on the trends and European practice, as well as respective proposals of international experts for our country. In order to fulfill action no. 1 of the Action Plan on implementation of the measures for ensuring accessibility to social infrastructure, approved by the Government Decision no. 599 of 13 August 2013, in the period 31 October to 14 November 2013, thematic seminars were organized with participation of project architects and specialists responsible for project verification, architects - heads of districts, towns and municipalities of the country, where participants examined the possibilities of solving problems related to accessibility of people with disabilities to the existing social and cultural objects. It should be noted that about 70 percent of public institutions and social facilities buildings in the country do not have ramps for the access of people with disabilities. A new Roadmap for 2014 was drafted to develop an integrated planning framework for territory and regional development. The draft Regional Sector Programs in the field of Energy Efficiency of Public Buildings and Solid Waste Management in Development Regions North, Centre and South was elaborated.

IMPACT OF ACTIONS TAKEN

- The draft Regional Sector Programs in the field of Energy Efficiency of Public Buildings and Solid Waste Management will contribute to achieving national objective set in the National Program for Energy Efficiency 2010-2020 and in the National Action Plan for Energy Efficiency for 2013-2015 at the regional level. In order to achieve this objective an Action Plan was developed as component part of this document, which will identify the priority buildings for renovation. At the same time, detailing the planning process until the district level will provide necessary information for Energy Efficiency Local Programs that need to be developed by the local public authorities.
- Receiving necessary external funding for rehabilitation of access infrastructure for people with disabilities will have a positive impact on their social inclusion and facilitate their access to public institutions.

MAIN PROBLEMS IDENTIFIED

- So far, energy sources and alternatives achievable over a short period of time for the existing main provider are very poorly diversified; the only alternative is the construction of a gas pipeline Iasi-Ungheni, with the potential of its extension (Ungheni-Chișinău), process that requires time and identification of additional funds.

- 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.

Social and employment policy

MAJOR QUARTERLY DEVELOPMENTS

During the fourth quarter, a series of efforts were undertaken in this field. Key developments include approval of the National Action Plan for Employment for 2014. This document was developed under the National Strategy on employment policies for 2007-2015. The plan aims to solve the labor market problems by implementing the labor priority actions identified based on regular analyzes of the situation on labor market and proposals received from the central public authorities competent in the field, according to the financial and human resources available. Action Plan approved by the Government is structured according to specific employment guidelines set out in the National Strategy and includes 11 core objectives. Also, negotiations have been initiated to sign a social security agreement with Italy.

IMPACT OF ACTIONS TAKEN

- Implementation of the National Employment Action Plan will allow solving certain problems faced by the labor market and will reduce identified discrepancies.
- The signing of social security Agreement with Italy 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.

MAIN PROBLEMS IDENTIFIED

- The situation on the labor market registered no significant changes, and 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.

Commercial relations

MAJOR QUARTERLY DEVELOPMENTS

In the fourth quarter, this field was dominated by significant developments following the initialing of the Association Agreement, which also provides for the establishment of Deep and Comprehensive Free Trade Area with the EU. The signing of this Agreement is expected by the end of August 2014 and, after ratification procedures, it will enter into force. Once the free trade area will be created, Moldovan producers will have unlimited access to the Community market. However, only domestic products meeting European standards will be sold in the EU. At the same time, the obligation to meet sanitary and phytosanitary conditions will influence the

production cost, the fact that may diminish the attractiveness and competitiveness of domestic products. In order to minimize the risks related to low competitiveness of domestic products compared to European products, transitional periods for imports of certain groups of European products were provided.

In conditions of commercial restrictions imposed by the Russian Federation on the import of Moldovan wine, EU changed conditions of the Autonomous Trade Preferences, as a sign of solidarity, and eliminated the existing quotas on the imports of Moldovan wine products on the European market. In the context of the visit to Chişinău of the U.S. Secretary of State, John Kerry, the brand “Moldova's wines” was launched. Russian Federation continues to ban imports of Moldovan alcoholic beverages. A plan of action for the return of Moldovan alcoholic beverages on the Russian market was not set even after the evaluation visit carried out by Russian officials. Another positive development registered in the fourth quarter includes the EU decision to include Republic of Moldova in the list of countries that can sell processed eggs on the European market. During the same period, Moldovan Investment and Export Promotion Organization (MIEPO) initiated the procedure for collecting project proposals for 2014 within the program “Export Promotion and Investment Attraction”. In order to stimulate export activity, the first Forum of Moldovan Exporters was organized on 22-23 October by the Ministry of Economy and MIEPO.

During the monitored period, the draft Government decision on the MIEPO Statute was also introduced.

IMPACT OF ACTIONS TAKEN

- Following establishment of DCFTA, custom duties and other restrictions on trade between EU and Moldova will be mutually cancelled. This will stimulate and diversify the country's foreign trade, facilitating the access of Moldovan businesses to modern technologies used in the EU.
- The amendment of Autonomous Trade Preferences allowed export of Moldovan wines on the EU market without any quantitative restrictions starting from 1 January 2014. In addition, EU support also includes providing loans at a maximum rate of 7%, through its financial institutions, specifically for projects that aim at modernization and technical equipment of production capacities. Also, local producers received access through the European Investment Bank to the funding for purchasing necessary equipment in leasing.
- The launch of the national brand “Moldova's Wines” aims to improve the country's image as a producer of quality wines, strengthen its presence on traditional markets, and gain access to international markets.
- The draft decision of the Government aims at reforming MIEPO by reviewing its tasks and its operation methodology and making it more dynamic, based on the example of similar organizations from the EU countries.

MAIN PROBLEMS IDENTIFIED

- In the short term, DCFTA represents risks for the national economy, associated with increasing competitive pressures on domestic producers, especially in the agro-industrial sector. Therefore, the Expert Group estimates that, because of the need to

meet EU sanitary and phytosanitary standards, the production costs in the agricultural sector could increase by 8%. At the same time, the entire agro-food sector is likely to compress by 3%, causing relocation of work force in this sector.

- Although the Autonomous Trade Preferences included quotas on imports of Moldovan wine, they were not entirely fulfilled. Therefore, liberalization of the European market for local wine production is more symbolic. In real terms, exports may increase as a result of combined actions that include improvement of wine quality, reducing the price of production and effective promotion of the respective product on the market.
- Due to the restrictions imposed by the Russian authorities, local wine industry recorded about \$ 20 million losses. Obviously, the blocking of wine exports to Russia will create financial difficulties for producers oriented to CIS markets, and will also narrow the share held by domestic wine products on Russian market.

The Customs Service

MAJOR QUARTERLY DEVELOPMENTS

Developments in the fourth quarter included introduction of new measures aimed at simplifying customs procedures. Electronic customs clearance procedure of export goods was launched in accordance with the Government Decision no. 904 of 13 November 2013. Therefore, businesses, as well as custom brokers, will be able to fill in and submit electronic custom declarations based on a digital signature. Customs Service units received ISO 9001:2008 certification in quality management system. Customs Service has proposed a number of amendments to the Law no. 1380-XIII of 20 November 1997 on Tariff that aim at uniform application of the methods for determining the customs value of the goods, facilitating determination of the value of export goods and measures to prevent corruption. The Customs Value Guide was developed in order to inform businesses on issues related to evaluation of goods. Three other businesses received access to a simplified customs clearance in accordance with the criteria set out in the Regulation on simplified procedures approved by the Customs Service on 10 December 2012.

IMPACT OF ACTIONS TAKEN

- The digital signature is an indispensable element of electronic customs clearance, which is provided under the new procedure of electronic customs clearance of goods for export. The new procedure not only greatly facilitates the customs clearance process, but also represents a measure to combat corruption and reduce bureaucracy. It will allow monitoring and supervising the whole process, by also reducing financial costs and time required for customs clearance. Electronic customs clearance procedure also provides for automatic veterinary and phytosanitary control. Thus, the control of permits (certificates, authorizations) will be conducted electronically. It is estimated that the share of electronic customs declarations will gradually increase and in 2014, about 30% of declarations will be submitted electronically. Currently, electronic procedure is not mandatory and businesses may submit their declarations either electronically or on paper.
- The international standard certificate ISO 9001:2008 was awarded as a result of implementation of Quality Management System, following the assessment conducted

by EU experts. So far, the quality system based on international standard ISO 9001:2008 was piloted in Ungheni Customs office and the Central Apparatus of the Customs Service. In 2014, Customs Service plans to certify the other six customs offices.

- Amendments to the Law no. 1380-XIII of 20 November 1997 on Customs Tariff were introduced by the Law no. 275 of 15.11.2013 on the Amendment and Supplementation of Some Legislative Act. Therefore, businesses will become aware of the requirements of customs body related to the customs value of the goods, and they will be able to transport their goods even in case when establishment of final customs value is postponed, provided that a security is deposited. Also, the draft Law establishes necessary levers for verification by the customs authority of the price declared by the declarant, the fact that will prevent attempts of goods under-evaluation. Moreover, in order to exclude situations of conflicts of interest and anticipate cases of corruption, the law provides restrictions on employment in customs bodies.
- The simplified customs clearance regime includes the following benefits: access to the green control by excluding physical and documentary customs control; border crossing on a priority basis; clearance at any customs office, including in weekends; and access to consultations of customs authority. So far, 60 businesses were included in the list of entities with access to the simplified customs regime.

MAIN PROBLEMS IDENTIFIED

- Customs sector reform provides for simplification of the procedures and introduction of measures to reduce the incidence of corruption in the activity of customs bodies. However, the image of Customs Service among citizens remains unfavorable. This results from people's general perception of the high level of corruption in customs bodies, and more recently, from cases discrediting the integrity of certain Customs Service officials.

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

MAJOR QUARTERLY DEVELOPMENTS

During the monitoring period, the State Enterprise “Center for Applied Metrology and Certification” (CAMC) started to operate at all its capacity. An annual meeting of the Subcommittee on Trade and Investments RM-EU was organized in Chişinău, where participants discussed issues related to standardization, quality infrastructure and others. The launch of the twinning project “Strengthening metrology and standardization sector in accordance with the EU best practices”, planned for 2014, was also announced at the meeting.

During the fourth quarter, training sessions for MOLDAC authorities on implementation of technical regulations according to the EU legislation were also organized within the EU twinning projects. National Accreditation Centre (MOLDAC) and National Standardization Institute have established cooperation partnership in order to develop the National Accreditation and Conformity Assessment System and the National Standardization System and ensure compliance with European practices. MOLDAC has applied to the European Co-operation for Accreditation (EA) in order to sign the Multilateral Recognition Agreement - EA MLA.

In the same period, the Consumer Protection Agency has continued organizing information campaigns for consumers and businesses. Agency managers participated in a training course on the topic “From Control to Compliance - Best Practice in Management”, conducted within an EU twinning project.

Also, a draft Government Decisions on Approval of the Technical Regulation for Non-Automatic Weighing Instruments and on Approval of Legal Units of Measurement were presented for public consultation.

IMPACT OF ACTIONS TAKEN

- CAMC has an important role in the national system of quality infrastructure. The responsibilities of this institution include, among others, the following: standardization services, metrological verification, laboratory testing of food, testing of industrial products, testing of construction materials for roads, certification of products and management systems. Following the reform of the quality infrastructure system, institutions with regulatory functions were transformed into public institutions financed from the state budget. At the same time, the responsibility for providing paid services was delegated to CAMC in order to avoid conflicts of interest and ensure fair competition.
- Multilateral Recognition Agreement - EA MLA is a European level agreement, where the signatory parties mutually recognize their accreditations and reports/certificates issued by the bodies accredited by them. The agreement includes various fields and provides for regular mutual assessment. Accreditations awarded by IAF-MLA signatories are recognized globally based on equivalent accreditation programs, which allows reducing the costs for additional accreditations and consolidates confidence of consumers and businesses in the quality infrastructure.
- Information campaigns carried out by the Consumer Protection Agency aim at enhancing decisional capacity of the consumers by informing them about their rights and obligations. At the same time, business sector is informed about the compliance to the requirements of the law in force.
- Training seminars carried out under the twinning project focused on the transition from the old system of market surveillance, based on controls, to the new one based on the compliance of businesses and decisional capacity of consumers.
- Draft Government Decision on Approval of Technical Regulation provides for the harmonization of national normative framework with regulations of the Directive 2009/23/CE of the European Parliament and the Council of 23 April 2009 on Non-Automatic Weighing Instruments. This regulation aims at protecting the public against incorrect results of weighing operations performed with non-automatic weighing instruments in public areas (shops, hospitals, etc.). Moreover, its provisions will reduce trade barriers based on a simpler way of assessing conformity.
- The draft Government Decision on the Approval of Legal Measurement Units provides for the harmonization of national regulatory framework and transposing provisions of 80/181/EEC Council Directive of 20 December 1979 on the approximation of Member States legislation on measurement units, as amended by the Directive 2009/3/EC of the European Parliament and Council of 11 March. This will optimize the existing regulatory

framework, and, at the same time, will supplement the normative framework in this area. However, currently, national legal framework includes no regulations on legal measurement units – their sizes, units and definitions (used for economic, public health, public safety or administrative purposes).

MAIN PROBLEMS IDENTIFIED

- Information campaigns for consumers conducted by the Consumer Protection Agency should be more active and target also population from the regions. The role of consumers in the chain of quality infrastructure is very low; they still rely on quality control activities carried out by the responsible authorities.

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

MAJOR QUARTERLY DEVELOPMENTS

During the fourth quarter, the Working Group for Regulation of Entrepreneurship had periodical meetings, where it discussed regulatory and legislative acts, as well as impact analyses of these acts in various areas that are directly or indirectly related to entrepreneurship (customs procedures, product standards, etc.). Visibility of WTO Notification and Information Centers created according to the Government Decision no. 560 of 01.08.2012 was further reduced. In the context of initialling and future signing of the Association Agreement, which also includes DCFTA, these Centers will have to become an important informational support. Therefore, Ministry of Economy needs to resuscitate the activity of these centers (in terms of visibility, transparency) both to perform the tasks related to the WTO and future tasks to be introduced in case of DCFTA establishment.

IMPACT OF ACTIONS TAKEN

- The Group brings together for discussion the key actors in entrepreneurship with the purpose of improving relevant State policies based on vertical consultations.
- Overall, 5 WTO Notification Centers must operate: 2 within the Ministry of Economy, 1 within the Ministry of Agriculture and Food Industry, 1 within the Ministry of Finance, and 1 within the State Agency on Intellectual Property. The Centers' responsibilities include notification of the WTO Secretariat and the partner countries about regulations applied by Moldova that affect foreign trade. Also, they must ensure communication with partner countries and WTO Secretariat in order to take over changes operated by partner countries in the area of foreign trade regulations. Centers will also receive additional tasks related to information and notification about free trade agreement with the EU.

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 relations 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 fourth 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 the Centers can be determined by the difficulty to identify contact data of their employees 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 role of the Centers is not limited to the notification of the WTO, but also to the provision of information to the interested public (including exporters). Thus, the Ministry of Economy must fully implement the Government Decision and ensure sufficient visibility of the centers, which shall result in their efficiency and usefulness for local businesses. This task is imperative in the context of DCFTA establishment, when Centers will be tasked to provide information and notification related to the free trade agreement with the EU.

Sanitary and phytosanitary issues

MAJOR QUARTERLY DEVELOPMENTS

During the period under review, national authorities conducted, or were involved in, a series of activities related to sanitary and phytosanitary policies, carried out with EU external assistance (TAIEX) or with assistance provided by external development partners.

During the visit of the representatives of Food Industry Investigation Association from Spain (AINIA) an action plan for cooperation in food security was established between Moldova and Spain. In this regard, parties examined the joint project previously launched in Moldova "Creating the Central Reference Laboratory". Specialists from the National Food Safety Agency (NFSA) also attended training sessions on the functioning of TRACES system that allows centralization of veterinary documents for products that follow to be imported and exported to and from the EU. NFSA inspectors participated in the seminar "The use and safe storage of phytosanitary products", organized within the EU twinning project "Support to the Republic of Moldova in the field of food safety rules and standards for products of plant origin". Other twinning projects also included provision of advice and assistance from European experts in storing and keeping production, as well as training the NFSA staff to further receive standard certificate ISO 17020.

Members of the Moldovan Parliament brought corruption allegations against NFSA staff in case of mass poisoning recorded in the third quarter. In the same period, authorities responsible for food safety in the country received technical assistance from the EU (TAIEX). Both MAIA, ANSA and local producers of poultry were introduced to the rigors of EU poultry production. European experts also visited the poultry breeding units for meat production (farms) and units of poultry production (butcheries). Within TAIEX program, NFSA received support from a group of European experts related to the export of aquaculture products. European experts visited

several units of aquaculture production and/or processing, which are under veterinary supervision of ANSA, and also visited the Republican Veterinary Diagnostic Center (RVDC). Further activities with the participation of European experts took place within the project “International Consultant on meat classification of carcass”, which essentially aims at identification of opportunities for implementing European Regulations No. 1234 and No. 1249 and defines a system of carcass classification applicable to the Republic of Moldova. Another mission within TAIEX focused on providing advice and support to the implementation of legal provisions in the field of protection of chickens intended for meat production, in line with EU requirements.

Responsible persons from 16 veterinary and phytosanitary checkpoints subordinated to ANSA, located at the border and internal checkpoints, presented their activity reports.

A guide on good practices in the field of food safety was developed within “Competitive Agriculture in Moldova (MAC-P)” project, financially supported by external development partners. During the same period, Parliament adopted the Law no. 249 of 24.10.2013 on Amending and Supplementing Certain Acts, which sets out amendments to the Law No. 113 of 18 May 2012 on establishment of principles and general requirements of the food safety legislation. The draft Government Decision on amending and supplementing Government Decision no. 221 of 16 March 2009 on approval of the Rules on microbiological criteria for food products was also published. On 13 November, Government approved the process of initiating negotiations on the opening in Chisinau of the United Nations office of Food and Agriculture Organization (FAO). In the same period, a series of training seminars for NFSA local inspectors were conducted on the techniques of control and information of businesses on food safety and public consumption.

IMPACT OF ACTIONS TAKEN

- The use of TRACES system by the NFSA units provides access to the EU online database which monitors the movement of goods and animal products. With assistance of this system, NFSA may certify exported products by internet, but also receive online notifications from the EU on the products to be transported to Moldova, which are subject to sanitary-veterinary and phytosanitary control.
- EU regulations on the storage of phytosanitary products were discussed during the seminar “The use and safe storage of phytosanitary products”. The case of Lithuania was used to present the functioning of control system and traceability of illegal and counterfeit phytosanitary products.
- Technical assistance for the production of poultry meat, provided by the EU in 2013, will also continue in 2014. It will be directed towards strategic areas where national authorities have monitoring plans of residues that correspond to the European requirements.
- The “International Consultant on meat classification of carcass” project focuses on implementation of EU Regulations no. 1234 and no. 1249 in the Republic of Moldova, targeting export of local meat to the European market. Regulation no. 1249 requires classification of animal carcass according to the European classification SEUROP, and to the degree of their coverage with fat. At the same time, Regulation No. 1234 sets out principles of common organization of agricultural markets and provides methods for

reporting, identification and classification of carcass. Thus, all owners of butchers that slaughter more than 20 cattle, sheep and more than 60 pigs per week will have to classify slaughtered animals, regardless of whether the production is exported or sold in the country. NFSA will be the only control authority, responsible for implementing the system of carcass classification. So far a draft law was elaborated that provides for the classification of carcass according to the degree of coverage with fat and according to SEUROP in the part related to physical parameters of carcasses.

- The ISO 17020 certificate will allow international recognition of national institutions in the field of food safety. At the same time, meeting the European requirements of ISO 17020 standards will contribute to enhancing the quality of domestic products that will have a positive influence on export potential, providing better conditions for population's health.
- The Guide on good practices in the field of food safety is intended for ANSA inspectors and food sector operators. The guide illustrates how to carry out official control of the food units and indicates the rules of conduct that need to be observed by businesses in this area. It also includes good practices and hygiene principles related to the organization and carrying out of activities of procurement, transportation and storage of food samples.
- Amendments to the Law no. 113 of 18 May 2012 refer to Article 18 and provide that NFSA is transferred under the Government. Also, within two months, Government must adjust its normative acts to the Law on food safety and come up with proposals to the Parliament related to the need to adjust the legal framework.
- Amendments and additions to the Government Decision no. 221 of 16 March 2009 on approval of the Rules on microbiological criteria for food products require harmonization of national normative act to the additions made to the main community act through the Regulation (EU) of the Commission no. 365/2010 of 28 April 2010. The amendments will enable food sector businesses to abide by the General and Special hygiene rules. An update of microbiological criteria for food products is also regulated, which will help to streamline the food safety oversight.
- Establishment of FAO office will help expand activities and streamline collaboration with national authorities in the field of agriculture and rural development.
- 118 NFSA local inspectors and 40 food businesses attended training seminars organized by the NFSA. Information provided to inspectors related to the organization and conducting the sampling, transportation, storage of food samples and control techniques of the products and prevention of poisoning. Information distributed to businesses included rules related to the observance and insurance of food safety in the population service activity, including recommendations arising from the Good Practice and Hygiene Guide.

MAIN PROBLEMS IDENTIFIED

- ANSA low visibility and lack of major results in its activity, especially in resonance cases, raises questions about its efficiency. Further, population's trust in the national food safety system is low. In the absence of an adequate response from the authorities responsible for fighting corruption, involvement of NFSA in the disputes arising between

different political actors creates preconditions for eventual politicization of the institution and damages its image.

- Visits of European experts to the production units in various fields (example of poultry) are not accompanied by evaluation notes accessible to mass-media and general public in order to elucidate the level of training and difficulties faced by the authorities, as well as domestic producers in the process of compliance with the European requirements.
- In addition to the EU technical assistance provided to authorities through the TAIEX program, activities aimed at informing and training producers in the following areas should be further supported: streamlining production management, compliance with European standards, etc. Furthermore, activities carried out through TAIEX and Twinning must combine the provision of advice and expertise with more concrete assistance that would directly impact the production sector (providing equipment, financial assistance to adjust to the requirements of European production, etc.).
- Border veterinary and phytosanitary control is an important element for a robust food safety national system. Therefore, NFSA will ensure the establishment and effective functioning of its offices within the customs offices. Or, the mass poisoning that occurred in the 3rd quarter revealed existence of certain deficiencies in the process of ensuring adequate control of food products at the customs checkpoints.

The right of establishment and company law

MAJOR QUARTERLY DEVELOPMENTS

Key developments include approval of the National Plan for harmonization of legislation for 2014 to ensure implementation by the Government of its commitments related to gradual harmonization of national legislation with *acquis communautaire*. This plan foresees transposition of 83 EU acts. National legislative measures that will transpose these acts include 58 drafts, of which 16 laws, 31 government decisions and 11 departmental acts. Over 40 documents are proposals of new acts, and 15 are proposals for amending the existing acts. The draft has been coordinated with all interested public authorities and includes important areas, such as: standardization, companies, accounting and auditing, financial services, agriculture, intellectual property, health and labour safety, environmental protection, competition, aviation, energy, security and justice. The Ministry of Justice has also drafted a new draft law that regulates a special simplified procedure for harmonization of national legislation with the legislation of the European Union. This document needs to be approved by the Cabinet of Ministers. Simultaneously, Government has in principle approved the draft Law on amendment of the Law No. 171 of 11 July 2012 on the capital market. The initiative was elaborated in collaboration with experts of the World Bank and International Monetary Fund.

IMPACT OF ACTIONS TAKEN

- National Plan for Harmonization of Legislation for 2014 comes to propose a structured agenda for the Government on the priorities for harmonization of legislation.
- This initiative will establish, first of all, a better protection for investors in the largest enterprises of the Republic of Moldova. The main purpose of this amendment is to impose a stricter control on how to keep record of information related to shareholders

of joint stock companies in our country. These amendments were introduced as a result of raider attacks that occurred regularly in Moldova in the last at least ten years, but which became known to the general public only since 2011, along with attacks on certain foreign investors. Independent registrars, businesses that carry out this entrepreneurial activity will be required to report to NCFM all changes occurred in ownership of shares in the public interest entities. Thus, it will be much more difficult to carry out “raider attacks”, which represent an overnight change of the owners of shares in companies, by a mere court decision. As a result, the protection of investments in companies registered in the Republic of Moldova will be enhanced. These provisions will come into force after their approval by the Parliament.

MAIN PROBLEMS IDENTIFIED

- Deficiencies found in the process of ensuring a healthy competition in entrepreneurship environment still persist, and the market is characterized by uncertainty and high transaction costs. Moldova ranks 83rd out of 185 economies according to the *Doing Business* report, and 87th out of 144 economies according to the Global Competitiveness Report. Companies continue to face significant barriers in their work, starting from obtaining licenses for certain types of activities, importing goods, access to and obtaining cheap financial sources and deficient competitive environment. However, measures have been taken in order to reduce and eliminate these deficiencies, but their implementation requires time and significant efforts from all stakeholders.
- Moldova still faces difficulties in attracting direct foreign investments (FDI) in its 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, such as high level of corruption, present at practically all levels. Deficiencies in the labor market add to these constraints and can affect investment attractiveness in the long-term. Moreover, internationally, Moldova is perceived as a country with a very high risk level, although the level of investment protection registered some improvements compared to the previous period.

Services

MAJOR QUARTERLY DEVELOPMENTS

In the fourth quarter, electronic sector continued to be one of the most dynamic sectors. Therefore, the governmental electronic service of authentication and control of access in the information system (MPass) has been established. “Mobile Signature” became accessible free of charge. Also, Government approved the draft law on electronic signature and electronic document. Initialling the Association Agreement and establishment of DCFTA will also raise the question related to the liberalization of service sectors, including state monopoly services.

IMPACT OF ACTIONS TAKEN

- Mpass service will allow citizens to login online when accessing public electronic services. At the same time, application of this system will streamline the activity of public institutions that provide electronic public services, due to the fact that it will

allow the use of a single platform for authentication and electronic identification within informational systems.

- “Mobile Signature” is free of charge and can be requested from the mobile operators, Orange and Moldcell. This allows online verification of citizen’s identity, as natural person or legal entity. Various electronic services can be accessed through mobile signature, and documents, reports and statements or online applications could be signed by institutions from the distance. Currently, the following e-Services could be accessed electronically by using “Mobile Signature”: e-CNAM, e-CNAS, e-Licensing, income declaration. It is envisaged to also integrate other electronic services: e-invoice, e-Cadastre, e-civil status.
- The draft law on digital signature regulates establishment of three types of electronic signatures: simple, advanced unqualified and advanced qualified. Simple signature allows encryption of the content, and obtaining comparison figure. The first two types of signatures will be used in relations between businesses. Advanced qualified signature will be applied in the electronic identity card. This could be used for providing electronic services for population. Starting from March 2014, electronic identity cards will be issued with digital signature incorporated inside.

MAIN PROBLEMS IDENTIFIED

- Liberalization of service sector represents one of the DCFTA objectives. However, state-owned companies continue to have a major share in certain sectors (telecommunications, postal services). Privatization process initiated by the authorities may contribute to the liberalization process; however it is negatively perceived, in particular, because of the irregularities detected in case of BEM privatization and concession of Chisinau International Airport.

Financial services

MAJOR QUARTERLY DEVELOPMENTS

One of the major developments in this field was elaboration and public discussion of the draft Regulation on granting, suspending and revoking authorizations and licenses on the capital market. The draft aims at implementing the Law on the capital market in order to establish the conditions for granting, suspending and revoking licenses and authorizations for carrying out activities on the capital market that needs to comply with European practices in the field, to ensure state control of the activities of licensed or authorized persons, and to protect the interests of investors. Simultaneously, the new version of the draft Regulation on the disclosure by the Moldovan banks of information related to their activities was elaborated and publicly discussed. The draft aims at improving standards for promoting the comparability, relevance of both qualitative and quantitative information related to bank’s financial performances, financial position, accounting policies, management activities, including criteria and the method of disclosure by the bank of information on shareholders and/or groups of persons acting in concert and holding substantial shares in the share capital of the bank, as well as their effective beneficiaries.

IMPACT OF ACTIONS TAKEN

- The draft Regulation incorporates changes associated to both qualitative and quantitative information (in the context of enlargement) related to economical-financial activity, to the report of external audit, providing services and products, and bank governance.
- Proposed amendments and additions will lead to promoting the disclosure of information that will contribute to raising the level of market discipline and will help the public to understand the banks' risk exposure during the financial reporting period and, as a result, to further strengthen the banking system.

MAIN PROBLEMS IDENTIFIED

- Monitoring the risk of fraudulent acquisition and its prevention continues to be a complex and difficult process, especially given the continuing deficiencies within the justice system and the high level of corruption in the country.
- It is still not clear how to ensure security of personal data and security of non-cash transactions in the country, as related risks are significant, by also taking into account the experience of other countries in this regard.

Circulation of capital and current payments

MAJOR QUARTERLY DEVELOPMENTS

The key developments in this field include approval of the Roadmap for the Government's actions to eliminate critical constraints in the way of businesses, which will have a positive impact on the circulation of capital and attraction of new investments in the national economy. The Roadmap includes about 90 legislative and regulatory measures and 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 ACTIONS TAKEN

- Implementation of planned reforms will contribute to the increase of attractiveness of national economy for foreign investors and, accordingly, will lead to its better development through the use of its full potential.
- Direct foreign investments have significant effect on the economies of host countries, and the most important effects are related to the 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 in the judicial system and in public authorities, the fact that affects the level of investments in the economy and implicitly the circulation of capital. However, the undertaken efforts inspire some hope.

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

MAJOR QUARTERLY DEVELOPMENTS

Major progress has been registered in this area in the respective period, due to the positive endorsement by the European Commission of the liberalization of visa regime for Moldovan citizens. This document was supported by the European Parliament and the EU Council, which shall adopt final decisions in this regard. At the same time, Moldova signed a Social Security Agreement with Hungary in November 2013. So far, Republic of Moldova signed similar agreements with Austria, Belgium, Bulgaria, Czech Republic, Estonia, Luxembourg, Poland, Portugal, Romania. Negotiations for signing similar draft agreements were launched with Italy and Turkey.

On the other hand, during the visit to Chisinau of the official from Federal Migration Service of the Russian Federation, Moldovan side stressed the need to speed up the signing of bilateral agreement on labor migration. In order to better manage the migration flow, the parties have analyzed the possibility of elaborating an agreement on organized employment of Moldovan workers in the Russian Federation.

IMPACT OF ACTIONS TAKEN

- Social security agreement provides for the protection of social and economic rights of emigrated Moldovans. Provisions of this agreement apply to 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 states has to pay the part of the 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. Such agreements can contribute to the well-being of future pensioners, who are currently migrants, and, thus, ensure protection of social and economic rights of Moldovan citizens who left to work in these countries.
- Liberalization of visa regime for Moldovan citizens, proposed by the European Commission and provisionally approved by the main EU institutions, will be carried out following the amendment of Regulation 539/2001 on the abolition of visa regime for short-term stay in the Schengen area. According to authorities' forecasts, the new visa regime will come into effect at the end of 2014 and will be available only to holders of biometric passports. In addition to the social and cultural aspects, visa waiving will have an economic impact by stimulating circular migration.

MAIN PROBLEMS IDENTIFIED

- Signing of social security agreements needs to be accompanied by information component, which would include information campaigns for Moldovan citizens, especially those who work in the countries concerned. Thus, authorities must distribute detailed information on the following aspects: general provisions of agreements, mechanism for payment of allowances, eligibility criteria and list of documents required for collecting these allowances.
- In order to exclude any possible abuses or irregularities as a result of the failure of the citizens of beneficiary countries to comply with liberalized visa regime, the EU will be able to apply a mechanism for suspending this regime by temporary reintroducing the visa requirement. In this respect, Moldovan authorities must ensure an effective border management, security and public order and respect for fundamental human rights and freedoms. In order not to damage the EU visa regime offered for Moldovan citizens, it is also necessary to develop tools and mechanisms for anticipation and settlement of emergencies that might occur as a result of the lack of control over Transnistrian region.

Taxation

MAJOR QUARTERLY DEVELOPMENTS

In the fourth quarter, Government approved the draft law on increase of non-taxable limit, from 200 to 300 euros, of the customs value of the goods entering the territory of Moldova. According to this draft, farmers will be exempted from VAT on imported tractors to be used for agricultural purposes in order to ensure modernization of agricultural sector. Also, the VAT rate of 8% was reintroduced to replace the standard VAT rate of 20% for the primary agricultural products and beet sugar. Additionally, the time limit for VAT and customs duty payment was extended and it shall be paid within 180 days after importing raw materials, accessories, primary packaging and completion items used exclusively for manufacturing goods for export. A cooperation project between the Main State Tax Inspectorate and the Swedish Tax Agency was launched on tax administration reform.

The draft Government Decision on approval of the Program for development of internal public financial control for 2014-2017, developed in order to implement provisions of EU best practices, was presented in the same period. This program complies with the provisions of the Law on public internal financial control and Development strategy in public finances management 2013-2020. The Twinning project "Strengthening Public Financial Management in the Republic of Moldova" was completed. This project aimed at improving public financial management through implementation of a public internal financial control system in the country, based on the concept of managerial accountability for the use of public money.

IMPACT OF ACTIONS TAKEN

- Introduction of 20% VAT from 1 January 2013 decreased the competitiveness of domestic agricultural products compared with imported ones. Negative effects of this decision included: the decrease of investments in the sector, unfair competition between farmers and sugar smuggling from Ukraine. Therefore, the decrease of VAT on agricultural products and sugar from 20% to 8% will significantly improve the situation in the sugar industry.
- The cooperation project between tax authorities from Moldova and Sweden envisages elaboration of a methodology to improve the efficiency of tax administration, combating corruption, reducing bureaucracy and introducing more benefits for citizens.
- The program for development of public internal financial control for 2014-2017 aims to promote a higher degree of managerial accountability in the use of public funds through the following measures: development of financial management and control system; implementation of effective systems of financial management and control; strengthening the internal audit function.

MAIN PROBLEMS IDENTIFIED

- Moldova has not yet managed to conclude Conventions to avoid double taxation with some countries that it maintains relatively intense economic relations with, such as France, Greece, or the Netherlands.

Competition policy

MAJOR QUARTERLY DEVELOPMENTS

One of the key developments represents elaboration and approval of the Regulation on the state assistance for research, development and innovation. It transposes the norms to the categories of beneficiaries of state assistance for research, development and innovation, and criteria for granting state assistance indirectly to the enterprises through science and innovation organizations. This Regulation provides criteria for granting state assistance for research, development and innovation, such as: the intensity of assistance, eligible costs, conditions for providing assistance and conditions regulating the cumulation of assistance. Simultaneously, the Regulation on the assessment of anticompetitive agreements related to technology transfer was approved, transposing European standards in this field and establishing the general framework for assessment of agreements related to technology transfer. Regulation on assistance granted for protection of environment, which transposes the norms to the categories of aid beneficiaries for protection of environment, was also approved.

IMPACT OF ACTIONS TAKEN

- Creation of DCFTA with the EU and extending 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 competitiveness of 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.
- Deep rooted corruption at virtually all levels, a phenomenon that is not unknown to national economy sectors, constitutes a significant impediment to the capitalization of economy's full potential. Detecting hidden interests, cartel agreements and other types of actions aimed at strictly following their own benefit at the expense of others is a very difficult and arduous process. Persistence of a relatively high level of public distrust in the system represents an important factor.

Intellectual and industrial property rights

MAJOR QUARTERLY DEVELOPMENTS

During this period, AGEPI and the European Patent Organization (EPO) signed an agreement validating European patent and EPO patent applications in Moldova. The right to use the name of the state for a number of trademarks, used by local businesses, was extended. Therefore, Commission responsible for granting permission to use official or historical names in the product or service trademark has extended this right for another 10 years for the following trademarks: "Air Moldova", "Moldova Agroindbank", "Livada Moldovei" and "Statistica Moldovei". Additionally, decisions were taken to grant permission for new trademarks, such as "Aroma Moldovei" and „Natura Moldovei". At the same time, Commission rejected the right to use the term "Moldovan" in the trademarks: "Три молдована", "Молдавский барон". In December 2013, the State Agency for Intellectual Property (AGEPI) conducted training seminars for judges on the particularities of settling disputes related to protection of intellectual property (IP). Also, AGEPI initiated training seminars for granting professional qualification of "intellectual property adviser" for the period October 2013 - February 2014. Together with the Chamber of Commerce and Industry, AGEPI launched the contest "Trademark of 2013" with the participation of local and foreign trademark holders, present in the country.

During the meeting with representatives of EUBAM mission in November, AGEPI presented the results of its activity related to IP protection in 2013, including: the approval of the National IP Strategy and Action Plan; implementation in the national

protection system of EU rules on customs intervention in IP; creating Observatory aimed at monitoring the observance of intellectual property rights; signing the interdepartmental Order on the creation of Unique Information System in the field of intellectual property, etc.

IMPACT OF ACTIONS TAKEN

- The Validation Agreement signed by AGEPI and the European Patent Organization (EPO) aims to simplify the access to patent protection in Moldova and recognition of European patents in the country. This agreement may help to increase the patent quality, stimulate innovation and technology transfer, generating thus a more attractive investment climate. This agreement envisages granting of technical and legal assistance from EPO for implementation of the validation system.
- Training seminars with participation of judges, conducted by AGEPI, aimed at studying the recent judicial practice related to intellectual property litigation. Topics discussed related to observance of intellectual property rights, including disputes involving copyright and related rights.
- Training courses for receiving qualification of "intellectual property adviser" aim at creating professionals in the field of IP protection. These courses include subjects related to the protection of intellectual property items, such as: inventions and patent information, trademarks, geographical indications, origin names and guaranteed traditional specialties, etc. In addition to advancing the knowledge of IP protection system, training courses are also designed to increase the quality of patent applications, and the ways of protecting them, given the country's integration into the European Research Area.
- The objectives of the contest "Trademark of 2013" include presentation and promotion of domestic trademarks highly valued both on local and foreign markets.

MAIN PROBLEMS IDENTIFIED

- Training courses for professional certificate of "intellectual property adviser" are conducted only by AGEPI specialists, and Romanian language is the only language used during the training. In order to ensure proper application of European regulations, which are currently transposed in national legislation, it is imperative to attract specialists in IP protection from European countries. They may also be involved in the final assessment of the trainees, the fact that will improve the evaluation of their knowledge and the granting of certificates. Moreover, training courses must also be conducted in English language as additional language of the training. As a result, this could facilitate a faster access to the European legislation, which was initially elaborated in English language and only later translated into other official languages of the EU.

- Validation agreement signed by the AGEPI and EPO represents an intermediate step in adjusting national patent system to European standards. However, Moldova's accession to the European Patent Convention needs to be speeded up in order to ensure reciprocity in recognition of patents.

Public procurement

MAJOR QUARTERLY DEVELOPMENTS

A series of training activities for the employees of Public Procurement Agency on the topics related to combating corruption, ethical conduct, resolving conflicts of interest and others were organized in the fourth quarter. A positive development was registered in improving the conditions for implementation of public procurement. The Automated Information System "State Register of Public Procurement" (AIS SRPP) is operating and is regularly updated.

IMPACT OF ACTIONS TAKEN

- Activities related to the training of Agency officials were organized both by national authorities responsible for combating corruption, as well as by civil society representatives. Transparency International Moldova organized a seminar on "Managing conflicts of interest in public service", focused on the application of corruption policies, conflicts of interest, reporting, treatment and resolution of situations of conflict of interest. Agency officials have been trained by representatives of National Anticorruption Center regarding the employees' integrity, anti-corruption policies, and ethical conduct of public officials.

MAIN PROBLEMS IDENTIFIED

Cases related to "arranged tenders" are further elucidated in mass-media. This problem can be especially encountered in smaller communities, lacking transparency of public procurement.

Statistics

MAJOR QUARTERLY DEVELOPMENTS

The key development in this field includes elaboration and submission for public debate of the draft questionnaires for the Population and Housing Census of 2014 to be organized in Moldova on 1-14 April 2014. It is necessary to mention that they have been developed in accordance with recommendations of the Conference of European Statisticians on conduct of population and housing censuses.

IMPACT OF THE ACTION TAKEN

- The conduct of population and housing census according to new internationally accepted standards will allow collecting and creating timely and reliable informational resources on the number of the 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 central and local public administration of all levels and for determination of the country's social and economic development perspectives.
- The results of population and housing census are important for providing policy makers with statistical data necessary for elaboration of economic and social development policies at the national and territorial levels; increasing the level of information of internal and external users of statistical data (central and local public administration, businesses, NGOs, international organizations, individuals, the media, etc.); subsequently promoting integration in the international information space, in particular of the European Union, and therefore a greater awareness about the Republic of Moldova abroad.

MAIN PROBLEMS IDENTIFIED

- Although efforts are made to update the methodology for 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 the analysis of trends and research in the fields concerned more difficult.

Financial control and related aspects

MAJOR QUARTERLY DEVELOPMENTS

During the fourth quarter, the Court of Accounts adopted 5 decisions related to audit reports on management of public property by local public authorities in two rayons of the country, on regularity of financial management in 2012 in the Ministry of Environment and National Environmental Fund, budget execution within public institutions, real progresses and prospects of automatization of processes in the field of internal affairs, and management of public finances and state assets by the Academy of Sciences of Moldova and some subordinated organizations in the field of science and innovation in 2009-2012. As a result of the conducted 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 ACTIONS TAKEN

- Conducting 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 detected in this way, so that necessary measures are taken to remove the existing deficiencies.

MAIN PROBLEMS IDENTIFIED

- However, most of the recommendations issued by the Court of Accounts remain on paper and are executed to 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

One of the main developments in this area was the establishment of a new institution, and namely the state enterprise "Center for Applied Metrology and Certification" (CAMC), created based on the former National Institute for Standardization and Metrology, state enterprise "Center for Standardization and Metrology in Balti" and state enterprise "Center for Standardization and Metrology Ceadâr Lunga". This institution is to provide services for calibration, metrological verification, laboratory tests on foods, testing of industrial products, testing of construction materials for roads, certification of products and management systems. Simultaneously, Government approved the draft law "on Amendment and Supplementation of Some Legislative Acts", called Guillotine 2+, which refers to legislative acts that regulate economic activity. Legislative amendments compel authorities to introduce single window and provide an exclusive list of documents which may be required from businesses. The Network of Business Incubators was launched in Moldova (NBIM) and the Association Agreement of Business Incubators from NBIM was signed by managers of Business Incubators in Soroca, Ștefan Vodă, Leova, Rezina, Sângerei și Dubăsari rayons, which currently include 86 enterprises. The Network of Business Incubators in Moldova (NBIM) is a cooperation platform created based on voluntary agreement of its members to promote the role of Business Incubators in economic development and their recognition at the national and international level.

IMPACT OF ACTIONS TAKEN

- The quality infrastructure system reform aims at ensuring competitiveness of domestic products both on the local and foreign markets, particularly in the context of the Agreement establishing the free trade area with the EU.
- Approved amendments to the sectoral legislation come to supplement framework legislation on authorizations and single window in entrepreneurial activity, which have been previously approved, and increase transparency and predictability of the regulatory framework in this regard. An important objective of the draft law aims at applying the principle of single window, allowing the

transfer of a number of activities, which until now were carried out by entrepreneurs, to the relevant public authorities, while significantly reducing the costs for obtaining authorizations.

- Joining NBIM will provide Incubators with an opportunity to implement jointly and with greater efficiency development projects and programs, as well as to exchange experiences and best practices. NBIM will have representative powers in negotiations with the state and other relevant development actors, as well as will provide support and advice Business Incubators on resolution of various problems. NBIM will help promoting principles of business incubation among the population and especially novice entrepreneurs, expanding capacity development of Business Incubators and their residents and consolidating absorption capacity and efficient use of public or donor funds.

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 security, 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 low competitiveness, hinder the development of industrial sector. The main focus should be placed on facilitating cross-border trade, developing tax and customs administration, removing bureaucratic barriers to receiving 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, reform of vocational and technical education is absolutely necessary to bring it in compliance with the labor market requirements. Also, development of informal sector, deficiencies in availability of qualified personnel, high transaction costs and a high country risk lead to difficulties in attracting foreign investments into the country and, accordingly, to renewing technologies applied in industry.
- There are still deficiencies in public procurement processes, which do not always correspond to the principles of ensuring transparency. It is necessary to ensure conducting of more competitive tenders and to intensify the quality audit of such tenders. 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

During the monitoring period, authorities initiated the process of establishment of Naval Agency of the Republic of Moldova, by merging Public Institution "Port Authority Giurgiulești" and State Enterprise "Register of Shipping". Duties of the newly established institution include supervisory and control functions related to shipping, to ship registration and examination of their technical condition. During their visit to Chișinău, Moldovan and Romanian authorities agreed to intensify bilateral cooperation in order to increase the assimilation of European funds in the field of transport. In this regard, parties decided to establish expert groups for all types of transport. They will be responsible for identifying major investment projects, which will be subsequently submitted for funding to European financial institutions. In other Moldovan-Romanian meetings, parties discussed the possibilities for restoring infrastructure destroyed during the World War II (bridges Ungheni - Iași and Leca - Fălciu). This subject was also discussed by Moldovan officials with the Vice President of European Commission, Siim Kallas, Commissioner for Transport, who specified that projects related to connecting infrastructure of the Republic of Moldova to the European transport infrastructure could be financed from the European Neighborhood Policy funds. Despite the reported irregularities and requests to cancel competition results, the Cabinet of Ministers reaffirmed its decisions, by Government Decision of 4 October 2013, to transfer concession of state enterprise "Chisinau International Airport" to the Russian company "Avia-Invest". However, the entry into force of this decision was conditioned by its examination by the Constitutional Court, which finally suspended examination of constitutionality of Government's decision of 30 May 2013. Subsequently, at the request of the Prime Minister, the text of the concession contract was published on the official website of the Ministry of Economy. In order to ensure compliance with the contract provisions, the Prime Minister ordered establishment of a monitoring group under the Ministry of Economy responsible for presenting weekly reports on the compliance by the concessionaire with contractual provisions. Following the Air Services Agreement signed between authorities of the Republic of Moldova and the United Arab Emirates (in September 2013), the FlyDubai company started operating regular flights (on Wednesdays and Sundays) from Chisinau airport beginning with November 2013.

In the fourth quarter, the Government has put forward the draft Decision for establishing the Railway Agency and for approval of the Regulation on its organization and functioning, in order to harmonize the national legal framework with the EU legislation on railway safety (certification of railway operators, authorization of infrastructure managers, licensing of drivers, authorization of rolling stock, etc.).

IMPACT OF ACTIONS TAKEN

- Creating a uniform shipping institution corresponds to the status of the Republic of Moldova as a "pavilion" state and "port" state and corresponds to the need

- for better monitoring the work of national and foreign shipping navigating within Moldovan pavilion. This will strengthen the efforts to improve the quality of ships registered in the Republic of Moldova. Also, as a result of the control carried out by this institution, prerequisites for improving the country's image on international level will be created.
- Moldovan-Romanian cooperation in infrastructure can create opportunities for the development of strategic projects with European funds. Possible projects include: construction of a new bridge over the River Prut in Ungheni rayon; modernization of railway, including construction of European gauge Ungheni-Moldova segment; as well as joint investment projects in the field of river navigation, which would provide for the development of navigation routes on river Prut.
 - The shares of the State Enterprise *Chisinau International Airport* were transferred in concession for a period of 49 years. Concession shall be accompanied by investments amounting to 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 extend the car parking area.
 - 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.
 - Regulation of Railway Agency aims at improving the rail safety control; monitoring compliance of the interoperability constituents; recording rolling stock; gradually achieving the common safety objectives (CSOs) and common safety methods (CSMs) in order to maintain and improve the safety level; certification of railway operators and authorization of infrastructure administrators/managers.

MAIN PROBLEMS IDENTIFIED

- Cooperation with Romanian partners to develop projects for road transport and infrastructure, which aim at connecting to trans-European transport networks, is vital. However, the proper tools to ensure efficient use of funds need to be identified with assistance of European institutions. This will allow anticipation of problems often raised in case of Romania, such as reduced absorption of European funds or European funding fraud.
- Defective concession of "Chisinau International Airport" and its effects may endanger the company's further development both during the concession (49 years) and thereafter. Lack of transparency and attempts to speed up adoption

of a final decision, despite irregularities disclosed, compromises the image of central authorities, creating doubts regarding the correctness of privatization process of state assets. Or, transparency of concession or privatization procedures denotes proper management of public assets, and further ensures its sustainable exploitation and development.

Informational society

MAJOR QUARTERLY DEVELOPMENTS

During the monitoring period, the ICT sector has registered a number of positive developments, particularly related to e-government and e-government transformation. Therefore, a decision was adopted to establish e-government service for authentication and control of access to information system (MPass) as element of Government's common technology platform. New electronic civil status services were introduced in use, such as: duplicates of civil status certificates, civil status extracts and modification or rectification of civil status certificates. Government presented the draft decision on approval of the Automated Information System "Sports Registry". Application of "Mobile Signature" was also introduced, which allows free signing of documents in electronic format.

In the fourth quarter, the 2014 Action Plan on the implementation of Strategic Program for governance technological modernization was approved. Government approved the draft law on electronic signature and electronic document. Following the Decision of the Government on electronic identity card, adopted in the same period, the electronic identity card becomes the only multi-function card, which will ensure electronic processing of legal documents, as well as accessing information from informational systems and resources. Also the draft Government Decision on the approval of 2020 eHealth National Strategy and the draft Government Decision on the approval of Technical Regulation "Internal Information Infrastructure of public administration authorities" were presented for public consultation.

Agricultural Information Centre was opened in the context of electronic transformation of agro-industrial sector. Government announced its intention to create a task force, which will include representatives of public-private sector, on implementation of the Information Development National Strategy "Digital Moldova 2020", with focus on cyber security. This initiative was announced at the first forum on cyber security organized in Chisinau, in the context of events "The month of cybersecurity in Government", organized by the Center for Electronic Governance (CEG) within European events "The European month of cybersecurity." In this context, discussions were initiated on development of Action Plan on cybersecurity in Government (2013-2015).

IMPACT OF ACTIONS TAKEN

- MPass service will provide citizens with the possibility to login in online when accessing public electronic services. At the same time, application of this system will streamline the activity of public institutions providing electronic public services, because it will allow the use of a single platform for authentication and electronic identification within information systems. Moreover, public institutions concerned will not require their own infrastructure, which could generate additional costs.
- 2014 Action Plan on technological modernization of governance includes measures such as: launch of Agricultural Digital Registry and Information Record System, management and control of files submitted for funding; establishment of information system "e-ANSA" on Management of import-export monitoring activity in the context of ensuring sanitary and phytosanitary requirements; creating an information system for recording immovable sales transactions; creating an information system for submitting online and monitoring income and interest declarations; launching the Registry of controls carried out by institutions with control functions etc; creating information system "e-permits for conducting trade activities based on single window" etc. Additionally, the Plan envisages creating conditions for online application to higher education institutions, as well as development of information system for authentication, legalization and recognition of diplomas. It is also planned to continue digitizing the archive of civil status certificates and launching digitization of cadastral documents.
- The draft law on digital signature envisages establishment of three types of electronic signatures: simple, advanced unqualified and advanced qualified. The single signature allows encryption of the content, and obtaining comparison figure. The second type of signatures will be applied on a non-certified support. The first two types of signatures will be used in relations between businesses. Advanced qualified signature will be applied in the electronic identity card. It could be used for providing electronic services for population. Starting from 01 March 2014, electronic identity cards will be issued with digital signature which will be incorporated inside. Application of electronic signature and electronic document are requirements set out in the Association Agreement.
- Electronic ID cards will be issued starting from 01 March 2014. The new ID card will include personal data in printed and electronic format, which will be stored in an embedded chip, and will also include individualization and security elements. At the same time, personal data will further be stored in information systems belonging to responsible public authorities, where citizens have access. Electronic identity cards will be issued simultaneously with the existing types of identity cards, and citizens will be able to choose between traditional and electronic identity card. Electronic identity card will reduce bureaucracy and corruption and will improve efficiency of state institutions. In addition to an embedded chip, electronic identity card will also include digital signature.

- Electronic civil status services, which were recently launched, will provide citizens with the opportunity to apply electronically for the following certificates: duplicates of civil status certificates, extracts of civil status certificates and modification or rectification of civil status certificates. Documents included in the three civil status electronic services include: duplicate of birth certificate; duplicate of marriage certificate; duplicate of divorce certificate; duplicate of death certificate, extract of birth certificate; extract of marriage certificate; extract of divorce certificate; extract of death certificate. These services can be accessed on the government portal servicii.gov.md, by using Mobile Signature or Digital Signature, and payment can be made through governmental electronic payment service Mpay.
- National Strategy eHealth 2020 includes medium-term priorities of the public health sector, opens the way for future requirements of the public sector eHealth, and lays foundation for future integration and coordination of all eHealth type initiatives in the country (both in the public and private sector).
- Approval of the Technical Regulation "Internal Information Infrastructure of public administration authorities" envisages technical integration of state information resources in order to meet the interests and needs of citizens, business and the state.
- "Mobile Signature" became free of charge. This allows online probing of citizen's identity, as natural person or legal entity. Various electronic services can be accessed through mobile signature; different documents, reports, statements addressed to institutions or online applications can also be signed at the distance through mobile signature. Currently, the following e-Services can be accessed with "Mobile Signature": e-CNAM, e-CNAS, e-Licensing, electronic income statement. Integration of other electronic services is also envisaged: e-invoice, e-Cadastre, e-civil status.

MAIN PROBLEMS IDENTIFIED

- Introduction of increasingly diversified electronic public services (e-civil status, etc.) must be accompanied by regular information campaigns for various categories of citizens, in order to facilitate constant information of the population, and familiarization of the citizens with the benefits (e.g.: quality and efficiency of services, absence of contact with public officials) and the mechanism of their use.
- The initiative to develop a mechanism for ensuring cyber security was officially launched in the fourth quarter, although the process of electronic transformation of the governance reached quite an advanced stage. In this sense, a cyber security Roadmap was developed by Moldovan and Estonian experts. It needs to be consulted with the public and authorities should ensure

its implementation in the near future, particularly for security reasons related to the system of electronic public services.

Public health

MAJOR QUARTERLY DEVELOPMENTS

Key developments in this sector include elaboration and initiation of public consultations on the draft National Food and Nutrition Program for 2014-2020, elaborated with the purpose of reducing the burden of morbidity and preventable disabilities and avoidable premature mortality because of diet-related non-communicable diseases, malnutrition and nutritional deficiencies. It is worth mentioning that 87% of all deaths annually recorded in the Republic of Moldova occur as a result of non-communicable diseases conditioned also by poor diet and nutrition. Simultaneously, the draft National Strategy "eHealth 2020" was elaborated. Electronic health care services, collectively called eHealth, represent the result of applying information and communication technology in the whole range of functions related to the health sector. These services are designed to meet the requirements of citizens, patients, healthcare professionals and public and private healthcare institutions, as well as authorities and policy makers involved in the field.

Simultaneously, the draft Government Decision "On the measures for implementation of the International Sanitary Regulations to prevent cross-border transmission of hazards to public health" was elaborated. This normative act is harmonized with the provisions of EU legislation and transposes key provisions of the Decision no. 1082/2013/UE of the European Parliament and the Council of 22 October 2013 on serious cross-border health threats. Its purpose is to ensure continuity and sustainability in the implementation of International Sanitary Regulations RSI (2005), to define activities related to the planning, preparation, epidemiological surveillance, monitoring, early warning, risk assessment and coordinated response to health hazards, as well as related to preventing and combating their cross-border transmission.

IMPACT OF ACTIONS TAKEN

- Implementation of the International Sanitary Regulation will contribute to the observance of commitments undertaken by the Republic of Moldova to achieve measures ensuring state security and public health, and preventing and combating cross-border transmission of health hazards.
- Strengthening capacities and establishing a properly functioning and sustainable system of surveillance, monitoring and evaluation of nutritional health, nutritional status and determinants that influence the system, as well as their trends over time and space is crucial for reducing the burden of non-communicable diseases and their social and economic impact.

- National Food and Nutrition Program for 2014-2020 has been developed in order to reduce the burden of morbidity and preventable disabilities and avoidable premature mortality because of diet-related non-communicable diseases, malnutrition and nutritional deficiencies by reducing the impact of nutritional risk factors.
- e-Health is a smart investment in the health sector through the use of Information and Communication Technologies (ICT), which allows changes and improvements in clinical practice both at the operational and management level in order to provide direct and indirect benefits for the health sector, patients and business. Capitalization of the potential of information and communication technologies in the health sector will minimize the amount of necessary operational financial expenses, the time spent on bureaucratic procedures and will increase the quality of health services.

MAIN PROBLEMS IDENTIFIED

- Cross-sectoral collaboration on operative information and exchange of information related to hazards and identified risks, readiness and joint response in relation to prevention of cross-border transmissions of public health hazard needs to be strengthened.
- It has been established that by the end of implementation of the Action Plan on application of International Sanitary Regulation (2005), only 17 measures out of 31 measures envisaged by the plan were fully met, and some actions were only partially met. Actions largely related to the competent authorities at the border crossings - Customs Service and Border Police remain unachieved. Through the Government of the Republic of Moldova, the Ministry of Health requested from the WHO Regional Office the extension of the period necessary for implementation of the above-mentioned Regulation until 2014.
- Although there is some data on the provision of food, on national level this data is inaccurate and cannot be used to estimate the adequacy of food consumption related to all essential nutrients, including energy, distribution among different groups of population. Existing items related to the nutritional status are fragmented. National studies that include indicators of nutritional status depend on foreign donations, are not planned and do not include all the necessary indicators and indicators cannot be sufficiently disaggregated in order to address issues related to inequality.
- General public has limited access to health information. The gap that exists between rural and urban areas continues to grow, and people's access to quality health care and high quality services especially in rural areas continue to be deficient.
- Information systems for data collection are fragmented and there is often duplication of data collected; the ICT infrastructure used within healthcare

institutions is outdated and inefficient; there is a reduced analysis capacity for assessment, monitoring and reporting performances of the health system; there are no integrated public health databases, the systems are dispersed at various locations with various functions and with low level of integration.

- There is currently no professional entity (institution) with well trained specialists for developing specifications (according to the changing needs of beneficiaries - health care providers and in accordance with the interoperability requirements, standards, etc.)