



ADEPT and EXPERT-GRUP

EUROMONITOR

Issue (20), Edition VI

Implementation of reforms in the context of EU-Moldova
cooperation,

Assessment of progress in April-June 2011

This report is published with the financial assistance of Soros-Moldova Foundation

As part of the project

„EU-Moldova relations – monitoring the progress in the framework of the Eastern Partnership“

Implemented by the Association for Participatory Democracy ADEPT and the independent think tank Expert-Grup

Authors: *Igor BOTAN*

Elena PROHNITCHI

Alexandru OPRUNENCO

Valeriu PROHNITCHI

Adrian LUPUSOR

Ana POPA

Elena CULIUC

Note: *The authors have drafted this report with goodwill and good intentions. The authors are solely responsible for their opinions and conclusions, which are not necessarily shared by the Soros-Moldova Foundation, Moldovan Government or other institutions mentioned in this report.*

SUMMARY

SUMMARY	3
INTRODUCTION	4
Section I. MONITORING THE IMPLEMENTATION OF REFORMS IN PRIORITY AREAS (POLITICAL)	5
Area 1: IMPROVE THE EFFECTIVENESS AND FAIRNESS OF THE ELECTORAL FRAMEWORK	5
Area 2: PROTECTION AND IMPLEMENTATION OF HUMAN RIGHTS	7
Area 2: INDEPENDENT AND EFFICIENT JUSTICE.....	10
Area 3. GOVERNANCE REFORM AND ANTICORRUPTION FIGHT	13
Area 4: TRANSNISTRIAN SETTLEMENT.....	16
Section II. MONITORING THE REPUBLIC OF MOLDOVA'S ACTION PLAN ON FULFILMENT OF EU RECOMMENDATIONS FOR THE ESTABLISHMENT OF A DEEP AND COMPREHENSIVE FREE TRADE AREA BETWEEN MOLDOVA AND EU	20
Area 1. GENERAL COORDINATION AND CONSOLIDATION OF ADMINISTRATIVE CAPACITIES	20
Area 2. MARKET ACCESS FOR GOODS / TRADE STATISTICS	22
Area 3. TARIFF AND NONTARIFF BARRIERS (TNTBs)	25
Area 4. TECHNICAL BARRIERS TO TRADE	27
Area 5. SANITARY AND PHYTOSANITARY MEASURES (SPS).....	31
Area 7. RULES OF ORIGIN.....	35
Area 8. FINANCIAL SERVICES.....	38
Area 10. PUBLIC PROCUREMENTS	44
Area 11. COMPETITION.....	46
Information about implementing organisations.....	49

INTRODUCTION

The Republic of Moldova is an EU partner in the framework of the European Neighbourhood Policy (ENP). In the ENP framework the European Union – Republic of Moldova Action Plan (EUMAP) was signed in 2005 for a three-year term and was based on the Partnership and Cooperation Agreement (PCA). The EUMAP term is formally over, but the plan is relevant so far, as EU will assist Moldova under the EUMAP until 2013.

On January 12, 2010, the Republic of Moldova and the European Union pledged to negotiate an ambitious document, an Association Agreement to replace the PCA. In parallel, EU authorities negotiated and completed in late 2010 with the Moldovan Government the Visa Liberalisation Action Plan,¹ which contains 4 important blocs: security of documents; illegal immigration; rule of law and security; foreign relations and fundamental rights. Before the signing of the new legal document on EU-Moldova relations, following priorities and reform commitments needed to meet political criteria of implementation of EU standards and principles are in force: human rights; democratic standards; independent and efficient justice; probity of governance, administrative capacities and anticorruption fight, etc.

One part of the Association Agreement will address an eventual Deep and Comprehensive Free Trade Area (DCFTA) and the European Union submitted a set of recommendations to the Moldovan executive, which were transposed into Government Decision No. 1125 of 14 December 2010 concerning the approval of Moldova's Action Plan on Fulfilment of the EU Recommendations for the establishment of a Deep and Comprehensive Free Trade Area between the Republic of Moldova and the European Union."²

The developers of Euromonitor, ADEPT and EXPERT-GRUP, are monitoring the following area³:

1. **Implementation by Moldovan authorities of reforms in priority areas conventionally described as "political": protection and implementation of human rights; independent and efficient justice; governance reform and anticorruption fight; Transnistrian settlement.**
2. **Implementation of the Action Plan concerning the Fulfilment of the EU Recommendations, opportunities and barriers to the preparation of Moldova to negotiate a DCFTA and progresses made by Moldova.**

¹ Moldovan Government approved a national programme concerning the implementation of the Visa Liberalisation Action Plan (GD 122/04.03.2011).

² Hereinafter Action Plan concerning the Fulfilment of the EU Recommendations.

³ In default of a new ordinate document, developers decided to focus the monitoring on priorities of the Governance Programme for 2011-2014, and the first report covers among others the priorities set in accordance with the matrix of the Action Plan „Priority reform actions of the Republic of Moldova – Key measures until June 2011”, <http://www.mfa.gov.md/img/docs/implementation-tool-matrix-en.pdf>.

Section I. MONITORING THE IMPLEMENTATION OF REFORMS IN PRIORITY AREAS (POLITICAL)

Area 1: IMPROVE THE EFFECTIVENESS AND FAIRNESS OF THE ELECTORAL FRAMEWORK

Analysis of current situation

In spite of provisions of the Code of Good Practice in Electoral Matters of the Venice Commission, which recommend states not to modify the election legislation a year before the Election Day, the Parliament of Moldova continued to modify the legislative framework on elections prior to elections, mainly for political reasons. On April 1, the next day after the date for local elections was set for June 5, the Parliament adopted some technical and basic amendments to the Election Code. Although the amendments were necessary, their adoption after the scheduling of elections fuelled criticism of the parliamentary opposition, and was perceived as a method "changing the rules during the game" in order to disadvantage it.

Following are the key amendments which remedied some confusion and problems signaled previously by the Venice Commission:

- The provision saying that the mandate of mayors and local councilors is over four years after validation was cancelled, so that the modified Election Code stipulates just the 4-year term now. This amendment makes clear the situation of the local elected whose mandates were validated in the period between general local elections.
- Voters were allowed to demand changes in voter rolls not later than a day before elections, instead of five days stipulated previously.
- A new provision says that decisions of electoral councils and bureaus with regard to the electoral right or election management can be contested in law courts on the Election Day, and the requirement to submit a preliminary appeal to the electoral organ which controls the body concerned by the appeal was cancelled.
- The stipulation obliging national, local/regional broadcasters to provide free airtime to electoral candidates during general local elections was abrogated.
- The restriction concerning the electoral right of detainees was cancelled.
- The provision allowing voters to choose the polling station for casting their ballots was cancelled.
- The possibility given previously to voters to choose the place of casting their ballots, accordingly to their residence and domicile permits was cancelled. However, no clear modality for voters holding both residence and domicile permits is available. The Central Election Commission interpreted this issue, awarding priority to residence permits during the process of issuance of voter rolls.

At the same time, the Parliament decided to postpone the use of the centralised electronic register of voters for 2015. In consequence, local authorities issued voter rolls on the basis of previous lists, like for the November 2010 parliamentary elections. Therefore, national and international observers signalled confusion relating to competence of different bodies participating in registration of voters at central and local levels, when voter rolls were issued. There was no standard working method of issuing, managing, updating and checking voter rolls by local public administration.

Although the Election Code was improved, the June 5, 2011 general local elections revealed many shortcomings and ambiguities, particularly relating to the procedure

of submitting appeals, selection of polling stations for voters holding both residence and domicile permits to cast their ballots, transparency and control on funding of electoral campaigns. Local elections also revealed faulty election-related knowledge of electoral officials of 1st and 2nd levels. The high staff fluctuation fuelled by poor remuneration of public functionaries reduces the effect of training sessions organised by the Central Election Commission prior to elections. Building a Permanent Election Education Centre accordingly to the Election Code could be a solution in this respect.

Recommendations to improve election framework:

General recommendations aimed to improve the election framework are similar to those released previously, and the most important and immediate are:

- Adjusting the related legislation to the Election Code with the purpose to remove existing contradictions;
- Introducing clear regulations in the Election Code regarding the casting ballots by voters who hold both residence and domicile permits;
- Enhancing transparency of electoral campaigns of political parties by introducing clear provisions on record and control, sanctioning for non-presentation of financial reports in due terms and formats, record of donated means during taxation of individuals;
- Improving regulations on criminal and contraventional liability for violation of election laws through diverse actions or inactions;
- Respecting the legislation on decision-making transparency while modifying the electoral framework.

Area 2: PROTECTION AND IMPLEMENTATION OF HUMAN RIGHTS

Analysis of current situation

Authorities kept improving the legislative framework on human rights in the 2nd quarter of 2011, too. In particular, the Government made the following major steps:

- After a long process of public consultations the Government approved the National Action Plan on Human Rights for 2011-2014 (PNADO) in May. The plan targets at 79 objectives, but many of them lack a clear financial coverage for the time being, so that they will be implemented accordingly to available budgetary allocations.
- Starting February, civil society participates in public consultations on drafting of the Periodical Universal Human Rights Review of Moldova, which identified rights to be included into the national report.
- Public debates on the Plan for the Support of Roma People in Moldova for the period 2011-2015 were organised.

The Ministry of Justice registered in March the first Islamic organisation called Islamic League, three years after application. The registration of the Islamic religious denomination revolted the Party of Communists of the Republic of Moldova and the Orthodox Church, which urged competent authorities to revise the system of registration and control of religious denominations, ban the unregistered cults, cancel the registration of the Islamic religion, revise the law on religions, so that to award priority to the majority Christian Orthodox cult.

The society perceives so far the impunity for violation of human rights. Inefficient investigation of torture, domestic violence, and trafficking in persons, which does not end with the sentencing of the guilty fuels this state of things and reduces the confidence of population towards justice and law enforcement bodies.

Monitoring of specific actions

The Government approved in July an action plan to support the Roma in Moldova. The action plan was worked out with the participation of civil society. As well, a new composition of the Advisory Board of the National Mechanism for the Prevention of Torture was approved. The selection procedure was generally transparent, but the Parliamentary Commission for Human Rights and Interethnic Relations which approved members of the Advisory Board could not make acquaintance to candidates at a sitting. Public consultations with the participation of civil society and religious cults took place in September to discuss the draft antidiscrimination law, which was further published on the website of the Ministry of Justice for public consultation.

Monitoring table 1. Progress in implementing actions in the area „Respect for human rights and freedoms”⁴ planned for the 2nd quarter of 2011

Planned action	Progress / Comments
Ensuring accountability for all reported human rights violations in relation to the events of April 2009	Slow progress. Two policemen were sentenced on “excess of authority” charges (Article 328 (2) (c) CP) in connection with the April 2009 riots, but the indictment was suspended for both. ⁵

⁴ The table was drawn up accordingly to the Action Plan “Priorities of reform actions of the Republic of Moldova – Key measures until June 2011”, <http://www.mfa.gov.md/img/docs/implementation-tool-matrix-en.pdf>, which was extended until the drafting of the EU-Moldova Association Agenda.

⁵ Report by the Legal Resource Centre of Moldova.

<p>Adopting and starting to implement the revised National Human Rights Action Plan (NHRAP), by ensuring appropriate enforcement, funding and monitoring mechanisms involving civil society.</p>	<p>Partly fulfilled. The Parliament approved on May 12, 2011 the National Human Rights Action Plan (NHRAP) for 2011-2014. The Government should further set up a National Commission in charge with the implementation of the NHRAP for 2011–2014, which will coordinate the implementation, will monitor and assess the NHRAP-related progress. However, the NHRAP does not contain any clear provision on the Commission’s composition and its working procedure.</p>
<p>Completing or amending existing legislation to adopt a comprehensive anti-discrimination framework in line with international standards.</p>	<p>No progress. Neither the Parliament nor the Government adopted the antidiscrimination law. The Ministry of Justice initiated consultations with civil society and religious cults regarding the draft law concerned.</p>
<p>Developing a new Action Plan on Roma in close consultation with civil society</p>	<p>In progress. The action plan on support for the Roma in Moldova for 2011-2015 was released for public consultation.</p>
<p>Enhancing significantly public access to draft legislation via relevant government and parliament websites</p>	<p>Slow progress. Although some ministries made progress in publishing draft decisions on their websites, the legislation on decision-making transparency is not respected so far (draft decisions are not published or are published with delay). Access to the website of the Parliament and draft decisions published there is difficult so far. Records of parliamentary sittings are published with delay.</p>
<p>Further consolidate the systematic training of judges and prosecutors on the European Convention on Human Right</p>	<p>Partly fulfilled. Training courses for judges and prosecutors organised by the National Institute of Justice include the mandatory course “ECHR and ECHR jurisprudence” which provides information about ECHR principles, functioning and effects of ECHR judgments.</p>
<p>Ratifying the Rome Statute of the International Criminal Court (ICC) and preparing approval of the necessary legislative amendment</p>	<p>Partly fulfilled. The Parliament ratified the Rome Statute on September 9, 2010, with a reservation clause for Transnistrian region. The ratification of Agreement on Privileges and Immunities of the International Criminal Court and the adjustment of the national legislation to the Rome Statute are pending.</p>
<p>Ratifying Protocol 12 of the European Convention on Human Rights and Fundamental Freedoms⁶</p>	<p>Unaccomplished. Moldova did not ratify the ECHR Protocol No. 12 so far.</p>
<p>Intensify efforts, including financial contributions, undertaken in 2010 to modernise the penitentiary institutions, including the transfer of responsibility for pre-trial detention centres from the Ministry of the Interior to the Ministry of Justice</p>	<p>Slow progress. Despite renovation and modernisation of penitentiaries, detention conditions did not improve much, and they are degrading so far in most of prisons.⁷ The amplexness of renovation works which are mostly funded from foreign sources is limited so far. Preventive detention facilities were no transferred from the Interior Ministry to the Ministry of Justice.⁸</p>
<p>Ensure that the law on assemblies is duly implemented and the right to freedom of</p>	<p>Partly fulfilled. The law on public assemblies is respected but so far there are problems relating to security of meetings, which obstructed the</p>

⁶ Protocol No. 12 to ECHR refers to the general prohibition of discrimination.

⁷ This situation was stated by the National Torture Preventive Mechanism after regular visits to prisons. Reports on visits are available at <http://www.ombudsman.md/md/rapoarte%20mnpt/>.

⁸ The Ministry of Justice argues that this will be done in 2014, when the justice reformation process will be completed.

assembly is respected in practice.	LGBT community to organise a public assembly in 2011.
Ensure effective implementation of the National Plan for Gender Equality 2010-2015, following its approval, in close coordination with international partners.	Partly fulfilled. Majority of actions foreseen by the plan for the period concerned were partly accomplished. Major obstacles to the plenary accomplishment of activities are related to limited financial and human resources. Many of planned activities lack a financial coverage.
Enhancing the independence and functioning of the Parliamentary Advocates and the Human Rights Centre, in particular taking corrective measures to ensure compliance with the Paris principles and recommendations formulated by the UN special procedures, UN treaty bodies and the CPT in this regard.	Slow progress. A working group in charge with the modification of the law on ombudsmen was set up in the 1 st quarter of 2011. The working group has to present a draft law by the end of 2011. The activity of the working group is not transparent; no information about its activity was made public.

Assessment of progress

The registration of the Islamic cult and the adoption of PNADO are key progresses made by Moldova to respect human rights. However, Moldova made a slow progress forward protection of human rights and freedoms. Although it kept improving the legal framework on respect and protection of human rights, Moldova did not consolidate the human rights protection mechanisms. Many steps stipulated by action plans were partly made or not at all for financial reasons. The judiciary system is inefficient so far as regards proceedings for violation of human rights. The antidiscrimination law was not adopted so far, particularly for political and electoral reasons.

Recommendations

- Speeding up the adoption of the antidiscrimination law which shall include an efficient implementation mechanism and protect rights of victims of discrimination. In order to reduce the tension relating to society's perception of the antidiscrimination law as a "pro-gay" law, an information campaign shall be organised to explain advantages of this law.
- In order to prevent the spreading of the impunity for torture among police organs, the superposition of Articles 309/1 and 328 (2) c) of the Criminal Code shall be prevented and the prescription for torture shall be eliminated, while cases of torture shall be investigated efficiently and the guilty shall be punished under criminal charges.
- Setting up a commission to implement the National Human Rights Action Plan and releasing information about composition of the commission on websites of the Ministry of Justice and State Chancellery.

Area 2: INDEPENDENT AND EFFICIENT JUSTICE

Analysis of current situation

Justice reform remains top priority, including considering the commitments towards the international donors and external partners. Efforts in this area aimed to work out and adopt some legislative policies to implement the governance programme⁹ and focussed on drafting and adopting some strategic documents.¹⁰ Foreign assessments were completed in the period concerned and outlined necessities to intervene in the justice area, while community institutions permanently encouraged efforts of authorities. Relevant authorities undertook activities to ensure coordination of the external assistance in the justice sector¹¹, launched new actions to implement strategic documents¹² and intervened to shade light on the cases involving implication of justice exponents in fraudulent cases.¹³

Although a series of activities have started, the justice reforms are either late or improperly implemented on a number of compartments; there are shortcomings in the implementation of previous policy documents with direct reference to the sphere of justice¹⁴. Proper functioning of independent and efficient judiciary is not ensured because of some persistent phenomena: political interference; reduced responsibility of the exponents of justice; the justice-probity and confidence in justice are undermined by perception of corruption existing in the system; the quality and efficiency of justice does not increase significantly as is recorded a large number of overdue cases¹⁵; the self-administration bodies do not function properly, the independence of the Prosecutor's office is not insured; financial and technical-material endowment of the judiciary remain precarious; the proposed reforms are not supported by simultaneous estimation and allocation of financial resources, human and technical resources etc. Continue to occur phenomena that undermine the confidence of exponents of justice in the representatives of the political, executive and legislative institutions¹⁶, is not ensured an efficient cooperation between the powers, the exponents of justice perceive themselves affected by certain insufficiently reasoned decisions of political exponents¹⁷.

⁹ Law No. 163/22.07.2011 concerning the modification and completion of some legislative acts (dissolution of law courts in charge with economic lawsuits).

¹⁰ The national anticorruption strategy (PD No. 154 as of 21.07.2011) and the national security strategy (PD No. 153 as of 15.07.2011), which contain chapters on justice and related areas, were approved; the draft strategy on reformation of the judiciary for 2011-2015 (GD No. 706 as of 20.09.2011) was completed and approved.

¹¹ Several meetings for coordination of external assistance to the justice sector have been organised by the Ministry of Justice.

¹² Ministry of Justice initiated the drafting of the Action Plan for implementing the Justice Sector Reform Strategy.

¹³ Disciplinary proceeding and a request to waive immunity in respect to a judge of the Bender Court of Appeal have been instituted, who has legalized the fraudulent takeover of the shares of the „Moldova-Agroindbank“ commercial bank.

¹⁴ Concept on financing the justice system (PD no.39/18.03.2010); Action Plan for implementing Concept on financing the justice system (GD no.803/07.09.2010); Statement on the situation of justice in the Republic of Moldova (PD no.53/30.10.2009).

¹⁵ See the Report on the activity of the SCM and on the organization and functioning of law courts in the Republic of Moldova in 2010, SCM Decision no.143/11 as of 29.03. 2011.

¹⁶ The coordination of justice reforms has generated political disputes between the representatives of Government and Parliament, the dialogue and efficient cooperation in the field have been compromised.

¹⁷ Evidences that support the negative assessments: a) by the Decision of the Constitutional Court no.12 as of 07.06.2011 was found that to call a judge to disciplinary liability based on a ECHR decision sentencing the state of the Republic of Moldova without proving that the law was violated by the judge either deliberately or through gross negligence “is an unacceptable interference in pursuing the principles of independence, impartiality and tenure of the judge” b) in order to unify the pension systems, the Parliament amended the legislation and reduced the social guarantees for judges, prosecutors and other representatives of law bodies (Law no.56 as of 09.06.2011); c) was not respected the procedure that the courts' budget for the next year is examined and adopted in advance (Law 514/06.07.1995 on judicial organization), budgetary resources allocated to courts are insufficient; d) reshuffle took place in the Ministry of Justice, a deputy minister was dismissed and the vacancy was not filled.

Judges still remain to be overloaded, the level of professional wear is high and shorten the longevity of judges, is high the degree of stress and illness¹⁸.

Monitoring of specific actions

Until June 2011, no action out of 85 planned by the "Justice Reform" chapter of the Action Programme of the Government¹⁹ has been fully and properly, only some general and continual actions are being implemented.

Monitoring table 2. Reformation of the justice system to ensure independence and efficiency of law courts, prosecutor's office,²⁰ 2nd quarter of 2011

Planned action	Progress / Regress /Comments
<p>Amend the Constitution by including a separate article containing regulations on ombudspersons</p> <p>Modifying the law on ombudsmen and HRCM Regulation, structure and functions, and funding mechanism for this system.</p>	<p>Not important progress.</p>
<p>Strengthen institutional capacity of judicial self-administration, with a particular focus on streamlined legal regulation and guaranteed independence, improved financial, administrative and human resources, institutional visibility and transparency</p> <p>Strengthen institutional capacity of judicial self-administration, with a particular focus on streamlined legal regulation and guaranteed independence, improved financial, administrative and human resources, institutional visibility and transparency</p>	<p>Slow progress. Progress is made only in drafting legislative acts within working groups set up by the Ministry of Justice.</p> <p>Community and international institutions provide assistance via some technical assistance programmes and contracted international and national experts.</p> <p>The elaboration of some drafts for modifying the existing legislation and normative acts has started, but no modification has been approved and properly implemented so far.</p>
<p>Clarify the situation as regards the Public Prosecution Service's role and functioning, in line with the Venice Commission Opinion of June 2008.</p>	<p>Slow progress. Draft laws are developed, but the opinions of the Ministry of Justice, exponents of the justice system (judges, prosecutor office, SCM), and specialized NGOs are divergent, while the policy makers haven't clearly expressed their view of the situation.</p>
<p>Consolidating the new system of training and further modernise the procedure of appointment of judges and prosecutors.</p> <p>Increase the training capacity of the National Institute of Justice (NIJ) to meet the required quota of 80%</p>	<p>No progress. The legislative framework in the area was not modified, and no draft law on this area was worked out and tabled.</p> <p>The activity of NIJ was not reformed and improved.</p>

¹⁸ SCM Decision no. 143/11 as of 29.03. 2011.

¹⁹ Action Programme of the Government „European Integration: Freedom, Democracy, Welfare“ 2011-2014, <http://gov.md/doc.php?l=ro&idc=445&id=3729>.

²⁰ The table is drawn up under the Action Plan "Priorities of reform actions of the Republic of Moldova – Key measures until June 2011," <http://www.mfa.gov.md/img/docs/implementation-tool-matrix-en.pdf>.

of newly appointed judges and prosecutors initially trained by NIJ, rather than remove this legal requirement.	The training/nomination quota of judges is not respected.
Ensure that the Superior Council of Magistrates (SCM) becomes a real institution for the self-management of the judiciary by adopting the necessary legislative amendments (composition currently less than 50% judges elected by their peers) and ensuring the effective transfer of the administration of courts of justice from the Ministry of Justice to the SCM.	Slow progress. The SCM activity is problematical so far, contests for promotion/nomination of judges are faulty in terms of fairness and transparency.
Ensure effective implementation of the law on legal aid.	Is being implemented. Actions are taken to introduce and promote some legislative and normative amendments on guaranteed legal assistance. Problems relating to categories of people in need stand by.

Assessment of progress

Progress in reforming the judiciary and related fields is low, efforts are focused mainly on drafting laws and regulations, while their promotion and adoption is delayed, which reduces the potential impact.

A breakthrough progress is the development of justice sector reform strategy, but the involvement of the justice system's representatives in its elaboration and consultation was reduced. Moreover, the strategy was developed within a short period of time and this could negatively affect the quality of strategic approach.

Reforms in this area do not increase the positive perception about the situation and do not reinforce the confidence in justice. According to periodic surveys, trust in justice remains at the same level, below 30%²¹.

Recommendations for Moldovan Government

General recommendations on the justice reform and approaches in the area:

- Speeding up and optimising actions aimed to approve strategic documents and legislative drafts addressing the justice sector;
- Avoiding at maximum the politicised approaches while reforming the justice and law enforcement bodies; involving the judiciary more actively and deeply in process of elaboration, planning and promotion of the reforms concerned;
- Urging the adoption of the justice reform strategy and the related action plan, with budgetary funds allotted distinctively to the justice system's needs and by formulating adequate quantitative and qualitative indicators;
- Coordinating the implementation of justice and law enforcement reform within the already established Council, and ensuring a broad involvement in the activities of the representatives of the judiciary, particularly from lower levels: courts, prosecution authorities, lawyers, bailiffs, clerks from court personnel, , legal experts etc.;
- Streamline the functioning of the Parliamentary Advocate (Ombudsman);
- Focusing efforts to promote procedural reforms and reforms aimed to simplify/improve procedures, with concomitant and efficient allocation/redistribution of human and technical resources;

²¹ According to the data of the Barometer for Public Opinion (May 2011), only 24% of population trust in justice.

Area 3. GOVERNANCE REFORM AND ANTICORRUPTION FIGHT

Analysis of current situation

Progresses in implementing the *Central Public Administration* (CPA) reform were related to the elaboration and adoption of new legislative and normative acts,²² as well as enforcement of previous regulations on public service and public function. Activities aimed at strategic planning and training of CPA functionaries continued, the decision-making transparency was ensured, as draft normative acts were published on websites, despite shortcomings of this process and formal approaches.

Modest progresses were observed in the *Local Public Administration* (LPA) sector, including because of opening of new LPA structures at district and local levels, after general local elections. Key actions in the area aimed at consultation on the draft National Decentralisation Strategy, consultations on financial decentralisation, healthcare, and education. The Parliament re-established the special parliamentary commission for the modification and completion of the legislative framework on decentralisation and strengthening of local self-government,²³ which aims to analyse the legislation on decentralisation policies and propose its adjustment to constitutional provisions, European Charter of Local Self-Government, as well as to recommend draft legislative acts with the view to meet decentralisation and local self-government strengthening policies.

Progresses in combating corruption are related to the adoption of the National Anticorruption Strategy,²⁴ the National Security Strategy,²⁵ the law concerning the National Integrity Commission, and the elaboration of the CCCEC reformation strategy. Law enforcement bodies continued activities to sample corruption, focussing in particular on servants running execution offices in law enforcement organs and some public services, but no corruption was revealed at high level.

At the same time, the Central Public Administration (CPA) Reform was inert, being promoted under some out-of-date documents,²⁶ and no new regulation was drafted. Efficiency of governmental bodies is critical, administrative capacities are inefficient and they are not applied accordingly to needs, while the politicisation of public organs seriously hit the management of public affairs.²⁷

LPA reforms are very late and they are approached by fragments, the draft Decentralisation Strategy is too general and theoretical, while LPA representatives seek more elements to strengthen the local self-government, rather than the transfer of financially uncovered competences.²⁸ The regional development is difficult, including in theory, while visions on the administrative-territorial reform are not clear at central, regional and local levels; there are divergences among

²² Following documents were adopted: Law No. 155 as of 21.07.2011 concerning the approval of the single classifier of public functions; the strategic programme on technological modernisation of governance (e-Transformation), GD No. 710 as of 20.09.2011; Law No. 160 as of 22.07.2011 concerning the regulatory authorisation of entrepreneurship; Law No. 161 as of 22.07.2011 concerning the implementation of single desk; Law No. 133 as of 08.07.2011 concerning the protection of personal data.

²³ PD No. 179 as of 28.07.2011

²⁴ PD No. 154 as of 21.07.2011

²⁵ PD No. 153 as of 15.07.2011

²⁶ The Central Public Administration Reform Strategy approved under GD No. 1402 as of 30.12.2005

²⁷ Prime minister revealed problems and shortcomings relating to functioning of the governmental administration in an address to Moldovan citizens (12.07.2011).

²⁸ See the Opinion of the Congress of Local Authorities of Moldova regarding the draft Decentralisation Strategy, <http://calm.md/>

local authorities, as well as among representatives of central and local political forces.

Many anticorruption actions are late, the perception of efficiency of anticorruption fight is low, and efforts of authorities in the area are not appreciated much,²⁹ while corruption (bribery) is part of Top-5 problems faced by citizens.³⁰

Monitoring of specific actions

Many provisions of the Governance Programme included in the chapter "Responsible and Efficient Administration" were not implemented, and many legislative and normative actions are being elaborated and consulted.

Monitoring table 3. Governance reform and anticorruption fight, 2nd³¹ quarter of 2011

Planned action	Progress / Regress /Comments
<p>Reform the functioning of the Moldovan Parliament by:</p> <ul style="list-style-type: none"> • Reforming the functioning of the Parliament, in line with Council of Europe, PACE proposals on Rules of procedure and parliamentary immunity; • Promoting a political culture as well as procedures fostering consensus building; • Set up a modern information system for Members of Parliament; • Extend and intensify the cooperation between the Parliament and civil society. 	<p>Slow progress.</p> <p>Progresses are related to the drafting of some documents on this area, but their impact is not visible.</p> <p>The Parliament did not actually cooperate with civil society, including because of the parliamentary holidays and busy parliamentary activity at the end of the summer session (July).</p>
<p>Reform the public administration, including the progressive decentralisation of decision-making by:</p> <ul style="list-style-type: none"> • Decentralising the decision-making process progressively; • Continuing the central public administration reform; • Developing a legal, normative and institutional framework, in line with the decentralisation and local self-government principles; • Implementing a decentralisation model with a clear financial resources base for local self-governing entities; • Devolving powers to local public authorities and build their administrative capacity; • Strengthening the financial and patrimonial autonomy of local public authorities. 	<p>Unimportant progress related to consultations on the decentralisation strategy.</p> <p>The late presentation of the tax policy and the draft state budget law for 2011 fuels doubts and uncertainties for LPA, and could delay the elaboration and adoption of local budgets.</p>

²⁹ Only about 14 percent of respondents were content with the anticorruption fight in September 2011 (compared with 17 percent in March 2011), according to the Survey "European Union – great challenge of the Republic of Moldova, September 2011" http://www.viitorul.org/public/3558/ro/Sondaj%20septembrie_site.pdf.

³⁰ More than 60 percent of respondents of the up-mentioned survey raised such concerns.

³¹ The table is drawn up under the Action Plan "Priorities of reform actions of the Republic of Moldova – Key measures until June 2011," <http://www.mfa.gov.md/img/docs/implementation-tool-matrix-en.pdf>.

<p>Combat corruption and money laundering, by:</p> <ul style="list-style-type: none"> • Feeding the findings of the anti-corruption risk assessment process into the new National Anti-Corruption Strategy; • supporting the analytical unit of the Centre for Combating Economic Crimes and Corruption of the Republic of Moldova (CCCEC) and accompany its further development; • addressing key integrity issues such as conflict of interest and asset disclosure regimes; • ensuring full and effective implementation of GRECO's pending recommendations 	<p>Slow progress. The adopted strategy distinctly addresses anticorruption risk evaluation aspects.</p> <p>The new law on the National Integrity Commission addresses problems relating to declaration and control on conflicts of interests, but the law was not published and enforced so far.</p> <p>The mechanism of declaration and control of conflicts of interests does not function in fact.</p> <p>The fulfillment of GRECO recommendations is late.</p>
---	---

Assessment of progress

A moderate progress was observed in terms of CPA and LPA reforms, and it was mostly related to the adoption of some legislative-normative documents and discussion of some draft strategic documents, while actions in these areas are not based on adequate planning policies.

Progress in combating corruption is related to the adoption and drafting of new policies and temporary activation of organs participating in investigation of corruption at low level.

Recommendations

- CPA and LPA reforms shall be correlated and tackled in the light of some planning documents, with allocation of appropriate financial and technical resources. The LPA reform was accelerated, as the financial and patrimonial autonomy of LPA authorities was increased.
- In order to improve the decision-making transparency, discordances between Law No. 239-XVI as of 13.11.2008 and the Regulation adopted under Government Decision No. 96 from 16.02.2010 shall be removed, as they give birth to confusions.
- Anticorruption reforms and actions shall be accelerated and tackled in the light of efficiency, international standards and effects of implementation, by avoiding political and administrative interests and focussing on combating corruption at high level.

Area 4: TRANSNISTRIAN SETTLEMENT

Analysis of current situation

Major efforts of Moldovan authorities, mediators and international observers focused on resuming the official negotiations in the 5+2 format in the Transnistrian settlement process. However, the intervention of international players and the official consultations in the 5+2 format were unsuccessful, as the resumption of the negotiation process was probably postponed for after the December-set presidential elections in the Transnistrian region. Indeed, a number of events aimed to build premises for the resumption of the negotiation process and support to people from the Security Zone took place in the period concerned.

In this context, it is worth noting that on May 5, 2011 Transnistrian leader Igor Smirnov "assoiled" a Moldovan citizen, journalist Ernest Vardanean, who was arrested in April 2010 and sentenced to a 15-year jail term for "serious treachery and espionage against Transnistria." To note that Vardanean was assoiled upon his request, as he allegedly "pledged guilty" despite previous arguments that no reprieve is possible before expiration of at least half of the jail term, that means not before 2017. Although Smirnov's action was interpreted in the light of his plans to run for the 5th mandate of Transnistrian president, with the purpose to humanise his image of leader of an unrecognised entity, this decision was capable to encourage the formal resumption of the negotiation process. In this respect, it is worth to note that the Transnistrian regime holds one more Moldovan citizen, Ilie Cazac, who was sentenced to a 14-year jail term under the same charges of "serious treachery and espionage against Transnistria" but refuses to pledge guilty.

The interest for settling problems of Moldovan citizens was also proved at a sitting of the governmental commission for country reintegration on May 24. The sitting agreed that governmental institutions along with organisations representing the civil society will work out a strategy on development of localities from the Security Zone and an action plan in this respect:

- The localities concerned shall enjoy a financial support both from internal and external sources, and the whole strategy shall focus on developing relations between the two banks of the Nistru river and reintegrating the country;
- The country reintegration policies require a complex approach, a more active participation of public institutions; an in-depth analysis of ways to accomplish the declared goals and prevent the deterioration of situation in the area will be carried out;
- Education, economic, healthcare and social programmes for citizens from eastern districts of the country shall be implemented, while public institutions shall be more receptive towards residents of the Transnistrian region and improve communication with businesses based on the left bank of the Nistru river; projects aimed to develop the infrastructure of adjacent establishments shall be implemented.

Preparations to resume negotiations in 5+2 format

With the view to prepare the resumption of the 5+2 negotiations, in early April Vienna hosted consultations aimed to promote confidence-building actions, ensure a free move of citizens and guarantees in the settlement process. The Moldovan delegation reiterated the appeal seeking the unconditional and immediate resumption of the official political negotiations in the 5+2 format, but the issue concerned is to be discussed at the next meeting, which will also make a decision in this respect. The Vienna meeting considered ways to increase actions of the

working groups with the view to facilitate the political dialogue on eventual special legal status of the Transnistrian region. Also, the meeting recommended that the activity of working groups should cover the customs sector, too, so that to find solutions aimed to facilitate the foreign trade of Transnistria-based businesses.

Transnistrian foreign minister Vladimir Yastrebceak explained Transnistria's position:

- Necessity to respect the *de facto* legal equality of the conflicting parties; respect for and honouring of previous agreements, etc;
- Transnistria sees its future exclusively as an independent and sovereign state, as a full-right member of the international community.
- Thereafter, the insistence of mediators and observers of the Transnistrian settlement process motivated the Transnistrian administration to convoke on May 11 an enlarged sitting of the Transnistrian foreign ministry to make the totals of activity and set tasks for the future. Transnistrian foreign minister Vladimir Yastrebceak presented a report, stressing that "it was impossible to normalise the relations with the Republic of Moldova because it does not accept to treat Transnistria on an equal footing in the negotiation process." Yastrebceak's activity was criticised by Transnistrian security head Vladimir Antiufeev, who stated that:
 - The so-called "confidence-building measures" promoted by Chisinau could lead to the resumption of the 5+2 negotiations, and thus the documents signed between Chisinau and Tiraspol throughout years could be revised, as western representatives, participants in the 5+2 format would be allowed to vote;
 - The danger for the statehood of Transnistria is also related to the dependence of Transnistrian exporters on issuance of customs documents by competent Moldovan authorities, and this fact allows the manipulation of Transnistria's will;
 - The foreign ministry does not coordinate its activity with the Transnistrian security, and thus the latter cannot consider the information for an adequate political planning. Antiufeev insisted on a strong position of Transnistria towards the negotiation process.
 - Transnistrian leader Igor Smirnov accused the Transnistrian foreign ministry of working to grow favour with participants in the 5+2 format, rather than to protect Transnistria's interests, and it forgets that the recognition of independence accordingly to the results of the September 2006 referendum is the No.1 goal. Smirnov urged the foreign ministry to cooperate with security organs with the purpose to be well-informed. The foreign ministry shall focus on the following tasks in future:
 - The regulation concerning the official 5+2 negotiations;
 - The guarantees of the negotiation process as international documents, so that not to lie Russia, Ukraine, the OSCE and international community;
 - Building a guaranteed mechanism to ensure the external economic activity of Transnistria.

Positions of Transnistrian settlement partners

While on a visit to Germany on May 17-20, 2011, Moldovan Premier Vlad Filat discussed the Transnistrian settlement issue with Chancellor Angela Merkel. They agreed that resuming the official 5+2 negotiations is the key issue for the time being, and a decision in this respect will be made during the June 21-scheduled consultations in Moscow. The German chancellor was confident that the negotiations will be resumed, given the consent of mediators and observers participating in the Transnistrian settlement process, particularly after Russian President Dmitri Medvedev called for speeding up the identification of a solution

capable to reintegrate the Republic of Moldova. According to Angela Merkel, the solution shall bring better lives for citizens of the reunited state. In this context, Ukrainian Foreign Minister Konstantin Grishchenko expressed optimism that progress in resuming the official 5+2 negotiations which provide an optimal framework to the problem resolution will be made in June 2011.

With the view to clarify some issues with regard to the June 21-scheduled meeting in Moscow, expected to give green light to the resumption of the official 5+2 negotiations, Odessa hosted on June 6 a meeting with the participation of Ukrainian and Russian foreign ministers. According to the Russian Foreign Ministry, both Russia and Ukraine were strongly decided to resume the political Transnistrian settlement process. Russian Foreign Minister Sergei Lavrov told the Odessa meeting that "the decisive role in resuming the negotiations rests with the sides. Much effort is needed to bring their positions closer to each other and to avoid turning the negotiations into a place of dispute on unitary state on one hand, and independence on other hand. In fact, a compromise is needed." According to Minister Lavrov, Russia and Ukraine have common positions that the solution shall be found within "the territorial integrity of the Republic of Moldova and guaranteeing of the special political status for Transnistria." At the same time, Lavrov stressed that the parties must be treated as equal participants in the negotiation process. Ukrainian Foreign Minister Konstantin Grishchenko noted that Ukraine and Russia are interested in the resumption of the official 5+2 negotiations during the June 21-scheduled meeting in Moscow. Moldovan Foreign Minister Iurie Leanca did not attend the Odessa meeting despite expectations, and thus the political representative of Transnistria, Vladimir Yastrebceak could not participate.

Expectations regarding resumption of the 5+2 negotiations not coming to life

A new round of informal negotiations of the permanent meeting for political affairs in the framework of the Transnistrian settlement negotiations in the 5+2 format took place in Moscow on June 21, 2011. The Moscow meeting was expected to give green light to the resumption of the formal 5+2 negotiations, after a five-year break, but these expectations did not come to life. Prior to the meeting, the Transnistrian foreign ministry released a statement advising participants not to nourish great illusions. Thus, Transnistrian administration anticipated the failure of the meeting, saying that Chisinau is to blame because it did not take action to consolidate the results of the precedent round of consultations:

- It allegedly slowed down the resolution of the railway issue;
- It allegedly blocked the signed agreements on activity of expert groups;
- It allegedly refused to attend the meeting of guarantors in Odessa;
- It was allegedly hysterical at the reception held by the Russian Embassy to Moldova because the representative of Transnistria introduced himself as "foreign minister";
- It allegedly organised incidents in the Security Zone, etc.

In the same context, representatives of Transnistria explained that the 5+2 format cannot be officialised because Chisinau did not change attitude towards the conflict settlement process, turning down any formal proposals of Tiraspol regarding the guarantee system, the draft agreement on friendship and cooperation. As well, Chisinau would allegedly reject the approach by Russia and Ukraine, which say that the solution of the conflict should be based on equality of the conflicting parties, and given their opinion, the sides should agree on the resolution format.

Russian Foreign Minister Sergei Lavrov stated after the failed consultations that Russia considers the political settlement process should be resumed anyway. According to Lavrov, both Chisinau and Tiraspol should get rid of extreme positions in a move to resume the formal negotiations and find "a special status for Transnistria." He stressed that "the recognition of Transnistria's independence is out of question: the truth is somewhere in the middle. One thing is absolutely clear: no international structure backs the idea of independence for Transnistria. There is no support to the idea that Moldova must be a unitary state." On the other hand, the Reintegration Office advising the Moldovan Government said after the meeting that the Moscow meeting focussed on prospects of the negotiation process, with the Republic of Moldova strongly calling for the "unconditional resumption of the official negotiations in the 5+2 format." The Moldovan delegation insisted during the Moscow meeting that "the elaboration of a special legal status for the Transnistrian region with respect for sovereignty and territorial integrity of the Republic of Moldova within the internationally recognised borders is the No.1 goal of the negotiation process in the official format." This approach is shared by all international partners participating in the settlement process – Russia, Ukraine, the OSCE, the European Union and the United States, which agreed to suspend the Moscow round in order to hold additional consultations with the view to resume the talks soon.

Section II. MONITORING THE REPUBLIC OF MOLDOVA'S ACTION PLAN ON FULFILMENT OF EU RECOMMENDATIONS FOR THE ESTABLISHMENT OF A DEEP AND COMPREHENSIVE FREE TRADE AREA BETWEEN MOLDOVA AND EU

Area 1. GENERAL COORDINATION AND CONSOLIDATION OF ADMINISTRATIVE CAPACITIES

Analysis of current situation

Implementation of the European Union – Republic of Moldova Action Plan agreed in 2005 approached many times some problems related to coordination of horizontal (interdepartmental) actions. The precedent issue of Euromonitor stressed the importance of strengthening coordinating mechanisms in competent ministries, and first of all by the Ministry of Economy (MEc), for an efficient implementation of Moldova's Action Plan on fulfillment of the EU Recommendations concerning the opening of the Deep and Comprehensive Free Trade Area (DCFTA) between the Republic of Moldova and EU (herein Action Plan). This remark is effective in continuation.

Another important aspect is related to the pro-active approach by Government of preparations for the DCFTA-related negotiations. So far, just diplomatic efforts have been increased to open the negotiations as soon as possible. However, despite the political importance, the opening of negotiations *per se* will not settle problems in areas covered by the Action Plan.

At the same time, a precedent analysis signaled that short capacities and competences of national bureaucracy may seriously bar progresses in implementing the Action Plan, in spite of national political willingness and opening of European partners.

Actions covered by Bloc I of the Action Plan shall help Moldova overcome the up-mentioned obstacles, but at a different extent.

Monitoring of specific actions

The Government made the following major steps in the 2nd quarter of 2011:

- Following a long period of hesitations, the Government modified Government Decision No. 102 of 9 February 2009 "Concerning the approval of nominal composition of the national negotiation delegation for the new Agreement of the Republic of Moldova with the European Union" and thus updated the mandate and responsibilities of the national negotiation delegation. It is worth to recall that this action should be implemented in the 1st quarter;
- At the end of the quarter, MEc initiated a more visionary and pro-active approach of complexity of the future DCFTA, with the participation of the high-ranking expert advising MEc, planning to underline the most problematical areas;
- Training seminars for the staff involved in DCFTA negotiations have been launched; the Government keeps participating actively in debates on strategic aspects of DCFTA during meetings organised by development partners and nongovernmental organisations in Moldova.

Monitoring table 4. Progress in implementing actions in the area “General coordination and strengthening of administrative skills” planned for the 2nd quarter of 2011.

Planned action	Progress / Regress /Comments
<p>Using instruments provided by EU and other donors to conduct training seminars on DCFTA-related issues.</p>	<p>Slow progress. Seminars focussed on two topics only: “consumer protection” and “energy sector”. Training seminars on “transportation” and “environment” are scheduled for the second half of the year. The planning of training seminars raises some questions. Given the fact that EU opened common aviation area negotiations with Moldova in early July, training seminars on “transportation” should enjoy priority.</p>
<p>Holding DCFTA-related training seminars for institutions involved, private sector and civil society.</p>	<p>Action extended for whole 2011. MEc representatives participate actively in events organised by civil society or development partners. At the same time, MEc established a participatory framework for civil society representatives. However, some aspects related to cooperation with private sector leave much to be desired, either because of passiveness of some representatives of private sector or because authorities do not hurry up to discuss with companies affected by the future trade liberalisation in certain sensitive areas.</p>
<p>Participating and cooperating with EU high-ranking experts to identify and set up priorities for the next 2-3 years.</p>	<p>Is being developed with delay. Priorities for the next 6 months are being established from DCFTA perspective (sensitive aspects, interests of business community, etc.).</p>
<p>Including DCFTA into the EU Institutional Skill Strengthening Programme (CIB) with the purpose to ensure a continuity of conciliation and support to reform activities.</p>	<p>(Formally) accomplished. MEc will get assistance starting 2012. As the same time, the Ministry of Agriculture and Food Industry will enjoy CIB assistance in food security area starting late 2011.</p>

Assessment of progress

A moderate progress was observed on this dimension in the 2nd quarter. No serious obstacle on way of implementing the planned actions was observed, but the emergency is not realized, though the Government “pushed up” the opening of proper negotiations this year. Efforts to urgently open negotiations should be accompanied by an identification of problematical areas and training of competent functionaries in a more rapid pace.

Recommendations for Moldovan Government

The pace of internal preparations to open DCFTA-related negotiations should correspond to the dynamism of promoting a “success story” image outside. Two directions are extremely relevant in this regard: 1) to formulate as soon as possible the national positions for these negotiations, by identifying most problematical areas (work that should be done before); 2) development of trainings for relevant functionaries in a more emergent way and in accordance with political agenda of negotiations.

Area 2. MARKET ACCESS FOR GOODS / TRADE STATISTICS

Analysis of current situation

Estimating costs and benefits for economy in general and specific sectors which could have a various reaction to new tariff conditions, in particular, is very important both for Moldova and EU at the initial stage of the DCFTA-related negotiations. Therefore, disaggregated trade exchange statistics on both directions are necessary to stimulate the impact of removing tariffs and establishing optimal transition periods for products which are most vulnerable to such an impact.

Moldova will approach two aspects in this respect: reporting statistics at most disaggregated level, which would comply with the European methodology that involves the harmonisation of laws with the *acquis communautaire*, as well as collection of statistics nationwide, including Transnistria.

Monitoring of specific actions

Moldovan authorities have various tasks to ensure access of goods to market and provide trade statistics, both in terms of contents, and difficulty and necessary actions. Therefore, harmonising laws on statistics with the *acquis communautaire* and reporting statistics available for Moldova (except for Transnistria) in accordance with the Combined Nomenclature of EU require efforts, costs and consultations with European experts but do not face any obstacle and are less affected by the internal conflict, with actions progressing since the 1st quarter. On the other hand, collection and integration of statistics on trade deals of economic agents based on the left bank of the Nistru river are more complicated, as already proved by long experience, and strongly influenced by persistent Transnistrian conflict and non-cooperation of Transnistrian authorities in this area. According to an official MEc-drafted report, following actions were implemented and launched in the 2nd quarter:

- The National Bureau for Statistics (BNS) reported to EUROSTAT more disaggregated statistics than previously, at level of 9 digits, accordingly to the commodity nomenclature harmonised with the Combined Nomenclature of EU for 2009-2010 and even for the 1st quarter of 2011;
- As regards efforts to establish the Task Force on cooperation in the area of statistics between the two banks of the Nistru River, these actions developed slower in the period concerned. Although the Government assures that the possibility of building the Task Force is being considered, no meetings took place in the period concerned to discuss this aspect, perhaps because of the strain electoral period in the 2nd quarter inclusively. A meeting at the end of the 1st quarter failed, with the Transnistrian side bringing no clear position in this respect;
- At the same time, MEc reported that it is considering along with other players involved (Ministry of Finance, NBS, Bureau for Reintegration), but apparently without Transnistrian authorities, the possibility of working out a concept on collection of statistics in all Moldova, so that to prepare an argued tariff offer. Even more, authorities have plans to deliver first integrated free trade reports to the European Commission by the end of the 3rd quarter, even at a not most disaggregated level (total, EU, key trade partners). Since the statistics collection concept is being considered and Transnistrian authorities do not participate in this process at current level, steps forward achieving such a performance in such a short term are unclear;

- Meanwhile, before reaching a consensus with regard to collection and reporting of statistics on both banks of the Nistru River, intermediary measures are being considered with the purpose to get statistics from other existing sources, even if they would be incomplete. Moldovan and Ukrainian Customs Services met in Kiev in May and discussed ways to exchange data on goods and transports which cross the Moldovan-Ukrainian border. Of course, reciprocal trade exchange accounts may differ in import and export countries, but they could provide basic information to authorities, given the lack of other sources.

Monitoring table 5. Progress in implementing actions in the area of "Access of goods to market / trade statistics" planned for the 2nd quarter of 2011.

Planned action	Progress/Comments
Working out and coordinating with the European Commission a general concept concerning the collection of statistics in all statistical fields (including foreign trade statistics) in all territory of Moldova.	Is being fulfilled. The Ministry of Economy along with the Ministry of Finance, National Bureau for Statistics and Bureau for Reintegration are considering ways to collect data, and even to report some trade accounts by the end of the 3 rd quarter. However, the concept was not worked out and therefore it was not discussed with the European Commission.
Considering possibilities to set up a working group for cooperation in the area of statistics (including foreign trade statistics) between the two banks of the Nistru River.	Slow progress. Although this topic is being discussed and the Government focuses on this issue, no important meetings with Transnistrian authorities in charge with statistics took place in the 2 nd quarter.
Harmonising the legislation in the area of statistics (including foreign trade statistics) with the <i>acquis communautaire</i>.	Not reported.
In line with the bilateral memorandum of understanding with EUROSTAT, the National Bureau for Statistics will provide every quarter statistics on Moldova's exports and imports, detailed accordingly to eight digits of the Moldovan Merchandise Nomenclature, harmonised with the Joint Nomenclature of EU. The statistical files will not cover the export and import deals by Transnistria-based enterprises and organisations.	Is being developed. Statistics for 2009-2010 and 1 st quarter of 2011 disaggregated at level of 9 digits have been provided.

Assessment of progress

A slow progress was observed in the area of trade statistics in the 2nd quarter. Moldova does not encounter any major obstacle in terms of collection and reporting of statistics on the right bank of the Nistru River, but negotiations on building a task force for cooperation in the area of statistics in all territory of the country develop very slowly, and therefore data in this respect were not collected. Meantime, the Ministry of Economy and other competent ministries are considering alternative ways to collect data and are working on a statistics collection concept.

Recommendations for Moldovan Government

Since the availableness of statistics is a key area to begin negotiations on DCFTA and progresses were relatively slow, following is further important:

- Operative release of foreign trade accounts disaggregated on countries and products at level of 8/9 digits, as reported to Eurostat and on NBS website, so that to make them available to the public;
- Release of existing foreign trade accounts regarding the Transnistrian region – trade of enterprises registered with the State Certification Chamber;
- Identification and analysis of all existing foreign trade accounts of Transnistria: existing data of the Customs Service, differences of data on Moldova's exports disaggregated on countries and imports reported by countries concerned, existing accounts at level of companies;
- Integration of available databases on trade inflows available to the Customs Service of Moldova into financial reports of businesses available to NBS, in order to simulate the impact of DCFTA at level of enterprises, as well as for important researches;
- Speeding up the procedure of harmonization of legislation on statistics with the *acquis communautaire*;
- Examination of all possible solutions to motivate Transnistrian companies to join the national statistical system and raise the interest of Transnistrian statistical authorities to report accounts to the Customs Service and National Bureau for Statistics.

Area 3. TARIFF AND NONTARIFF BARRIERS (TNTBs)

Analysis of current situation

The importance of removing useless tariff and non-tariff barriers, particularly in case of a small economy which wants to focus on exports, should not be underrated. On the other hand, European producers should be also interested in removing these barriers in Moldova, particularly from perspective of Moldova's inclusion into international production chains.

The Government of the Republic of Moldova took the following actions in the 2nd quarter of 2011:

- It completed, discussed and tabled the research "Concerning the non-tariff barriers to trade in the Republic of Moldova."³² The research is expected to be the ground of sectoral talks which would produce a list of normative policies to be modified. The next step of transition from a common research to an ongoing action plan will be critical. However, the success of this step will mainly depend on resolution of inter-institutional coordination problems, addressed by the precedent issue of Euromonitor. The identified barriers concern various areas with diverse competent institutions, so that communication and coordination between the Ministry of Economy (as general coordinator) and other ministries/institutions will be very important;
- The progress in using the Autonomous Trade Preferences (ATP) by Moldovan producers was assessed. The incapacity of respecting all European sanitary and phytosanitary standards is so far an insurmountable obstacle to exports of foods of animal origin. As for other products, the quota was used completely for corn and more than half for wines. Quotas for wheat and barley were used less than half³³ (the export restriction introduced by Moldovan Government had a clear impact on wheat exports). However, the relative success of some Moldovan exporters should not be regarded as an exuberant optimism, as long as whole subsectors cannot enjoy the ATPs because they do not meet the standards³⁴;
- Actions are taken with regularity to explain ATP-related opportunities. However, more attention should be paid to communication with animal producers who face insurmountable problems.

Monitoring table 6. Progress in implementing actions in the area "Tariff and non-tariff barriers" planned for the 2nd quarter of 2011.

Planned action	Progress/comments
Assessing the current situation in terms of use of the Autonomous Trade Preferences (ATP) and informing society and private sector why the access of some products to EU market is limited.	Completed in April. The working group made of representatives of private and associative sectors participated in the research drafting. The research should produce a concrete action plan aimed to eliminate barriers in sectors.
Informing the private sector that ATPs were extended for a 3-year term (2013-2015).	Accomplished. It will be implemented before the deadline of the current ATP (2015).
Assessing the current situation in terms of use of the Autonomous Trade Preferences	Accomplished. It will be implemented before the deadline of the current ATP (2015).

³² The research is available at <http://mec.gov.md/node/2705>.

³³ See the Ministry of Economy's Report concerning the implementation of the Action Plan during March 15 – June 30, 2011.

³⁴ <http://mec.gov.md/node/2891>.

Planned action	Progress/comments
(ATP) and informing society and private sector why the access of some products to EU market is limited.	

Assessment of progress

Reasonable progress rates were observed in this area in the 2nd quarter. Remaining activities become a routine since the research was drafted (as the survey is expected to give birth to an action plan which shall be implemented). Implementing a specific action plan based on the research on non-tariff barriers will be of crucial importance, and most of these actions will be reflected in other areas of the monitoring report.

Recommendations for Moldovan Government

- The implementation of sanitary and phytosanitary standards is so far the Achilles' heel in the process of using the Autonomous Trade Preferences. Triumphant statements on preparation of Moldovan exports for the Free Trade Agreement with EU could face a bitter reality, if these standards are not implemented. Further on, actions should precede words and not vice versa.
- At the same time, reforms in this subsector should be based on a more sincere dialogue with producers concerned.

Area 4. TECHNICAL BARRIERS TO TRADE

Analysis of current situation

The No.1 objective stipulated by the Action Plan for the TBT area is to systematise efforts aimed to adjust technical barriers to trade. In other terms, the Ministry of Economy is in charge with issuing and approving under a decision a comprehensive plan on implementation scheme in the TBT area. The elaboration of such a plan (which would provide an in-depth description of actions, would specify implementation terms and appoint competent institutions and departments), would facilitate the accomplishment of other objectives foreseen for the TBT area. Unfortunately, the Progress Report tabled by the Ministry of Economy does not say that this objective was fulfilled, though it was planned for the 2nd quarter of 2011. The late approval of a centralising bill will have a negative impact on planning activities for next quarters.

The goal of another global policy that should be drafted in the 2nd quarter of 2011 is to identify national standards which run counter EU regulations and to introduce deadlines for their elimination. It is hard to underrate the importance of this objective, as no matter how quickly the new standards will be implemented they will be incapable to provide an autonomous and functional TBT system, as long as "old" mechanism and standards are effective. According to the Progress Report, institutions involved into implementing this objective (National Institute for Metrology and Standardisation and Ministry of Economy) succeeded to work out a list of ineffective standards and recommend the cancellation of some of them. Thus, 144 standards were annulled per total in 2011, including 40 in the 2nd quarter. At the same time, new standards replaced old standards under 5 Government decisions which transpose some European directives in this area.

The Ministry of Economy and the Main State Inspectorate for Market Surveillance, Metrology and Consumer Protection were in charge with drafting an action plan on development of market supervision infrastructure in the 2nd quarter of 2011. According to the Progress Report, the Ministry of Economy approved the plan concerned by issuing an internal order in this respect. The order contains 13 actions to be implemented the next 3 years and addresses the Ministry of Economy and the Main State Inspectorate for Market Surveillance, in particular. Each action of the plan is covered by a funding source and assessment criterion expected to facilitate the progress monitoring. The action plan has two key objectives: (1) to work out and adopt a law synchronised with the European Community Regulation 765/2008 concerning the market surveillance; (2) to build a cooperation and coordination mechanism in the market surveillance area.

Representatives of the Ministry of Economy noted last quarter that some objectives of the Action Plan are irrelevant for Moldova. This fact explains why the Ministry of Economy did not start working until now on the survey regarding the current system of metrology and institutional law implementation capacity in the field, including description of methods of introducing and implementing the traceability. As well, a MEc representative assured that Moldova is already applying the traceability and it makes no sense to explain the introduction methods. Therefore, it seems that the Ministry of Economy does not have any plans to work in this area, and the objective will be ignored the next quarters as well.

Objectives implemented in advance

According to the Action Plan, Moldova pledged to issue a list of European standards and a clear timetable to implement them. Although this goal was foreseen for the 2nd quarter of 2012, competent institutions (National Institute of

Standardisation and Metrology, Ministry of Economy) report that they accomplished this objective a year earlier. Even more, the Government allocated about 3.0 million lei under the state budget law for implementation of the national programme on adoption of European standards as national standards. Hereby, 509 out of 1,628 European standards planned for 2011 were adopted as national standards in the period concerned.

Objectives unaccomplished in 1st quarter of 2011

As already noted in the monitoring report on implementation of the Action Plan in the 1st quarter of 2011 the Centre of Accreditation in the Field of Products Conformity failed to select laboratories as organisers of proficiency testing and inter-laboratory comparison. The objective was not fulfilled for reasons which exceeded competences of the centre and reduced to an inefficient cooperation between several institutions. Although the selection of laboratories was completed in the 2nd quarter of 2011, the implementation of this objective started in March 2010. In other terms, the selection of laboratories is welcome, but was completed with a serious delay. Paradoxically, the Progress Report indicated the accomplishment of this objective in the section "additional progress", though it would be better to introduce this section as "objectives fulfilled with delay."

The 8 selected laboratories will be assisted by the certification centre „Trans-Standard“, which the Romanian Accreditation Association „RENAR“ accredited in line with standard requirements ISO 9001, ISO 14001, OHSAS 18001, ISO 22000, and ISO 27001.

Another objective uncompleted in the 1st quarter is "promoting the draft law on conformity accreditation and assessment in the Parliament." Like the objective related to selection of laboratories, actions taken to adopt the package of laws on conformity accreditation and assessment was reported as part of the "additional progress" section of the Progress Report. However, laboratories were finally selected, but the draft law was passed in the first reading so far. Even more, the results indicated by the Progress Report for the 1st quarter were repeated almost unchanged in the report for the 2nd quarter. Therefore, employees of the Ministry of Economy are either careless, or rely on inattention of the European Commission (which could not observe the reporting of the same results twice).

- In brief, the Government implemented the following actions, as of the situation for the 1st quarter of 2011:
- The National Institute of Metrology and Standardisation centralised all standards which unfit European regulations;
- Forty standards were cancelled and another 156 were recommended to be cancelled in the 2nd quarter;
- The Ministry of Economy and the Main State Inspectorate for Market Surveillance, Metrology and Consumer Protection work out an action plan to develop the market surveillance infrastructure;
- The draft standardisation law No 590-XIII of 22 September 1995 was worked out to continue the harmonisation with Directive 98/34/EC;
- The June 22, 2011 Government sitting approved the draft law on modification and completion of the Metrology Law No 647-XIII of 17 November 1995;
- As many as 509 out of 1628 European standards planned for 2011 were adopted as national in the period concerned. In particular, the standards stipulated by European directives in areas such as engine security, entertainment crafts, equipment under pressure, radio and telecommunication appliances were transposed into national legislation.

- Testing laboratories were selected to organise proficiency testing and inter-laboratory comparison at national level, in accordance with the ISO / IEC 17043 standard.

Monitoring table 7. Progress in implementing actions in the area "Technical barriers to trade" planned for the 2nd quarter of 2011

Planned action	Progress/Comments
Selecting testing laboratories as organisers of proficiency testing (PT) and inter-laboratory comparison (ILC) at national level, accordingly to recommendations by the National Accreditation Body, and training them in line with ISO/CEI 17043.	Fulfilled with delay. The objective was initially planned for the 1 st quarter of 2011 and was not fulfilled on time, as institutions involved failed an efficient cooperation.
Promotion to the Parliament of the draft law concerning the conformity accreditation and assessment (approved under Government Decision No 685 of 2 August 2010 and delivered to the Parliament to examine it).	Partly fulfilled with delay. The Parliament passed the law in the first reading, though the law should be already enforced, according to the Progress Report for the 1 st quarter.
Working out of a survey on the current metrology system and institutional capacity to enforce the legislation in the area, and capacity to implement modifications within DCFTA, inclusively by describing the way of introducing and applying the traceability.	Unaccomplished. According to the metrology directorate of the Ministry of Economy, this goal is irrelevant because the legislation on metrology was drafted in 1995 and amended in 2007. As well, a ministerial representative said that the traceability is already applied in Moldova and describing the way of introducing it is useless.
Working out and approving under a Government decision a comprehensive plan on implementation of further reforms in the TBT area.	Unaccomplished. The Progress Report by the Ministry of Economy does not even mention this objective; in conclusion, such a plan was not worked out.
Issuing a list of national standards which unfit EU regulations and setting deadlines to cancel them.	Fulfilled. The National Institute of Metrology and Standardisation and the Ministry of Economy tabled a list of standards to be cancelled. Even more, 40 standards were cancelled in the 2 nd quarter.
Working out an action plan to develop the market surveillance infrastructure.	Fulfilled. The Ministry of Economy and the Main State Inspectorate for Market Surveillance, Metrology and Consumer Protection introduced an action plan as attachment to the Progress Report for the 2 nd quarter.
Issuing a list of European standards to be introduced and setting terms to be adopted and introduced.	Partly fulfilled in advance. The National Institute of Standardisation and Metrology and the Ministry of Economy both fulfilled the objective and adopted 509 out of 1,628 European standards planned for 2011, in the 2 nd quarter of 2011. Directive 85/374/EEC of 25 July 1985 will be transposed by the end of the 1 st quarter of 2012.

Assessment of progress

A moderate progress was generally observed in the 2nd quarter of 2011. However, it is worth to note that efforts of institutions participating in fulfilment of

objectives were organised better. Therefore, some objectives unfulfilled in the 1st quarter for organisational reasons (inefficient cooperation) were completed in the 2nd quarter. In particular, testing laboratories were selected to organise proficiency testing. Another positive aspect is the early fulfillment of an objective planned for 2012. This way, institutions involved are trying to speed up the fulfillment of some essential goals – issuing a list of European standards and approving them.

On the other hand, some objectives planned for the 1st quarter were completely ignored. In particular, the Ministry of Economy neglected for the second time in a row the obligation to work out a survey on the current system of metrology and institutional capacity of enforcing the laws concerned. Two more objectives were ignored.

In conclusion, actions of the plan are implemented in a selective manner and priorities are revised post factum. Thus, though the DCFTA plan stipulates certain objectives for the current period, participating institutions focus on next goals.

Recommendations for Moldovan Government

Following is recommended to improve performance of state institutions involved in fulfillment of TBT-related objectives:

- As already noted, the Ministry of Economy did not start so far to work out a survey on the current system of metrology and institutional capacity of enforcing laws in the area, as authorities in charge say that such a research is useless. However, such a survey would prove the positive attitude of authorities towards EC requirements, as this objective is part of the Action Plan. The financial aspect should be also taken into account, as working out such a survey is not very expensive, but would bring clear advantages;
- Representatives of the Ministry of Economy said that some objectives cannot be accomplished because they were not adjusted to the real situation. Of course, the lack of communication between authorities in charge with working out the Action Plan and those in charge with implementing it is the central problem in this respect. Therefore, authorities in charge with implementing the Action Plan shall participate in a dialogue with EU representatives with the purpose to update the objectives. Even more, an updating procedure should be operated twice a year, in order to reveal the relevance of the goals foreseen by the plan and the consistence of future actions with the reached purposes.

Area 5. SANITARY AND PHYTOSANITARY MEASURES (SPS)

Analysis of current situation

The sanitary control mechanism for goods imported and exported from Moldova is a major problem, especially for importers and exporters of production of animal origin. In other terms, the lack of sanitary stations at border brings a lot of problems which hold the goods for a very long term, including easily alterable products. Improving the sanitary control mechanism is absolutely essential for Moldova, regardless of negotiations which will (probably) follow the implementation of the DCFTA plan.

The objective "Improving the functioning mechanism of the Customs Service with competent authorities, accordingly to principles stipulated by the International Convention on the Harmonisation of Frontier Controls of Goods, signed in Geneva on October 21, 1982" was planned for the 2nd quarter of 2011. Under Article 2 of the Convention, following are the key objectives: to facilitate the international circulation of goods; to reduce obligations related to fulfilment of formalities and to reduce the number and duration of controls. Article 3 of the Convention says that "control services will be in charge with providing necessary installations for medical-sanitary inspection at border-crossing stations." In other terms, the implementation of central principles stipulated by the convention concerned should remove problems faced by importers and exporters of production of animal origin.

However, "new" regulations should replace the "old" ones. The Action Plan contains an objective aimed to modify Government Decision No 1073 of 19 September 2008 concerning the optimisation of the state border-crossing procedure for motor cargo and passenger transports, modification and abrogation of some normative policies. According to the Progress Report, institutions in charge with adjusting the legislation (Ministry of Agriculture and Food Industry, Sanitary-Veterinary Agency for Security of Products of Animal Origin, General Inspectorate for Phytosanitary Surveillance and Seed Control, Law Harmonisation Centre) are implementing this procedure.

Monitoring table 8. Progress in implementing actions in the area "Sanitary and phytosanitary measures" planned for the 2nd quarter of 2011

Planned action	Progress/Comments
Improving the mechanism of cooperation between the Customs Service and competent authorities, accordingly to principles of the international convention on the harmonisation of frontier controls of goods, signed in Geneva on October 21, 1982.	Partly accomplished. The draft law is held now by Government, which is expected to revise it and further approve it by the end of 2011. This objective shall be fulfilled by the end of 2011; in conclusion, competent authorities respect the deadline foreseen by the DCFTA plan.
Modification of Government Decision No 1073 of 19 September 2008 concerning the optimisation of the state border-crossing procedure for motor cargo and passenger transports, modification and abrogation of some normative policies.	Is underway.

Monitoring of specific actions

The Government implemented the following actions in the 2nd quarter of 2011:

- A draft law concerning the functioning mechanism of the Customs Service with competent authorities was worked out. According to the Progress Report released by the Ministry of Economy, the draft will be approved till the end of this year;
- The procedure of modification of Government Decision No 1073 of 19 September 2008 concerning the optimisation of the border-crossing procedure for motor cargo and passenger transports, modification and abrogation of some normative regulations is being developed.

Assessment of progress

Given the fact that actions planned for the 2nd quarter of 2011 will be completed later, it is hard to assess how efficient were the authorities until now. However, competent institutions made an intermediary progress, as they worked out a project aimed to improve the functioning mechanism of the Customs Service. Therefore, better results were observed in the 2nd quarter than in the 1st quarter.

Recommendations for Moldovan Government

- Complex actions should be implemented in the SPS area in the 2nd quarter of 2011 and that's why they were planned for a couple of quarters. However, authorities shall take into account the organisational factor besides complexity, as objectives stipulated by the Action Plan in the SPS area address 3-4 public institutions. Thus, a cooperation plan is essential, so that to take into account the readiness of diverse institutions which participate in fulfilment of SPS objectives;
- As already noted above, facilitating the frontier sanitary control is a very important aspect and not only for the future commercial negotiations with EU. Importers and exporters of products of animal origin have repeatedly signalled problems born by the primitive sanitary mechanism which is currently applied at border. For this purpose, competent authorities should accelerate the process of modernisation of the sanitary inspection. In other terms, competent authorities are recommended to open medical-sanitary inspection stations and endow them with necessary equipment.

Area 6. TRADE FACILITATION AND CUSTOMS MANAGEMENT

Monitoring of specific actions

Meeting recommendations of the European Commission in this area is an essential test for Moldova with the view to develop a “commercial interface” compatible with EU procedures and norms. The task is very complex as a gentle integration of the Transnistrian region into this process is required. Quite modest results of reforms have been registered so far, despite efforts and available resources.

Following major progresses/regresses were observed in the 2nd quarter:

- The legal and procedural framework on the customs sector is being adjusted, the least at level of draft legislative policies. A survey on modification of customs fees was worked out and discussed with the public. However, the final presentation of the research was postponed for the 3rd quarter. Thus, adjusting customs fees to WTO and EU requirements is not even discussed. The same is the situation in terms of modification of Annex II to Law No 1380-XIII of 20 November 1997 concerning the customs tariff, which sets a list of customs services and fees for customs clearance procedures;
- No progress was observed on the “eastern front”. The exchange of preliminary data on circulation of goods at the Moldovan-Ukrainian border is progressing slowly, despite positive results reported at this stage.³⁵ However, no uniform enforcement of customs regulations in all territory of Moldova should be expected;

Monitoring table 9. Progress in implementing actions in the area “Trade facilitation and customs management” planned for the 2nd quarter of 2011.

Planned action	Progress/comments
Drafting a survey on customs clearance fees and their adjustment to WTO and EU regulations.	Is being implemented, though the research should be approved and necessary regulatory modifications should be introduced at this stage.
Revising the effective customs clearance taxes.	Is late, and depends on finalisation of the survey mentioned in the precedent action.
Drafting and adopting a draft law concerning the modification of Annex No. 2 to Law No. 1380-XIII of 20 November 1997 on the customs tariff, which establishes the list of services and customs clearance fees.	Slow progress. The draft amendment was issued, but not adopted.
Considering possibilities to revise, modify and implement a legal normative framework after consultations with foreign partners, which would allow a homogenous application of the customs legislation in all territory of the Republic of Moldova, including the collection of import rights for deals of Transnistria-based businesses.	No progress.
Meeting EUBAM (EU Border	Partial progress. Recommendations on

³⁵ <http://customs.gov.md/index.php?id=2696>

Planned action	Progress/comments
Assistance Mission) recommendations.	preliminary data exchange or simplification of customs procedures are now at level of plans or talks.
Improving the mechanism of contraposition of data on circulation of goods at the Moldova-Ukrainian border, got via the preliminary data exchange system between Moldova and Ukraine.	Slow progress. The mechanism exists so far just on paper. EUBAM is actively providing the necessary assistance, including under the shape of trainings. ³⁶
Periodically assessing ethics knowledge of customs employees, in line with the Conduct Code for customs employees approved under Government Decision No. 456 of 27 July 2009.	Slow progress, no clear results. Representatives of the two countries are discussing ways to improve the mechanism, but no formal results are available so far.
Improving the mechanism of contraposition of data on circulation of goods at the Moldova-Ukrainian border, got via the preliminary data exchange system between Moldova and Ukraine.	Such assessments were not performed in the 2 nd quarter. However, it is worth to note that the Government Decision concerned does not contain any special references to periodical assessment of knowledge in terms of ethics.
Translating Transparency International reports on ethics in the Customs Service and delivering them to the European Commission.	Not fulfilled and not reported. Even more, Transparency International Moldova does not compile such reports with regularity (the last relevant report was released in 2009).
Periodical reporting of amendments to the fiscal and customs legislation of Moldova to the European Commission.	Is underway. Most important planned amendments are being reported. This action is to be accomplished throughout implementation term of the Action Plan.
Presentation of the strategy on professional education of the Customs Service for 2010-2013 to the European Commission.	Accomplished in the 1st quarter.

Assessment of progress

Progress in implementing actions in this area may be described as slow. Some actions are late, with many of them being observed just on paper or just in discussion.

Recommendations for Moldovan Government

Given the slow reformation of this area, recommendations of the precedent issue of Euromonitor are maintained: (1) to revise the conformity of regulations adopted by CS with commitments towards WTO and cancel those inappropriate; (2) to simplify requirements that businesses must meet to get licences for export/import deals (for example, the stipulation on guarantee deposit, etc.).

At the same time, reforms should be accelerated and barriers on way to relieving the process should be assessed.

³⁶ <http://customs.gov.md/index.php?id=2730>.

Area 7. RULES OF ORIGIN

Analysis of current situation

The customs system faces so far a series of systemic shortcomings such as high corruption and bureaucracy, low transparency and pressures from some groups of interest which resist to new reforms. In consequence, the international trade is the sector which faces worst problems related to domestic business environment, and Moldova is ranked a last place in international ratings as regards the time and cost of export and import deals. Of course, these aspects bar the efficient fulfilment of EU recommendations on rules of origin. Another serious problem is the faulty and even strained communication between the Customs Service,³⁷ which is in charge with meeting EU recommendations, and the Ministry of Economy, whose activity is tangential with the process of harmonisation of legislation in the context of signing of a DCFTA, both in political and operational terms (for example, the ministry is negotiating with competent Turkish authorities the signing of a Free Trade Agreement, which is a precondition for the opening of DCFTA with EU).

Repercussions of these institutional problems are fuelled by cessation of the Transnistrian settlement negotiations, a situation which halts the Customs Service to apply the rules of origin in all territory of the country, as well as to monitor Transnistrian businesses in an appropriate manner. Therefore, the fact that Moldovan authorities do not control all the customs territory of the country, as well as internal institutional barriers are essential obstacles to an efficient implementation of the Action Plan on opening of DCFTA with EU.

Monitoring of specific actions

The Customs Service reported the following actions in the 2nd quarter of this year:

- Like the last quarter, it executed the stipulations of Government Decision No 816 from 2005 (updated in 2006 and 2008) and Government Decision No 1001 from 2001 (updated in 2002-2008). These decisions provide Transnistria-based businesses with access to all customs clearance procedures introduced or exported from the customs territory of the country, without being taxed any import rights. At the same time, the decisions allow the issuance of origin certificates to Transnistria-based businesses, which provide a preferential access to EU. Key conditions are to make them get registered temporarily or permanently with the State Certification Chamber of Moldova and provide full information and access to their headquarters;
- The Customs Service assures that it coherently meets the recommendations of the European Commission and EUBAM concerning the certification and checking of rules of origin. However, it is not clear why actions taken in the 1st quarter of 2011 or even the precedent year are now reported, after being indicated by official reports the precedent quarter. For example, in response to the recommendation to check coherently the origin certificate Form CT-1 for goods exported from Moldova within the free trade regime with member states of the CIS Free Trade Area Agreement, the Customs Service reported that a letter in this respect was sent to the Ukrainian Customs Service on October 4, 2010. So far, no official reaction is available for unknown reasons. At the same time, the Customs Service reported for the second quarter in a row that it organised a seminar in January 2011 and discussed some EUBAM recommendations;

³⁷ The information was reported by a public functionary who asked to remain anonymous.

- The Customs Service noted that amendments and completions to the related legal framework (for example, Customs Code, law on customs fee) were recommended with the purpose to be able to apply rules of origin in all territory of the country and to adjust them to EU regulations. They are now being debated with the parties concerned.
- Twenty-one inspections were operated in the 2nd quarter of 2011 to supervise the checking of origin certificates by customs officers at post-clearance audit stations and stations regulating the origin certificates. As already noted in the precedent report, it makes no sense to report these actions, as they are part of daily operations of the Customs Service and are not related to EU recommendations.

Monitoring grid 10. Progress in implementing actions in the area "Rules of origin" planned for the 2nd quarter of 2011.

Planned Action	Progress/comments
Continuous enforcement of Government Decisions No 815 of 2 August 2005 and No 1001 of 19 September 2001 in all Moldova	Is underway.
Ceaseless fulfillment of relevant EC and EUBAM recommendations on certification and control of origin of goods	Hard to assess. The Progress Report on EUBAM activity for 2005-2017 ³⁸ is a reference document on EUBAM recommendations. However, the stipulated priorities (effective customs control, consolidated capacities, anti-corruption actions, full border management, support to settlement of the Transnistrian conflict, and better public visibility) are treated superficially or even ignored. Thus, after assuring in the 1 st quarter that it did not receive any recommendation from EUBAM and EC, the Customs Service reported two actions in the 2 nd quarter: one accomplished last year (2010), and another one achieved in the 1 st quarter of 2011.
Reinforcement of the customs audit function needed to check the origin of goods	Is underway. The only action in this respect implemented in the period concerned was a training course for customs staff in the area of audit of origin of goods, funded by the French Customs Service. As already noted in the precedent issue of Euromonitor, the reporting of inspections is not related to the EU recommendations in general and strengthening of the customs audit function in particular.

Assessment of progress

A very modest progress in implementing actions in Area 7 was observed in the 2nd quarter. Strongly assisted by EUBAM, the Customs Service kept enforcing Government Decisions No 815 of 2 August 2005 and No 1001 of 19 September 2001 in all territory of Moldova, as expected by the way. At the same time, it was reported that amendments and completions to the legislation in the area were proposed and are being discussed. On the other hand, no clear progress in implementing the other two actions stipulated by the plan was observed. Thus, the Customs Services reported two actions implemented in the precedent period as accomplished to meet EC and EUBAM recommendations, and no actions meeting priorities of the Progress Report on EUBAM Activity were observed. Finally, the problem of strengthening the customs audit function to check the

³⁸ Progress Report 2005-2010 „Main achievements in Border Management by Partner Services in Five years of EUBAM activity”, <http://www.eubam.org/files/AOSU%20Progress%20Report%20final.pdf>

origin of goods was not settled, and the number of inspections operated by the Customs Service was reported instead.

Recommendations for Moldovan Government

- Developing a more productive cooperation between the Ministry of Economy and Customs Service, institutions which should be key partners to improve the framework on rules of origin, is absolutely necessary. If the faulty communication persists in the near future, the intervention of the prime minister on behalf of his cabinet to mediate the deadlock would be justified;
- Moldovan authorities should accept the same concessions as EU does for industrial goods while negotiating a Free Trade Agreement with Turkey. Therefore, the account will be laid on agricultural products. Given the importance of this sector for domestic economy, Moldovan negotiators should focus to get as advantageous as possible conditions in this area;
- Like the precedent quarter, recommendations on broader implementation of electronic business solutions – processes of the Customs System, simplified customs procedures and strengthened customs audit capacities by using new control techniques, improved circulation of information and documents inside of the Customs Service and exchange of information with other services – are effective so far.

Area 8. FINANCIAL SERVICES

Analysis of current situation

The financial sector was and is one of most developed economic sectors in Moldova. Supervised and regulated by two functional institutions (NBM for bank sector and CNPF for non-bank sector), it made a great progress in the 2nd quarter in terms of adjusting the domestic regulatory framework to European and international norms. However, there is a series of structural problems so far. In particular, the banking system which is regarded as the No.1 pillar of Moldovan financial sector is pretty capitalised but is not enough integrated into national economy, compared with neighbouring countries. The explanation is the reticence of banks towards crediting, particularly crediting of small and medium-sized businesses, as well as high cost of credits. At the same time, the non-bank sector faces a series of problems typical to economies in perpetual transition: formless capital market, narrow insurance products (including pensions) and limited confidence in this sector.

Monitoring of specific actions

Competent bodies reported the following actions in the bank financial sector in the 2nd quarter of 2011:

- A draft law seeking the modification and completion of some legislative policies, including the law on the National Bank of Moldova, was delivered to the Government and further to the Parliament as a legislative initiative last February. In April, a draft law bringing some completions to Article 27 of the law on NBM was registered in the Parliament for debates. Two conditions entrusting the Parliament Speaker to propose the dismissal of Governor and other members of the Board of Directors were added;
- Following some public consultations, the NBM Board of Directors issued a draft decision to approve the regulation No 84 of 28 April 2011 concerning the branches, representations and secondary offices of banks. An important novelty brought by this decision relates to the right of branches to coordinate internal structural subdivisions called secondary offices, which are able to conduct certain activities allowed by NBM. Thus, the document explains the notion of secondary office, requirements to be honoured while opening them, as well as branches and bank representations;
- The Decision of the NBM Board of Directors concerning the approval of the regulation on externalisation of activities and operations of banks was worked out and tabled for public consultations. The approval of this document is natural in the framework of amendments and completions to the law on financial institutions enforced in December 2010. The importance of this document is incontestable, given the necessity of an efficient monitoring by authorities in charge with regulating the externalisation-related practices: banks entrust a third party to conduct certain operations. The proposed amendments fit the experience of other countries in the region;
- Strangely, official papers report a working visit by a financial expert from the Luxembourg-based Supreme Court of Justice to NBM, which actually took place last year (October – December 2010). The purpose of the visit was to assist the central bank in the bank surveillance area, in a move to bring NBM closer to European directives, particularly in terms of application of the Basel II regulations. In line with recommendations made by the expert, NBM will seek technical assistance from EU to amend the legislation so that to be able to apply the Basel II regulations. This fact reveals the limited local capacities of Moldovan authorities to meet EU recommendations efficiently. At the same

time, a working group was set up to modernise the informational reporting system of NBM;

- NBM reported that foreign experts held a series of trainings for its employees. In particular, a US bank adviser held a seminar on implementation of international financial reporting standards (IFRS) during April 13 – May 6. A US expert was on a working visit to NBM during March 28 – May 24 to provide technical assistance in terms of bank surveillance. NBM employees attended four remote IFRS trainings organised by the World Bank Centre for Financial Reporting Reform during May 16 – June 6;
- During April 19-22 and May 3-6, NBM together with a bank adviser from the US Department for the Treasury organised a seminar for employees of Moldovan commercial banks. At the same time, NBM publishes with regularity on its website draft decisions for public consultations. Thus, 6 drafts of this kind were published in the 2nd quarter and were discussed with players involved (especially with commercial banks);
- On April 29 the NBM opened public consultations on a draft concept aimed to improve international transfers and surveillance regulation in force. It was worked out to meet international standards and practices with regard to international transfers, as well as to extend the surveillance area on international money transfers via SWIFT network;
- Public consultations opened on May 25 to discuss the draft decision of the NBM Board of Directors concerning the approval of the regulation on activity of banks aimed to prevent and combat money laundering and terrorism financing. The purpose is to prevent and combat money laundering and terrorism financing in the banking sector by respecting international standards. This aspect is very important in the framework of building a DCFTA with EU, being a capacity test for bank surveillance bodies from Moldova.

Competent bodies reported the following actions related to the non-bank sector in the 2nd quarter of 2011, which correlate with the national strategy on development of this sector for 2009-2011:

- A draft decision concerning the National Commission of Financial Market expected to replace the current law is being worked out, being coordinated with competent authorities and submitted for public consultations at web www.cnpf.md;
- A draft law concerning the amendment and completion of the Criminal Code is being worked out. It aims to extend the areas concerned by explaining offences on real estate market, insurance, micro-financing and legal requirements relating to non-bank financial activities;
- A draft law on facultative pension funds was worked out and approved by public authorities (Ministry of Finance, Ministry of Economy, Ministry of Labour, Social Protection and Family). It will replace the current law on non-state pension funds, which was worked out yet in 1998 and has a prohibitive role rather than encourages the development of this sector. In this respect, the importance of the new law on development of the so-called No. 3 pillar of the social insurance system is incontestable, given its accordance with good European and international practices;
- The Government³⁹ worked out and delivered to the Parliament a draft law on modification and completion of the law on insurance⁴⁰ and the law on mandatory civil liability insurance for damages produced by motor vehicles.⁴¹

³⁹ Government Decision No 340 of 13 May 2011

⁴⁰ Law No 407-XVI of 21 December 2006

⁴¹ Law No 44-XVI of 22 December 2006

The importance of the proposed amendments comes from necessity to fully adjust the related national laws to the *acquis communautaire*. Therefore, it could improve the regulation on insurance sector, the quality of insurance services and products, and provide more protection for consumers in this area;

- Following consultations with civil society and competent public authorities, a draft law seeking the modification of the law⁴² on savings and loan associations was worked out. The draft is being considered by the Ministry of Justice. It aims to provide a better regulation of responsibilities of association managers, protect association members and encourage the development of this sector.

Monitoring table 11. Progress in implementing actions in the subfield "Financial services" planned for the 2nd quarter of 2011.

Action	Progress/comments
Revising and modifying Law No 548-XIII of 21 July 1995 concerning the National Bank of Moldova (Article 75) afferent to activity of the National Bank of Moldova regarding sanctions and remediation measures, etc.	Accomplished.
Conforming normative policies of the National Bank of Moldova to amendments to the law on financial institutions.	Is being developed. Two regulations in this respect were approved: (a) concerning the branches, representations and secondary offices of banks; (b) concerning the externalisation of bank activities and operations.
Assessing the current situation and studying the experience of other countries in the framework of implementation of Basel II.	Partly accomplished. This action requires an active participation of the central bank to work out econometric researches and policy surveys, which was not observed. Instead, a working visit by an international expert who assisted NBM in the bank surveillance area, which took place last year, was now reported.
Training employees of the National Bank of Moldova with the support of foreign experts.	Is being developed.
Organising seminars, roundtables for bank community and releasing related advisory papers for the public.	Is being developed.
Implementing the strategy on development of the non-bank financial sector for 2009-2011	Is being developed.
Working out a draft law concerning the National Commission of Financial Market (new version).	Partly accomplished. Although this action was planned for the 2 nd quarter, the draft concerned is just being consulted and discussed with competent authorities and civil society.
Working out a draft law to modify the Criminal Code of the Republic of Moldova.	Partly accomplished. The draft law is being worked out, though it should be finished by the end of the 2 nd quarter.
Working out a draft law concerning the facultative pension funds.	Accomplished.
Working out a draft law to amend and complete Law No 407-XVI of 21 December 2006 concerning the insurance and Law No 44-XVI of 22	Accomplished.

⁴² Law No 139-XVI of 21 June 2007

December 2006 concerning the mandatory civil liability insurance for damages produced by motor vehicles.	
Working out a draft law to modify the law on savings associations.	Accomplished.

Assessment of progress

A good enough progress was observed in this area in general. Both NBM and NCFM respected the action plan with small exceptions.

Recommendations for Government and Parliament of Moldova

- The underdeveloped capital market is a major systemic shortcoming of Moldovan economy, which explains the high cost of credits, limited access of companies to foreign funding, slow transmission of monetary policy, etc. Improving the regulatory framework is a precondition to redress the situation, as this would reduce the bureaucratisation and liberalise the access of players to market, would optimise the monitoring and surveillance of control bodies and would finally motivate population/businesses to enter the capital market. An important step in this respect is to speed up the issuing of the draft law concerning the capital market, which would fit the *acquis communautaire* and international standards;
- Accelerating the issuing of a new draft law on NCFM and the modification of the Criminal Code the way it was planned for the 2nd quarter is required;
- NBM should mobilise its internal resources more actively in order to develop researches and surveys on implementation of the Basel II regulations. Even more, more existing own resources should be used to adjust national laws to EU and international standards;
- Communication between NBM and commercial banks should increase with the view to discuss the transition to the Basel III Standards.

Area 9. INTELLECTUAL PROPERTY RIGHT

Analysis of current situation

Actions aimed to harmonise the legislation on Intellectual Property (IP) with the *acquis communautaire* started before 2011 and great progresses were made in some areas, as for example, in the copyright field. However, adoption and enforcement of secondary legislation is at an initial stage, being included into the Action Plan on DCFTA. But there are other important aspects related to protection of IP rights besides harmonisation of legislation, such as efficient functioning of institutions involved. They include AGEPI and Customs Service, with the latter facing serious shortcomings related to diverse aspects, so that this service is an institution which needs to be reformed in several areas covered by the Action Plan.

Monitoring of specific actions

Following actions stipulated by the Action Plan were accomplished in the 2nd quarter:

- Actions were taken to build an information desk inside of AGEPI to ensure information exchanges in the area. Although this action should be implemented in early 2011, the most important steps were made in the 2nd quarter. Thus, the Twinning Project „Support to implementing the policy on competition and state assistance“ selected public authorities in charge with protecting IP rights and worked out two researches on communication and information inflows between these institutions. The first research identified methods to improve communication between institutions, as well as selected methods to be used by the information desk which is to be built. The second research gave birth to a consensus regarding the need of exchanging existing IP data (protected facilities, their legal status, violations in this area) and an agreement to set up a working group in charge with the IT concept on data collection and exchange;
- A mission was organised as part of the Twinning Project “Support to implementation of policy on competition and state assistance” to identify training needs of the Customs Service, which is so far the weakest ring of the chain of players in charge with protecting IP rights. A working visit to Denmark took place in June, with participants being acknowledged to the Danish system of frontier control of IP rights. A training programme will be organised for the Customs Service in September 2011, with the participation of customs officers from Denmark. The Interior Ministry hosted a seminar in May 2011 as part of the same project, which aimed to signal dangers of IP-related crimes and improve abilities of the Interior Ministry to investigate them;
- After an interdepartmental working group was built in the 1st quarter to protect secret of data during record, testing or homologation of pharmaceutical, agro-chemical and phytosanitary products which contain new chemical components, this team started working by considering regulations of the agreement on trade-related aspects of IP rights (TRIPS) in the area and identified normative policies to be modified in a move to meet EC recommendations;
- IP-related laws are being harmonised with the *acquis communautaire* in parallel. The law concerning the denunciation of the Eurasian Patent Convention⁴³ was adopted. The Parliament is considering modifications to the Code of Civil Procedure, Criminal Code, Code of Criminal Procedure, Code of Administrative Contraventions, in a move to protect IP rights. As well, AGEPI is working on a new national IP strategy, which should be adopted by 2011, on

⁴³ Law No 78 of 21 Aprilie 2011 concerning the denunciation of the Eurasian Patent Convention

the regulation concerning the collective management of copyrights and related rights, the Regulation of the Mediation Commission of AGEPI, the regulation concerning the certification of copyrights and related rights;

- An agreement concerning the protection of original names of agro-food products was initiated between the Government of Moldova and the European Community, and is expected to help recognising Moldovan products in EU. This agreement is to be signed in the last quarter of this year.

Monitoring table 12. Progress in implementing actions in the area "Intellectual property right" planned for the 2nd quarter of 2011.

Planned action	Progress/Comments
Building and endowing an information desk as part of the State Agency for Intellectual Property (AGEPI) to ensure information exchanges between authorities in charge with protection of intellectual property rights and to issue reports, analytical and statistical researches in the area.	Action planned for whole 2011. It is being developed. Two researches were worked out to develop cooperation and existing data exchange, and a working group was set up to work out an IT data collection and exchange concept.
Holding trainings and seminars aimed to improve the activity of customs bodies in terms of border protection of intellectual property.	Action planned for whole 2011. A working visit to Denmark was organised and a 3-week training for officers of the Customs Service was set.
Assessing the legal framework of Moldova concerning the protection and secret of data during the record, testing or homologation of pharmaceutical, agrochemical and phytosanitary products which contain new chemical elements, and identifying laws to be modified.	A task force was set up and considers related international agreements and identifies normative policies to be modified.

Assessment of progress

A great evolution was observed in the IP area in the 2nd quarter. AGEPI participates in harmonisation of legislation and information exchange in IP area. At the same time, training of the Customs Service staff was already included into agenda.

Recommendations for Moldovan Government

Recommendations raised in the precedent issue are effective so far, in spite of some important actions launched in the 2nd quarter. In particular, following actions are imperative:

- To keep harmonising laws on invention patents, brands and customs legislation;
- To put maximum efforts in order to strengthen capacities of the Customs Service, which faces most of shortcomings in terms of IP protection;
- To strengthen capacities of the National Commission for Intellectual Property with the purpose to take over some tasks from AGEPI, especially those relating to enforcement of laws.

Area 10. PUBLIC PROCUREMENTS

Analysis of current situation

The situation did not change much since the precedent issue of Euromonitor. The Agency for Public Procurements worked out the Action Plan on Development of Public Procurements (PADAP) for 2010-2013 and submitted it to the Ministry of Finance for examination yet in the 1st quarter. A timetable for adjustment of national laws on public procurements to the *acquis communautaire* is being worked out since the precedent quarter.

Monitoring of specific actions

Following specific actions were implemented in the 2nd quarter:

- The Action Plan on Development of Public Procurements (PADAP) for 2010-2013 was approved under Order No 50 of 12 May 2011 by the Ministry of Finance. At the same time, the implementation of this plan will require the adoption of some normative and legislative policies in next rounds. More important is that Action No 2.8 „Reassessment of compatibility of the whole normative and legal framework with community regulations“ is planned just for the last quarter of 2013, and this fact may endanger the action analysed below;
- The Ministry of Finance approved a preliminary timetable for the adjustment of national laws on public procurements to the *acquis communautaire* (the MEc report indicates Order No 68 of 13 June 2011, but this order was not identified in the database justice.md). As already noted, the adjustment of laws will require interventions into normative and legal framework, which do not rest with the Ministry of Finance, and thus a series of institutions, particularly the Ministry of Finance, Agency for Public Procurements, Law Harmonisation Centre shall cooperate efficiently;
- A draft regulation concerning the common vocabulary of public procurements was worked out and approved under a Government Decision. Besides unification and standardisation of procedures, the implementation of this regulation is a key premise for improving the collection of statistics in this area.

Monitoring table 13. Progress in implementing actions in the area “Intellectual property right” planned for the 2nd quarter of 2011.

Planned action	Progress/Comments
<p>Approving the Action Plan on Development of Public Procurements for 2010-2013 after consultations with the European Commission. The action plan will cover the legislative harmonisation and institutional reform, strengthening of administrative capacity and other related issues. The institutional reform means decentralisation of competences of the Agency for Public Procurements by building territorial subdivisions and endowing them, including with offices.</p>	<p>Important progress. The plan is reported as already worked out (by APP) and approved by the Ministry of Finance. However, some planned actions are not consistent with the need to work out a timetable for adjustment of laws (see below).</p>
<p>Working out a timetable for adjustment of laws on public procurements to the <i>acquis</i></p>	<p>Progress. According to the MEc report, the plan was worked out and coordinated with the Law Harmonisation Centre. A number</p>

communautaire.	of acts to be adjusted were included into the National Law Harmonisation Plan for 2011.
-----------------------	---

Assessment of progress

A great evolution was observed in the area of public procurements in the 2nd quarter of 2011. The Action Plan on Development of Public Procurements was approved under an order by the Ministry of Finance and Government and Parliament could be asked to adopt some normative and legislative policies in next rounds. At the same time, the timetable for adjustment of laws on public procurements to the *acquis communautaire* is reported as worked out and coordinated beforehand. In the last case, the progress could be barred, as the compatibility of the whole normative and legal framework with community regulations is expected to be assessed just in the last quarter of 2013.

Recommendations for Moldovan Government

- A recommendation of the precedent issue of Euromonitor was to develop the statistics system. The recently approved PADAP stipulates two important actions – ensuring the functioning of the directorate for statistics and electronic procurements and issuing and publishing complex quarterly and annual reports, which would include comparable and disaggregated statistics. At the same time, sustained budget-funded efforts are needed so far to develop the system of statistical indicators afferent to public procurements, and this requires an efficient cooperation between APP and NBS;
- The assessment of compatibility of the whole normative and legal framework with community regulations scheduled for the 4th quarter of 2013 should be rescheduled for an earlier term, so that to make sure that normative policies adopted by the Ministry of Finance and Agency for Public Procurements fit national laws which comply with European directives.

Area 11. COMPETITION

Analysis of current situation

The problem of developing a healthy competition in Moldova is being discussed for a long time. However, actions in this area have always developed slowly: since inclusion into legislation of regulations on building the National Agency for Protection of Competition (ANPC) in 2000 till establishment of ANPC in 2007, and finally till a more active performance of this agency on economic arena in 2011. However, the state of things is not excellent so far. The legislation on competition is out-of-date or even inexistent in some important areas (for example, the state aid). Although this aspect is important both for EU, which included related recommendations into the action plan on opening of DCFTA negotiations, and for a normal function of economy and needed to provide fair conditions to all domestic businesses, authorities did not hurry up to settle these problematical aspects. Laws were adopted with delay, initial ANPC decisions were not argued well because of shortcomings of effective laws and existing conflicts of interests.

In particular, the Action Plan foresees the adoption of the law on competition and the law on state aid, as well as the strengthening of ANPC capacities to enforce them successfully.

Monitoring of specific actions

More actions were achieved in the 2nd quarter than the precedent trimester. However, most and most important rounds are planned for the second half of this year.

- A drive bill for competition-related expenses was worked out to introduce clear terms for key actions for 2010-2012. In particular, the Parliament is expected to consider and approve the law on state aid and the law on competition (in the first and second readings) by the end of 2011. However, these terms seem to be too ambitious, given the slow evolution until now (the law on state aid), and the disagreement and discontentment of some important groups with the laws;
- The delivery of the draft law on state aid to the Parliament is delayed so far, while the Government approved the draft law yet in November 2010. A series of complaints related to some provisions of the law were raised meanwhile. Thus, the prime minister set up a working group to consider draft laws on competition. It is true that the draft law is faulty. First, ANPC assumes too many competences, which it should not fulfil. ANPC is the authority in charge with authorising, monitoring and reporting state aid. In fact, the Ministry of Finance should be in charge with many of these tasks, and ANPC should react just when apprised. Further, the way the assistance in agriculture sector will be regulated is unclear. This sector is no longer covered by the law concerned, as relations should be guided both by principles of market competition and other social principles such as food security, for example. Now the agriculture is a key beneficiary of state aid, and its removal from legal regulations would not settle distortions faced by economy because of state assistance which violates competition-related principles. In fact, same standards should not be forcedly applied in all sectors, but the law should include distinct regulations for different sectors, so that to respect principles of market economy. As well, the law does not cover the state aid provided previously for medium and long terms (such as FTA residents). These important aspects could seriously bar the enforcement of the law;
- The draft law on competition was finished in the 2nd quarter and submitted for public consultations. This is an initial bill which specifies the role and tasks of

ANPC, but the funding modality is unclear and leaves room for interpretation and disputes;

- At the same time, secondary regulations on competition are being drafted as part of the Twining Project "Support to implementation of policies on competition and state assistance." The project should be launched after the approval of the laws concerned, but they were not delivered to the Parliament so far, and these actions were superposed and give birth to confusions and problems. The fault of this round is that the number of regulations and the aspects to be tackled by these regulations were not established from the very beginning. These aspects will be decided meanwhile, so that the query and indignation of some interested sides which signal the lack of many aspects of the law and are not sure of the issues tackled by secondary regulations uncovered by the law as mandatory annexes are understandable. So far, preliminary bills for seven secondary regulations on enforcement of the law on state aid were drafted;
- The Twining Project "Support to implementation of policies on competition and state assistance" assessed the institutional capacity of ANPC, so that to further establish key directions for assistance;
- A draft law seeking the removal of regulations on advertising for consumers from ANPC competences was worked out. Thus, the law on advertising will further address just relations between legal entities.

Monitoring table 14. Progress in implementing actions in the area "Competition" planned for the 2nd quarter of 2011

Planned action	Progress/Comments
Drafting secondary normative policies on competition in line with recommendations from the December 2009 Report "Competition Law and Policy – Law Approximation to EU standards in the Republic of Moldova".	Action planned for whole 2011. Is being developed. Secondary normative policies for the law on state aid are being drafted (7 bills have been worked out).
Strengthening the capacity of the National Agency for Protection of Competition and improving its functioning within the Twining Project "Support to implementation of policy on competition and state assistance."	Is being developed. The institutional capacity of ANPC was assessed.
Professional training of staff of the National Agency for Protection of Competition, judges and regulatory authorities.	Did not take place.

Assessment of progress

A better evolution was observed in the 2nd quarter, but many actions taken in the period concerned came with delay, such as talks on laws that the Government has already approved. On the other hand, some actions scheduled for the 3rd quarter are being developed. In spite of a clear progress, the Government should not relax, as some actions should be taken long ago, and laws on competition are very important and could fuel long and consistent talks that cannot be postponed any longer.

Recommendations for Moldovan Government

Actions in the following directions should be further taken on short and medium terms:

- Very intense consultations with regard to laws on competition should be held with the working team set up by prime minister, the parties concerned and competent experts the next months, with the purpose to build a fair legal framework and advantageous conditions for businesses operating in Moldova and submit them to the Parliament in September;
- More clarity is needed with regard to secondary regulations of laws on competition: express references of the law, and stipulation of areas covered by the law, without leaving any room for too broad interpretations capable to jeopardise the competition on market;
- The opportunity to include into law a public assistance for agriculture, an important and vulnerable part of Moldovan economy so far, either by differently approaching it in the law on state aid, or by bringing a distinct law, should be considered.

Information about implementing organisations

The **Association for Participatory Democracy ADEPT** is a nongovernment, not-for-profit, independent, and non-partisan organisation, which is acting in the Republic of Moldova. ADEPT was registered in January 2000 and gained status of an organisation working for public benefit. ADEPT is an analytical and practical centre that offers expertise in electoral and democratic processes in Moldova. The mission of ADEPT is to promote and to support citizen participation in all aspects of public life.

EXPERT-GRUP is an independent think tank that acts in the Republic of Moldova. Being a nongovernment organisation, EXPERT-GRUP is not affiliated politically to any party and it decides independently on its institutional strategy. The mission of Expert-Grup is to contribute to the economic and democratic development of Moldova and to consolidation of Moldova's international competitiveness. The organisation uses analyses and research at international quality standards as its practical instruments to achieve these goals. Economic policy, European integration, private and public management are the areas where EXPERT-GRUP expertise is applied.