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Implementation of the European Neighbourhood Policy in the Republic of Moldova Progress in 2011 and recommendations for action

Accompanying the document

JOINT COMMUNICATION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Delivering on a new European Neighbourhood Policy

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1. OVERALL ASSESSMENT AND RECOMMENDATIONS

This document reports on overall progress made in implementation of the EU-Republic of Moldova Action Plan between 1 January and 31 December 2011. Developments outside this period are also considered when deemed relevant. It is not a general review of the political and economic situation in the Republic of Moldova. For information on regional and multilateral sector processes, readers should refer to the Eastern Partnership report.

The political crisis centring on the election of a new President continued throughout 2011 and threatened the sustainability of the reform process. The new President took office on 23 March 2012. Despite some delays in the adoption of important legislation and a considerable number of implementation problems following important law-making activity in 2010, the Republic of Moldova made good progress in almost all areas of the Action Plan.

Negotiations on a future EU-Republic of Moldova Association Agreement continued at good pace and the EU agreed in December to launch negotiations on the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) as an integral part of the Association Agreement negotiations. The Republic of Moldova concluded negotiations with the EU on a number of other important matters, such as customs cooperation, the setting-up of a common aviation area, the protection of geographical indications and association to the 7th Framework Programme for Research and Technological Development.

Implementation issues were actively tackled in particular when this was a pre-requisite for opening DCFTA negotiations or for pursuing the dialogue on visa liberalisation. The reform of the public service helped to solve some of the administrative capacity problems highlighted in previous reports. The reforms of the justice and law enforcement systems initiated during the year appear to be essential for dealing with issues linked to the enforcement of fundamental rights. However, there were problems with the new law on freedom of expression and no progress was made on the adoption of anti-discrimination legislation. The Republic of Moldova also needs to tackle corruption more decisively and efficiently.

The Republic of Moldova made important progress in the implementation of the first phase of the action plan on visa liberalisation, as reflected in the two assessment reports on the implementation of the action plan in September 2011 and February 2012¹.

A promising step was made towards the peaceful resolution of the Transnistria issue with the resumption in December, under the Lithuanian OSCE Chairmanship-in-Office, of the work of the “Permanent Conference on political issues in the framework of the negotiating process on the Transnistrian settlement” (the ‘5+2’).

In 2011, the economy recovered quickly and macroeconomic stability was maintained. Because of this, the country was able to continue its successful

¹ SEC (2011) 1075 final and SWD (2012) 12 final.

cooperation with the international financial institutions. Growth became more sustained and poverty was further reduced, as stipulated in the Action Plan. However, economic performance slowed down in the final quarter due to the worsening external environment.

At the same time, the Republic of Moldova took further steps towards becoming a functioning market economy by improving the investment climate and implementing structural reforms in the energy and education sectors. Preparations for some large-scale privatisations - another Action Plan priority - were started. The country topped the list of reformers in the World Bank's 'Doing Business' Report 2012. However the business and investment climate remains difficult. Flawed judicial practices allowed raiders' attacks to be made on major banking and insurance institutions in the summer, which harmed the image of the country as a safe place for investments.

The Republic of Moldova successfully held the rotating Energy Community Presidency and progressed towards meeting its Community obligations.

On the basis of this year's report, and with a view to sustained implementation of the EU-Republic of Moldova Action Plan in 2012, the Republic of Moldova is invited to:

- Step up efforts to implement the justice and law enforcement reform strategies, with a focus on human rights protection and the urgent need to curb corruption; finalise the investigations and judicial action in connection with the April 2009 events.
- Engage pro-actively in a pragmatic dialogue with Tiraspol with a view to setting up effective mechanisms to implement confidence building activities and making tangible progress towards a comprehensive settlement of the Transnistrian conflict.
- Step up the reform of public administration, including focusing on the enforcement of the laws on transparency and access to information.
- Accelerate the privatisation process, in particular for remaining large state-owned enterprises in telecommunications, transport, energy and the financial sectors.
- Continue the long term reforms being undertaken in the areas of social assistance, health and education (including vocational and educational training). Further facilitate social dialogue. Strengthen monitoring and enforcement of labour standards and step up harmonisation with ILO standards.
- Continue to advance sector reforms and regulatory approximation to the EU *acquis* in trade and trade related areas, based on the recommendations identified in the preparation for the DCFTA.
- Continue with energy sector reform, including strengthening the Agency for Energy Efficiency and implementing the energy efficiency strategy.
- Reinforce competition and state aid legislation.
- Finalise the remaining steps under the first phase of the EU-Republic of Moldova action plan on visa liberalisation.
- Step up institutional reform of the aviation sector and clearly define the reporting responsibilities of the Civil Aviation Administration.

2. POLITICAL DIALOGUE AND REFORM

Towards deep and sustainable democracy

In spite of the deadlock over the **election** of a President of the Republic in 2011 (resolved only in March 2012), the Republic of Moldova continued to make progress towards compliance with democratic principles and the rule of law. Training and organisational measures were actively implemented to strengthen the key institutions of parliament and the Central Electoral Commission.

In June, the country engaged in local elections. They confirmed the improvement of the electoral environment (the Election Code was amended in March and April), in line with some of the recommendations of the Organisation for Security and Cooperation in Europe - Office for Democratic Institutions and Human Rights (OSCE/ODIHR) issued following the two nationwide polls held in 2010. However, in some places the lack of appropriate polling equipment affected the secrecy of the vote, and more generally electoral and political party legislation still needs to be improved with regard to the funding of parties and electoral campaigns, complaints and appeals procedures, and voter registration. At the same time, the Central Electoral Commission set up a Continuous Training Centre to train staff involved in the organisation of elections.

On **freedom of expression**, judicial practice did not catch up with the recent legislative improvements, with rulings continuing to refer to the Civil Code rather than to the new law on freedom of expression. The media thus did not enjoy the level of protection guaranteed by law. On **media freedom**, the public broadcaster, Teleradio Moldova is being internally reformed into a genuine broadcasting establishment. But it has shifted Russian-speaking news broadcasts from prime time to a late slot, causing some inconvenience to Russian speakers. The license of the opposition TV channel NIT was withdrawn in March 2012.

The legal provisions in force provide a guarantee to the **freedom of association and assembly**. Violations of this right have become an exception. Upon application by the Chisinau City Hall, the Chisinau Court of Appeal relocated the Equality Parade organised by the Lesbians, Gay, Bisexual and Transgender (LGBT) groups from the centre of the capital city to a place where it would not attract attention. The group decided to call off the parade and referred that case to the European Court of Human Rights to enforce their right to freedom of assembly.

Progress can be reported on **justice** sector reform. A comprehensive justice sector reform strategy was adopted in October, and the related Action Plan was approved by parliament in February 2012. This set the scene for a large EU technical assistance and budget support (EUR 62 million). During the year, reform of the justice system continued to receive support through the EU-funded Democracy Support Package.

The ranking of the Republic of Moldova in the Transparency International 2011 **corruption** perception index fell from 105th place in 2010 to 112th in 2011. About one quarter of the recommendations made by the Council of Europe's Group of States against Corruption (GRECO) have still to be implemented, including the introduction of; legislation on special investigation measures; criminal liability of legal entities for corruption offences; whistleblowers' protection; an efficient system of control over

the assets and private interest declarations of public officials; and the offence of misrepresentation of accounting data associated with acts of corruption. In July, the parliament adopted a national anti-corruption strategy, which was complemented by an action plan in February 2012; this still needs to be supported by a clear allocation of resources. At the same time, a comprehensive legislative and policy anti-corruption framework, aimed at aligning the country with the main European and international instruments, is at an advanced stage of consolidation. However, the high number of legislative amendments could affect legal certainty and create difficulties in implementation if no coherent vision is ensured.

In July the parliament passed a law establishing the National Integrity Commission, which will be responsible for monitoring the assets and private interest declarations of public officials, handling conflict of interest complaints, and checking observance of the rules on limitations and incompatibilities in the exercise of public office. By the end of 2011, the law had not yet entered into force.

Substantial reform of the Centre for Combating Economic Crime and Corruption (CCECC) was initiated in order to address concerns about the latter's powers, organisation and independence. In mid-November, an EU technical assistance anti-corruption project was launched to support the reforms under way in the Ministry of Interior, the CCECC and the National Centre for Data Protection.

No significant progress could be reported on **security sector reform**, including police reform. The Ministry of Interior started to implement its internal reform strategy, adopted in December 2010, with the assistance of an EU high-level adviser.

Conflict prevention and confidence-building

Good progress can be reported as regards cooperation on the **Transnistrian issue**. Official talks in the '5+2' format resumed in Vilnius on 30 November, with active participation of the EU. The political representatives from Chisinau and Tiraspol met regularly, and the Prime Minister met with the Transnistrian leader a number of times, most importantly in September in the margins of an OSCE-sponsored conference on confidence building measures. In December a major political and generational change took place in Tiraspol, when Mr. Shevchuk replaced Mr. Smirnov as leader of the breakaway region. This may have in the medium term a positive impact on the negotiating process.

EU support to confidence building between the two sides was successfully implemented through concrete projects such as the renovation of a blood transfusion centre and that of a perinatology clinic in Tiraspol. A new package in support of confidence building measures, worth EUR 12 million, was launched at the beginning of 2012, building on previous achievements in the fields of business development, environment, social infrastructures and civil society development.

The Republic of Moldova continued to be committed to, and participated constructively in, the work of the **EU Border Assistance Mission to the Republic of Moldova and Ukraine** (EUBAM). With EUBAM support, the customs authorities and border guard service of the Republic of Moldova continued to enhance their professional capacities, as well as inter-agency cooperation within the country and with Ukraine. EUBAM continued to support the demarcation of the central segment

of the state border between the Republic of Moldova and Ukraine, which started in December 2009, and coordinated the successful ‘Akkerman’ joint border control operation. In December, the Ukrainian government approved the long-awaited decision to authorise joint patrolling of the border between the Republic of Moldova and Ukraine in the pilot border section of Rososhany/Briceni. EUBAM also facilitated talks to resume rail cargo traffic through the Transnistrian region.

Other human rights and governance-related issues

Limited progress has been made on the **protection of minorities**. Discrimination against the Roma population in education, employment, housing and healthcare takes place with impunity. However, the government has put in place Roma Community mediators, with the help of UNICEF and the Council of Europe, and adopted in July an Action Plan on Roma Inclusion 2011-2015, which was subsequently reviewed. Proper costing and budgeting will be key to ensuring efficiency.

The draft law on combating and preventing **discrimination** has yet to be adopted. Discrimination on the ground of sexual orientation persisted. Limited progress was made as regards the integration of persons with disabilities. After the adoption of the UN Convention on the Rights of Persons with Disabilities (CRPD), the government approved a number of concepts for new social services for adults with mild mental disabilities. The Optional Protocol to the CRPD was not ratified. A governmental decision taken in July regulates the provision of special technical means to persons with disabilities.

On **children’s rights**, progress was limited. Largely due to insufficient budget resources, the situation of children deprived of parental care remained a concern. The number of children in residential care is decreasing, but remains high (6,900 according to UNICEF). Despite major legislative changes in 2010, issues such as child labour and juvenile justice have not been adequately addressed. The juvenile justice system fails to meet recognised international standards and the vulnerability of children to trafficking and sexual exploitation is still a significant problem. Current legislation does not address computer-facilitated offences as required by the international standards set out in the Council of Europe Cybercrime Convention 2004 and the Council of Europe Convention on the Protection of Children Against Sexual Exploitation and Sexual Abuse 2007 (which the Republic of Moldova has signed but not ratified).

The government continued to implement the National Programme on **gender equality** 2010-2015. Labour legislation was amended in accordance with the revised European Social Charter, to include the concept of sexual harassment. However, women continued to be under-represented in both the central and local governments, even though the number of female mayors slightly increased following the local elections. Despite the improved legal framework, the mechanisms designed to prevent domestic violence remained inefficient due both to lack of enforcement of courts’ protection orders, and absence of a rehabilitation system for the perpetrators. The above-mentioned draft anti-discrimination law also includes gender as an area where discrimination is prohibited.

Progress was made as regards **freedom of religion**. The law on religious organisations was adopted by parliament in December. In March the Ministry of

Justice registered for the first time an Islamic organisation, the Islamic League of the Republic of Moldova. Members of religious communities can generally practice their religion freely and without fear of undue government interference. Still, there remains a certain ambiguity in the legal framework potentially hindering the right of all people to practice their religion or belief, alone or in community with others, in public or in private, regardless of their registration status. Likewise, limitation on the rights of foreigners to practice religion is not in conformity with European and international standards. The frequent interference, and in some instances provocative speeches, by representatives of the predominant religion were not addressed by the public authorities, giving that church a privileged status at variance with the constitutional practice of a secular state.

Public administration reform continued to focus government attention. Strategic development plans for key institutions were developed in the framework of the Comprehensive Institution Building programme under the Eastern Partnership. At the same time, the laws on access to information and on the transparency of the public decision making process continued to be poorly, or selectively, enforced. On **decentralisation**, the government and local authorities started to implement the National Strategy for Regional Development under the auspices of the new National Coordination Council for Regional Development. However, progress is being hampered by lack of resources at the local level.

Regional cooperation, cooperation in foreign and security policy, conflict prevention and crisis management

The **political dialogue** between the Republic of Moldova and the EU intensified further in 2011, with many high-level visits and contacts in the bilateral or multilateral format. The Republic of Moldova aligned itself with 63 out of the EU's 82 CSFP declarations during 2011.

In June, Ukraine and the Republic of Moldova found a negotiated solution to almost all their disagreements over the **demarcation** of the northern and southern segments of their common border. Further efforts are needed to find solutions to the remaining border issues in particular as regards the Novodnistrovsc hydroelectric power station.

The Republic of Moldova, as part of the Danube macro-region, played an important role in achieving the objectives of the EU Strategy for the Danube Region. It also participated actively in the European Regional Development Fund South-East Europe and Central Europe trans-national cooperation programmes.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

After a severe downturn in 2009, the economy staged a robust recovery and grew by 7.1 % in 2010 and by about 6.4 % in 2011. The economy was supported by a financing arrangement with the International Monetary Fund (IMF) and a high level of donor assistance (including an EU Macro-Financial Assistance grant worth EUR 90 million). In 2011, growth was driven both by strong domestic demand and booming exports that grew at about 44 % year-on-year. Private consumption increased due to a

double-digit rise in both remittances and domestic credit. The financial turmoil in the euro area and its recessionary effects on the EU economy may affect the Republic of Moldova either directly via trade with and remittances from the EU, or indirectly via the impact of the crisis on Russia.

The average inflation rate in 2011 reached 7.6 % (it was 7.4 % in 2010), driven by the increase in global and domestic food prices and higher electricity and gas costs. The fiscal consolidation process continued in 2011 with a budget deficit of 2.4 % of GDP that would be further reduced to a targeted 0.9 % of GDP in 2012. A number of excise taxes will be increased together with the reintroduction of a 12 % corporate income tax.

The current account deficit rose to about 11.5 % of GDP in 2011, but its financing improved due to higher foreign direct investment and better access to external finance by the private sector. Official reserves increased to around USD 1.96 billion (EUR 1.5 billion) covering 4.5 months of imports. The banking system remained stable and well capitalised with a capital adequacy ratio above 30 %. The rate of non-performing loans declined, but balance sheet vulnerability still remains.

Employment and social policy

The unemployment rate declined to 6.6 % (from 7.4 % in 2010) driven by job creation in industry and agriculture. The government approved a National Action Plan on Employment in February. An Action Plan to tackle ‘illegal work’ was launched in June.

In September, the Republic of Moldova ratified the International Labour Organisation (ILO) Convention No. 160 on labour statistics.

In the area of **social protection**, the number of beneficiary households for the new cash-benefits system of social aid was extended to reach around 72.000 people at the end of 2011 (there were 47.000 in the period March-May 2011). Social allowances paid to families with children were increased in June. In March and November respectively, authorities introduced a heating allowance for vulnerable persons and strengthened the system of cash benefits in case of sick leave. A new National Social Inspectorate was set up in October.

The Republic of Moldova raised the minimum guaranteed income from MDL 530 to 575 (being equivalent to EUR 37) as of July. In June, the Republic of Moldova adopted legislation on **pension reform** with the aim of increasing the minimum duration of mandatory contributions and the retirement age for certain categories.

No progress was registered in the area of **labour standards and trade unions' rights**, and monitoring and enforcement of labour standards should be substantially strengthened. While the existing law on trade unions provides for basic social rights, a number of its provisions restrict the registration of unions. Rules on arbitration do not fully comply with ILO standards and there are no sanctions for violations of the right to association.

Social dialogue needs to be strengthened; there is not yet an institutional mechanism for regular consultations with social partners.

In the area of **agriculture**, the Agreement between the EU and the Republic of Moldova on the protection of Geographical Indications was initialled in April 2011.

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

In 2011 the EU was the Republic of Moldova's main trade partner. In 2011, the volume of bilateral trade between the EU and the Republic of Moldova increased by 27.9%. EU imports from the Republic of Moldova, which were dominated by agricultural products (32.4%), clothing (21.0%) and machinery and transport equipment (10.3%), increased by 44.5%. EU exports to the Republic of Moldova, which consisted mainly of machinery and transport equipment (32.9%), fuels and mining products (15.1%) and chemicals (12.4%), increased by 21.6%.

The Republic of Moldova continued its preparations for negotiation of a Deep and Comprehensive Free Trade Area (DCFTA), through the implementation of the DCFTA related key recommendations. In December, the EU concluded that the progress made by the country was sufficient to launch the negotiations. The first round of negotiations took place in March 2012. However, the Republic of Moldova is expected to continue to conduct reforms in the trade-related areas, if it is to fully benefit from the future DCFTA.

In order to ensure the use of the preferential tariff rate quotas offered by the European Union under the System of Autonomous Trade Preferences, the Moldovan government prepared a decision on the administration of tariff quotas for the export of goods to the EU.

The **Customs** Service underwent a modernisation process in 2011. A Strategic Programme for 2012-2014 is being drafted, with the main emphasis on the development of the performance management system. The Republic of Moldova implemented a pilot project on the Automated System for Customs Data (ASYCUDA). As of August 2011, the Republic of Moldova grants privileges to authorised operators that comply with specific requirements. A simplified local clearance procedure providing for minimal control of import/export transactions was implemented. The EU and the Republic of Moldova signed a Strategic Framework for customs co-operation in October. The Republic of Moldova drafted amendments to the Customs code, the law on customs tariff and the law on free economic zones in order to align its customs legislation with EU standards by abolishing domestic origin and the exemption from payment of customs duties on foreign components of products produced in the free economic zones. The Republic of Moldova participated in the "FIREBLADE" joint customs operation targeting trafficking of counterfeit goods at the EU Eastern border.

The Republic of Moldova made significant progress in reducing **technical barriers to trade**. It adopted 17 international and European standards and a timetable for transposition of additional standards, transposed the New Approach directives and withdrew conflicting national standards. The Republic of Moldova progressed towards affiliation to the European Committee for Electrotechnical Standardisation and became an affiliated member of the International Electro-technical Commission in November. Furthermore, the government submitted to the parliament amendments

to the law on Standardisation, a draft law on Accreditation and Conformity Assessment Activity, and amendments to the law on Metrology.

The Republic of Moldova continued gradually to move closer to EU **sanitary and phytosanitary** (SPS) standards. In October, it adopted a food safety strategy for the period 2011-2015, which includes the establishment of a food safety authority and a plan for approximation with EU standards. The strategy was subsequently complemented through an accompanying document and an action plan for approximation to the EU *acquis* in the SPS area. The Republic of Moldova adopted sanitary and phytosanitary and border controls related legislation. It trained staff, with EU support. In October, the European Commission's Food and Veterinary Office carried out a mission to the Republic of Moldova on residue control in live animals and animal products and control of veterinary medicinal products. The mission showed that further progress was being made. The Republic of Moldova needs to implement fully its food safety strategy.

The Government began drawing up a National Development Strategy 'Moldova 2020', focusing on economic growth. One of the seven priorities of the strategy aims at improving the **business environment**. In this area the Republic of Moldova made progress in 2011. Reforms included; the establishment of a one-stop shop for businesses at the State Registration Chamber; more efficient enforcement of judgments; amendments to the insolvency law; and the establishment of the country's first private credit bureau.

In the domain of **financial services**, the government submitted to the parliament in August amendments to 53 legislative acts, including the law on the National Bank. They set out sanctions and remedial measures; regulate the procedure for detecting violations and associated sanctions and remedies; and regulate the implementation of decisions. The parliament approved the Strategy for the Development of the Non-banking Financial Market for 2011-2014 with an action plan. In May, the government proposed amendments to the laws on Insurance and on Compulsory Motor Third Party Liability, approximating to the EU Directive on insurance mediation. The National Commission of Financial Markets approved in July the integration of the National Securities Depository into the Automated Inter-banking Payment System. The government set up a national committee for financial stability (crisis management team). The National Bank and the Ministry of Finance signed in December an action plan on the capitalisation of the National Bank.

Company law, movement of capital and accounting rules did not undergo substantial changes. Amendments to the Law on **auditing** introduced the International Standards on Auditing and the Code of Ethics as of 1 January 2012.

Other key issues

The **tax reform** produced results in line with commitments to the IMF. The Republic of Moldova made some progress in harmonising the national tax policy with EU tax policy. The threshold for mandatory registration for Value Added Tax was doubled.

The Republic of Moldova prepared draft **competition** laws covering anti-trust and mergers as well as **state aid**. The Republic of Moldova will need to continue improving and effectively implementing the competition rules, including through the

adoption of secondary legislation, and to clarify which authority is responsible for state aid control.

In August, the legislation was amended to allow the authorities to take ex-officio action to protect **intellectual property rights**. As of November 2011, the Customs Service had accepted right-holder applications to protect 310 intellectual property rights, as compared with 172 in 2010 and including 250 registered by foreign right holders. In April, the Republic of Moldova ended its membership of the Eurasian Patent Convention. In December, the country's request to the European Patent Office for a Cooperation and Extension Agreement was approved. The Republic of Moldova drafted, with a view to approximation with EU rules, amendments to the laws on medicines and on pharmaceutical activity.

The government approved a **public procurement** action plan for 2011-2013. The Agency for Public Procurement, benefiting from an EU funded twinning project, drafted a Regulation on the common vocabulary of public procurement, a law on the exclusion of local preferences and a guide for contracting authorities. The development of e-Procurement was put on hold due to lack of funds.

The National Bureau of **Statistics** submitted to the Ministry of Economy detailed trade statistics for the last three years, converted to the current year's tariff nomenclature of the Republic of Moldova, including an estimate of the data concerning Transnistria. In spring 2011, the first general agricultural census was conducted on the whole territory of the Republic of Moldova; first results were made public in July. The new version of the national Classification of Activities in the Economy of the Republic of Moldova, compliant with the EU statistical nomenclature for economic activities, was approved and is being implemented. Efforts in 2012 should focus on the proper implementation of the population census, data processing and publication as well as on the start of implementation of the Strategic Plan for the development of the statistical system.

The regulatory framework for **enterprise policy** saw no substantial changes in 2011.

The law on **public finances** improving the budget preparation and execution and the law on **public internal financial control** entered into force in November. The government submitted in October the draft law on Fiscal Management and Accountability to the parliament. Updates to the Standards for Internal Audit in the public sector were approved in May. The Ministry of Finance passed a public sector audit reporting regulation in September.

External audit was reinforced in July, as the parliament approved an increase in the number of the Court of Accounts' staff. The Court completed the shift from external financial control to regularity audit, in accordance with international standards.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In 2011, the EU and the Republic of Moldova cooperated intensively on justice, freedom and security matters, with a strong focus on **mobility**.

Following presentation by the EU to the Republic of Moldova of the **Action Plan on Visa Liberalisation** in January 2011, a First Progress Report on implementation by the Republic of Moldova was issued in September 2011. The Second Progress Report was issued in February 2012.

Implementation of the EU-Republic of Moldova **Visa Facilitation and Readmission Agreements** continued, and was monitored at the meetings of the respective Joint Committees in May. The negotiations on amendments to the EU-Republic of Moldova Visa Facilitation Agreement were concluded in February 2012.

Cooperation between the EU and the Republic of Moldova further evolved under the **Mobility Partnership**. A number of new initiatives were launched in areas such as strengthening mobility of health professionals or tackling the social consequences of migration. Work continued on the development of an Extended Migration Profile. A high level Mobility Partnership meeting took place in November 2011 and focused on reviewing the progress made so far and on identifying areas for future cooperation.

The Republic of Moldova made good progress in adopting **migration and asylum** related legislation and establishing an efficient migration management system. A comprehensive strategy on migration and asylum was adopted in July, accompanied by an action plan in November. The Republic of Moldova established a ‘one-stop shop’ within the Bureau for Migration and Asylum aiming at facilitating visa, residence and work application procedures. The law on integration of foreigners and the law on accession to the Convention on the Status of Stateless Persons were adopted in December, as was the law on accession to the Convention on the Reduction of Statelessness. An important remaining gap in the asylum procedure concerns the lack of travel documents for refugees.

Key steps were taken towards establishing a modern border management system. In May, the Republic of Moldova approved an action plan for the implementation of the National Strategy on Integrated **Border Management** for 2011-2013 and in November it adopted the law on the State Border. The law on Border Police was adopted in December. Legislation adopted in June added provisions to improve the security of biometric passports. The EU provided support to buy equipment for the introduction of biometric passports.

Final adoption by parliament of a framework law on preventing and fighting **organised crime** is pending; in June and November respectively, the government adopted a strategy and an action plan for 2011-2016 in this area. Implementation of the 2010-2011 action plans to counter **trafficking in human beings** continued. Increased action is required to raise public awareness and provide assistance to, and protection of, victims of trafficking. The institutional framework is well established. The Centre for Fighting Trafficking in Human beings is fully operational. An updated action plan for 2012-2013 on combating trafficking in human beings is being prepared.

In April, the Republic of Moldova adopted a new law on preventing and fighting **money laundering and the financing of terrorism**. The April 2011 report of the Council of Europe’s Moneyval Committee acknowledged the steady progress of the Republic of Moldova in the areas of customer diligence and reporting. Since July, the

Republic of Moldova is no longer subject to special monitoring by the Financial Action Task Force.

In January, the Republic of Moldova launched a National Anti-**Drug** Strategy for 2011-2018 and an action plan for 2011-2013. Implementation is the task of a new National Anti-Drug Committee, established in June 2011, which also coordinates actions with civil society organisations. The September EU-Republic of Moldova Drugs Dialogue explored further cooperation avenues. In October the Republic of Moldova indicated its interest in enhancing cooperation with the European Monitoring Centre for Drugs and Drug Addition through a memorandum of understanding.

The Republic of Moldova revised its **data protection** legislation in July 2011, with the aim of aligning it to the EU *acquis* and Council of European conventions. The 2011 Additional Protocol to the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data was signed and ratified in June. Work started on assessing new legislation with a view to concluding cooperation agreements with EUROPOL and EUROJUST.

With regard to **judicial cooperation** in civil matters, there has been no progress on accession of Moldova to some Hague Conventions such as the conventions on judicial assistance (1965 Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters and 1970 Convention on the Taking of Evidence Abroad in Civil or Commercial Matters) and on child protection (1996 Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in respect of Parental Responsibility and Measures for the Protection of Children).

6. TRANSPORT, ENERGY, ENVIRONMENT, THE INFORMATION SOCIETY, RESEARCH AND DEVELOPMENT

In the **transport** sector, after initial delays, implementation of the Road Sector Programme Support Project Agreement co-financed by the EU, the European Investment Bank, the European Bank for reconstruction and Development and the World Bank was finalised in 2011. The procurement procedures were completed and the relevant contracts were signed. A new law on Road Transport is being drafted. Road safety remains an issue of concern. During 2011 preparatory work for the major restructuring of the railways started with the separation of accounts; it also encompasses transfer of assets and functions not related to core business to the municipalities and other entities. As a first result of management reforms, revenues from freight traffic started to increase substantially in 2011. In October the Republic of Moldova and the EU initialled a comprehensive air services agreement, which will open up and integrate their markets and strengthen cooperation on safety and security. The Republic of Moldova needs to take corrective actions in order to address a number of aviation safety problems identified by the European Aviation Safety Agency in 2009 and 2011. Institutional reform of the aviation sector has been slow, and the reporting responsibilities of the Civil Aviation Administration still need to be defined. The Moldovan fleet continued to figure in the high risk category of the black list of the Paris Memorandum of Understanding on port state control.

2011 was a significant year for the **energy** sector in the Republic of Moldova, which held successfully the rotating Presidency of the Energy Community. To meet its Energy Community obligations, the Republic of Moldova further developed legislation. It pursued work to update its energy strategy and took steps to improve the difficult financial situation in the energy sector. The regulator increased heat, gas and electricity tariffs and adopted a methodology for transmission tariffs. The Republic of Moldova decided to merge the combined heat and power plants with the district heating company Termocom. It also decided to reorganise Moldovagaz into three companies (supply, transmission and distribution).

The Republic of Moldova continued to engage with Gazprom on the accumulated gas debts, including in relation to Transnistria. The Republic of Moldova and Gazprom initiated negotiations on new gas supply and transit contracts. Feasibility studies were completed for the construction of the Ungheni-Iasi gas pipeline and the Balti-Suceava high-voltage electric line. Together with Ukraine and Romania, the Republic of Moldova requested EU financing for a feasibility study on the synchronous interconnection of the Moldovan and Ukrainian power systems to the European Network of Transmission System Operators for Electricity (ENTSO-E), the continental European power system. In November, the Republic of Moldova adopted an energy efficiency programme for the period down to 2020. An Agency for Energy Efficiency was set up. The EU launched in December 2011 a budget support programme of EUR 42.6 million to help the reform of the energy sector. The programme focuses in particular on energy efficiency and renewable energy.

Regarding **climate change**, the Republic of Moldova has completed, but not yet adopted, strategies on low emissions development and on adaptation. No new Clean Development Mechanism projects were registered at the UN level, leaving the overall number of registered projects at four. The Republic of Moldova is encouraged to build capacity and engage in the new carbon market mechanism to be developed following the United Nation Framework Convention on Climate Change 17th Conference of the Parties. It is also encouraged to fully implement the Cancun and Durban agreements and in particular devise a low carbon development strategy including updated information on targets to be met or actions that it will implement.

The Republic of Moldova started preparing an **environment** strategy for 2012-2022. Framework legislation on environmental protection as well as on environmental impact assessment is still pending. Strengthening of administrative capacity at all levels remains a major challenge. A state-of-the-environment report was published and the Ministry of Environment adopted a communication strategy. The Republic of Moldova also adopted a plan for 2011-2015 to implement the Aarhus Convention. In June, the Republic of Moldova hosted the Convention's Meeting of the Parties. There were no significant developments on the ratification of, or accession to, relevant environment related protocols of the United Nations Economic Commission for Europe (UNECE). The Regional Environmental Centre continued its activities in the Republic of Moldova as a small scale entity, with support from the Ministry of Environment. The EUR 50 million EU-financed sector budget support programme in the field of water continued to be implemented. In that context, a new Water law was adopted.

In the field of **civil protection**, the Republic of Moldova intensified its cooperation with the countries from the region and the exchange of best practices with the EU

through its participation in the EU Programme for Prevention of, Preparedness for, and Response to natural and man-made disasters).

In the **information society** sector, the Republic of Moldova approved in June 2011 the National Plan for Number Portability, to be implemented in three stages between 2011 and 2013. This will promote competition on the electronic communications market, in particular the fixed telephony market. The National Regulatory Agency for Electronic Communications and Information Technology pressed on with regulatory reform and the market analysis process, approving a set of ex ante obligations for Moldtelecom (the incumbent operator) due to its significant market power on a number of markets, in particular allowing for better access to the network of the incumbent operator.

The **Audiovisual** Coordination Council is implementing an action plan in accordance with the government programme of support for democracy. The digital TV switch-over policy and regulatory framework is in place. New broadcasting licences are subject to open tender.

In the area of **research and innovation**, a Memorandum of Understanding for associating the Republic of Moldova to the 7th Framework Programme for Research and Technological Development (FP7) was signed in October and entered into force in January 2012. The Republic of Moldova became the first Eastern Partnership country to associate to FP7 and the second ENP country, after Israel, to associate to the Programme. The Academy of Sciences of the Republic of Moldova has implemented a comprehensive action plan to prepare the research community for the opportunities that association to FP7 will offer; further actions are needed to ensure that such association is successful. At the same time, the Republic of Moldova has continued to increase, albeit at a moderate level, participation in FP7. Currently, 27 Moldovan research organisations participate in 22 FP7 projects, receiving over EUR 1.95 million of EU funding. This includes the participation of six institutions and 11 individual researchers from the Republic of Moldova in researcher mobility actions under the **Marie Curie** scheme. The network of FP7 National Contact Points has been strengthened considerably over the last year; the Republic of Moldova is encouraged to appoint further National Contact Points to ensure that all areas of FP7 are covered.

As regards Regional Policy, a number of regional policy dialogue initiatives have been undertaken since an agreement with the Commission was signed in 2010. Improvement of regional statistics and the development of regional planning and regional development projects pipelines in 3 regions are the objectives of the Pilot Regional Development Programmes to be supported from 2012.

7. PEOPLE-TO-PEOPLE CONTACTS, EDUCATION AND HEALTH

The Republic of Moldova drew up, following public discussions, a revised Code of **Education**, which is in its final stages of adoption. Work progressed on developing a National Qualification Framework for Higher Education, in line with the European Qualifications Framework (EQF). Further reforms are necessary on the third cycle (doctoral studies) where the Bologna Process requirements have not yet been extended.

Higher education reform continued to benefit from EU cooperation through **Tempus** IV programme support and one additional project involving the Republic of Moldova was selected in 2011. The country continued its active participation in the **Erasmus Mundus** programme in the academic year 2011-2012, with the award of a total of 182 scholarships and mobility grants. Two additional European integration modules were selected under the 2011 **Jean Monnet** Programme, which fosters teaching and research in the field of EU integration studies.

In 2011 the **vocational education and training** sector became a priority, in line with the new National Development Strategy 2012-2020. Progress included the launch of two working groups led by the Ministry of Education to prepare a National Qualification Framework; the finalisation of a national format for occupational standards; and the elaboration of a concept on the validation of non-formal and informal learning.

Preparations began for the participation of the Republic of Moldova in the eTwinning component of the **Comenius** programme, the EU programme for interconnecting schools, planned for 2012, with the selection of the partner support agency and an assessment of potential beneficiaries/schools.

Substantive progress was made on **cultural** policy regulation. The government prepared or approved regulations concerning the conservation and restoration of historic monuments, the organisation of archaeological excavations and the export/import of cultural goods. A law on protection of the national movable cultural heritage is under preparation. The Republic of Moldova participated in four projects under the 2010 Special Action for ENP countries under the Culture Programme, which are running until 2012.

Very positively, the number of young Moldovan citizens and youth workers benefitting from the exchange opportunities under the **Youth in Action** programme increased from 247 in 2010 to 329 in 2011.

Health sector reform continued in the Republic of Moldova, with EU budget support (EUR 43 million). The country reconstructed (primary) health care facilities, strengthened its health information system and improved its surveillance of communicable diseases. The availability of sufficient financial means and health workers remain a particular challenge. The Republic of Moldova adopted rules on the transplantation of organs, tissues and cells of human origin in line with EU standards. It also adopted programmes to fight diabetes, to strengthen the public health service, and to enhance emergency care. It continued addressing HIV/AIDS and tuberculosis challenges, and participated in the Commission's HIV/AIDS think tank.