

EUROMONITOR

QUARTERLY MONITORING REPORT ON THE PROGRESS IN
IMPLEMENTING THE EUROPEAN UNION–MOLDOVA ACTION PLAN IN
APRIL - JUNE 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 April - June 2014 has been produced within the joint project “EU-Moldova relations – monitoring progress in the Eastern Partnership in 2014” funded by the Soros Foundation – Moldova. It is the 32nd 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

- Justice Sector Reform Strategy for 2011-2016 (SRSJ) is under implementation. In May 2014, Promo-LEX and the Association for efficient and responsible governance (AGER) released quarterly report no. 5 on SRSJ implementation (monitoring period: 1 January to 31 March 2014¹). SRSJ is implemented on a constant basis. Thus, out of the 264 activities planned to be completed by 31 March 2014, including the 157 activities not completed in the previous quarter, 107 – were not completed, representing a report of 59% to 41%.
- In June 2014 it was published a study on the optimization of the prosecution and of the task of prosecutors in Moldova². The study was launched by the Legal Resources Centre in Moldova and is part of SRSJ, point 2.2.6. The study recommends simplifying procedural hierarchy in the system, reviewing the role and structure optimization of Prosecutor's General Office (PG). PG is proposed to focus more on administration and policy making in the field. In the same is recommended the reallocation of prosecutor' functions between different prosecution offices in order to ensure a comparable workload for all prosecutors. The study contains recommendations on capacity building of certain prosecution offices and liquidation of the others. Thus, it is proposed: enhancing capacity building of the Anticorruption Prosecutor; liquidation or review of Chişinău Prosecutor duties; liquidation of military prosecutor office and transport prosecutor office as well as that of the courts of appeal. It is also recommended to optimize the district/ rayon level prosecution offices once with the optimization of the judicial sector map. Although there are no precise recommendations on increasing the number of staff who assist prosecutors, it is still reasonable a 50% increase.
- The Parliament completed and approved the Prosecution reform Concept³. The concept is based on more specific areas of SRSJ (strategic direction 2.2). This policy document will serve as conceptual basis for future legislative drafting in order to perform the prosecution reform, including provisions regarding: the place and role of the prosecutor; organization and activity of the prosecution bodies; functional independence, accountability and social benefits of prosecutors. Must be noted the proposals related to the nomination of the Prosecutor General – which is to be appointed by the President at the proposal of Moldova's Superior Council of Prosecutors (SCP). It is proposed candidate selection through open competition. A law should next comprehensively prescribe all the eligibility criteria for the candidates. According to the Concept, the President may reasonable refuse a candidate, and a repeated proposal from the SCP presenting the same candidate (voted by two thirds of SCP members) would require the President to issue a decree on Prosecutor General Appointment.

Impact of actions taken

There is registered an increase in the satisfaction level of litigants with the justice system. Thus, according to the quarterly report cited above, a positive indicator is the number of hearings audio recorded, which represent an increase by 12% compared to the fourth quarter of 2013. It also has increased by 10% the number of judicial hearings that took place in boardrooms.

Main problems identified

¹ <http://monitor.md/ro/monitor-monitorizare/strategia-de-reforma-in-sectorul-justitiei-2011-2016/monitorizare-civica-a-implementarii-reformei-in-sectorului-justitiei-2011-2016/203-raport-trimestrial-nr-5-de-monitorizare-a-implementarii-strategiei-de-reforma-in-sectorul-justitiei>

² http://crjm.org/app/webroot/uploaded/Studiu_procuratura_23_06_2014.pdf

³ <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/2254/language/ro-RO/Default.aspx> - draft bill registered on 11.04.2014, and approved on 03.07.2014.

- Despite the increase in the level of satisfaction of the litigants with the justice system, courts' facilities remain a problem highlighted by the 20% of lawyers and litigants. This indicator will be improved.
- SRSJ implementation needs to be boosted. In particular must be addresses the postponed activities such as prosecutorial reform. It is worrying that, according to a quarterly report cited above, only 14% of the actions planned for the monitoring period were completed.

■ Combating corruption

Major quarterly developments

- The Parliament approved the 2014-2015 Action Plan on implementation the National Anticorruption Strategy 2011-2015 (Decision no. 76 of 16.5.2014). The document is divided into four components: research; legislative reform; institutional component; education component and public communication. It includes 93 actions, of which 14 are permanent and 79 – with a concrete deadline. Regarding Strategy's financial coverage, 90% of the money will be directed from the state budget, and the remaining costs will be covered from external sources.
- The Government adopted Decision no. 475 of 06.19.2014 on measures to implement the Law no. 269 of 12.12.2008 on the application of simulated behavior detector test (polygraph). Thus, they approved the Regulation on organization and operation of the State Commission for the use of polygraph tests and the Register of the officials that fall within the law preorder. Superior Council of Magistracy, SCP, Ministry of Internal Affairs (MIA), National Anti-Corruption Center (NAC), Intelligence and Security Service (SIS) and the Customs Service (CS) is to approve the standardized reports and other documents and forms required for the polygraph testing procedure. The normative act adopted by the Government is to be appreciated. Failure to adopt regulatory framework for this law has been for a long time an arrear of the Government that made polygraph testing of important people inapplicable.
- NAC and National Integrity Commission (NIC) have continued to work within their institutional mandates. Some generalized data on current activity were released by the NIC⁴. So, since January 2014 NIC adopted 95 clearance forms, initiated 92 checks and maintained 60 cases under examination. Out of the 95 clearance forms adopted, 2 refer to judges; Ministers - 3; deputy ministers - 4; MPs - 6; prosecutors - 12; Mayors - 15; 53 - other individuals. 53 clearance forms concern the legal status of income and property declarations; 30 - the conflicts of interest; 16 - incompatibilities; 4 - declaration of personal interest.

Impact of actions taken

According to data provided by the NIC, in 2014, 25 cases related to the violation of income and property declaration were submitted to the Prosecutor General for consideration of perjury (art. 3521 of the Criminal Code). For comparison, in 2013 CNI reported 16 cases. Still, NIC activity will be perceived as one with real impact only if the referred cases will end, eventually with convictions of the persons who have made use of false statements.

Main problems identified

- It is unfortunate that NIC does not provide information on the results of the notifications submitted. The public interest is to know the ratio of prosecutions initiated versus refusals to initiate prosecutions. Furthermore, the NIC must follow these cases in order to analyze its activity successes and failures and to intervene with proposals to ensure effective sanction mechanisms for legislation violations.
- Regarding National Anticorruption Strategy – its implementation will not be effective if the Government and Parliament delay in providing a framework in terms of action plans. Similarly, anti-corruption agencies need support in their activity, at least by a prompt reaction of the Government and Parliament on the institutional

⁴ <http://cni.md/?p=621>

needs. It is found that the draft law on amending and supplementing certain acts⁵, developed in order to improve NIC activity is blocked for a long time in the parliament.

■ Human rights and fundamental freedoms

Major quarterly developments

- There has been registered progress in promoting women's participation in decision making, but a final decision to introduce quotas for women and men has not yet been approved by Parliament. On May 7, 2014 the government approved a draft law on the introduction of a minimum quota of representation for women and men to ensure promotion of active participation of women in decision making and in the structures of public representation. The proposed bill provide introduction of the minimum quota of 40% for women/men on the lists of candidates for parliament and government, to ban sexist advertising, to ensure the right of men to paternity leave, to offer additional protection and penalties for violation of the principle of gender equality. The bill was approved in first reading by Parliament, which introduced amendments, including a representation quota increase to 50%. Amendments were proposed to the Electoral Code, the Law on Political Parties, the Media Law and the Law on Advertising. Ensuring gender equality is a commitment Moldova took in the Association Agreement with the European Union, through the Millennium Development Goals, in the UN Convention on the Elimination of All Forms of Discrimination against Women, the Programme of the Government for 2013-2014, and the National Action Plan on Human Rights 2011-2014.
- It was approved by the Parliament in first reading a draft law to operate a number of changes to the Broadcasting Code in order to regulate the transparency of media funding and media ownership. It was thus proposed introduction of new concepts that help to collect information on "owners" and "beneficial owners" of media institutions and provides increased powers the Broadcasting Coordinating Council to ensure transparency of media ownership. However, there is not much hope that this bill will be adopted in the final reading by the current legislature, given that there is a discrepancy between declarative intentions of MPs and their actions for the adoption of such projects.
- In order to implement the provisions of the International Convention on Children's Rights, to which Moldova joined in 1990, the Government approved the Strategy for Child Protection for the years 2014-2020 (GD 434/10.06.2014 regarding the approval of child protection Strategy for 2014-2020 / / Official Gazette 160-166/481, 20/06/2014). The strategy aims at ensuring the necessary conditions for the growth and education of children in a family environment including reducing the number of children in residential care; to prevent and combat violence, neglect and exploitation of children; and to reconcile family life and professional activity for children's harmonious growth and development.
- A national plan was approved to prevent and combat trafficking in human beings for 2014-2016 (GD 484/26.06.2014). The action plan largely repeats the structure of the previous plan, but this time it will cover a period of three years till 2016 when it will be integrated into a single national initiative together with NRS Strategy for the Protection and Assistance of Victims of human trafficking.
- To ensure workers' health and safety the government approved minimum requirements for the protection of workers from risks which may arise from exposure to noise, especially the risks to hearing. This Government Decision 362/27.05.2014 was adopted in order to transpose Directive 2003/10/EC of the European Parliament and the Council and meet the National Plan for harmonization of legislation in 2014. According to this Government decision, employers are to measure levels of noise to which workers are exposed and adjust it to the limit values given by the decision.

⁵ <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/2002/language/ro-RO/Default.aspx>

Main problems identified

- Lack of consensus on candidates for ombudsmen positions. While the Law No. 52 of 04.03.2014 on the Ombudsman entered into force since April 2014, it is inoperable while the candidates selected through public competition had not the support of the parliamentary majority.
- There was not finalized the process of drafting Penitentiary System Reform Strategy - action which was to be implemented in the first quarter of 2014 as given by the Government Action Plan for 2014.
- Republic of Moldova continues to be a source country for men, women and children subjected to trafficking and forced labor. Despite considerable efforts in recent years, the Government of Moldova does not fully comply with the standards for the elimination of trafficking⁶. Trafficking victims do not always have sufficient access to resources and services, including legal and psychological assistance; and those who are guilty of trafficking are not held accountable.
- Moldova has a solid legal framework for human rights, but there are serious implementation gaps in almost all social policies due to lack of systematic mechanisms for implementing them. Also, the lack of monitoring and evaluation of existing policies make it difficult to properly estimate the impact of measures taken by the state.

■ Transnistrian conflict settlement

On May 28, 2014 the Government approved the first tranche for financing country's reintegration program activities for the year 2014, to which were allocated over 13 million lei (GD no.394 of 02.06.2014). The program aims to finance development activities and material/ technical upgrading of educational and medical institutions, maintenance of buildings and aqueducts, social protection measures for older persons and people with disabilities, street lightening and other activities that contribute to overcome the consequences of the conflict and to improve living conditions for residents of the security area. It is noteworthy that country's reintegration program activities started in 2011, initially being annually assigned a 10 million lei budget. Since 2013, the amount was increased, reaching 15 million. In the period 2011-2014 under this Program for reintegration were selected to be implemented over 160 projects and initiatives.

From March 29, 2014 EU Border Assistance Mission to Moldova and Ukraine has a new chief - Francesco Bastagli, which reconfirmed EUBAM aspiration to provide further assistance to customs and border authorities in Moldova and Ukraine on the basis of European standards on border security.

Moldovan authorities have taken a number of measures to strengthen confidence-building measures in the Transnistrian settlement process, among them:

- were canceled excise duties and environmental taxes for Transnistrian enterprises by amending legislation to remove impediments in the process of confidence building;
- it was proposed to address the problem of documentation of Transnistrian population in line with international conventions to which Moldova is a party, pledging to reduce the number of stateless people. Addressing existing difficulties could be facilitated with advancing negotiations on political aspects of the conflict.

Undermining confidence building process

Annexation of Crimea by the Russian Federation, which is a mediator and guarantor in the Transnistrian settlement process, encouraged regional leadership to address on 16 April 2014 to the Russian leadership with a request to recognize the independence of Transnistria. On the other hand, a number of decisions and actions taken by the

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http://www.state.gov/j/tip/rls/tiprpt/2014/?utm_source=NEW+RESOURCE%3A+Trafficking+in+Persons+Report+2014&utm_campaign=2014.07.16+NEW+RESOURCE%3A+Trafficking+in+Persons+Report+2014+&utm_medium=email

Transnistrian structures created discriminatory conditions for inhabitants working in institutions subordinated to the Republic of Moldova. In this respect, the Transnistrian authorities:

- created impediments to farmers in the localities under Moldovan jurisdiction to access their agricultural land located along the line Tiraspol-Kamenka. Moldovan authorities insisted on returning to the mechanism implemented in 2006 and to identify viable solutions to enable farmers working the land. On the other hand, representatives of Transnistria chose essential modification of the mechanism, insisting on signing lease agreements, so that later to be able to claim ownership of the land;
- continued to create impediments to the well-functioning of Moldovan schools teaching in Latin script in Transnistria. To overcome these problems Moldovan representatives insisted that transnistrians return Lyceum "Lucian Blaga" the money, car, stamp and personal things seized as a result of the incident of 5 February 2014.

In the second quarter of 2014 were held four meetings of the Joint Control Commission (JCC), in which were discussed issues related to:

- human rights violations in the security zone. Since 1 December 2013 Transnistrian security forces unilaterally, without prior notification to the JCC and military command, introduced a new procedure for registering citizens when crossing the administrative line, in order to limit the stay on the left bank up to 90 days, therefore, in March 2014, significantly increased the number of wrongful restraint cases of people in the security zone.
- abusive detention and obstruction of movement in the Security Zone of employees of Moldovan law enforcement bodies and local authorities by the "border posts" of the Transnistrian security agencies;
- unilateral and illegal expansion of police stations infrastructure in the Transnistrian district with an increased security regime in Bender.

"5 +2" Negotiations

On 5-6 June 2014 in Vienna took place the second meeting of this year's negotiations in the "5 +2" format on the Transnistrian conflict settlement under the auspices of the OSCE Chairmanship. Meeting participants examined issues related to:

- enabling the free movement of people on the two sides of Nistru. The problem of free-movement refers to the prospects of opening the bridge over Nistru River near the village of Gura Bicului and Bacioc, train movement through the region, documenting the Transnistrian population etc.
- economic cooperation and political discontent of Tiraspol representative, who invoked the so-called "economic blockade" of the Transnistrian region. Moldovan delegation denied the "economic blockade" providing reliable statistics demonstrating positive dynamics of import-export made by Transnistrian companies on the base of commercial preferences awarded by the international partners of Moldova. Moldovan delegation reiterated the initiative for the creation of a single economic space in order to approximate the two sides, arguing that most of the problems facing the region's economy are caused by the fact that the Transnistrian conflict remains unresolved and the region lacks a defined legal status. It was mentioned in this context and the necessary interaction between the two sides in the context of building deep and comprehensive free trade area with the European Union;
- problems in ensuring access for residents of Dubasari to the farmlands located along the line Râbnița - Tiraspol. Transnistrian representatives were suggested to refrain from unilateral decisions that lead to blocking access of farmers to agricultural land causing significant economic damage. As a result, the Moldovan authorities will compensate the losses incurred by farmers, and will seek solutions with Tiraspol's representatives to overcome the situation;

- problems facing Moldovan schools with Latin script in the Transnistrian region being under the pressure of Transnistrian authorities. It was reiterated the need to ensure all the necessary conditions for the well-functioning of the schools and to refrain from unilateral actions that could adversely affect the educational process;
- developments in the preparation of dismantling funicular Rîbnița - Rezina.

On 10 June, under the auspices of the OSCE, in Freising, Germany, was held the Conference "Confidence-building measures in the settlement of the Transnistrian conflict." The conference was attended by political negotiators, heads of the working groups from Chisinau and Tiraspol, the representatives of "5 +2" format and international partners involved in the negotiation process. The conference was aimed at overcoming the problems between the two sides in education, ecology, economy, trade, transport and infrastructure.

Impact of EU Association Agreement on Transnistria

After signing the EU Association Agreement Transnistrian economy will face difficulties caused by the fact that Transnistrian representatives refused to participate in negotiations on the Free Trade Area (DCFTA). Another reason is that Transnistria declared that its integrationist policy is oriented towards the Russian Federation and the Eurasian Economic Union (UEE), while in reality the trade in the region is mainly oriented towards Moldova and the EU. The statistics for 2013 showed that 40% of exports from Transnistria went to the Republic of Moldova; 33.6% - to EU; and 18.2% - to the Customs Union Russia-Belarus-Kazakhstan; 17.6% - Russia; 7.8% - Ukraine. Moreover, trends in recent years show that Transnistrian trade with EU increased and decreased trade with the Custom Union.

■ Improving welfare

Major quarterly developments

The main effort was directed towards indexation of wages and social assistance payments, as well as reviewing certain quantitative ceilings on state assistance. As in previous years, the government reviewed and approved an increase of the real sector minimum wage with an amount of 250 MDL; this decision came into force on May 1, 2014. Thus, it was approved that the minimum guaranteed wage amounts to 1,650 MDL per month, this sum being determined based on the consumer price index dynamics and labor productivity in the national economy. This year, besides the basic indices for the given period, those of 2010 were also considered, given the fact that no minimum wage indexation was conducted at that time. In order to financially assist certain categories of socially vulnerable groups, the government approved the Regulation on one-time compensation payment to families that lost their breadwinner after the Chernobyl catastrophe. The regulation establishes the mechanism of calculating and paying the one-time compensation in the amount of 15 average monthly salaries to the affected families as well as funding sources and reporting procedures. Another social initiative of the government was the approval of an increase in the pension ceiling from 1300-1500 MDL as a precondition for the state support eligibility, this provision being applicable starting July 1. Besides this, the same government decision has doubled the fixed amounts of state assistance and has included additional categories of beneficiaries. Thus, in addition to the ordinary pension beneficiaries, within ceilings established by law, this assistance will be provided to recipients of survivors' pensions, recipients of state social allowances, except for care, accompaniment and supervision, and a death benefit.

Impact of actions taken

- The annual indexation of minimum wage compensates for the decreasing purchasing power of the minimum wages and provides higher incomes for low-skilled labor, affected by poverty. Furthermore, the minimum wage increase has a positive impact on reducing informal payrolls, thus increasing budgetary revenues in the medium term.
- The indexing of social benefits, pensions and benefits helps maintain economic and social security of the most vulnerable segments of the population.

Main problems identified

- In Moldova, the minimum salary is established differently for the real sector and the public sector, wages being lower in the public sector. This practice distorts the labor market, discriminating real sector employers and discouraging public sector employees. In the same time, increasing the minimum wage, without additional measures stimulating new graduates employment, may lead to more unemployment in this category of the economically active population.
- The dynamics of social assistance and pension increases has a clearly distinguishable cyclical electoral character, and year 2014 is not an exception from this trend. The larger increases in electoral years are possible due to lesser indexing in the subsequent years and do not cover the decreases of the actual value of these allowances in the periods between elections. Furthermore, minor adjustments of the social assistance base do not solve the systemic problems facing the social and pension system, thus undermining its durability.

■ Macroeconomic and macrofinancial policies

Major quarterly developments

At the end of the reporting period the government approved the draft law amending the Law on State Budget for year 2014. Thus, draft law provides for increase in budget revenues of 940.3 million MDL and an increase in expenses in the amount of 1070.9 million MDL. Accordingly, the budgetary deficit will rise to 130.7 million MDL. These changes are determined by changes of certain macroeconomic indicators, increases in budgetary financial support to pensions and salaries in the public sector, increases of transfers to social security budget and prioritization of expenditure programs. The main factors that influenced these parameters are slower pace of economic growth and foreign trade, which impacted the planned tax collections. According to the proposed amendments, the increased deficit is planned is proposed to be largely financed by issuing additional state securities in the amount of 600.0 million MDL.

Impact of actions taken

- The adjustment of certain budgetary parameters will allow for a more efficient public finances management, in reaction to macroeconomic trends. However, the increased budget deficit during economic slowdown and increased external risks undermines the efforts to stabilize and improve public finances.

Main problems identified

- The main problem of the current budget, besides an increased deficit, is the structure of the new expenditures. In particular, the problem is the increases of public sector salaries, without a process of optimization and qualitative adjustment of this sector. Furthermore, increases in the transfers to the social security budget as a result of reduced revenues in this budget, indicates systemic problems in this area.

■ Functional market economy

Major quarterly developments

Among the key events in this area, is the government's approval of the draft law on market surveillance. The draft was developed based upon the Regulation (EC) no. 765/2008 of the European Parliament and of the Council of July 9, 2008, as well as upon certain provisions of Law no. 420-XVI of December 22, 2006 on the regulatory activity. Thus the law requires clear rules on market surveillance regarding compliance of non-food merchandize with the essential requirements set out in technical regulations of relevant bodies. In the same time, in order to exclude overlapping of control institutions, and to efficiently inform businesses and consumers, the market surveillance activities will be coordinated by a Coordinating Council. This institution will be composed of representatives of central public authorities, customs, public organizations and sectorial surveillance bodies. Therefore a systemic approach is required with regard to the control of local or imported goods, the Customs Service playing an important role in the process of not allowing non-compliant or dangerous products.

Impact of actions taken

- Implementation of the legal framework on market surveillance mechanisms, through reducing the share of non-compliant and / or dangerous products on the domestic market, will help bring improvements in public health and environment. In the same time, due to a decrease in unfair competition with non-compliant products by shadow economy companies, will improve business climate and will benefit the consumer.

Main problems identified

- The main barrier to effective implementation of the supervisory framework on sectorial markets is the low quality of the relevant institutions and high levels of corruption. With no progress in these areas, the efficiency of combating local and imported non-compliant products will be low.

■ Rural and regional development

Major quarterly developments

During the reporting period a set of measures have been undertaken to contribute to regional development and to overcome internal disparities. Thus, among the main regulatory initiatives, were the development of Sectorial Regional Programs on water and sanitation, for North, Centre and South development regions. These regulations will be an important tool for regional sectorial planning by LPAs, developing sustainable projects and improving quality and access to water services and sanitation. Road rehabilitation efforts continued in Q2 2014, repair works began on two national routes, R1 Chisinau-Ungheni - Sculeni and R33 Hîncești-Lapusna-M1, as well as on some parts of local roads in Căușeni rayon. Simultaneously, construction work began on the water supply systems in three communities of Nisporeni rayon, implementation of this project will result in sustainable access to safe drinking water for about 23 000 residents of this rayon.

Impact of actions taken

- Construction and repair of roads and water supply networks will significantly contribute to a more favorable environment for business and economic growth recovery in the regions.
- The development of water supply and sanitation networks will improve quality of life, health and hygiene, and will help optimize operating costs of water supply networks.

Main problems identified

- The institutional aspect of development, management and implementation of sustainable regional projects still remains underdeveloped, this being particularly valid for local authorities. This fact points to the need for new technical assistance projects to strengthen and amplify the achieved results, but also to the need to identify new sources of funding for regional projects.
- The increase in the pace of infrastructure works did not result automatically in an improved quality and costs optimization. So to ensure a multiplier effect as a result of road construction, a more strict control by the relevant bodies is required.

■ Social and employment policy

Major quarterly developments

In the second quarter, the main efforts of sectorial policies were targeting social improvement of child protection and adjustment of labor market to demographic processes in the country. Thus, as part of the child welfare reform a free helpline service for child care was established, providing advice and services to children at high risk of becoming victims of violence and abuse within their family. The service provided via the free helpline meet certain quality standards, specified in the Regulation on minimum quality standards for the organization and functioning of the child helpline service, approved in the same period. With the same social purpose in mind, was approved the child protection strategy

for 2014-2020. This document purpose is to reduce the negative effects of migration on child and family, to improve the institutional framework for the placement of children separated from their parents, to prevent violence against children and facilitate the balancing of family life with parents' professional life. Along with social issues, the government addressed some important issues related to the trends on the labor market. In this context, in response to the rapid population aging, the government approved the Program on integration of aging issues into policy making and the action plan for 2014-2016. According to this program, the structural changes in the labor force caused by demographic aging will be managed by a positive approach, which foresees the active involvement of elderly people in social life and labor market. Thus, to facilitate the involvement of elders and establishment of a dialogue between generations, it is planned to establish a national council of the elderly, with an advisory function. Similarly, to reduce unemployment among elderly people the Parliament approved an amendment to art. 183 of the Labor Code of the Republic of Moldova. This amendment extended the preference term of continuing work of 2-5 years for people that have left no more than that period before the pension age.

Impact of actions taken

- Implementation of the Child Protection Strategy and other mechanisms in this field will help protect children rights, promote non-violent practices in raising and educating them and prevent violence against children in the family.
- An active approach to the problem of demographic aging will help gradually change the current labor market model, towards an increased involvement of elders. Such an approach will allow harnessing the productive potential of this rapidly growing part of the population, and easing the burden on the social security system.

Main problems identified

- Due to intense migration processes, the problem of children neglect and violations of their rights significantly increased. These processes are intensified by the poor quality of the institutional system of children protection within the family, as well as the institutionalization of children separated from their parents.
- Rapid population aging will put pressure on the social assistance system and will strain relations between generations. Besides measures facilitating older people staying employed, the solution of this problem is in the current pension system reform. The absence of political will result in a transfer of reform costs on next generations and will undermine the implementation of all programs of active employment of elders in the labor market.

■ Commercial relations

Major quarterly developments

The most significant development in the second quarter is the signing of the Association Agreement, which provides for the establishment of a deep and comprehensive free trade zone. Furthermore, after launching DCFTA, the free trade agreement with Turkey will come into force. Proper implementation of economic reforms, but also in other areas crucial to the functioning of the state (justice, good governance, effectiveness of public institutions) can generate economic and social benefits. In this context, a first donors meeting on the implementation of the DCFTA was held as part of the "Support to the implementation of the DCFTA" EU Project.

On the other hand, the signing of the Association Agreement has led to more difficult relations with Russia with regard to trade issues, with restrictions extending on other segments of the agri-food sector (finished products, meat, milk and dairy products). Russia has expressed its intention to apply protective measures against the states that signed Association Agreements with EU, Moldova being labeled as a threat to Russian commercial interests. Moldovan authorities have held further consultations with Russian experts to discuss sensitive questions raised by Russia in connection with the launching of DCFTA.

Negotiations on cancelling restrictions on Moldovan wine products still stall. Russian authorities accused the Moldovan side of failing to take necessary measures to ensure the quality and safety of wine, with the Moldovan side accusing the

Russian authority "RosPotrebNadzor" of lack openness and of operating with false information about the situation in the field. On the other hand, the Russian authorities have published data on imports of Moldovan alcoholic beverages for the first six months of the year, which featured production from Transnistrian and Gagauz regions that supposedly meet safety and quality standards according to Russian veterinary and phytosanitary control service. Additionally, the prolonged Ukraine crisis and Russia's implication caused a negative economic impact in the region, including Moldova, this affecting the flows of Moldovan goods to these countries.

During the monitored period the Exporters Forum "Moldova Business Week 2014" took place, bringing together major local exporting companies as well as representatives of the public sector. The country was visited by several European officials, who discussed the effects and benefits of Community market liberalization for Moldovan producers. MIEPO activities focused on organizing exhibitions and forums in the country and abroad (Milan, Vienna), however the measures meant to attract foreign investment have not yet brought tangible results.

Impact of actions taken

- According to long-term estimates, conditioned by implementation of necessary reforms, attraction of investments and promotion of exports through increasing domestic product quality, the economic growth could be around 6%. In the same time, elimination of custom duties creates prerequisites for increasing exports to the EU, which could grow by about 11%.
- The meeting of donors interested in supporting the implementation of DCFTA gathered local donors as well as representatives of public institutions (EU Delegation USAID / BRITE, East Europe Foundation, EBRD, IFC, OSCE, FAO, GTZ, IOM, MIEPO). The participants put forward the idea of developing a mechanism for the coordination and monitoring of donor assistance regarding the implementation of the DCFTA agenda. Participants discussed the priority areas where particular focus of financial and technical assistance is required: improvement of infrastructure quality, standards implementation, trade facilitation through tax and customs administration improvement, development of financial services, capacity building on public procurements.
- During consultations with the Russian delegation, Moldovan authorities have presented arguments in favor of DCFTA, referring to its importance for the modernization of the economy, quality standards improvement, etc. The Moldovan delegation confirmed DCFTA compatibility with the CIS free trade agreement and its interest for further development of trade relations with Russia, whose economy is "complementary" to the Moldovan economy.
- European Commission President Jose Manuel Barroso announced that starting this autumn, Moldovan wine producers will have full access to the European market. Agriculture commissioner Dacian Ciolos met with representatives of the agri-food sector in the regions, informing them about funding for agriculture, offered through ENPARD, but also about the peculiarities of the Association Agreement (transition periods for European imports of products from less competitive sectors, production quotas for vegetables considered sensitive for the EU etc.).
- The investment attraction activities carried out by MIEPO, are aimed at development of Industrial Parks (in partnership with UNIDO); promotion of Moldovan wines by launching the national wine industry brand; promotion of the country as a tourist destination (in partnership with USAID) etc.

■ The Customs Service

Major quarterly developments

In the second quarter, was approved the Regulations for the application of customs destinations provided by the Customs Code, developed at the proposal of the Customs Service in order to establish transparent rules regarding the active customs regime application. The latter is applied to the manufacturing companies that import raw materials, process it in the country and export it afterwards. In the same time, this regime aims at businesses, regardless of ownership of raw materials, provided that obtained compensatory products are re-exported from the country. Besides

this, was voted in the second reading the draft law on approving the Regulation on the procedure of electronic clearance of import goods.

The Government also approved the decision regarding customs officers' new type of uniform, emblem, insignia, in conformity with European standards; as well as the draft decision regarding the methodological principles of mobile Customs Service teams' activity. Moreover, there were developed the draft decision on the implementation of simplified procedures of customs clearance as well as the concept of the Authorized Economic Operator – (AEO).

In the same time, during the evaluation period, the case of Chisinau Glass Container Prim glass factory got public attention. This is due to the fact that Customs Service asked the company payment of additional VAT amounting to 33 million MDL, after which the company has warned that it will cease its activity in Moldova.

Representatives of the Customs Service together with the Ministry of Economy and Ministry of Finance discussed the implementation of the Combined Nomenclature of Goods that will enter into force on January 1, 2015. The discussions focused on the procedure of issuing certificates of origin for products from the transnistrian region, where Autonomous Trade Preferences regime will continue to be in force until 2016. Besides this, there were discussions on the management of taxes on tariff quotas for export and import operations. Parties have suggested the need for a quickly and fair mechanism, that would include tariff quotas for trade with EU, as well as those contained in the FTA with Turkey. The Customs Service proposed using the new information system ASYCUDA. Moreover, the parties examined the anti-circumvention mechanism as well as the ways of notifying the European part on the use of export quotas. Also in the customs area, EUBAM reiterated its readiness to further provide assistance for capacity building of Customs Service in accordance with European standards as well as the cross-border cooperation.

Impact of actions taken

- The approval of the Regulation on the procedure for electronic clearance of import goods, similar to existing export practice, requires that importing economic agents having a digital signature can fill-in their import declaration electronically. Thus, the procedure will become transparent and can be monitored online. Business representatives expressed their positive feedback regarding the already implemented procedure for electronic customs clearance of export goods.
- The status of authorized economic operator (AEO) and the governing framework is compatible with the simplified customs regime enjoyed by more than 60 companies in Moldova. During the development of the mechanism for granting AEO status, was taken into account the experience of the EU member states as well as the prospects of implementing a pilot project between Moldova and the EU on AEO recognition. Today, the AEO recognition system is being developed to be implemented at the pilot crossing point of the Moldovan-Romanian border.
- Effective implementation of the Combined Nomenclature of Goods corresponds with the objectives of the DCFTA. It will bring together and harmonize tariffs for these products with those of EU, which are currently in different documents.
- According to the Customs Service, the ASYCUDA informational system, with certain adjustments, allows the management of tariff quotas. In the same time, this system helps publish online data on export quotas available, thus ensuring the necessary transparency for businesses to be able to plan their activities and export contracts.
- The anti-circumvention mechanism provides that upon achieving 70% of the annual quota allocated to Moldova for exports to EU, Moldovan authorities must notify the European Commission of production and export capacities in order to continue to benefit from the preferential regime on goods for which this mechanism is applicable. This mechanism will be used to prevent re-exports to the EU.
- DCFTA provides cancellation of customs duties and customs procedures to EU trade, but on some sensitive products preferential export quotas will be introduced, and exports exceeding these amounts will have to be charged custom duties. Quotas refer to about 60 items, the most important of which being products of agricultural and animal origin.

Main problems identified

- Chisinau Glass Container Prim is one of the largest glass manufacturers in Moldova and in the region, producing about 225 million bottles per year. In 2013, it had sales of about 500 million MDL, and nearly 65% of production was exported. Taxes and social contributions paid by the company to the state budget were of over 32 million MDL and VAT on imports - about 34 million MDL. Therefore, it ceasing its activity will have a negative social impact (lost jobs) and will trigger economic costs (lost incomes to the national budget). In the same time, it will seriously affect the country's image as a destination for foreign investment, given the company's intention to bring the case before international courts (ECHR and the International Centre for settlement of investment disputes (ICSID)), and to cease its business in Moldova.

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

Major quarterly developments

In the second quarter, the National Standards Institute (NSI) continued the process of adopting European and international standards, in accordance with the standards adoption program for 2014. With Association Agreement entering into force, the Moldovan side undertakes to take over European standards and qualify for the status of a full member of the European standardization bodies.

To facilitate the work of inspection, certification and audit bodies, the National Standards Institute adopted three European standards (SM SR EN ISO/CEI 17020:2013, SM SR EN ISO/CEI 17065:2013, SM SR EN ISO/CEI Guide for auditing management systems /). Furthermore, the NSI approved its Strategic Development Program for 2014-2016.

In the same period, the NSI has become an affiliated member of CENELEC, EBRD approved the strategy for Moldova, which also includes the promotion of European standards.

In the same context, NSI representatives attended meetings of the General Assembly of the European Committee for Standardization, the General Assembly of the European Committee for Electro-technical Standardization (CENELEC) and the European Standardization Summit.

Impact of actions taken

- The status of CENELEC affiliate membership, as well as adherence to CEN, grants the National Standards Institute the right to adopt European standards as national, which will facilitate the take-over of European legislation in this area.
- The NSI Strategic Development Program for 2014-2016 comprises a set of strategic objectives: (1) harmonization of national standards with European and international standards; (2) promoting the benefits of standards; (3) increase participation in standardization processes at regional and international levels; (4) strengthening the institutional framework for standardization. To achieve these objectives, NSI emphasized the following requirements: (i) a unit responsible for implementing and maintaining quality management system within the NSI; (ii) personnel responsible for translating European and international standards (English to Romanian); (iii) a unit responsible for promoting products and services in the field of standardization.

Main problems identified

- Although the adoption of European standards has a positive trend, giving up on outdated or conflicting standards (GOST) is difficult. Besides the reluctance of actors participating in quality infrastructure as well as that of economic agents, the further maintaining of old standards is determined by the costs involved with implementing the European standards.

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

Major quarterly developments

During the second quarter, there were several meetings of the Working Group on regulating entrepreneurial activity where there were debated normative and legislative, as well as impact analysis of these acts in various areas that directly or indirectly refer to entrepreneurship activities. There was a reduced visibility of WTO Notification and Information Centers created by the GD no. 560 of 01.08.2012. In the context of signature and ratification of the Association Agreement, these centers should become an important informational support for businesses.

Impact of actions taken

- The working group brings together key players in the area of entrepreneurship, in order to improve state policies in this area through vertical consultations.
- At least 5 WTO Notification Centers have to be active: two at the Ministry of Economy and one in each of the following institutions: MAIA, Ministry of Finance, Ministry of Health and the State Agency for Intellectual Property. The Centers' duties include notifying the WTO Secretariat and partner countries about specific regulations applied by the local authorities and that affect foreign trade. Besides that, the Centers need to ensure communication with partner states and the WTO secretariat to follow the changes made by partner countries in the foreign trade regulations. The functions of the Centers will be supplemented with tasks related to information and notification regarding the FTA with the EU.

Main problems identified

- Although the agenda of meetings of the Working Group for regulating entrepreneurial activity is publicly available on the official website of the Ministry of Economy, it is difficult to assess the impact of its activity and the involvement this group members as well as group's relationship with the civil society. A recommendation is to introduce clear criteria allowing the assessment of the efficiency of this platform for interaction between authorities and entrepreneurs.
- The visibility of the WTO Notification and Information Centers is still limited, which may make it more difficult for them to carry out their functions of information and notification after DCFTA launch.

■ Sanitary and phytosanitary issues

Major quarterly developments

In the second quarter, safety issues of animal products exported to the Russian market were brought into discussion. According to the Russian "Rosselkhoznadzor" dairy products exported by a Moldovan company (Râbnița Dairy Factory) contained banned substances. As a result, the Moldovan sanitary authorities were notified that every all products from this manufacturer will be subject to intense scrutiny by the Russian sanitary service. This time, "Rosselkhoznadzor" has objected not only regarding the Moldovan manufacturers but also regarding other countries (Brazil, Hungary, Spain, USA, etc.).

In the reporting period, the government approved the signing of an agreement on the development of the livestock sector, allowing Moldova to receive a loan of 100 million Euros.

During the monitoring period, ANSA carried out a series of activities, mainly field controls. A control group was created, in charge verifying the food safety situation in the Hâncești district. The group conducted unexpected checks, in the field as well as in the Rayonal Department on Food Safety, and several of administrative contraventions offences have been recorded. Furthermore, spot checks were conducted in Briceni rayon, where producers as well as sellers of plant

protection products were verified. These spot checks were attended by representatives of Local Department of the National Agency for Food Safety and representatives of the State Tax Inspectorate. Monthly reports were presented regarding the activity of NAFS border offices. Other spot checks have been conducted targeting sellers of pesticides as well as warehouses and wholesale markets that import, store and sell fresh fruits and vegetables falling under the phytosanitary safety oversight. Spot checks were carried out at several processing units of red meat and poultry in Anenii Noi and Ialoveni rayons, resulting in bans on activity for 3 and respectively 2 of the mentioned units. As a result of inspections, a lot of tomatoes imported from Turkey was banned, after it was found infected with Tuta absoluta (tomato moth). Based on the information received through the rapid alert system RASSF, regarding findings of laboratory investigations of grapes produced in Peru and imported through the Netherlands, NAFS staff conducted inspections in several shopping centers in the country, withdrawing non-compliant grapes from the market.

NAFS specialists participated in trainings within TAIEX assistance program, which aimed at training competent authorities and economic operators with regard to how to use the TRACES system.

Impact of actions taken

- The Polish loan of 100 million Euros will be provided for a period of 25 years, with a 0.15% annual rate and a five-year grace period. It is expected that this money will go towards the modernization of farms specialized in the production of milk, meat or eggs. The loan will enable investment in modern food processing technologies and will facilitate the application of DCFTA provisions, including directives related to the agri-food sector (around 300 European standards).
- The spot checks carried out in Briceni found that in spite of the fact that businesses have licenses obtained legally and are following their contracts on buying and selling seeds they have committed offenses with regard to lack of invoices showing the price of plant protection products, lack of documentation of origin on flower seeds and onion seeds, etc.
- TRACES is a system for the registration, validation and control of veterinary documents. This system is developed by the European Commission and made available to EU member states, as well as other countries which export livestock or animal products to EU member states.

Main problems identified

- The case of the Râbnița Dairy Factory points to the existence of technical and financial issues that affect the safety of the manufacturing process. This partly shows a low efficiency of the monitoring conducted by national food safety authorities (NAFS) but also shows that companies in this sector are facing difficulties in complying with the requirements of the Russian market. Thus it can be expected that other Moldovan companies with similar issues might also have difficulties in complying with EU regulations and standards required for accessing the European market.
- Besides efforts to strengthen the capacities of vegetable products quality supervision, a special focus should be put on the veterinary safety management of animal products. Here the requirement is to develop the infrastructure needed for testing and certification of animal products and also ensure manufacturing processes corresponding to European standards. As a result, the products from this sector will become more competitive and more suitable for sale on the EU market or other foreign markets.
- In what concerns the NAFS border offices there is need to reduce the amount of time for examination of export-import goods, providing relevant advice to owners of goods crossing the border, there is a need for the modernization of the used equipment, etc. These offices need also to increase their cooperation with Customs and Border Police employees.

■ The right of establishment and company law

Major quarterly developments

The main developments in this field are several legislative changes aimed at improving the business environment and reducing the administrative burden. Specifically, the government approved amendments to the Law on Electricity, one of the main changes referring to the decrease of the maximal admissible amount of time allowed for connecting new customers to 60 days from the current allowed time of 140 days. Simultaneously, a draft law was developed for amending Law No. 131 of June 8, 2012 regarding the state control of entrepreneurial activity, the draft aiming to eliminate provisions conflicting with other sectorial acts. Thus, the main changes refer to specifying excepting domains for the special status control authorities, as well as the principles for planning, initiating and notification regarding the control procedures.

Impact of actions taken

- The approval and implementation of mentioned legislative changes will help improve the business environment and simplify the relationship between businesses and public institutions. As a result of amendments to the Law on Electricity, Moldova will improve its “Doing Business” ranking. Currently, our country occupies position 165 out of 189 positions with regard to connection to electric networks, this being its worst score of all components of the aggregate index.

Main problems identified

- Despite a more intense process of optimizing the regulatory framework, in several domains this process is still slow, this being seen in the huge discrepancy between various components of Doing Business Index for Moldova. Besides this, the inconsistency between the existing framework and its real life application determines an increase of transaction risks, uncertainty in the contractual relations and maintained corruption in the public system.

■ Services

Major quarterly developments

A key development in this sector was the approval by the Executive of a package of amendments aimed at strengthening the penalties and increasing transparency in the banking sector. The amendments to the Law on Financial Institutions no. 550-XIII of July 21, 1995 assigned a greater role to supervising institutions with regard to early involvement in the process of shareholders’ structure modification, as well as the monitoring of the occurred changes. It is also envisaged to establish transactional restrictions for shareholders who have violated certain legal provisions. Thus, potential buyers of shares in the equity capital of a bank, that have previously bought such shares with certain legal and procedural violations, will be forbidden to complete the purchase and will have their exercise right suspended for shares purchased in this way. Furthermore, a ban will be put on using bank shares as contribution in the social capital of companies as well as on using bank shares as collateral for loans. Besides this, the Executive plans to operate amendments to the Criminal Code of the Republic of Moldova in order to specify the sanctions regime in the banking sector. They are meant to punish offenses committed in the management process of the institution, resulted in financial loss, property damage, or insolvency. The amendments also include an addition to Chapter XVI of the Code of Administrative Offences regarding a new offense - Violation of the Law on Financial Institutions. As a result of this addition, financial institutions employees and / or shareholders will be penalized if they fail to submit information, or submit incorrect information to the National Bank; fail to implement prescriptions of the regulatory body; prevents audit, or refuse to submit documents to official inspections.

Impact of actions taken

- Amendments to the Law on financial institutions will contribute to a more balanced and qualitative shareholders framework and will allow the National Bank to supervise subsequent changes in shareholders’

structure. The supervising institution will thus have the tools necessary for early intervention in dangerous cases, to avoid instability of individual banks or the banking system as a whole.

- The strengthening of the sanctions regime in the banking sector as a result of amendments in the Criminal Code and Contraventions Code and will have a deterrent effect on potential buyers. The deterrent effects with regard to potential violations by key actors, and the tightening of sanctions will improve the quality of banking sector management and will reduce systemic risks.

Main problems identified

- A series of recent violations of financial norms and laws, such as the forced transfer of stocks and the underperformance of some commercial banks administrators, negatively affected public confidence in the national banking system. Thus a nominal adjustment of the regulatory framework aimed at preventing new violations will only have a positive effect as a result of qualitative improvement of justice and the administrative public institutional framework. Besides this, the high level of corruption in these institutions will inhibit the practical application of the mentioned amendments.

■ Circulation of capital and current payments

Major quarterly developments

In the reporting period, the National Bank has developed a series of laws aimed at improving the system of payments and movement of capital. These documents proposed changes and amendments to the Regulation on banks activity in preventing and combating money laundering and terrorist financing; to the Instruction on drafting the Report on operational cash volumes by licensed banks; as well as to the Concept regarding the optimization of national transfers. These initiatives are aimed at adjusting the legal framework to international standards on combating money laundering and terrorist financing. Furthermore, it is proposed that a new daily report is introduced, regarding the cash receipts and payments in local currency at banks tellers as well as cash releases at ATMs, this report being required for continuous and thorough monitoring of banks' activity on the monetary market.

Impact of actions taken

- The measures provided by the draft laws will help increase transparency in the banking system and lower the number of dubious transactions. Provided that these measures will be implemented they will help restore public confidence in the banking system and will reduce systemic risks. Accordingly, strengthening the institutional framework of the banking system will contribute to the sustainable growth of the national economy.

Main problems identified

Cases of interference in National Bank's activity from the part of other institutions, cases of money laundering where the Moldovan banking system was involved, as well as cases of forced transfer of stocks of commercial banks, points to gaps in the National Bank's institutional capacities to regulate the banking system.

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

Major quarterly developments

In the monitoring period EU has granted a liberalized visa regime to Moldovan citizens. This is provided by Regulation no. 259/2014 of the European Parliament and the EU Council of April 3, 2014, under which Moldova was excluded from the list of countries whose nationals need a Schengen visa to travel to EU and Schengen states. As a result, citizens can travel in 28 EU countries and 4 Schengen countries for short stay visits (90 days).

Impact of actions taken

- In the first two months of visa free regime, a number of circa 35,498 Moldovans have crossed the Moldovan-Romanian border checkpoints as well as through the Chisinau International Airport, using new biometric passports, in accordance with the provisions established by the visa-free regime.
- According to Border Police data, in the reporting period, entrance to EU was denied to 23 Moldovan citizens for non-compliance with EU entry requirements, while other 12 Moldovan citizens were denied entry to EU because of previous violations of the law.

Main problems identified

- Although the visa free circulation is a controllable process, there are challenges that can determine certain distortions. These challenges refer to risks of corruption in public institutions in charge of issuing identity documents; as well as risks of abuse by citizens who will use the new travel regime for job searching in Europe.

■ Taxation

Major quarterly developments

During the monitoring period, it was signed the Malta Convention for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income. The Ministry of Finances has published data on the incomes paid to the budget in January-May 2014. The revenues to the state budget on all components amounted to 9253.2 million MDL, which corresponds to 97 % of the predictions made. Compared to the same period of 2013, the accumulated income increased by 1324.6 million MDL or 16.7%.

Impact of actions taken

- The provisions of the Malta Convention on avoidance of double taxation shall enter into force on 1 January 2015. According to this Convention, it was established a set of quotas for taxes withheld at the source of payment: (i) dividends - 5% of the dividends gross amount; (ii) interest - 5% of the gross amount of the interest; (iii) royalty - 5% of the gross amount of the royalties.

Main problems identified

- Conventions on the avoidance of double taxation and prevention of tax evasion have not been signed with all EU Member States (at least half of 28), which creates obstacles to attracting foreign investment from Europe.

■ Competition policy

Major quarterly developments

In the 2nd quarter of 2014 has been approved by the government the concept of the information system - State Aid Register, the Competition Council being responsible for system's management and development. Thus, under this informational system will be centralized storage, processing and analysis of the information on all State aid measures, providers and beneficiaries, as well as statistics on sectorial allocation of aid.

Impact of actions taken

- Development of Moldovan Register on state aid allows centralized data collection and processing of information on measures and agents in the field. Centralization and automation of informational resources

related to state aid will facilitate transparency in aid allocation and will streamline the distribution of state resources in priority sectors for development.

Main problems identified

- The allocation of state aid continues to lack transparency, due to corruption in the public sector leading to inefficient allocation of scarce public resources and distortion of competition environment in the country.

■ Intellectual and industrial property rights

Major quarterly developments

In the second quarter of 2014, was presented the National Report on the enforcement of intellectual property in 2013. According to the report 6617 applications for the protection of industrial property objects (IPO) were submitted in 2013 or 9% more than in 2012. Most popular IPO continue to be brands - 5870 applications, followed by inventions and industrial designs. Also, has increased the number of applications for renewal of IPO registration (with 27%) accounted for 3431 applications. However, only 14 applications referred to the designation of origin (DO, 7 applications - 2012) and no application referred to geographical indications (GIs, 4 applications - 2012).

Representatives of the State Agency for Intellectual Property (AGEPI) participated in the Working Group for development of Lisbon System (23-27 June), dedicated to the international system of geographical indications (GIs) protection, in particular being discussed the revised project of Lisbon Agreement on the Designation of Origin (DO) and GIs; and its Regulation. Strengthening the national system of protection and enforcement of intellectual property (IP) has become the goal of the cooperation agreement signed between the Agency and the Competition Council. It was also launched the electronic service e-Agency that allows online submission of applications for registration of intellectual property rights.

Also in this period, the Agency provided training on patent documentation for representatives of business and innovation incubators, and scientific-technological parks. Participants were familiarized with information on intellectual property in business environment.

In promoting GIs, DO and TSG, AGEPI Agency conducted training for various categories of clients including: farmers from various districts, including Chisinau, representatives of the Ministry of Agriculture and Food Industry (MAFI) and the National Accreditation Centre of the Republic of Moldova (MOLDAC). Other trainings organized by the Agency during the evaluation period focused on rural library staff (about 80 people), with the aim of developing new consulting services within local libraries. Also, AGEPI proposed to consultation and appeal (according to clearly specified criteria) for a period of two months, the list of EU GIs proposed for protection in Moldova.

Impact of actions taken

- In addition to the informative role of the 2013 Report, it is also intended to raise awareness about the negative impact of counterfeiting and piracy phenomenon that takes new forms as a result of development of information technologies.
- The Cooperation Agreement between the Agency and the Competition Council includes activities such as: conducting market research and analysis; effective enforcement of competition law; deterring anticompetitive practices etc.
- During the training on patent, participants received information on the following issues: the principles of protection of inventions patent; procedure for applications submission and review; practical aspects of preparing the patent application documents; enforcement of novelty criteria in the case of an invention, etc.
- Training on GIs, DO and STG were related to the registration process of the latter, the role of inspection and certification bodies; role of producer groups, the set of documents for obtaining protection of a IG, DO and STG in Moldova; how to promote them; assistance on the drafting documentation. The seminars involving libraries aimed at creating information centers on intellectual property.

- E-AGEPI offers an online platform that facilitates the registration of trademarks, inventions, industrial designs, works, phonograms and other objects of intellectual property. Signing applications for registration may be made by e-Agepi signature, digital signature, and mobile signature or by using government service MSign.
- In general, using GI, DO and STG will help promote quality Moldovan products, enhancing their competitiveness in foreign markets and to protect the heritage of traditional local products.

Main problems identified

- The authorities recognize that the phenomenon of illegal use of intellectual property rights is growing, inclusively due to the development of information technologies. The report on 2013 shows that the authorities found only 13 cases of copyright infringement in 2013.
- The number of applications for GI registration number and DO is very low, currently being recorded 2 DO (Ciumai și Românești), 3 GIs for wines (Valul lui Traian, Codri, Ștefan Vodă) and one for spirits (Divin). Compared with Moldova, Georgia recorded about 30 GIs and DO protected locally and internationally.
- Training on intellectual property is necessary for the business to increase its interest in intellectual property and to attract investments to develop this area.

Public procurement

Major quarterly developments

In the second quarter of 2014, Association Agreement with EU was signed, containing provisions for public procurement aiming at reducing the favoritism local economic operators used to have and opening a joint public procurement market. Moreover, it provides the transition to e-procurement, which will provide a better organized more transparent and fair use of public money⁷.

Impact of actions taken

- AA provisions contain clear commitments related to the mutual opening of procurement markets, providing transparent tenders, under competitive and non-discriminatory treatment. These conditions will apply to procurement procedures that relate to: (i) public procurement of works, goods and services; (ii) contracts for works, goods and services in the public service; (iii) works and service concessions.

Main problems identified

- In the area of e-procurement there are a number of problems. Thus, (1) there is no defined strategy for the development of electronic procurement. (2) Differences in the capacities local authorities from cities and villages have in the use of information technology and technical equipment impede them to use electronic procurement. (3) There is no budget for the operational maintenance of the existing system of electronic procurement. (4) Lack of funding for electronic procurement promotion/ advertising. (5) Economic agents are not informed about the current existence of electronic procurement components. Also, (6) there is no budget for training the users (local authorities representatives) participating in public procurement. Similarly, (7) the acquisition of digital signatures required to use the State Register of Public Procurement represents a burden to businesses because of the high cost for signatures and their short term of validity (one year). Finally, (8) the electronic register (RSAP) is now working without the licenses for Oracle DBMS which is part of the Registry, thus lacking the support from Oracle. It is not yet set a budget for purchasing licenses for Register; and the M-Cloud infrastructure is not a technical platform providing the licenses required.
- The main problems in the area of transparency are the following: (i) sporadic publication of public procurement; (ii) minimum access to information about public procurement process (in plain language); (iii) lack of access to reporting documents (post-acquisition); (iv) improper performance of the contracts.

⁷ Expert-Grup Study on public procurement, 2014, <http://expert-grup.org/ro/biblioteca/item/969-achizitii-publice-moldova&category=7>

- Public procurement is tainted by numerous fraudulent schemes: (i) non-performance of contract clauses; (ii) submitting false documents and reports (at the stage of bidding, contract award, and contract implementation); (iii) replacing the products without informing/getting the approval of the beneficiary.

■ Statistics

Major quarterly developments

The main event in this area has been the population and housing census. The census was implemented based on the methodological and organizational principles developed by the NBS, which is consistent with the Conference of European Statisticians Recommendations regarding performance of housing census of 2010, adjusted to the actual realities of Moldova. Also, during the census a Control survey was carried to check census' coverage.

Impact of actions taken

- Organizing regular population and housing census eases the process of economic planning and management at macro level. Also conducting census based on international standards allows comparative analysis with other countries and helps identifying key demographic trends, social and economic trends used by international institutions for financial assistance.

Main problems identified

- In the process of census more deviations from standard procedure were detected. Most of the problems are related to process management. In addition, the lack of effective census tools, like on-line questionnaire, lead to a low coverage of the population in the census.

■ Financial control and related aspects

Major quarterly developments

During the second quarter of 2014, the Court of Accounts examined the final audit reports regarding compliance with the public budget and the management of public assets by the local public authorities of Leova, Făleşti and Anenii Noi in 2013. Among central authorities audited were the Minister of Transport and Road Infrastructure and the National Financial Market Commission. Were also audited reports on state budget execution and social security budget execution for 2013. Following the audits undertaken it were detected deficiencies, irregularities and malfunctions in the LPAs and in the institutions mentioned above. The Court of Accounts proposed a set of measures to improve the use of public money.

Impact of actions taken

- Control exercised by the Court of Accounts helps detecting fraudulent and inefficient use of public money, contributing to transparency of financial resources. It also helps in maintaining civic control over fixing identified deficiencies.

Main problems identified

- Systematic and widespread deficiencies found in the management of public funds by the public institutions, highlights the ineffectiveness of Court of Accounts recommendations which are not implemented neither enforced. These processes undermine the efforts to streamline the public sector and the optimal use of public money.

■ Industrial policy

Major quarterly developments

The main efforts of the government in this period were directed towards development of the energy sector and strengthening energy security of Moldova. Thus, it was decided to found a state enterprise "Vestmoldtransgaz" responsible for managing the gas pipeline Iasi-Ungheni, on the Moldovan side. Another important event in the industry was the European Sustainable Energy Week in Moldova, in order to promote the use of renewable energy and modernizing the needed infrastructure. Simultaneously, Energy Efficiency Fund launched two calls for project proposals. One is addressed to the private sector and another for projects aiming at increasing efficiency of the public lighting.

Impact of actions taken

- Iasi-Ungheni pipeline construction will provide access to gas sources from the European common market. The completion of this project will contribute to the diversification of energy sources of natural gas supply and to strengthening energy security of Moldova.
- Promotion of the initiatives for a sustainable energy sector and lending to this sector will accelerate energy efficiency process, diversification of energy sources and technological development of the sector concerned.

Main problems identified

- The existence of structural deficiencies in the energy sector such as corruption, lack of decision transparency, limited competition and the involvement of different interest groups in the energy trade generates serious risks for the effective legislative initiatives in the sector and for the maximization of energy efficiency. Despite efforts to diversify energy sources, given the extremely slow process, Moldova is still dependent on natural gas supplies from the Russian Federation.

■ Transport

Major quarterly developments

In the second quarter of 2014, the Ministry of Transport and Road Infrastructure (MTRI) discussed with the European Commission on the harmonization of national legislation with the European legislation in the field of transport of passengers and cargo transportation, but also about the funding of transport infrastructure projects. By signing and ratifying the AA, the liberalization of transport and transport of goods were formulated as central objectives in the implementation of AA. Moldovan authorities discussed with Czech authorities to participate in tenders for infrastructure projects in roads and railroads in Moldova.

In this period, came into force the Protocol on amending the Moldovan-Ukrainian Agreement on rail work activity since 1993, following the need to increase the speed of movement and that of reducing travel time, and also simplifying control in the case of goods transit. MTRI also discussed with the unions on "Railway of Moldova" reforming process which is quite difficult. It was also launched an electronic service of MTRI for the carriers - e-Permits, which is connected to the online payment service of the government - Mpay.

Impact of actions taken

- Financial assistance requested from the EU targets the development of infrastructure projects, including construction of Road Bridge over the Prut River, from Ungheni; and a European gauge segment and a multimodal logistics center in Chisinau.
- By amending the Moldovan-Ukrainian railway Agreement it is expected to increase train velocity, increase passenger comfort and reduce travel time. In this regard, it was proposed transit movement in both countries, without stops based on the principle of reciprocity. Moldovan side also suggested simplifying control procedures in the case of goods transit by rail over specified portions of the territory of both countries.
- Following discussions with the railway unions, the parties agreed to be in a permanent dialog so that employees are informed on the steps taken to modernize the company, and informed about the steps to be taken to increase wages and improve working conditions at the railway.

- e-Permits allows carriers to pay online for all types of permits issued by the National Auto Transport Agency.

Main problems identified

- It is observed a deficit of transparency in the process of "Railway of Moldova" reforming, which makes it difficult to assess the current situation in the sector and the results achieved so far.

■ Informational society

Major quarterly developments

In the second quarter of 2014, there were registered several developments in the field of information technologies. Therefore, it was voted in a second reading the draft law on electronic signature and electronic documents, which is to be implemented as provided in the Association Agreement. Government Decision no. 461 of 06.16.2014 provides obligatory issuing of invoices and electronic invoices through the automated e-invoice system starting with September 2014. Since the launch of this service, more than 800 companies (over 950 unique users) have opted for e-invoice being generated about 2,000 bills. Also, since March 1, 2014, electronic export declaration procedure became applicable for all customs border points.

Government approved a decision on governmental electronic service - digital signature (MSign) and a decision on Piloting the Platform for Interoperability. Moreover, it was launched a service to pay the real estate taxes through Mpay. The launch of e-AGEPI will make it possible to submit online applications for intellectual property objects registration. Also, MPay was connected to electronic statement and all services provided by the administrative authority "National Auto Transport Agency".

In this period, was published for public consultations the draft bill on government platform for records and authorizations (PGR). E-Governance Center conducted trainings for public authorities on the use of the State Register of checks, which is currently under development.

Impact of actions taken

Main problems identified

■ Public health

Major quarterly developments

In the second quarter were approved by the government a number of important sectorial documents. It was approved the methodology for health sector planning based on risk analysis criteria, given the document aimed at improving oversight of entrepreneurial activity in public health as well as reducing corruption in the sector. Another important document was adopted by the Government: the Regulation on conditions for placing on the market medical devices, which translate into practice the provisions of Directive 93/42 / EEC concerning medical devices. The implementation of this regulation will facilitate the quality control of medical devices and prevent incidences of faulty devices on the market. In order to continue preventing and combating cross-border threats to public health, the government approved a new plan of action for implementation of the International Health Regulations. This regulation has been harmonized in line with the Decision. 1082/2013 / EU of the European Parliament and of the Council on serious health cross-border threats. However, the new plan is just a continuation of the former 2008 plan and is partially achieved, at this time it was only extended the implementation period until 2014. In the framework of GD 475/2008 it was completed the construction and then opened a number of health offices in the regions, namely in the villages Hansca, Ciobrucu and Valcinet. Also in this period it was inaugurated a new surgical block of the Republican Clinical Hospital enhancing in this way the quality of services provided.

Impact of actions taken

- The implementation of the approved laws will have a positive impact on several components of the public health system management. Specifically, it will reduce the incidence of counterfeiting medical devices and will improve the management of trans boundary diseases. It will also decrease the risk of corruption.
- Investment in the health infrastructure in the regions will help reducing the gap in access to health services in rural and urban areas. This will have a positive impact on improving populations' health, thus increasing the quality of labor market and leading to economic growth.

Main problems identified

- Failure to implement the 2008 Action Plan on International Health Regulations highlighted the deficiency of the existing regulatory framework and institutional capacity to implement the legislation adjusted to international standards. Therefore, efforts to modernize the infrastructure and quality of the public health need to be continued, and additional effort is needed to be directed on the efficiency of spending public money and on combating corruption in this system.