

EUROMONITOR

QUARTERLY MONITORING REPORT ON THE PROGRESS IN
IMPLEMENTING THE EUROPEAN UNION–MOLDOVA ACTION PLAN IN
JANUARY–MARCH 2014

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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 the implementation of European Union – Moldova Action Plan (EURMAP) in the period of January–March 2014 has been produced within the joint project “EU-Moldova relations – monitoring progress in the Eastern Partnership in 2013” funded by the Soros Foundation – Moldova. It is the 31st Euromonitor developed since 2005 in order to monitor the progresses of authorities in fulfilling the commitments undertaken in relations 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 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 website www.euromonitor.md also presents the assessment of the initial situation (2005), annual progresses, and the quarterly progress achieved at the level of each action/reform, policy area 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 2014 is also assessed on the basis of the areas included in the report.

■ Justice sector reform

Major quarterly developments

- The Strategy of the Justice Sector Reform for 2011-2016 (SJSR) is under implementation. The Ministry of Justice (MoJ), having an essential role in the coordination and monitoring of this process, informs about its actions and the support obtained from outside on its official website. We shall mention the development of E-justice, which is an important area of intervention of the SJSR and ensures the use of the random case assignment system (RCAS) and audio recording of court proceedings. In this context, it is important to mention the support of the USA in providing domestic courts with IT equipment (200 computers, 200 printers and 30 scanners, with the donation amounting to USD 327,254).¹ The USAID offered audio recording systems for all courts, and installed the 4th version of the RCAS system.
- The MoJ published the annual report (for 2013) on the implementation of the Strategy of Justice Sector Reform for 2011-2016.² According to the report, of the 258 actions due by 31.12.2013: 154 (or 60% of the total) were completed; 79 (or 30%) were partially completed; 19 (or 8%) remained uncompleted; 6 (or 2%) were deemed failed. To compare, of the 157 actions due by 31.12.2012³: 87 (or 56%) were completed; 49 (or 31%) were partially completed; 21 (or 13%) remained uncompleted. Comparison of the SJSR implementation rate in 2013 with the rate in 2012 shows a positive development.
- According to the findings of the Report, an important achievement has been the adoption of Law no.325 of 23.12.2013 on testing professional integrity. Consistent with its final and transitional provisions, the law entered into force for the employees of the National Anticorruption Center (NAC) and for the competence of the Information and Security Service (ISS) from the date of its publication (14.02.2014). For the employees of other public entities (including the personnel of courts and prosecution bodies) the law shall enter into force 6 months after publication. Within 10 days after publication, public authorities were to inform employees, against signature, about eventual professional integrity tests, and the NAC was to verify this fact. In addition, the NAC verifies the procedure of keeping records in the registers of presents and the procedure of denouncing improper influences, and also provides relevant persons with methodological support, as needed. According to the information provided by the NAC⁴, about 1,030 letters were sent to public entities in order to execute these provisions, and the relevant entities were to provide the requested information by 20.04.2014.

Impact of actions taken

- The implementation of the SJSR has shown positive dynamics; the progress, however, is insignificant.
- In 2012 and 2013, actions were mainly aimed at creating a regulatory framework, at institutional and organizational restructuring, and at increasing salaries and improving working conditions for the personnel. Obviously, in such conditions the actions will have the desired impact only if the adopted regulatory framework is applied and if the failure to apply it is penalized.
- Public belief that laws are implemented can be formed only by informing the public about achievements. Thus, by the time Law no. 325 of 23.12.2013 on testing professional integrity fully enters into force, the

¹ <http://www.justice.gov.md/libview.php?!=ro&idc=4&id=1701>

² <http://www.justice.gov.md/tabview.php?!=ro&idc=489>

³ http://www.justice.gov.md/public/files/file/raport/RAPORT_implementare_partea_analiticapentru2012.pdf - Annual report (2012) on the implementation of the Strategy of the Justice Sector Reform for 2011-2016.

⁴ <http://www.cna.md/ro/sna-activitati/prima-sedinta-grupului-monitorizare-implementarea-sna-pe-anii-2011-2015>

NAC and the ISS, without damaging the personal nature of information, should inform the public about the tests performed on NAC employees (the number of tests, their results, penalties applied in case of negative results, the problems identified in the process of organization and conduct of tests (including problems in legal rules)).

- The E-justice system can undoubtedly diminish/exclude the human factor from the case management process, increasing the transparency and efficiency of the judiciary. However, this objective will not be fulfilled without an efficient mechanism for verifying compliance with the case management procedure and without penalizing violations in the process of audio recording of court proceedings.

Main problems identified

- In the context of the SJSR, several important activities are falling behind: reform of prosecution; harmonization of codes of ethics; strengthening capacities of the bodies responsible for penalizing disciplinary violations; implementation of inside warning mechanisms, etc. The Parliament should support these priorities by examining and adopting the drafts of relevant primary laws, in particular, the draft law on disciplinary liability of judges.
- At the same time, the Government must strengthen its efforts to ensure the enforcement of adopted laws. Thus, the polygraph testing of judges and prosecutors, which is to be applied beginning not later than on 01.01.2015, might remain unfulfilled. The Government has not adopted the regulatory framework under Law no. 269 of 12.12.2008 on the application of simulated behavior testing (polygraph) and has not established the State committee for polygraph testing.
- The role of self-administration bodies in reforming the judiciary is still small. The Superior Council of Magistracy will succeed in becoming a true promoter of reform if it ensures punishment for violations of the law, including in cases involving failure to apply the RCAS or to record court proceedings on audio.

■ Combating corruption

Major quarterly developments

- The NAC, given its responsibilities, worked to prevent and combat corruption. Also, as an institutional host of the Secretariat for the National Anticorruption Strategy (NAS) Monitoring Group, the NAC published the national report “Progress and Perspectives in Suppressing Corruption (year 2013)”.⁵ The report is a document analyzing the information relevant to the execution of the Action Plan for 2012–2013. The Action Plan includes 12 priorities systematized into 4 components and detailed into 63 concrete actions (34 to be achieved in 2012, 6 – in 2013, and 23 – on annual/permanent basis). According to the Report, out of the 63 actions, 56 (89%) were completed, 2 (3%) are in progress, 5 (8%) remained uncompleted. Of the 56 completed actions, 41 (73%) were completed within deadlines and 15 (27%) were delayed. In terms of achievement of expected results, significant progress has been found in 48% of actions.
- The National Integrity Commission (NIC) has been working within its institutional powers. It has released its Activity Report for 2013,⁶ according to which, it received 110,000 income and property statements and personal interest statements, of which 3,000 (3%) have been verified. 225 cases were registered,

⁵ http://www.cna.md/sites/default/files/sna_rapoarte/raport_national_2013.pdf

⁶ http://www.cni.md/Upload/Raport_final_2013_ro.pdf

and 39 (17%) of them were discontinued at the stage of preliminary check, mainly on the grounds of the non-retroactive effect of the law or lack of competence in the examination of the problems invoked.

Impact of actions taken

- Regarding the NAS, assessing the efforts of the implementing authorities, we shall mention the impressive share of actions (43%) that showed only partial and insufficient progress, which was determined by deficiencies in the implementation of the internal control system and risk management, in the implementation of the assets and interests declaration and control mechanism, in the control over the execution of the Court of Accounts decisions. In addition, the eventual impact is diminished by failure to adopt important draft laws, such as the draft developed to implement the recommendations of the Group of States against Corruption in respect of the financing of political parties.
- Regarding the NIC, it is noteworthy to mention the initiation of multiple control cases (120) aimed at persons holding public offices (19 judges, 13 MPs, 12 prosecutors, 7 ministers and vice-ministers, 17 mayors and vice-mayors, etc.). However, we shall mention the substantial number of discontinued cases (46 (62%) of the 74 completed cases).
- The NIC effort in pursuing violations is notable. In 2013, 362 cases on offenses were drawn and subsequently sent to courts. Various courts examined 273 cases on offenses, and 208 (76%) cases resulted in decisions on penalizing the persons that failed to comply with the terms set for income and property statements and for personal interest statements. Following the examination of such cases, the state budget collected about MDL 312,000. However, we shall mention the insignificant performance in verifying statements (3%), which cannot fail to diminish the potential impact of the NIC works.

Main problems identified

- The Government and the Parliament do not only fall behind in developing and adopting regulatory acts; they also fail to provide sufficient support in the process of development and adoption of policy papers. Thus, the implementation of the NAS is not currently ensured in terms of its actual operation, as no action plan has been approved to guide the implementation process after 2012–2013.
- The needs of the NIC remain ignored, although its poor institutional capacities are notorious. For example, the draft law developed by the NIC and set for Parliament examination in April 2013 is still neglected, although it contains provisions that might repair some of the institution's major deficiencies.

■ Human rights and fundamental freedoms

Major quarterly developments

- The Parliament adopted the Law on Ombudsman, and it is now to be promulgated by the President. The new version of the law, reviewed by the Parliament at the recommendation of the President, retains the majority of the provisions of the previous draft, but it also contains certain improvements. Despite the civil society and the President recommended to have a single ombudsman, the new law provides for 2 ombudsmen, one of whom shall be specialized in children's rights. In addition, MPs rejected the President's proposal that an ombudsman must not hold two seats concomitantly. Positive modifications include the reduction of the required labor experience for an ombudsman from 20 to 10 years and the stipulation that an ombudsman shall not be appointed directly, but chosen through public competition.

- The actions stipulated in the National Human Rights Action Plan (NHRAP) for 2011-2014 have been completed in the proportion of 86%, and the remaining 48 actions are to be completed in 2014. The most important measures taken by the Ministry of Justice in 2013 include development of the draft methodological guidelines for the monitoring of NHRAP 2011–2014 by local public authorities; improvement of the mechanism set for monitoring and assessing the fulfillment of the objectives set in the NHRAP 2011–2014 at the central and local level; support to central and local public authorities in the development of consolidated reports; improvement of the mechanism of financial assessment and planning within central and local public authorities to ensure the necessary funds for the implementation of the actions planned.
- The Framework Regulations for the Organization and Operation of the Social Service “Family Placement for Adults” were adopted by Government Decision no. 75 of 03.02.2014. Thus, a specialized social service was established at the local level for persons with disabilities aged over 18 years old and for the persons over the retirement age that have no possibility to live with their biological families or alone due to special needs. This Government decision will prevent the institutionalization of adults with disabilities and elderly persons by placing them into the families of family assistants.
- The Ministry of Labor, Social Protection and Family has launched an ample reform in child protection, which aims at developing and approving the Strategy and National Action Plan in the field of child and family protection. The draft Child and Family Protection Strategy for 2013–2020 is a policy paper aimed at developing and increasing the efficiency of the protection system for families with children at risk and children in difficulty.
- The National Plan for Harmonization of Legislation in 2014 has been supplemented with new initiatives aimed at ensuring labor health and safety. Thus, in 2014 it is planned to approve minimum health and safety requirements regarding exposure of workers to the risks arising from physical agents (vibration), and minimum health and safety requirements for work at the monitor. These Government decisions are to be approved in the II and IV quarters of this year.
- According to the EU-Moldova Association Agreement, the Government has proposed to modify the legal framework on information security and protection of personal data. Thus, in 2014 it is planned to amend the Law on Modifying and Supplementing Law no. 133 of 8 July 2011 on Protection of Personal Data and Law on the Modifying and Supplementing Some Legislative Acts (Law on Electronic Communications no. 241-XVI of 15 November 2007 and Law no. 20-XVI of 3 February 2009 on Preventing and Combating Cybercrimes).

Main problems identified

- During this period, Moldova has been 4 times sentenced by the ECHR in cases of violation of the principle of safety of legal relations, torture and inhumane treatment, on procedural grounds and lack of diligence in criminal prosecution.
- Limitation of several televisions’ access to the networks of cable operators by excluding some channels from the list of channels necessarily rebroadcast in the country. In early 2014, *Accent TV*, *RTR Moldova* and *Jurnal TV* were excluded from several packages offered by cable operators. In this context, Moldovan citizens had limited access to different points of view and freedom of the media was damaged. These cases follow the worrying tendency of reduction of freedom of the press and media pluralism in Moldova, as it happened in 2012, when the *NIT* channel had its license withdrawn.
- Mass media access to information from primary sources was limited by providing journalists with improper conditions in the renovated Parliament building. Journalists are not allowed free access, as it is

prescribed by the Regulations on accreditation of media representatives to the Parliament. In the renovated Parliament building journalists can follow the activities unfolding in the meeting room on a TV screen, being forced to stay together in an undersized room.

- The adoption of the legislation regulating the transparency of media funding and ownership, the advertizing market and the de-monopolization of the media market continued being delayed. There were no progresses in the adoption of new versions of the Law on the Media and Law on Advertizing, either, contrary to the Government Action Plan. Although several initiatives aimed at modifying the Broadcasting Code to meet the challenges of the media industry were registered, there is no great hope in the fact that these draft laws will be adopted by the current legislature, given the disproportion that exists between the declarative openness of MPs and the concrete action of adopting these drafts.

■ Transnistrian conflict settlement

Undermining confidence-building measures

- Transnistrian settlement is still based on the mutual “confidence-building” measures. However, confidence building was undermined by the unilateral actions of the Transnistrian authorities aimed against Moldovan peacekeepers and the region’s schools teaching in the Romanian language.
- To address conflict situations, a number of meetings took place between political Transnistrian settlement representatives of Chisinau and Tiraspol, with the participation of international partners from the “5+2” negotiations format, which addressed the issue concerning the situation of the region’s schools teaching in Latin script. Particular attention was paid to the pressures exercised by Transnistrian structures on the schools teaching in Latin script. The situation of these schools was a pressing issue on the agenda of the Ministry of Education, which convened the directors of the eight Transnistrian educational institutions. The pressures exerted on students, parents, teachers and school administration and the risk of having their work blocked forced the inclusion of the issue concerning Moldovan schools into the agenda of the existing negotiation formats, including the specialized working group for education.
- The Joint Control Commission (JCC) was convened in a series of meetings to discuss the illegal actions of Transnistrian security agencies in relation to: Moldovan peacekeepers in the South sector of the Security Zone (the village of Parcani); the director of the “Lucian Blaga” lyceum in Tiraspol, Ion Iovcev; significant increase in the number of representatives of Transnistrian security agencies at the illegal checkpoints in the area with increased security regime (the city of Bender) and their hostile actions against the people passing the checkpoints.

The “5+2” negotiations

The “5+2” negotiations on the settlement of the Transnistrian conflict took place from 27 to 28 February 2014 in Vienna, under the joint Swiss and Serbian Presidency of the OSCE. Participants in the meeting:

- Signed the protocol decision on some aspects concerning free movement of the population. The adoption by Moldovan authorities of legislative amendments that allowed eliminating administrative fines previously applied to Transnistrian residents holding foreign passports received a positive assessment.
- Expressed the readiness of Chisinau and Tiraspol to refrain from creating obstacles to the free movement of persons and to make efforts to reduce the existing barriers.

- Reconfirmed the need to intensify actions to solve the problems related to opening the movement on the bridge at Gura Bicului, protection of environment, ensuring the provision of pensions and social benefits, dismantling the funicular used for transporting raw materials between the towns of Ribnita and Rezina, etc.
- Discussed the ways to improve interaction in economy, including eventual creation of a common economic area, in terms of standards, regulatory framework and policies in the field.
- Paid particular attention to the problems faced by the Transnistrian schools teaching in Latin script, with the Moldovan side reiterating the need to ensure proper conditions for the normal work of those schools and to refrain from unilateral actions that might have a negative impact on the educational process.
- Discussed aspects concerning the higher education documents issued by Tiraspol.

The impact of the Ukrainian crisis on the “5+2” negotiations

For unclear reasons, the second round of negotiations, which was to take place from 10 to 11 April 2014 in Vienna, was postponed. The probable reason of postponement might be related to the Ukrainian crisis. The negotiators and guarantors of the Transnistrian settlement, Russia and Ukraine, entered an open conflict after the annexation of Crimea, part of Ukraine, by the Russian Federation in March 2014. It actually undermined the post-WWII European security architecture, having violated one of the basic principles of the OSCE, under whose aegis the “5+2” negotiations are taking place. Given that, it is difficult to further forecast the work within this format.

Vice Prime Minister for Reintegration Eugen Carпов made a number of declarations about the “5+2” negotiations:

- The foundation on which the Transnistrian conflict settlement is build is the position of the OSCE Member States, Russia and Ukraine being two of them, as intermediaries in the process. During the last two years, the meetings of OSCE ministers of foreign affairs issued declarations about the situation in Moldova and the “5+2” negotiations. All Member States reconfirmed both the territorial integrity and sovereignty of Moldova and the need to develop a special legal status for the Transnistrian region as part of Moldova, which is in compliance with the constitutional provisions stipulating special status for the Eastern regions of Moldova. However, the “5+2” format does not bring results.
- The presence of a foreign army on the territory of Moldova, in the Transnistrian region, is not a factor fostering negotiations to settle the Transnistrian conflict. The position of Chisinau is univocal: Russian troops, which have no coverage and are in contradiction with the principle of neutrality of Moldova, must be withdrawn.
- The positions of Tiraspol often coincide with or are similar to the views of Russian partners. Therefore, we need more clarity about the position of the Russian Federation. Russia is a supporter of the processes occurring in the Transnistrian region. It is the donor of significant amounts of money coming from Moscow to support life on the left bank of the Nistru; the Transnistrian region does not pay for the gas it consumes and uses the money for internal needs. Russia supports every retired person monthly with payments in foreign currency. All these aspects make Russian influence, together with participation in peacekeeping and presence of Russian troops, evident: this country’s role in the Transnistrian region is highly important.

■ Improving welfare

Major quarterly developments

During the first three months of this year the government introduced a number of legislative amendments and measures aimed to improve welfare. The main efforts were directed to the indexation of benefits and social assistance to the main groups of beneficiaries. Thus, according to Government Decision no. 170 of 12 March 2014, seniority pensions, the pensions for the persons who suffered from the Chernobyl disaster and disability allowances were subjected to a 6.45% indexation. Also, quantitative and methodological adjustments were made in the allocation of state social allowances and allowances for care, accompaniment and supervision of persons with disabilities: the first component was increased with 70 lei, the second – with 100 lei. In addition, annual compensations for transport of persons with disabilities were increased with 100 lei. Also, some legislative amendments were made to improve the institutional framework designed for social assistance. Specifically, they include the approval of Government Decision no. 75 of 3 March 2014 for approval of the Framework Regulations for the Organization and Operation of the Social Service “Family Placement for Adults” and Minimum Quality Standards, and development of the draft Government decision for approval of the Framework Regulations of the Service of Social Care at Home and Minimum Quality Standards. Besides these amendments, a number of measures were taken in the area of family and child protection. Birth allowances were increased with 500 lei, and monthly allowances for childcare were increased as well, while the amounts allocated for the childcare of orphans and children left without care in orphanages were increased to 650 lei per child.

Impact of actions taken

- The indexation and adjustment of social allowances, pensions and benefits contribute to maintaining the economic and social security of the most vulnerable groups of population.
- The purpose of the above-mentioned regulations is improvement of the quality of social services and the living environment of persons in difficulty, with disabilities or those who reached retirement age. The planned services will contribute to maintaining abilities for independent living, increased personal autonomy and social inclusion.

Main problems identified

- Despite the efforts for annual adjustment of social allowances and pensions, they remain extremely insufficient to ensure economic and social security. In the pensions system, the main problem arises from its outdated structure, which does not meet demographic and labor market trends. The delay in reforms currently causes maintenance of pensions below the minimum subsistence level, and in the nearest future undermines the sustainability of the entire social security budget.

■ Macroeconomic and macrofinancial policies

Major quarterly developments

The key events related to the macroeconomic and macrofinancial sector included adoption by the Government of the “Medium Term State Debt Management (2014–2016)” Program, which sets the main objectives of state budget funding by attracting loan sources with reduced costs and risks. The Program stipulates for this period an increase of foreign sources of funding to the detriment of domestic sources. External sources will make up about 86.5% of all sources for funding state debt. Also, the budget deficit is expected to increase up to 2.4% of the GDP. During the same period, modifications were made to the budget and tax policy for 2014, which involved return to the excise duty rate applied in 2013 for some categories of cars, annulment of the NGOs exemption of 2% of the income tax, as well as annulment of the tax exemptions for the Curchi monastery complex. In addition, excise duties on the goods subject to them and brought by businesses into the regions on the left bank of the Nistru were annulled, and such goods were also exempted from payment of taxes for customs procedures and of the tax for environmental pollution. Furthermore, the initial variant of taxes on the goods introduced into the customs territory of Moldova in free economic zones was brought back.

Impact of actions taken

- The implementation of the medium-term public debt management framework contributes to the risk management of the debt portfolio and to the establishment of a sustainable system of public finances, at the same time keeping under control the quantitative and qualitative developments of the main parameters related to public debt.
- The annulment of some questionable tax amendments, such as excise duty on imported cars and 2% of the income tax will eventually have a positive influence on the dynamics of revenue and public funds management quality.

Main problems identified

- A set of medium-term public debt structural parameters contributes to increasing the risk in financing the budget deficit, specifically maintenance of the deficit at the rate of 2.4% of the GDP, increase of the external debt share over 80% from borrowed sources, as well as stricter conditions for provision of external funding. Also, the reduction of the share of state securities in debt funding and the prevalence of short-term securities, with the average of 0.5 years at the end of 2013, do not contribute to the qualitative development of the primary domestic market of state securities.
- The insistence and the method of introducing the above-mentioned fiscal amendments indicate to the fact that the budgetary process is not transparent and is subject to corruption and influence of some hidden interests.

■ Functional market economy

Major quarterly developments

One of the key events was the signing of the Grant Agreement between Moldova, the International Bank for Reconstruction and Development and the International Development Association aimed at preparing the Competitiveness Improvement Project II (CIP II), amounting to USD 45 million. This project will contribute to improving the competitiveness of local businesses, with the focus on small and medium enterprises, to facilitating access to medium- and long-term funding, modernizing the business regulation system and stimulating the penetration of new markets. As part of this project, the World Bank will also support the Government in establishing a set of performance indicators for about 20 public institutions, which will measure their openness to the business environment. Furthermore, a draft Government decision was developed aiming at establishment of the Competitiveness Council, responsible for coordinating, monitoring and assessing the implementation of the roadmap for improving the competitiveness of Moldova.

Impact of actions taken

- The establishment of an institutional framework responsible for coordinating competitiveness policies at the level of central public authorities, supported by funding and technical assistance from the World Bank, will contribute to strengthening the positions of SMEs on new markets, improve the business environment and the relations between businesses and public institutions, continue the modernization of the quality infrastructure and facilitate technology transfer and innovations.

Main problems identified

- The efforts spent on stimulating the competitiveness of the national economy did not bring tangible results over the past years, with Moldova only stepping up several positions in the global competitiveness rating, from 94 in 2010 to 87 in 2012, and then falling again in 2013 to 89. The efforts within the regulatory reform and within the technical assistance projects continue being undermined by the inefficient and incomplete implementation of action plans in the field, exacerbated by corruption in the judiciary and in public administration and by systematic violation of property rights.

■ Rural and regional development

Major quarterly developments

The main events in this area include completion of important projects of technical assistance and infrastructure, which contributed to regional development. Some of them are the “National Project of Water Supply and Sanitation” (NPWSS), implemented by the Ministry of Environment and the World Bank, which greatly contributed to modernizing infrastructure in rural communities, and the twinning project “Strengthening Regional Development Capacities in Moldova”, implemented by the Ministry of Regional Development and Constructions in partnership with the French Ministry of the Interior, aimed at improving the regulatory and institutional framework in the area. Other important infrastructure projects launched in the first quarter of 2014 are related to road rehabilitation: during this quarter four new sites were opened – on national roads R1 Chisinau-Ungheni-Sculeni, M3 Chisinau-Giurgiulesti and the Ungheni detour road. Overall, it is planned to rehabilitate about 91 km of roads. The amount of investment into repairs of the above-mentioned sections reaches EUR 80 million, which are being allocated by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), and the European Commission (EC). In addition, the Government approved the program for the distribution of money from the Road Fund, releasing MDL 390 million to local public authorities for repairs of local roads. Another important event was the decision of the working group created by the Ministry of Economy to open two more business incubators, in Ocnita and Cimislia, as part of the sector support program “Economic Stimulation in Rural Areas”.

Impact of actions taken

- Within the NPWSS, rural areas had over 150 km of network built, artesian wells rehabilitated and built, and water treatment plants installed. All these measures in rural areas led to improvement in the quality of living, creation of a modern framework of health and hygiene, and to optimization of operating costs of water supply networks.
- The twinning project concerning regional policy contributed to improving institutional and legislative aspects and the planning capacities of all parties involved into the development and implementation of the regional development policy. The technical and financial assistance continue strengthening institutional capacities and establishing priorities in the development of policy papers.
- The development of the road infrastructure and establishment of new business incubators are key elements in the creation of a beneficial business environment and revival of economic growth in the country’s regions.

Main problems identified

- Within the NPWSS, however, the component of sanitation and wastewater treatment has not been implemented. This fact creates risks for water pollution, with negative impact on the environment and public health. Consequently, to minimize externalities and ensure the quality of infrastructure, it is necessary to include the specified components into future projects.
- The institutional aspect is still underdeveloped. It is especially true for the local public authorities, in terms of capacities to implement regional projects. This fact indicates to the need in new technical assistance projects to deepen the results already obtained.
- The expansion of works on infrastructure did not automatically lead to quality improvement and optimization of expenses. Therefore, to ensure multiple effects from road construction, it is necessary to ensure strict control of the above-mentioned components by relevant bodies.

■ Social and employment policy

Major quarterly developments

A series of measures to regulate the labor market were taken during the first quarter. Specifically, by order of the Ministry of Labor, Social Protection and Family no. 22 of 3 March 2014, a new Classification of Occupations in the Republic of Moldova (CORM 006-14) was approved, which will be applied in all sectors of the national economy by entities of all forms of ownership. In addition, the ministry developed the draft nomenclature of workers exposed to hard, harmful and/or dangerous working conditions that are prohibited for persons under 18 years of age and the norms on maximum weight for lifting and manual transport of loads for persons in the same age category. To strengthen measures in the area of safety and health at work, a draft national program in safety and health at work for 2014–2017 was developed, which will set the main objectives in this area at the national level. As part of the process of harmonizing the national legislation with European standards, a draft Government decision was developed on the minimum health and safety requirements regarding the exposure of workers to the risks arising from physical agents (vibration). This draft is based on the provisions of the Directive of the European Parliament and Council 2002/44/EC of 25 June 2002. Also, on the basis of the Directive of the European Parliament and Council 2003/10/EC of 6 February 2003, a draft Government decision was developed concerning minimum requirements for the protection of workers from health risks arising from exposure to noise. To encourage businesses to invest into their own development and increase the number of jobs, there were developed the Regulations on the mechanisms of using financial resources allocated from the state budget to support investors in preparing and training workers (personnel) in relation with creation of new jobs. The mechanism of compensation of such expenses will be managed by the Council for the management of the budget intended for the implementation of the Export Promotion Program under the Ministry of Economy, due to its composition, ensuring objective distribution of funds. A similar legislative initiative in this area was the Regulations on the amount and criteria of establishment of expenses supported and determined by the employer for the transport, catering and professional studies of employees, approved by Government Decision no. 144 of 26 February 2014. Another decision with possible impact on employment was the decision to open, beginning on 1 September, the center for active training for workers in the town of Straseni. Repairs to the center's building began in February. This project will be implemented with the technical and financial assistance of the German Federal Enterprise for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ) in collaboration with the Ministry of Economy, and it will aim at establishing in Moldova the system of dual vocational training that is widespread in Germany, with active involvement of companies from the real sector into the training process.

Impact of actions taken

- The adjustment of technical regulations on safety at work to European standards and the adjustment of the Classification of Occupations to the actual situation on the labor market allow securing workers with jobs corresponding to all safety requirements.
- Budgetary stimuli planned to be provided to businesses for the training of employees in the process of creation of new jobs, as well as the deduction of employers' expenses for catering, transport and professional training of employees will have a possible impact on the businesses' motivation to invest into the professional development of employees and to increase their number, including from among young specialists without work experience. It will contribute to reducing the structural unemployment of young people, since the unemployment rates among this category of the active population are among the highest.
- The creation of the center of active training and the involvement of companies from the real sector of economy into the training process will contribute to reducing the index of inadequacy of employment to the educational background of workers in the national economy, which grew significantly over the past decade. Also, curriculum adjustment will contribute to increasing labor productivity and reducing structural unemployment.

Main problems identified

- Budgetary and fiscal stimuli for investors, related to personnel training, will have a significant impact on the labor market only in case of continued efforts in improving the overall business climate and in reforming the system of social security contributions by reducing the percentage of contributions paid by employers.
- The efforts of adjusting the system of vocational education to the real needs of economy are still irregular. However, to obtain tangible effects, a systemic approach is necessary in the overall sector of education, while single projects, like the training center, serve only as models of reform and need to be extended.

■ Commercial relations

Major quarterly developments

During the first quarter, commercial relations saw a positive development, despite continued restrictions on the exports of Moldovan alcoholic beverages on the Russian market. The country brand for Moldovan wines, “Wine of Moldova”, was presented at the international exhibition “ProWein” in Germany (23–25 March). In addition, the Government asked the National Office of Vine and Wine to develop a strategy for the promotion of Moldovan wine abroad. The Association Agreement and the DCFTA were translated and published in Romanian and Russian languages. The document was also presented to the representatives of the CIS countries at the meeting in Moscow on 13 March this year.

During the same period, the European Investment Bank signed an agreement of intent on extending the program of loans for agriculture and horticulture in Moldova. This agreement makes Moldova the first country in the Eastern Partnership that is offered financial assistance by the EIB for the development of the national agriculture.

Furthermore, the Moldovan Investment and Export Promotion Organization (MIEPO) and the German Federal Enterprise for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ) came with the initiative of developing a communication strategy concerning the country brand. Activities aimed at the familiarization of businesses from both banks of the Nistru with the provisions of the DCFTA with the EU and the Free Trade Agreement with Turkey were initiated by the Chamber of Commerce and Industry (CCI). During the same period, Moldovan authorities discussed with American officials about the initiation of negotiations on the Trade and Investment Framework Agreement (TIFA) between Moldova and the USA. Also, Russia cancelled the embargo on the wine production coming from Gagauzia (for “Kazayak Vin” JSC). Restrictions for other wine manufacturers from the country are still in place.

During the monitored period, it was proposed to cancel the 1.5% tax on exports of nuts. In this regard, the regulatory framework shall be modified, eliminating the tariff barrier to nut exports (2% of total exports). At a meeting of the Administration Board of the Export Promotion Fund, it was proposed to review the Strategy for Investment Attraction and Export Promotion, approved in 2006. Also, the draft Program for Investment Attraction and Export Promotion for 2014 was examined. It includes the development of the strategy aimed at promoting the national brand, “Moldova”, development of a communication guide for Moldovan diplomatic missions, organization of four meetings of the Economic Diplomatic Club and actions aimed at strengthening relations with the business representatives of the expat community.

Impact of actions taken

- The strategy of communication and promotion of the country brand includes three dimensions: attraction of foreign direct investment into the country; promotion of exports of domestic products and services; building Moldova’s attractiveness as a touristic destination. The document is to be developed before the end of summer. It will include actions for a period of 4 years and will be aimed at the business environment and at European consumers.

- The TIFA shall ensure a permanent legal and institutional framework of interaction for investors and financial institutions from the USA. It will allow further development of bilateral commercial relations.
- The program of the EIB provides for assistance in the entire agricultural process (planting, harvesting, processing, logistics, etc.). It stipulates that 50% of funding is to be covered by the EIB, and the rest – from local sources or other foreign funding.

Main problems identified

- The continued restrictions on the Russian market bring the need to develop state policies that would encourage market diversification. At the same time, the implementation of European manufacturing standards for the wines aimed at the Russian market and the markets of the CIS countries is still a must. So, there is need in a more active dialogue with Russia, including with the involvement of European actors, for the purpose of presenting the advantages of the DCFTA and establishment of a climate of trust between all the parties concerned.
- Moldovan winemakers feel the lack of investment in this area, and so they need the support of authorities in the form of procurement, under leasing, of equipment for wineries, as well as subsidies for planting vines and for purchasing some categories of equipment.
- The content of the DCFTA is still a complex topic, which shall be explained to exporters so as to help their efficient involvement into the free trade with the EU.
- To ensure efficient use of resources from the Export Promotion Fund, it is necessary to strengthen the key actor in the field – the MIEPO, which is currently undergoing reformation.

■ The Customs Service

Major quarterly developments

During the first quarter, the working group for the implementation of the Strategic Framework of Customs Cooperation between the European Union and Moldova had its 3rd meeting. At the event, new customs instruments were presented that shall be introduced at the border between Moldova and Romania: (i) recognition of the status of Authorized Business Entity (ABE); (ii) exchange of preliminary customs information; (iii) organization of joint control. Also, a memorandum of understanding was signed between the Customs Service and the Consumer Protection Agency in order to ensure more efficient control of the safety of products brought into the domestic market.

For the purpose of providing information to citizens, the Customs Service launched a Call Center, which includes traditional means of communication (telephone calls) and contacts through online media (Skype, email). The representatives of the Customs Service had discussions with local carriers about the problem of illegal transport of goods in unaccompanied baggage.

Furthermore, the Customs Service and its counterparts from the UK and Northern Ireland signed an operational protocol on exchange of information as part of the joint effort in combating customs fraud, including in the area of illicit trafficking of tobacco products. This protocol refers to operational cooperation in the area and support in investigations. Also, a law on the collaboration agreement in the customs area was signed with Spanish authorities. Another memorandum, this one having three signatories (the Customs Service, the International Association of Road Carriers of Moldova (AITA) and the International Road Transport Union (IRU)), provides for multilateral cooperation in facilitating border crossing for carriers.

In addition, the non-taxable value of baggage imported by individuals was raised up to EUR 300. Thus, beginning on 1 January, one can carry through customs, without paying the customs tax or other taxes, goods whose value does not exceed EUR 300 (previously, the maximum was EUR 200).

Impact of actions taken

- The launch of the three instruments at the border between Moldova and Romania may facilitate the circulation of goods for credible business entities, authorized in the EU and in Moldova. It will also contribute to preventing attempts to customs fraud, due to the exchange of customs information and risks analysis. The three instruments will reduce the duration of border crossing and increase the safety of international circulation.
- According to the three-party memorandum, preferential border crossing regime will be offered to the carriers that are part of the electronic pre-declaration system TIR-EPD, through special border crossing corridors. Thus, beneficiaries of the facilitating regime can be not only the holders of simplified customs clearance procedures, but also carriers that submit preliminary electronic declarations through the TIR-EPD system. For this purpose, it is planned to install information boards with relevant information at the customs offices along the border.
- The Call Center service allows citizens to obtain preliminary information about the customs rules, which can help ensure more fluid border circulation and prevention of frauds caused by negligence or lack of information.

Main problems identified

- The number of cases of illegal transportation of goods in unaccompanied baggage has grown. To solve this problem, it is necessary to adjust the relevant legal framework so as to have a better regulation of the transportation of unaccompanied baggage.
- Citizens still have negative opinions about the Customs Service. It is caused by the population's general perception of the high degree of corruption in the customs authorities. At the same time, according to a survey by Transparency International Moldova⁷, of the 20% of respondents that are employed in the Customs Service (headquarters), 41% say that there is corruption inside the institution.

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

Major quarterly developments

During the first quarter, the National Institute of Standardization became an observer-member of the European Telecommunications Standardization Institute (ETSI). The decision was made at the 63rd meeting of the General Assembly of the ETSI.

Also, the Standardization Council approved several draft documents: the draft National Standardization Program for 2014; the draft work strategy of the National Institute of Standardization (NIS) for 2014–2016; and draft codes of good practice (4 drafts).

It was proposed to have consultations concerning the draft law on the adjustment of the existing legislative framework, specifically the Law on Metrology no. 647-XIII of 17.11.1995 and Government Decision no. 996 of 27.12.2012 on some measures of reforming the quality infrastructure. This draft law stipulates the creation of the nomenclature of paid services, presentation of tariffs and of the calculation methodology for paid services of non-standard measurement provided by the National Institute of Metrology (NIM).

Impact of actions taken

- Introduction of a clear regulatory framework for tariffs in the area of metrology will allow reducing prices with 15–25%, and over 25% in some cases, from those set in the existing methodology.

⁷ Results of the survey of public officials concerning the implementation the conflict of interests policy in central public authorities, 28 March 2014, <http://www.transparency.md/Docs/Rezultatele%20sondajului%20CI%20in%20APC%202013%20%20final.pdf>

- Joining the ETSI and other organizations in the field of standardization facilitates adoption of European standards in information technology and communications as national standards.

Main problems identified

- To benefit from the opportunities of the DCFTA, businesses will have to comply with European standards, the number of which is over 12,000. In this regard, a major role is played by the institutions specialized in quality infrastructure, which have to adopt them and transform them into national standards. According to some information, at least 600 of these standards must be implemented in the country so as to make Moldovan production competitive on the European market. However, it is difficult to assess the quality of final implementation of the standards already adopted by businesses.

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

Major quarterly developments

During the first quarter, the Working Group for Regulation of Entrepreneurship had eight meetings, where it discussed regulatory and legislative documents and the impact analyses of these documents in various areas directly or indirectly related to entrepreneurship. The visibility of the WTO Notification and Information Centers, created according to Government Decision no. 560 of 01.08.2012, remained insufficient. In the context of initialing and future signing of the Association Agreement, which also includes the DCFTA, these Centers must become an important information support for businesses. They should also contribute to increased competitiveness of the Moldovan production, having an important role in providing information about the DCFTA.

Impact of actions taken

- The Group brings together for discussion key actors in entrepreneurship with the purpose of improving relevant State policies based on vertical consultations.
- Overall, at least 5 WTO Notification Centers must operate: 2 within the Ministry of Economy, and 1 within the Ministry of Agriculture and Food Industry, the Ministry of Finance, the Ministry of Health and the State Agency on Intellectual Property each. The Centers' responsibilities include notification of the WTO Secretariat and 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. The 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 recommended to introduce new clear criteria that could be used to assess the efficiency of this platform of relations between authorities and entrepreneurs.
- The works of the WTO Notification and Information Centers are still insufficiently visible. 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). In the context of establishment of the DCFTA, planned for this year, these centers shall have the task to provide information and notification related to the free trade agreement with the EU.

■ Sanitary and phytosanitary issues

Major quarterly developments

During the first quarter, authorities decided to initiate negotiations on a new agreement with the Russian Federation concerning the safety of products of plant origin. It would mean that the National Food Safety Agency (NFSA) will improve the quality and safety of products exported to Russia. Also, during this period, the new head of the NFSA was appointed, whose responsibilities include consolidation of the institution and implementation of policies related to food safety. In addition, the EU's twinning project (initiated in 2012) continues being implemented, aiming at supporting Moldova in the adoption of European standards on the safety of products of plant origin. This project is implemented with joint support of the Food and Environment Research Agency of the UK and the Food and Veterinary Service of Lithuania.

According to the e-transformation agenda, presented early this year, it is planned to launch electronic services in the field of food safety. Thus, the e-NFSA system is to be launched, which will improve the efficiency in monitoring imports and exports in the context of ensuring sanitary and phytosanitary requirements.

The problems existing in the sanitary and phytosanitary area can be solved by adopting European norms and standards. It will allow increasing the exports of products of plant and animal origin to European and other markets, including traditional ones (Russia and other countries of the CIS).

Impact of actions taken

- The agreement with the Russian Federation regarding the safety of products of plant origin will establish health safety principles (related to pesticide residues and the content of nitrates), according to the requirements of the WTO and of the free trade agreement with the countries of the CIS, and the program of economic collaboration between Moldova and Russia for 2009–2020.
- The new administration has set the goals of approximation to the European standards related to the regulation and control in the areas of food safety and in the sanitary veterinary, zootechnical and phytosanitary sectors.

Main problems identified

- In addition to the efforts made to strengthen the capacities of monitoring the quality of products of plant origin, special attention needs to be paid to the sanitary-veterinary management for the products of animal origin. In this sense, it is necessary to ensure the infrastructure for testing and certifying products of animal origin and the production process according to European standards. As a result, these products will become competitive and will be saleable on European and other foreign markets.

■ The right of establishment and company law

Major quarterly developments

The key developments in this area include some legislative drafts produced as part of the Strategy of Reform for Regulation of Entrepreneurship, aimed at improving the business environment by reducing administrative powers. Thus, a draft Government Decision was developed concerning the draft law on modifying and supplementing some legislative acts related to the simplification and optimization of authorization in domestic trade. These modifications will ensure significant reduction of procedures and stages required to issue authorizations, will exclude duplication of the authorization and control exercised by local and central public administrations in this sector, and eliminate conflicting regulations. Furthermore, a draft law was developed to modify and supplement Law no. 1134-XIII of 2 April 1997 on joint stock companies in order to

solve the problems affecting the interests of shareholders, which cannot be solved by means of the Code of Corporate Governance. During the same period, the Ministry of Economy developed a set of legislative modifications for simplifying the procedure of voluntary liquidation of business. Following these modifications, the period set for voluntary liquidation will be halved, and some legal conflicts will be removed from the legislation.

Impact of actions taken

- The above-mentioned legislative modifications will contribute to improving the business environment, primarily in the field of domestic trade, by optimizing the number of permits and excluding overlapping, thus substantially reducing time and money needed to complete them.
- Modifications in the law on joint stock companies will contribute to strengthening investors' rights and protecting shareholders' interests by detailing some provisions of the law, and will also contribute to the disclosure of information about the transactions that responsible officials perform with a company's shares, as well as to full indication of requirements for conducting the general meeting of shareholders.
- Following modifications in the legislation on the voluntary liquidation of business, the deadline for submitting claims against the company in the process of liquidation will be reduced from 6 to 2 months from the moment of publication of the notice in the Official Monitor of the Republic of Moldova or from the date of the notification of liquidation. The period for distribution of assets will be reduced from 12 months from the moment of publication of the notice and 2 months from the moment of approval of the balance to a single period of 1 month, while the number of notices will be reduced from 2 to 1 notice.

Main problems identified

- Despite the progress obtained in the field of regulation of the business environment and protection of investors' rights, Moldova continues ranking low in the *Doing Business* rating, produced by the World Bank: in the areas of initiation of business, protection of investors and business liquidation it ranked 81st, 80th and 91st. The undermining of property rights and forced transfer of some packages of shares during this period reveal weak progresses in the implementation of legislative adjustments in the field and the vulnerability of the successes obtained.

■ Services

Major quarterly developments

Key developments during the first quarter included adoption of the Regulations guiding the works of the National Commission for the Monitoring and Coordination of Activities to Improve Access to Finances. This entity will have a consultative status, and it will consistently monitor and coordinate the activities aimed at improving the businesses' access to finances. Also, the Government developed and approved a draft law on conclusion and remote execution of contracts for consumption of financial services, primarily retail financial services. The institution responsible for supervision and compliance with the relevant legislative framework will be the Consumer Protection Agency. In February, the electronic service "e-Invoice" was launched in a pilot stage; it will lead to the optimization and automation of procedures for issuing invoices and to optimization of the expenses related to this process.

Impact of actions taken

- Creation of the Commission responsible for improving access to finances, implementation of contracts for remote financing, and launch of the "e-Invoice" project will facilitate qualitative diversification of the domestic financial market, improve the business environment, reduce the risks of corruption in the process of tax declaration, and facilitate electronic commerce.

Main problems identified

- The market of financial services in Moldova is still scarcely diversified, and it is dominated by banking services. Therefore, facilitation of the development of the non-banking financial system and of alternative funding instruments will contribute to increasing the level of funding of economy, which, according to the “Moldova 2020” strategy, is to reach 50% of the GDP in 2020.

■ Circulation of capital and current payments

Major quarterly developments

During the first three months of this year, the National Bank of Moldova developed a number of regulatory acts aimed at improving the system of payments and circulation of capital. These acts propose modifications and supplementations to the Regulations on the cash transactions in the banks of Moldova, Regulations on the calculation of the benchmark for consumer loan contracts, Regulations on the regime of mandatory reserves, and Regulations on disclosure by banks in Moldova of information related to their activities. These initiatives have the purpose of optimizing cash processing in licensed banks, creating fair conditions for all consumers in the process of obtaining loans, stimulating banks to increase long-term resources and extend the term of loans, and improving discipline on the banking market by having banks publish a minimum set of standardized information.

Impact of actions taken

- The set of measures aimed at increasing the information transparency in the banking system, creating conditions to protect consumers of loans, and increasing the amount of medium- and long-term loans will contribute to increased share of loans in the funding of consumption and investments. The reinforcement of the institutional framework of the banking system will contribute to sustainable growth of the national economy.

Main problems identified

- The interference of other institutions with the work of the National Bank of Moldova (NBM), cases of money laundering through the Moldovan banking system and cases of forced transfer of shares of some commercial banks reveal gaps in the institutional capacities of the NBM in regulating processes in the banking system.

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

Major quarterly developments

During the monitored period, the visa regime for travels to Schengen countries was canceled, for a total of 30 countries. Thus, Regulation no. 539/2001 on the list of countries whose citizens need visas to enter the Schengen Area was amended. The Regulation with the amendments by which Moldova was transferred to the list of countries with a free visa regime was published in the Official Journal of the EU on 8 April and entered into force on 28 April. In addition, the Parliament of Turkey ratified the agreement on the abolition of the visa regime with Moldova, and it is to enter into force in the nearest future.

Impact of actions taken

- The visa liberalization with Schengen countries (implicitly, the EU, with the exception of the UK and Ireland) creates conditions for the enhancement of inter-human contacts and for facilitation of free movement for business, study, culture and education purposes. Moreover, the cancellation of visas

might encourage circular migration and reinforcement of relations between expat communities – Moldovan emigrants – and the citizens that stayed in the country.

Main problems identified

- Although free travel to Schengen countries is a controllable process, there are challenges that might produce irregularities, which refer to the risks related to corruption in public institutions, use of the liberalized visa regime for employment in Europe, the situation in the Transnistrian region and overall regional instability.

■ Taxation

Major quarterly developments

During the first quarter, the reviewed fiscal and customs policy for 2014 was adopted in the first reading. Also, the Convention with Turkmenistan on avoidance of double taxation and prevention of income and property tax evasion, signed in Chisinau on 24 July 2013, entered into force.

The Report on the national budget execution results for the first quarter of this year has been published. According to it, the income amounted to MDL 5,151.9 million, which is an increase with MDL 682.3 million (15.3%) compared with the previous year. The income collected by public institutions funded from the State budget increased with 23.3%, amounting to MDL 37.5 million. In addition, expenses increased, reaching the amount of MDL 5,611.8 million (21% more than in 2013).

Furthermore, it was proposed to cancel the 1.5% tax on the export of nuts. In this sense, the regulatory framework is to be adjusted in order to remove the tariff barrier in the export of nuts (2% of total exports).

Impact of actions taken

- The draft law on reviewing the fiscal and customs policy for 2014, adopted in the first reading, includes amendment of some initial proposals. Thus, it was approved to return to the rate of the excise duty on cars as applied in 2013 (with engine capacity exceeding 3,000 cm³ for diesel and 2,500 cm³ for gasoline, from 2 euro/cm³ to 3.5 euro/cm³). Also, it was decided to decline the provision allowing that 2% of the income tax could be granted to non-profit organizations of public benefit. In addition, the law on exemption from some taxes, contributions and fines for the reconstruction and restoration of the Curchi monastery complex, near the town of Orhei, was annulled. Furthermore, it was proposed to remove the excise duty on the goods subjected to excise duty in the Transnistrian region for the region's businesses. At the same time, also for the region's businesses, it was proposed to introduce exemption from the tax on customs procedures and environment pollution.
- The provisions of the Convention between Moldova and Turkmenistan on avoidance of double taxation were set into force beginning on 1 January 2014. The Convention established the rates of some taxes withheld at source: (i) dividends – 10% of the gross amount of dividends; (ii) interest – 10% of the gross amount of interest; (iii) royalty – 10% of the gross amount of royalty.

Main problems identified

- The draft law on fiscal policy was challenged in court, as some of its aspects were found to be in contradiction with the Constitution. Thus, the Constitutional Court found unconstitutional the intention to modify the Tax Code in the part providing that individuals can direct 2% of their income tax to non-governmental organizations. Its decision specifies that the Parliament adopted this provision in the absence of a preliminary Government agreement.
- According to the Report on the national budget execution in the first quarter of 2014, the budget deficit amounted to MDL 459.9 million. Also, the State budget balance is MDL 32.9 million less than at the beginning of the year, amounting to MDL 1,587.2 million. In addition, the State debt grew, amounting to MDL 24,456 million as of 31 March 2014, which is a MDL 934.4 million increase since the beginning of the year.

■ Competition policy

Major quarterly developments

During the specified period, the Competition Council developed the Concept of the automated information system “State Aid Register”, aimed to ensure the execution of Law no. 139 of 15 June 2012 on State Aid by establishing an information mechanism for the registration, reporting and processing of relevant information by public authorities. Also, legislative amendments were approved to the Law on Competition no. 183 of 11 July 2012 and Law on State Aid no. 139 of 15 June 2012, reinforcing the Council’s capacities to apply the above-mentioned legislation in a more efficient and consistent manner.

Impact of actions taken

- The creation of the State Aid Register will enable collection and centralized processing of information on the activities and agents in the field. The centralization and automation of information resources related to State aid will facilitate transparency in the process of provision of aid and will increase the efficiency in the distribution of State resources in the sectors where development is a priority.

Main problems identified

- The process of provision of State aid, due to endemic corruption in the public sector, still lacks transparency, leading to less than optimal allocation of limited public resources and to distortion of the competition environment in the country.

■ Intellectual and industrial property rights

Major quarterly developments

During the first quarter, on 11 March, the National Commission on Intellectual Property (NCIP) held a meeting where it examined the results of implementation in 2013 of the Action Plan and National Strategy in the area of intellectual property up to 2020. In this sense, a new draft law on technological clusters and innovation incubators was mentioned. It shall contribute to encouraging activities of innovation, technology transfer and application of results of scientific research, inventions and patents on products and services.

According to the activity report of the State Agency for Intellectual Property (AGEPI) for 2013, achievements were as follows: acquisition of the certificate of conformity of the Quality Management System ISO 9001:2008; implementation of the project “Online Submission of Applications for Patents/Registration of Intellectual Property Objects”; launch of the portal www.e-servicii.agepi.gov.md; signing of the Cooperation Agreement with the European Patent Organization on the validation of European patents. Also, in 2013, the Agreement with the EU on the protection of geographical indications (GI) for agricultural and food products entered into force.

Data from the AGEPI show that 1,655 titles of protection for intellectual property objects (IPO) were issued in 2013: 1,355 brands, with 58% national holders; 184 patents, with 98% national holders; 2 titles of protection of DO and 4 – of GI, etc. Also, 275 objects of copyright and related rights were registered, with 266 registration certificates, most of them issued to Moldovan authors (96.2%). At the end of 2013, the number of international registrations of the DO was 853.

During the monitored period, on 23 January, the Joint Committee within the framework of the Agreement between the EU and Moldova on Protection of Geographical Indications (GI) of Agricultural Products and Foodstuffs had its first meeting. It discussed, among other issues, the extension of annexes to the Agreement to include new geographical indications (GI) and designations of origin (DO) for Moldovan products.

Impact of actions taken

- At its meeting, the NCIP examined activities for 2014, which include creation of a system of registration and protection of geographical indications (GI), designations of origin (DO) and traditional specialities guaranteed (TSG) for the purpose of increasing the efficiency of promotion of local traditions and brands.
- The Joint Committee of Moldova and the EU for the protection of GI of agricultural products and foodstuffs proposed, at its first meeting, to include four GI registered in 2013 (“Codru”, “Valul lui Traian”, “Divin” and “Stefan Voda”) into the annexes to the agreement on protection in the EU.

Main problems identified

- It is important to update and adjust the National Strategy and Action Plan in the area of intellectual property according to the measures specified in the European Agenda, adopted in the context of signing the Association Agreement with the EU.
- The small number of titles of protection of domestic products is due to the insufficient knowledge of manufacturers about the advantages of GI, DO and TSG in the process of selling domestic products on European markets.

■ Public procurement

Major quarterly developments

During the first quarter, the Public Procurement Agency (PPA) conducted a public campaign on the transparency of foodstuffs procurement for school and pre-school educational institutions.

Trainings aimed at building the capacities of SMEs in the developing offers for public procurement are planned as part of the project “Modernization of local public services in Moldova”. This program is implemented by the German Federal Enterprise for International Cooperation (Deutsche Gesellschaft für Internationale Zusammenarbeit, GIZ) with the financial support of the EU, and trainings are conducted by the Chamber of Commerce and Industry.

By means of the modifications introduced to the existing regulatory framework (Government Decision no. 121 of 17.02.2014), the experts co-opted into the working group for public procurement of works received the right to vote in the process of selection of business entities. The employment of experts for proceedings is to be decided by the working group. Meanwhile, their presence at or absence from meetings cannot affect the decisions of the working group for procurement.

New amendments to the Law on Public Procurement are part of the Government’s legislative initiative regarding electronic tenders and establishment of the Agency for Solving Complaints. Also, it was proposed to review criteria for awarding public procurement contracts. Therefore, contracting authorities will be more flexible in choosing offers according to the criteria of the smallest price or the most advantageous offer from the technical and economic points of view. In addition, modifications involve increase in the time limits for submitting offers. These amendments are part of the process of harmonization with the European legislation.

Furthermore, for a better delimitation of competences in the supervision of proceedings of public procurement of works, modifications were proposed for the Regulations on public procurement of works. Also, modifications related to the review of the VAT rate were proposed for the Tax Code in 2014, which will entail adjustment of contracts on procurement of foodstuffs for 2014, concluded in 2013.

Impact of actions taken

- Trainings will familiarize representatives of SMEs with the legal framework and will give them practical knowledge in preparing more professional and competitive offers to be submitted for public procurement proceedings conducted by Regional Development Agencies.

- The Agency for Solving Complaints, stipulated in the new version of the law, is a new specialized body of public administration, which will contribute to exclusion of the conflict of interests that might appear in the works of the Public Procurement Agency.
- The modifications proposed for the Regulations on public procurement of works refer to exclusion of the obligation for contracting authorities to include representatives of the Ministry of Finance and Ministry of Regional Development and Constructions into the working groups for procurement. The participation of the PPA and contracting authorities in the process of public procurement is deemed sufficient, and the involvement of the two ministries would be inopportune.
- Following modifications to the Tax Code, contracting authorities will need to modify contracts in order to reduce costs, while the net price (without the VAT) set in the contract will remain unchanged. If businesses choose to refuse the adjustment of contracts, contracts may be terminated for the positions where the VAT changed, without any penalties.

Main problems identified

- The information campaigns organized by the PPA on transparency in the procurement of foodstuffs need a more exhaustive approach, including procurement for the national army or public hospitals, as the latter involve contracts on significant amounts from public funds.

■ Statistics

Major quarterly developments

In March, the National Bureau of Statistics developed a draft law on modifying and supplementing Law no. 90 of 26.04.2012 on the Population and Housing Census in Moldova in 2014, improving the quality and clarity of the above-mentioned legislative framework and removing some uncertainties from it.

Impact of actions taken

- The application of this amendment will enable qualitative implementation of legislation, according to international and European standards, in the process of the Population and Housing Census this year. It will ensure the reliability of the data obtained from the census.

Main problems identified

- The lack of or failure to publish some important indicators hinder the process of research in the area and the international comparability of data. Thus, although significant progress has been achieved in the legislative and methodological adjustment to the standards of the UN and the EU, this process needs to be speeded up, as it is of major importance for research and development of qualitative public policies.

■ Financial control and related aspects

Major quarterly developments

During the first quarter, the Court of Accounts examined final audit reports on the process of privatization of public property and post-privatization activities, the financial standing of the Ministry of Youth and Sport, progress and perspectives of automation of the Single Licensing Register, Medicines and Medical Devices Agency, and the performance audit report on the protection and sustainable use of river waters. The conducted audits revealed deficiencies, irregularities and malfunctions in the above-mentioned institutions, and measures were proposed to improve the use of public money.

Impact of actions taken

- The control conducted by the Court of Accounts helps identify fraudulent and inefficient use of public money, contributing to transparency in the use of financial resources and civil society control over the removal of identified deficiencies.

Main problems identified

- The systematic nature and extent of deficiencies identified within public institutions reveal the inefficiency in the implementation of the Court of Accounts recommendations and these institutions' low level of compliance. These processes undermine the efforts made to increase the efficiency of the public sector and optimum use of public money.

■ Industrial policy

Major quarterly developments

During the first three months of this year, some investment, institutional and legislative activities were conducted in the energy sector. Thus, in February, the Government approved the law on promotion of the use of renewable energy, aiming at the medium-term diversification of primary energy resources and encouragement of innovation in this sector. Another important event was the Inter-ministry Committee for Strategic Planning making the decision to sign a funding agreement with the Eastern Europe Energy Efficiency and Environment Partnership Fund (E5P), opening funding opportunities in the form of grants amounting to about EUR 20 million, and technical assistance in the energy and environment sectors. Another decision of the Committee was to obtain a sovereign loan from the EBRD, in the amount of EUR 6.2 million, and a grant from the E5P, in the amount of EUR 3.5 million, to conduct a comprehensive modernization program of the "CET-Nord" JSC. Also, early this year, the General Meeting of Shareholders of the "Termocom" JSC voted for the merger agreement with combined heat and power plants CET-1 and CET-2, according to Government Decision no. 919 of 18 November 2013 and Decision of the Chisinau City Council no. 9/53 of 18 December 2013 on the reorganization of some companies in the thermal energy sector, and the finalization of the merger led to the creation of a new company, "Termoelectrica" JSC.

Impact of actions taken

- Approval of the Law on promotion of the use of renewable energy and conclusion of the agreement with E5P will contribute to the diversification of energy resources, reduction in energy intensity, and will promote technology and innovation development in the sector, ensuring final consumers with fair tariffs on electrical energy.
- The modernization of "CET-Nord" will contribute to optimizing the company's operational costs, significantly reducing CO2 emissions, improving the quality of heating supply services, and restoring hot water supply in the Balti municipality.
- The creation of "Termoelectrica" will contribute to increasing energy efficiency and to enhancing technical and investment assistance in the thermal energy sector in Chisinau, and this process is financially supported by the World Bank.

Main problems identified

- Structural deficiencies in the energy sector, such as corruption, lack of transparency in decision making, limitation of competition and involvement of various groups of interest into trade with energy resources, generate major risks for efficient transposition of legislative initiatives in this sector and for maximization of energy efficiency. The same factors will undermine the process of attaining efficiency indicators in the new company, "Termoelectrica", compromising the process of attracting aid from abroad.

■ Transport

Major quarterly developments

During the first quarter, the transport sector showed some developments. Thus, a working group was created to establish the legal framework for the international transport of unaccompanied baggage. Its intention is to introduce safer baggage transportation services and to combat frauds. A Technical Council for Road Transport was created under the Ministry of Transport and Road Infrastructure, which will be involved in the process of improving the regulatory framework concerning road transport and in its harmonization with the EU legislation.

Moreover, authorities and employers' associations in the transport sector initiated consultations on licensing the activity of international transport of baggage. In order to increase the safety of road traffic, a Government decision on the introduction of yellow registration plates for passenger transport was approved. Furthermore, the Program of distribution of resources from the Road Fund in 2014 was approved. In the sector of rail transport, the movement of trains renovated in Romania (at the *Remar* plant in Pascani) was temporarily suspended after a fire occurred in March and an investigation was initiated.

Also, the reform of the State-owned enterprise "Railroad of Moldova" has been slow. The Ministry of Transport and Road Infrastructure requested implementation of a dynamic plan of modernization, which shall include reorganization of the enterprise and improvement of its internal management.

In addition, a memorandum of cooperation in transport and promotion of strategic projects of common interest with relevant authorities in Romania has been signed, aiming at construction of automobile bridges and modernization of railroad.

Impact of actions taken

- The legislation on international transport of unaccompanied baggage shall ensure the increase of quality, safety and accessibility of international baggage transportation services.
- Issuance of licenses for unaccompanied baggage transport will provide legal guarantees to businesses in this sector. It will also bring clarity in the process of baggage transport and in the businesses' obligations. It will facilitate their work in the EU and encourage emergence of new business entities in the sector.
- Mandatory yellow registration plates for passenger transport will increase the responsibility of drivers and attention of other participants in road traffic. In addition, the regulatory act stipulates more thorough verification of compliance with traffic regulations. Expected effects include improvement of safety in passenger transport and improvement of quality of services provided by businesses in the sector. New rules are to be applied beginning this autumn.
- The Road Fund received MDL 390 million, with emphasis on road repairs in rural areas. According to authorities, priority will be given to roads to schools and medical centers.
- To speed up reform at the State-owned enterprise "Railroad of Moldova", the Ministry of Transport and Road Infrastructure ordered dismissal of the enterprise's General Director Andrei Damascan for the reason of failure to perform modernization tasks on time.
- The memorandum with Romania confirms establishment of a strategic dialogue. In this context, participation of the Romanian side in the implementation of projects in the transport sector might facilitate acquisition of European funding. Also, there have been discussions about the possibility to teach mariners and aircraft engineers from Moldova in the educational institutions in Romania.

Main problems identified

- Moldova had spent EUR 12 million on renovation of trains, but the identified problems raise questions concerning the quality of modernization works and the sustainability of this investment.
- Although authorities made road repairs in rural areas a central objective, the amount allocated from the Road Fund is less than for national roads (MDL 328.4 million and MDL 558.6 million, respectively). It should be noted that in the entire surface of manageable roads in the country (9,344 km), local roads make up about 60%, and national roads – about 40%.

- Delays in the reform at the State-owned enterprise “Railroad of Moldova” is determined by the lack of competence of its former leadership and by the problems generated by the integrity of its employees. This problem reveals serious deficiencies in the transparency of selection of key persons into the management of an enterprise that is important for the development of the entire railroad sector.

■ Informational society

Major quarterly developments

During the monitored period, there were several positive developments in this area. Submission of the income statement and payment of the income tax are now also possible by means of the electronic service “Electronic declaration”, which is currently connected to the governmental electronic payment service MPay. Also, the “e-Invoice” service was launched, which will allow issuing invoices online.

It has been decided to extend the use of electronic signature. In this sense, works began on the Regulations on the procedure of drawing up notarial acts and filling in notarial registers and other relevant documents. It is also worth mentioning the increase in the number of applications submitted by businesses online in order to obtain, renew or extend their licenses. Thus, this March, of the 606 applications the Licensing Chamber received from businesses, 378 applications were submitted online.

Furthermore, during this period public consultations were initiated on the draft Government decision concerning the pilot application of the Interoperability Platform. It refers to the capacity of systems and institutions to work together in sharing and reusing data. The draft Government decision on the governmental electronic service of digital signature (Msign) was also proposed for public consultation.

Public officials received the possibility to learn how to use the Enterprise Content Management Platform (ECMP). Trainings for this purpose were initiated by the Center for Electronic Governance (CEG). A more accessible and efficient version of *www.date.gov.md* has been launched, which is connected to the open technological platform CKAN, widely used in other countries as part of the data opening initiative.

The Center for Electronic Governance presented the results of the survey “Public Perception, Assimilation and Support of the Moldovan Government’s e-Transformation” for 2013. The survey reveals a 12% increase in the citizens’ openness to use e-services (from 57% in 2012 to 65% in 2013). Also, the share of households owning a computer grew from 58% in 2012 to 64%. Internet connection had a positive development; its current share is 62%, i.e. about 9% more than in 2012.

For 2014, the Government’s e-Transformation Agenda, presented during the first quarter, includes several objectives: e-Invoice (launched in February 2014), electronic register of State controls (March 2014), e-Transport Authorizations (July 2014), e-Permits for Water Use (July 2014), electronic customs clearance (still at the pilot stage). Furthermore, in the area of food safety it is planned to launch the e-ANSA system for the management of the import-export monitoring activity in the context of ensuring sanitary and phytosanitary requirements. Also, the Agenda includes: creation of an information system for recording immovable sales transactions; e-Public Procurement; and creation of the information system “e-permits for conducting commercial activities based on the ‘one stop shop’ desk”.

Impact of actions taken

- The “e-Invoice” service facilitates the reporting process for business entities, which can use it to issue and send invoices without visiting the headquarters of the State Tax Inspectorate.
- The digital signature on notarial documents will facilitate acquisition of notarial information and reduce costs and help avoid bureaucratic difficulties.
- The governmental service of digital signature (MSign) is an integrating, secured and flexible mechanism for users to apply and verify the authenticity of digital signature.

- The implementation of the Interoperability Platform involves efficient cooperation between the authorities of public administration, public institutions, and State-owned enterprises. Information systems will be connected to the Interoperability Platform in several steps, in order to reduce the risks related to the integration process.
- Once applied, the ECMP platform will allow digitizing and developing information systems (e-services), such as online registers, permits and setting up appointments, according to principles of interoperability, flexibility, extensibility and configurability.
- The new portal *www.date.gov.md* offers to public institutions the possibility to publish gross data directly from their information systems (through API), seeking to increase citizens' access to public information.

Main problems identified

- The survey “Public Perception, Assimilation and Support of the Moldovan Government’s e-Transformation” revealed a small increase in the number of citizens requesting online public services from the Consumer Protection Agency (from 5% in 2012 to 7% in 2013). One of the reasons for the small number might be insufficient familiarization of the population with the benefits of electronic public services. It may also be due to resistance to using modern instruments of interaction with public authorities.
- According to the evaluation of the Open Government Action Plan 2012–2013, conducted by ADEPT, the document has been implemented in the proportion of about 53%.⁸ The evaluation report underlines that partial completion of the Action Plan is determined by insufficiency of mechanisms for monitoring and controlling realization of planned activities, lack of human resources prepared in ministries, and insufficient awareness about the importance of the open government consolidation initiative.

■ Public health

Major quarterly developments

The main developments in public health that shall be mentioned include approval by the Government of the National Program for Prevention and Control of Cardiovascular Diseases for 2014–2020, aiming primarily at the increase of life expectancy and reduction of cardiovascular mortality with 10% by 2020, given that these diseases are the main cause of mortality in 56% of all deaths over the past ten years. To increase the efficiency in the process of reception, processing and issuance of permits to individuals and legal entities intending to engage in entrepreneurship in the field of medications, a draft Government decision was developed on the organization and operation of the “one stop shop” office issuing permits in the field of medications. During the same period, the Ministry of Health initiated a public dialogue with business entities on the pharmaceutical market in order to review the relevant legislative framework and approve the Regulations on the procedure of approval and registration of manufacturer prices on medications.

Impact of actions taken

- The implementation of the actions included in the National Program for prevention and control of cardiovascular diseases will contribute to strengthening the capacities of rehabilitation of secondary cardiovascular prophylaxis in medical outlets, informing and consulting patients about the risks of the above-mentioned diseases, developing a system of remote monitoring of patients, primarily patients from rural areas.

⁸ ADEPT, Semi-Open Government: Fulfilment of the Open Government Action Plan for 2012–2013 // Guvernarea semi-deschisă: Nivelul de realizare a Planului de Acțiuni pentru Guvernare Deschisă 2012-2013, <http://www.e-democracy.md/activities/pagd-2012-2013/>

- The implementation of the “one stop shop” office and establishment of the dialogue with the businesses on the pharmaceutical market, thus increasing competition on this market, will lead to de-regularization and de-monopolization of this sector. The end result will consist in reduction of prices on medications and greater assortment of medications on the local market, with a positive impact for consumers.

Main problems identified

- The increasing discrepancy between rural and urban areas creates the risks of failure to attain the objectives of the program on combating cardiovascular diseases. The efforts made to modernize the infrastructure and quality of public health over the past period need to be continued, with additional efforts directed to the efficiency of public expenditure and combating corruption in the system.
- The pharmaceutical market, despite the actions taken, is still monopolized and over-regularized, leading to excessive price growths, lack of essential medications on the local market and chronic corruption in the institutions responsible for regulating the sector.