MOLDOVA IN THE EASTERN NEIGHBORHOOD POLICY: 2005-2014

Igor Boțan
Denis Cenușă
Mariana Kalughin
Adrian Lupușor
Iurie Morcotîlo
Polina Panainte

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Authors: Igor Boțan, Denis Cenușă, Mariana Kalughin, Adrian Lupușor, Iurie Morcotîlo, Polina Panainte

Association for Participatory Democracy ADEPT

str. Alecsandri 97, Chișinău MD-2012, Republica Moldova.

tel. +373 22 21 34 94

fax + 373 22 21 29 92

e-mail: adept@e-democracy.md

www.e-democracy.md

Independent Think-Tank EXPERT-GRUP

str. Pușkin, 45 B, Chișinău MD-2005, Republica Moldova.

tel. +373 22 92 99 94

fax +373 22 21 21 51

email: info@expert-grup.org

www.expert-grup.org

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INTRODUCTION

This Progress Report is an analysis of how authorities reached the objectives set for political, economic and institutional rapprochement with the European Union. The study includes monitoring of the period between the signing of the European Union – Republic of Moldova Action Plan on 22 February 2005, which is a comprehensive document of strategic planning for the implementation of the Partnership and Cooperation Agreement (PCA), and the signing of the Association Agreement between the Republic of Moldova and the EU in 2014, which includes creation of the Deep and Comprehensive Free Trade Area (DCFTA). In this period, 2005-2014, the most important developments are related to fulfilling political, institutional and economic conditions required for the signing of the Association Agreement and visa-free regime with the EU. Important progress has been made in human rights, electronic government, reforms in the IT sector and social services. Against this positive background, there have been important deficiencies in a number of fields, especially in combating corruption, banking sector, implementation of EU quality standards and energy sector.

The discrepancy between human rights and freedoms, enshrined in official documents and everyday practices, is still distinguishable. Moldova currently has a solid legal framework for the promotion of human rights, but there are significant gaps in its application, and this situation is determined by the poor quality of the country's justice system. The legal and regulatory framework in the justice sector has been substantially reviewed and new institutions have been created. Despite these efforts, the justice reform is slow, being hindered by the lack of real political will to reform. Corruption has become the main obstacle in the modernization and development of the country. The roots of endemic corruption are in complete politicization of law enforcement and regulatory institutions, which, despite current legislation and binding decisions of the Constitutional Court, have been politically shared by governing parties. As a consequence, the institutionalization of the fight against corruption and verification of senior public officials' integrity has had no effect. On the contrary, corruption has grown, generating political instability and citizens' discontent. Domestic and regional security issues had Transnistrian settlement in the center of attention; it became more complex as a result of continued institutionalization of the negotiations format, known as "5+2". Subsequent efforts were related to increasing efficiency and unifying customs procedures in the Transnistrian segment of the Moldovan-Ukrainian border and launching the European Border Assistance Mission (EUBAM). The EU-Moldova Association Agreement significantly contributed to the change of the regional context, creating new conditions that shall be exploited in the process of involving Transnistria into the processes provided by the DCFTA and in further political settlement of the conflict.

Important progress has been made in trade relations with other countries, due to commitments assumed under the World Trade Organization and deepening trade relations with the EU. Exports to the EU grew from EUR 440 million in 2005 to over EUR 1.1 billion in 2014, and the Community Area became the main market for Moldovan products. To further exploit the country's export capacity and to benefit from the DCFTA, additional efforts are needed to adopt EU quality standards. Although opening a business in Moldova has become easier over the past nine years due to the implementation of 'one stop shops' for enterprise registration and reduction of the amount of required documentation, there still are problems related to obtaining permits, especially construction permits. The social protection system underwent structural and institutional reforms, through the creation of several institutions in order to promote better services and correct application of regulations. However, the continued reform of the pension system and poor efficiency of social aid distribution are still critical issues. In employment, international agreements on migrants' social protection have been signed with 14 countries. In the country, informal employment remains an important problem, and it needs to be addressed by improving conditions for businesses and tax regulations. Financial services remain underdeveloped in terms of quality and size, with a digital infrastructure that is below modern standards, especially at the local stock exchange. In addition, recent problems in the banking sector are indicative of important deficiencies in the surveillance of the sector.

JUSTICE SECTOR REFORM

Major developments

- In the period of 2005-2014, the justice sector reform showed important progress, with considerable efforts for the development of the policy framework, regulatory framework and institutional framework, including in procedures and justice sector transparency.
- Regarding policies, we shall mention developments in the strategic approach to justice: transition from segmental policy documents (aimed at some institutions or aspects relevant to justice) to a common policy document (aimed at the entire sector). Initially, in the period of 2005-2007, several programs and strategies specifically covered some issues in the justice sector. In 2007, the approval of the Strategy on Consolidation of the Judiciary and of the Action Plan for its implementation[1] was aimed at joining reform efforts into a single framework. Reform was intended only for the judiciary and did not equally cover the other elements of the justice sector (prosecution, related legal professions, the execution system, etc.), which were still treated separately.[2] In 2009, relevant reforms were initiated[3], which eventually were set into the Strategy of Justice Sector Reform for 2011-2016[4] (SJSR) and, accordingly, into the Action Plan for its implementation[5]. Prosecution reform was addressed, with major delays, in 2014.[6]
- Regarding the regulatory framework, efforts have been made both to substantially review it and to develop and adopt new laws. The following laws have been modified and supplemented: Law no. 514 of 06.07.1995 on judicial organization; Law no. 544 of 20.07.1995 on the status of judge; Law no. 789 of 16.03.1996 on the Supreme Court of Justice; Law no. 947 of 19.07.1996 on the Superior Council of Magistracy; Law no. 950 of 19.07.1996 on the disciplinary board and disciplinary responsibility of judges; Law no. 353 of 28.10.2004 on the Governmental Agent. In the period of 2005-2011, several new legislative acts were adopted: Code of Execution, no. 443 of 24.12.2004; Law no. 152 of 08.06.2006 on the National Institute of Justice; Law no. 333 of 10.11.2006 on the status of investigating officer; Law no. 59 of 15.03.2007 on the status and organization of the work of courtroom secretaries; Law no. 198 of 26.07.2007 on the state guaranteed legal aid; Law no. 371 of 01.12.2006 on international legal aid in criminal matters; Law no. 134 of 14.06.2007 on mediation; Law no. 8 of 14.02.2008 on probation; Law no. 87 of 21.04.2011 on compensation by the state of the prejudice caused by violation of the right to trial within reasonable time of a case or the right to execution within reasonable time of court judgments. Also, Law no. 294 of 25.12.2008 on Prosecution was adopted. The approval of the SJSR led to modification and supplementation of: civil and criminal procedural law (division of phases, reduction of detention time, review of court judgments); legislation related to the organization and functioning of the judiciary (organization and management of courts, functioning of the Superior Council of Magistracy (SCM), status and immunities of judges). At the same time, new laws were adopted: Law no. 59 of 29.03.2012 on special investigative activity; Law no. 154 of 05.07.2012 on selection, performance evaluation and

[1] Policy documents approved by Parliament Decision no. 174 of 19.07.2007
[2] Execution System Development Strategy (Government Decision no. 1393 of 12.12.2007); Concept of the Automated Information System "Execution Procedures Register" (Government Decision no. 1520 of 29.12.2007)
[3] Concept on the funding of the judiciary (Parliament Decision no. 39 of 18.03.2010); Action plan for the realization of the Concept on funding of the judiciary (Government Decision no. 803 of 07.09.2010)
[4] Policy document approved by Law no. 231 of 25.11.2011
[5] Policy document approved by Parliament Decision no. 6 of 16.02.2012
[6] Concept of Prosecution Reform, approved by Law no. 122 of 03.07.2014

career of judges; Law no. 328 of 23.12.2013 on the salaries of judges; Law no. 161 of 18.07.2014 on authorized administrators; Law no. 178 of 25.07.2014 on disciplinary responsibility of judges.

- Following legislative developments, institutions were created in order to ensure implementation of laws, including: Department of Judicial Administration under the Ministry of Justice; National Institute of Justice; Council of Mediation; probation bodies; bodies for administration of the system of state guaranteed legal aid. Essential changes took place in the organization and functioning of the SCM, with creation of the Judicial Inspection and, later, of the Selection Board and Evaluation Board. The SCM approved rules for application of laws, some of them referring to random distribution of cases in courts. An important document is the Judge's Code of Ethics, approved by SCM Decision no. 366/15 of 29.11.2007. In the part concerning prosecution, the following bodies were created: the Superior Council of Prosecutors (SCP), the Disciplinary Board and the Prosecutors Qualification Board. The SCP approved a series of regulations. In terms of integrity, we shall mention the Prosecutor's Code of Ethics, approved by SCP Decision no. 12-3d-228/11 of 04.10.2011.
- As a result of considerable efforts, the justice sector became more transparent, including through computerization of the judiciary, online publication of court judgments, video and audio recordings of court sessions. Relevant web pages were launched and developed: www.justice.md; www.csj.md; www.csm.md. A single portal of courts was developed. Also, efforts were made to increase the transparency of Prosecution (development and publication of annual and topical reports, periodic syntheses; periodic issue of press releases). The prosecution's web page was developed: www.procuratura.md.

Main problems

- In the policy framework, despite constant progress in the implementation of the SJSR, key document in the field, this progress is not spectacular. According to authorities[7], in 2014, the degree of realization of planned and pending actions was 69%. Several important issues are overdue; they are related to: reform of the National Institute of Justice; efficient functioning of judicial police; initiation of construction works of the Palace of Justice; optimization of the judicial map; Prosecution reform; modification and standardization of the codes of ethics of justice sector actors; capacity building for authorities responsible for punishing disciplinary violations. There may have been different reasons of why these issues were not solved: lack of real will to reform; problems related to the reform budget; quality of the policy document. Some actions provided by the SJSR are still doubled by other policy documents. They are, for example, actions related to consolidation of the legal framework on the declaration of income and property and personal interests in public service, which are also stipulated in the National Anticorruption Strategy for 2011-2015, approved by Parliament Decision no. 154 of 21.07.2011.
- In the regulatory framework, frequent legislative interventions, which might have been determined by authorities' incoherence in this exercise, affect the stability, predictability and efficiency of regulations. For example, the Law on judicial organization was modified and supplemented 10 times in the period of 2005-2014, the Law on the Superior Council of Magistracy – 13 times, the Law on Prosecution – 14 times, the Law on the status of judge – 19 times. Legislative interventions do not always seem convincing in terms of constitutionality. The Constitutional Court, for instance, was asked to judge on the constitutionality of the Law on the status of judge 3 times. The process of justice sector reform is not fully supported by the Parliament. For example, one of the most

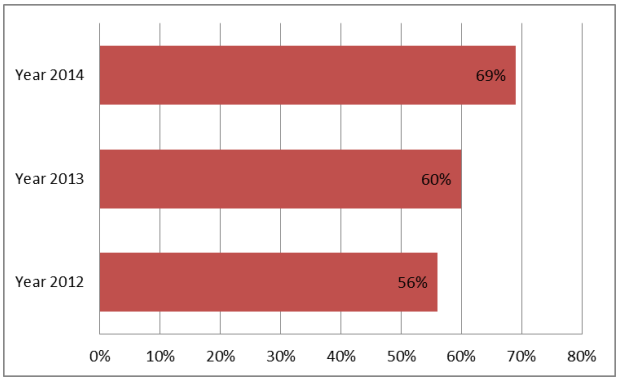
[7] Annual report on the implementation of the Strategy of Justice Sector Reform for 2011-2016 (reporting period: January-December 2014), p.21

important legislative acts in the field, the Law on the disciplinary responsibility of judges, was adopted by engaging the disciplinary responsibility of judges.

- In the institutional framework, the politicized nature of some key positions (general prosecutor, Supreme Court judges) is still a major challenge. Appointments are practically at the discretion of the Parliament, eventually – at the discretion of political parties. Despite competition procedures established for appointment by the Parliament of 3 members of the SCM and 3 members of the SCP, the Parliament fails to convince the public that it is guided by public interest, as this exercise is being compromised by non-explanation of the reasons for preferring certain candidates. The SCM and the SCP did not manage to assert themselves as true self-administration bodies. In the procedures of selection, evaluation and career, as well as in disciplinary procedures, the treatment applied to judges and prosecutors does not seem to be always equal and objective. The SCP, in contrast with the SCM, having no adequate status or resources, faces serious problems related to visibility and transparency. Clearly, all of that affect public trust in justice.

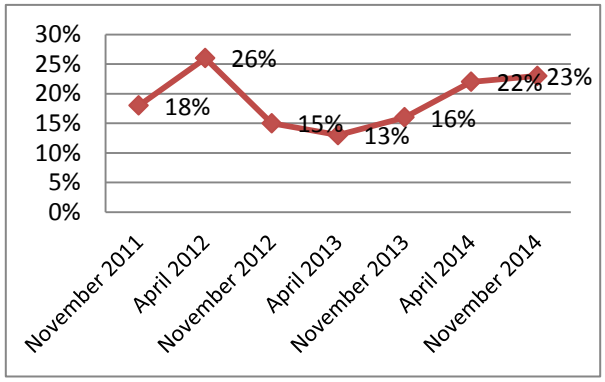
Progress Indicators

Figure 1. SJSR: Realized actions



Source: Ministry of Justice

Figure 2. Level of trust in justice sector



Source: Barometer of Public Opinion

Conclusions and recommendations

- Efforts for implementation of the SJSR shall be consolidated so as to ensure realization of all planned activities. Unsolved issues (especially reform of prosecution) shall be addressed with priority and responsibility.
- In the process of implementation of actions related to legislative interventions, documents shall be developed, promoted, examined and adopted in strict compliance with all requirements of legislative procedure and in compliance with procedures ensuring real transparency of decision making.
- An imperative is full de-politicization of the process of appointments for key positions in the system – revision of appointment of the general prosecutor and Supreme Court judges, so that the final decision might belong to self-administration bodies.

- Authorities shall be insistent in the implementation of adopted laws and shall analyze the impact of regulations in the process of evaluation of relevant policies.
- The SCM and the SCP, which shall assert themselves as real self-administration bodies of judges and prosecutors, shall be guided exclusively by the principles of legality, independence and impartiality.
- In the process of reforming prosecution bodies, the SCP shall obtain a status similar to the status of the SCM, thus achieving importance, visibility and transparency.

COMBATING CORRUPTION

Major developments

- Prevention and combating of corruption, in the period of 2005-2014, were constantly addressed in policy documents. In 2005, the implementation of the National Strategy on Prevention and Combating of Corruption and its Action Plan began[8], with policies focused on: improvement of the legislative framework and ensuring application of laws; prevention of corruption in public institutions and in the political process; intensification of cooperation between public institutions and civil society; extension of international collaboration. Beginning in 2009, pushed by the requirements of policy documents[9], the intention to review the anticorruption policy was put into action. In the end, in 2011, the National Anticorruption Strategy for 2011-2015[10] (NAS) was approved, with priorities systematized in the following elements: research, legislative, institutional, educational and public communication.
- The regulatory framework on anticorruption has been developed, and Moldova currently has an important number of special documents in the field: Law no. 16 of 15.02.2008 on the conflict of interests; Public Officer's Code of Conduct, adopted by Law no. 25 of 22.02.2008; Law no. 90 of 25.04.2008 on prevention and combating of corruption; Law no. 252 of 25.10.2013 on approval of Regulations on the operation of the anticorruption hotlines system; Law no. 269 of 12.12.2008 on application of lie detector (polygraph) testing; Law no. 271 of 18.12.2008 on verification of holders of and candidates for public offices; Law no. 325 of 23.12.2013 on professional integrity testing; Government Decision no. 977 of 23.08.2006 on estimation of corruptibility of draft legislative acts; Government Decision no. 906 of 28.07.2008 on approval of the Methodology of evaluation of corruption risks in public authorities and institutions; Government Decision no. 134 of 22.02.2013 on establishment of permissible value of symbolic gifts, of gifts offered by courtesy or on occasion of protocol actions and approval of the Regulations on the evidence, evaluation, storage, use and redemption of symbolic gifts and of gifts offered by courtesy or on occasion of protocol actions; Framework Regulations on whistleblowers, approved by Government Decision no. 707 of 09.09.2013. Essential modifications and supplements were made to the following documents: Law no. 1264 of 19.07.2002 on declaration and control of income and property of persons in public offices, judges, prosecutors, civil servants and persons in managing positions; Contraventions Code of the Republic of Moldova no. 218 of 24.10.2008; Criminal Code of the Republic of Moldova no. 985 of 18.04.2002 (criminalization of illicit enrichment (Article 330^2), introduction of extended confiscation as a safety measure (Articles 98 para. (2) letter (e) and 106^1).

[8] Policy documents approved by Parliament Decision no. 421 of 16.12.2004
[9] Rules on development of and standard requirements for policy documents, approved by Government Decision no. 33 of 11.01.2007
[10] Policy document approved by Parliament Decision no. 154 of 21.07.2011

- The institutional framework on anticorruption was marked, following the adoption of Law no. 180 of 19.12.2011 on the National Integrity Commission (NIC), by the establishment of an anticorruption agency specialized in the control of declarations on income/property and personal interests in public service. At the same time, the modification and supplementation of the law[11] broadened the competences of the National Anticorruption Center (NAC), which was additionally tasked with conduct of anticorruption examination of draft legislative acts and draft regulatory acts of the Government and with ensuring conduct of corruption risk assessment in public authorities and institutions.

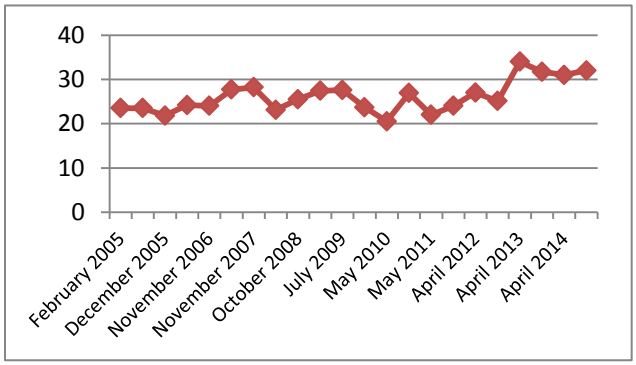
Main problems

- In anticorruption policies framework, a major problem is delays in approval of action plans for implementation of the NAS. For example, the Action Plan for 2014-2015 on implementation of the National Anticorruption Strategy was approved by Parliament Decision no. 76 on 16.05.2014. As a result of delayed approval of this policy document, several activities were late. Thus, according to authorities[12], in 2014, 59% of the planned actions were successfully realized, 12% were overdue, and 29% were ongoing.[13] Despite anticorruption efforts, corruption still worries the public, and there are no spectacular performances in specialized international rankings.
- Another problem is the quality and safety of the legal framework on anticorruption. The confusing and lacking aspect of specialized laws related to the work of the NIC is still an obstacle in this authority's institutional efficiency.[14] At the same time, new anticorruption instruments are not always sufficiently clear, predictable and safe. For example, after adoption, several provisions of the Law on professional integrity testing were declared unconstitutional.[15]
- In the part of institutions, the main problem is the high political dependence of anticorruption agencies. It is evident in frequent reorganizations of the NAC, which are not always justified[16], and in delayed creation of the NIC. Legal provisions on appointment of members of the NIC entered into force in February 2012. Despite them, the nominal composition of the NIC was approved many months later.[17] The de facto work of this authority began with significant delays by appointment of its chairman[18] and allocation of the institutional budget (beginning in 2013, although according to the law funding was supposed to begin in March 2012).

[11] Law no. 1104 of 06.06.2002 on the National Anticorruption Center
[12] http://cna.md/sites/default/files/sna_rapoarte/raportul_de_monitorizare_-_2014.doc, Report on monitoring the realization of the Action Plan for 2014-2015 for implementation of the National Anticorruption Strategy for 2011-2015 (year 2014), page 4
[13] For year 2014, the policy document provided for execution of 48 actions with deadline in 2014 and 22 actions with permanent realization.
[14] Further details: http://www.e-democracy.md/files/cni-2-ani-mariana-kalughin.pdf, Two years of activity of the National Integrity Commission: expectations and achievements, Mariana Kalughin, Association for Participatory Democracy (ADEPT), Chisinau, November 2014
[15] Constitutional Court Decision no. 7 of 16.04.2015 on the verification of constitutionality of some provisions in Law no. 325 of 23 December 2013 on professional integrity testing (Application no. 43a/2014)
[16] Law no. 1104 of 06.06.2002 on the National Anticorruption Center was modified and supplemented 19 times.
[17] Parliament Decisions no. 145 of 22.06.2012; no. 226 of 25.10.2012; no. 65 of 04.04.2013
[18] Parliament Decision no. 226 of 25.10.2012

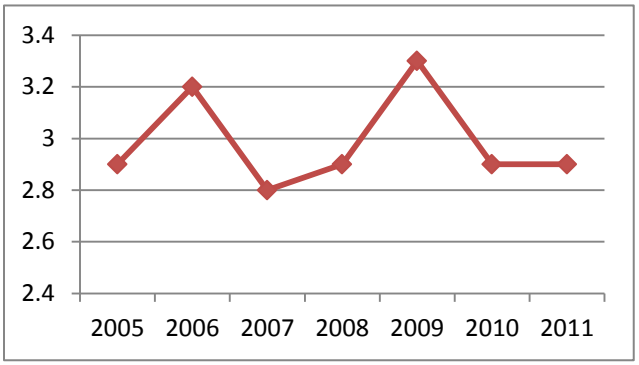
Progress Indicators

Figure 3. Percentage of citizens who find corruption one of the three most worrying issues



Source: Barometer of Public Opinion

Figure 4. Indicators of corruption perception in Moldova



Source: Transparency International

Conclusions and recommendations

- Efforts to implement the NAS shall be consolidated so as to ensure realization of all planned actions. Overdue issues shall be addressed with priority and responsibility. We are especially referring to the need to strengthen the legal framework governing the declaration and control of income/property and personal interests in public service, with fundamental review of the NIC status as an imperative.[19]
- The Government and Parliament shall responsibly address anticorruption policies and the institutional needs of anticorruption agencies. In the process of implementation of the actions related to legislative interventions (including policy documents), documents shall be developed, promoted, examined and adopted in strict compliance with all requirements of the legislative techniques and in compliance with procedures ensuring real transparency of decision making (eventually avoiding adoption of important anticorruption projects by engaging the Government's responsibility).

HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS

Major developments

- In the period of 2005-2014 Moldova confirmed its commitment for promotion and protection of human rights, having ratified several basic UN conventions and optional protocols and adopted several important laws. Thus, the death penalty was abolished, while standards and provisions were introduced to regulate civil and political rights, the rights of persons with disabilities, children's rights, etc. The following laws were adopted: Law on equality, Law on prevention and combating of domestic violence, Law on equal opportunities for men and women, and Law on the social inclusion of persons with disabilities. Therefore, legislation was improved so that it now prohibits

[19] For further details: http://www.e-democracy.md/files/cni-2-ani-mariana-kalughin.pdf, Two years of activity of the National Integrity Commission: expectations and achievements, Mariana Kalughin, Association for Participatory Democracy (ADEPT), Chisinau, November 2014

discrimination based on race, sex, disability, ethnicity or social status. Authorities, however, did not always apply these provisions efficiently.

- The Criminal Code of the Republic of Moldova was supplemented so as to discourage crimes related to torture, inhuman and degrading treatment. As a result, positive developments in this period included gradual reduction of complaints related to torture.
- To prevent and combat human trafficking, modifications were introduced into the Criminal Code, broadening the range of crimes that fall under human trafficking, providing for harsher punishments for human trafficking, introducing punishments for the use of products and/or services that are the results of exploitation in human trafficking or child trafficking.
- Moldovan legislation provides for freedom of expression and press freedom, which were not always complied with. Individuals can criticize the government in public and in private without being repressed. To establish mechanisms designed to guarantee freedom of expression and punishment of public officials for intimidation and censorship of mass media, new articles were introduced into the Criminal Code, stipulating new punishments for illegal intentional hindrance of mass media activities and intimidation of persons for criticism and censorship. These types of crimes were included into the category of light offences.
- After press freedom improved in the period of 2010-2012 in contrast with 2005-2009, it started worsening in 2014, with Moldova ranking 56th, in the category of countries with "visible issues" in the field of pluralism, independence of mass media, the environment in which journalists work, self-censorship, the legislative framework, transparency of institutions and infrastructure necessary to journalists.
- Laws were adopted to prohibit employment discrimination against LGBT persons. Discrimination based on sexual orientation and gender identity, however, is still widely spread in society.
- Despite some achievements in terms of equality of opportunities, women continued to be underrepresented in public authorities of various levels, discriminated against in terms of employment and remuneration. Also, domestic violence, including violence against women, continued to be a widespread phenomenon.
- The number of children in residential care decreased with over 50% in the period of 2005-2014, following reform in the residential care system, promotion of deinstitutionalization of children and inclusive education. The deinstitutionalization of children with disabilities was less successful.
- Transition from institutional care for various vulnerable categories of citizens to care in families and communities was initiated and applied. In this sense, a social service at local level was established for adults with disabilities and pensioners that have no possibility to live with their biologic families or alone, in order to prevent their institutionalization.

Main problems

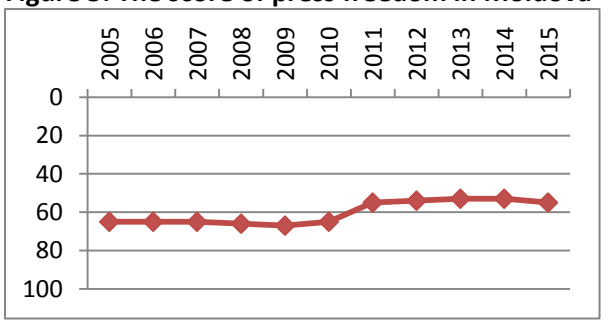
The discrepancy between human rights and freedoms enshrined in official legislative acts and everyday practices continues to be noticeable and recorded in a number of national and international reports; it is also evident in the maintenance of Moldova under the monitoring of the Council of Europe. Although efforts are made to adjust the legislative framework to international standards, they are not always followed by creation of efficient human rights protection mechanisms, while the strengthening of existing mechanisms is not seen as a priority.

- High level corruption undermines the credibility and efficiency of human rights protection bodies, being a major problem in ensuring respect for the rule of law.

- The main policy document referring to human rights – the National Action Plan in the field of human rights – continues to be implemented with delays, in conditions of insufficient funding.
- Accusations of torture and ill treatment of persons in detention is still a concern. The government has made limited progress in bringing to justice the officials involved in abuses committed by the law enforcement during repression of post-electoral demonstrations in 2009.
- During this period, Moldova was brought to the ECtHR over 10 thousand times. Relative to population, in 2013, Moldova ranked 4th out of the 47 countries signatories of the European Convention on Human Rights. This significant increase in the number of complaints can be explained mainly by the lack of trust in the judiciary in Moldova. Overall, in this period, Moldova was convicted in about 280 cases, and the Moldovan government had to pay over EUR 14 million. Most times Moldova was convicted for violation of rights to a fair trial, protection of property, freedom and security, inhuman treatment and unprofessional investigations.
- Conditions in most prisons are still poor, although certain measures were implemented to improve institutions of preventive detention and several penitentiaries.
- Reform of the institution of parliamentary advocate is being delayed. The process of modification of national legislation in order to strengthen the institution of parliamentary advocate and capacity of the Center for Human Rights in Moldova was to be completed in 2011, but even at the end of 2014 this target was not achieved.
- The problem of mass media ownership transparency and limitation of mass media ownership concentration has remained unsolved. In the period of 2005-2014, there were several cases of limitation of press freedom and intimidation of mass media representatives.
- The parliamentary elections of November 2014 revealed deficiencies in ensuring the universal right to vote, as the registration for elections of a candidate was annulled several days before voting day. This case is also indicative of selective application of justice.
- At the end of 2014, the parliament failed to adopt in final reading the draft law on introduction of a quota of minimum representation for men and women, designed to promote active participation of women in decision making in government structures. Thus, women are still underrepresented in the parliament (21 women out of 101 MPs), although over 30% of candidates on the electoral lists of parties competing in elections in 2014 were women.

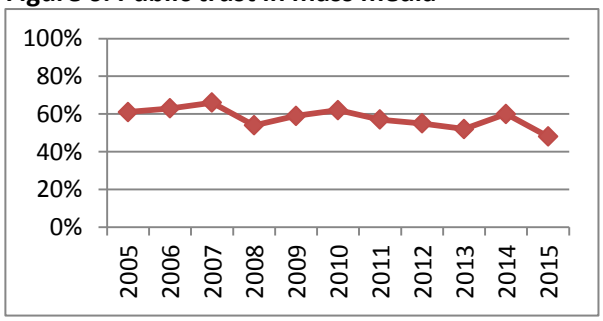
Progress Indicators

Figure 5. The score of press freedom in Moldova



Source: Freedom House

Figure 6. Public trust in mass media



Source: Barometer of Public Opinion

Conclusions and recommendations

- Moldova continued its progress in harmonizing the national legislative framework in the field of human rights with that of the EU. Thus, Moldova has a solid legal framework for promotion of human rights, but there are important gaps in their application.
- The improvement of the legislative framework governing protection of human rights is still driven from the outside. As a result, the adoption of legislation is not always followed by the creation of efficient human rights protection mechanisms, while the strengthening of existing mechanisms is not seen as a priority. This half-measure approach does not allow efficient protection of human rights. At the same time, problematic exercise of human rights is determined by the problems related to the quality of justice in Moldova.
- Although Moldovan authorities provided to complainants the compensation awarded by the ECtHR, they delayed taking general actions (legislative and regulatory), which explains repeated convictions of Moldova for the same accusations, such as application of torture or violation of freedom of expression.
- There is a general lack of disaggregated data on human rights, and together with sporadic monitoring efforts it does not allow assessing the impact of state policies on human rights. We recommend responsible ministries and the State Chancellery to ensure transparency in the implementation of the action plans adopted in the field of human rights by including civil society representatives in the councils for their monitoring/implementation.
- We reiterate the importance of implementing multi-sector strategies and the need to establish mechanisms to ensure coordination and accountability of institutions responsible for promotion and observance of human rights.

TRANSNISTRIAN CONFLICT SETTLEMENT

I. Phases of the Transnistrian conflict and their dependence on the regional context

The Transnistrian conflict (conflict in the eastern regions of the Republic of Moldova) has gone in the past 25 years through **several phases**. These phases are characterized by the regional political context:

- **Preliminary phase**, separation of Transnistria from Moldova, took place **in the context of the collapse of the USSR (1989-1991)**.
- **"Hot" phase**, characterized by violent clashes between the law enforcement of Moldova and the paramilitary forces of Transnistria, supported by the units of the 14th Army of Russia, took place in 1991-1992, **in the context of declaration of independence by the Republic of Moldova** and its adherence to international institutions – CSCE (OSCE) and the UN.
- **"Frozen" phase** began immediately after signing on 21 July 1992 of the Convention on the principles of peaceful settlement of the armed conflict in the Nistru zone of the Republic of Moldova[20], signed by the presidents of Moldova and Russia. The **"frozen" phase** of the Transnistrian conflict can be divided into **three stages**, determined by context.

[20] http://ro.wikisource.org/wiki/Conven%C8%9Bie_cu_privire_la_principiile_reglement%C4%83rii_pa%C8%99nice_a_conflictului_armat_din_zona_nistrean%C4%83_a_Republicii_Moldova

a) The **first stage** of the "frozen" phase lasted from 1992 to 2005. In this period, the situation in the Transnistrian region was dominated by Russian presence in the region, and with its military, economic, financial and diplomatic aid **Transnistria managed to establish all institutions of a *de facto* state**, but officially non-recognized by the international community. In that period, Transnistria's industrial enterprises were privatized by Russian companies. At the same time, Moldovan authorities accepted to sign on 8 May 1997 the *Memorandum on the principles of normalization of relations between the Republic of Moldova and Transnistria*[21], also known as the "Primakov Memorandum". In November 2003 Russia prepared a plan for the *federalization* of the Republic of Moldova, named the "Kozak Memorandum"[22], which was designed to share decision making between three centers – Chisinau, Tiraspol and Comrat (the latter two had deep pro-Russian attachments). On the eve of signing this document, Moldovan authorities refused to do it, which dramatically deteriorated bilateral relations between Moldova and Russia.

b) The **second stage** of the "frozen" phase began with the signing on 22 February 2005 of the EU-Moldova Action Plan (EUMAP)[23] in order to accelerate the implementation of the Partnership and Cooperation Agreement, the main legal document between the EU and Moldova. At that time, **an essential change of the regional context** took place, related to EU enlargement and **launch of the European Neighborhood Policy (ENP)** in 2004. The Transnistrian conflict entered the **phase of internationalization** of settlement efforts.

c) The **third stage** of the "frozen" phase in the Transnistrian conflict began with the signing in 2014 of the Association Agreement (AA) between Moldova and the EU and the start of the *Ukrainian crisis*. The change in context is related to the "**enclavisation**" of the Transnistrian region, which is surrounded by a free trade area (DCFTA) of Moldova and Ukraine and affected by the drastic change of Ukraine's attitude to the Transnistrian enclave.

- The **"thawing" phase** of the Transnistrian conflict is a thing of the future; it will probably start when Transnistria accepts to become part of the DCFTA, signed by Moldova with the EU. It might be followed by the start of conflict settlement, which **will need a new context** of restoring the architecture of regional security, with participation of Russia, the EU and the US, as well as revision of a number of documents and approaches. This process will probably take a long time.

II. The impact of the ENP strategy on Transnistrian conflict settlement

Beginning in 2005, extensive work to **internationalize Transnistrian settlement** has been done within the ENP; it included a number of measures involving Moldova's international partners interested in the stabilization of the situation in the region, institutions and international community of experts:

- On 16 March 2005, the EU Council appointed a European Union Special Representative (EUSR) in Moldova, whose mandate referred, in particular, to the EU's contribution to the peaceful settlement of the Transnistrian conflict. The event signifies **official involvement of the EU into Transnistrian conflict settlement**.

[21] http://www.olvia.idknet.com/memorandum.htm
[22] http://www.regnum.ru/news/458547.html
[23] http://infoeuropa.md/files/planul-de-actiuni-ue-moldova.pdf

- On 22 April 2005, the Ukrainian presidential administration presented its plan of Transnistrian conflict settlement through the democratization of the region. The event meant an essential change of Ukraine's policy in the ENP towards Transnistrian conflict settlement, after the change of power in Kiev following the "orange revolution".
- On 27-28 September 2005, the EU and the US were invited to participate in negotiations on the Transnistrian problem as observers; it actually established a new asymmetric format of negotiations, known as **"5+2" format**.
- On 7 October 2005, the Memorandum of Understanding between the EU, Ukraine and Moldova was signed, referring to the Border Assistance Mission, on the Transnistrian segment of the Moldovan-Ukrainian border. On 30 November 2005, **EUBAM** (European Union Border Assistance Mission) began its activity as a proof of the EU involvement into the settlement of crises and efficient conjugation of foreign and security policy (CFSP) and technical assistance. EUBAM was launched in response to the joint letter of the presidents of Moldova and Ukraine of 2 June 2005, in which they were asking for the EU support to strengthen the capacity of border management and establish "international customs control" at the Moldovan-Ukrainian border.
- On 30 December 2005 the heads of Moldovan and Ukrainian governments adopted the Joint Declaration on **unification of customs procedures applied at the Moldovan-Ukrainian border** on the Transnistrian segment. According to the document, only goods accompanied by Moldovan official customs documents could cross the Moldovan-Ukrainian border, which required the registration of Transnistrian economic agents in the relevant bodies of Moldova. Moldovan authorities introduced simplified procedures for temporary registration of Transnistrian economic agents at the State Registration Chamber of the Republic of Moldova and reimbursement to them of customs duties. The mission helped to legitimize the commercial activities of Transnistrian economic agents.
- On 19 July 2006, a study was published, *"Thawing a Frozen Conflict: Legal Aspects of the Separatist Crisis in Moldova"*[24], produced by the experts of the Association of the Bar of the City of New York (ABCNY), which reached the following conclusions: a) Transnistria has no right to external self-determination. Secession without the consent of Moldova's constitutional authorities is not permitted by international law; b) The Transnistrian regime may be treated as a *de facto* regime, with certain rights and obligations. The administration of public property in Transnistria by this regime must be treated, according to international law, as administration by an *occupation regime*, which can only use property for the benefit of the population, but cannot alienate it. The study is the most valuable document of complex analysis of the Transnistrian conflict through the prism of international law.
- On 17 May 2010, in Kiev, the presidents of Ukraine and Russia signed three declarations: on European security; on security in the Black Sea region; and on Transnistrian settlement. The Transnistrian issue was addressed according to the *matryoshka* principle, in the regional context (Black Sea basin) and European context. According to the declaration on Transnistrian conflict settlement, Russia and Ukraine as guarantors and mediators in the Transnistrian conflict settlement process are pleading for: final settlement of the Transnistrian problem exclusively by peaceful political means; creation of a single legal, economic and security space; observance of the sovereignty, territorial integrity and constitutional neutrality of Moldova; provision of guarantees

[24] http://www.nycbar.org/pdf/report/NYCity%20BarTransnistriaReport.pdf

for the special status of Transnistria. The Kiev declarations represented the **expression of Russia's new approaches on regional security**.

- On 7 June 2010, at the meeting in Merseburg of German Chancellor Angela Merkel and Russian President Dmitry Medvedev, they discussed the Transnistrian problem on an eventual agenda of the Russia-EU Committee for foreign and security policy at the level of ministers of foreign affairs. In this sense, a joint statement was released, saying: "The Committee could serve as a forum for exchange of opinions on current issues related to international policy and security, development of basic principles on the conduct of joint civilian and military operations of Russia and the EU to overcome crises, exchange of opinions and recommendations on concrete issues of cooperation, within appropriate international formats." The Merseburg declaration represented Germany's attempt to take into consideration **Russia's new approach to European security issues, through the prism of shared experience in solving the Transnistrian problem**.
- On 17-18 April 2012, six years after interruption of consultations in Viena in the "5+2" format, under the auspices of the OSCE, it was agreed to: a) approve the text of the document establishing the organizational basis for the operation of "5+2" negotiations format, setting general principles on which official negotiations will be based; b) specify aspects related to the development of agendas for negotiation rounds, frequency of meetings, role of working groups, confidence building measures, methods of formalizing negotiation results; c) come to an understanding on **differentiated negotiations following the model of the OSCE** – on social issues (free movement, education, health), economic issues (customs procedures, banking) and political settlement.
- On 27 June 2014, the EU signed with Moldova the Association Agreement, where Article 8 says: "The Parties reiterate their **commitment to a sustainable solution to the Transnistrian issue**, in full respect of the sovereignty and territorial integrity of the Republic of Moldova, as well as to facilitating jointly post-conflict rehabilitation. Pending its resolution and without prejudice to the established negotiating format, the Transnistrian issue will constitute one of the central subjects on the agenda of political dialogue and cooperation between the Parties, as well as in the dialogue and cooperation with other interested international actors."[25]

The domestic efforts of Moldovan authorities included adoption of a number of documents to comply with the international effort in the process of international settlement:

- On 22 July 2005, Law no. 173 on the basic provisions of the special legal status of localities on the left bank of the Nistru (Transnistria)[26] was adopted; it fixed the basis parameters of Transnistrian conflict settlement in the current constitutional framework of the Republic of Moldova, offering a broad autonomy to the Transnistrian region. The law was meant rather to maintain the "frozen" state of the conflict until an eventual change of the regional context in favor of Moldova. The adoption of this law actually signified transition to the second stage of the "frozen" conflict. The law provided that it may be modified only with a qualified majority of 3/5, to ensure that the attitude of the parliamentary opposition is taken into consideration in the eventual "thawing" of the conflict.
- On 3 August 2006, the Moldovan Government adopted Decision no. 891 on approval of the Action Plan on using, in the process of reintegration of the country, the conclusions of "Thawing a Frozen Conflict: Legal Aspects of the Separatist Crisis in Moldova" report, produced by the Association of the Bar of the City of New York. According to the action plan, the main international institutions –

[25] http://www.parlament.md/LinkClick.aspx?fileticket=gXkOTU94I6Q%3d&tabid=203&language=ro-RO
[26] http://lex.justice.md/viewdoc.php?action=view&view=doc&id=313004&lang=1

UN, OSCE, Council of Europe, etc. – and the main capitals and decision-making centers were to be familiarized with the conclusions of the study.

- In October 2007, Moldovan presidential administration launched a plan for Transnistrian conflict settlement, proposing: a) to assign to the "5+2" format mediators and observers the task of finding a solution for the status of Transnistria; b) Moldovan and Transnistrian authorities to promote measures of building confidence between citizens on both banks of the Nistru, by jointly solving humanitarian, economic and infrastructural problems; c) demilitarization of the Moldovan territory, including Transnistria, by liquidating heavy weapons; d) creation of a single army, trained to conduct peacekeeping missions at the request of competent international organizations; e) financial support by mediators and observers of the negotiation process to the process of demilitarization and army reform.
- In the period of 2005-2013, namely in 2005[27] (Tarlev government), 2008[28] (Greceanii 1 government), 2009[29] (Greceanii 2 government), 2009[30] (Filat 1 government), 2010[31] (Filat 2 government), 2013[32] (Leanca government), the 6 government programs adopted after the signing of the EU-Moldova Action Plan contained express provisions on priorities for the Transnistrian conflict settlement. Moldova did not have an explicit conflict settlement strategy, but, given its limited potential in all aspects, it had a relatively coherent approach in the external and internal dimension. A summary of the above-mentioned provisions was included into the text of the *Strategy of National Security of the Republic of Moldova*[33], adopted on 15.07.2011. These provisions were reiterated by Moldovan decision makers in international assemblies – UN, OSCE, Council of Europe – as follows:

  a) The main objective of the process of political settlement of the Transnistrian conflict consists in finding a comprehensive, viable and definitive solution, by developing and assigning a special legal status to the Transnistrian region as part of Moldova, in the current constitutional framework;

  b) Transnistrian conflict settlement must be reached exclusively by peaceful means in the "5+2" negotiations;

  c) Political settlement of the conflict will occur in the context of achievement of the strategic goal of the country's European integration, ensuring the country's political, economic and social attractiveness and the attractiveness of the reintegration objective;

  d) Focusing efforts on the management of confidence building measures, meaning elimination of suspicions, and on the negotiations process aimed at the political settlement of the conflict;

  e) Transformation of the current peacekeeping operation into a multinational civil mission with an international mandate will help reach political settlement, creating necessary mechanisms for building confidence and security;

  f) Obtaining external partners' support for reintegration policies promoted by the state and for ensuring joint approaches by international actors – OSCE, UN, Council of Europe, Russia, Ukraine, EU and its member states, as well as the US;

[27] http://www.e-democracy.md/files/parties/program-activitate-guvern-moldova-2005-2009-ro.pdf, page 4
[28] http://www.e-democracy.md/files/parties/program-activitate-guvern-moldova-2008-2009-ro.pdf, page 10
[29] http://www.e-democracy.md/files/parties/program-activitate-guvern-moldova-2009-ro.pdf, page 7
[30] http://www.e-democracy.md/files/parties/program-activitate-guvern-moldova-2009-2013-ro.pdf, page 21
[31] http://www.e-democracy.md/files/parties/program-activitate-guvern-moldova-2011-2014-ro.pdf, page 56
[32] http://www.e-democracy.md/files/parties/program-activitate-guvern-moldova-2013-2014-ro.pdf, page 42
[33] http://lex.justice.md/md/340510/

g) Ensuring security in the Transnistrian segment of the Moldovan-Ukrainian border, including through cooperation with the EUBAM Mission;

h) Removing foreign military presence from Moldova is imperative and shall be done by virtue of it having no legal basis.

- On 10 July 2014, after ratifying the EU-Moldova Association Agreement, the Parliament adopted Decision no. 123 on approval of the *Declaration on the processes of territorial reintegration of the country in the context of the European course of the Republic of Moldova*[34]. According to the declaration: territorial reintegration is a national priority; creation of the Deep and Comprehensive Free Trade Area (DCFTA) is a major step in ensuring free movement of goods and services between Moldova and the EU, and visa-free regime already ensures free movement of Moldovan citizens from both banks of the Nistru to the EU; efforts will continue being made to ensure equal access of residents and business community from both banks of the Nistru to new opportunities that are opening with ratification of the AA and creation of the free trade area between Moldova and the EU; Transnistrian partners in the dialogue will be informed about the efforts made at the executive and legislative level in order to prepare for implementation of the DCFTA; the EU decision to extend the application of the Autonomous Trade Preferences for Transnistrian economic agents by the end of 2015 gives the time needed to find solutions.

III. Adverse effects of addressing Transnistrian conflict settlement within the ENP

In addition to positive effects, the internationalization of the Transnistrian settlement within ENP, more active involvement of Ukraine, EU and US had some negative effects, too:

- On 3 March 2006, Transnistrian administration announced about withdrawal from the "5+2" negotiations format, qualifying the measures taken in 2005 by Moldova within ENP as unilateral, aimed at blocking the region's external economic activities. As a result, for 6 years, until 2012, only consultations took place in the "5+2" format, with the goal to maintain a certain level of trust between parties in conflict;
- On 17 September 2006, Transnistrian authorities organized a referendum, in which the region's residents opted for "the course towards the independence of the Transnistrian Moldovan Republic and subsequent free joining of Transnistria to the Russian Federation";
- In 2006, Russia introduced embargoes against goods of plant and animal origin from Moldova. Embargoes were aimed at discouraging Moldova from adapting the efforts of Transnistrian conflict settlement to the new consensus, but they were also a response to the refusal to sign the "Kozak Memorandum" on federalization of Moldova in 2003;
- On 16 April 2014, after the annexation of Crimea, Transnistrian administration addressed Russian authorities, as guarantor and mediator in the Transnistrian settlement process, with the appeal to recognize the independence of Transnistria. Russia did not recognize the independence of Transnistria, but it still became more independent with annual Russian financial support of about USD 1.1 billion[35], which was drastically reduced because of expenses necessary for Crimea and Donbass;

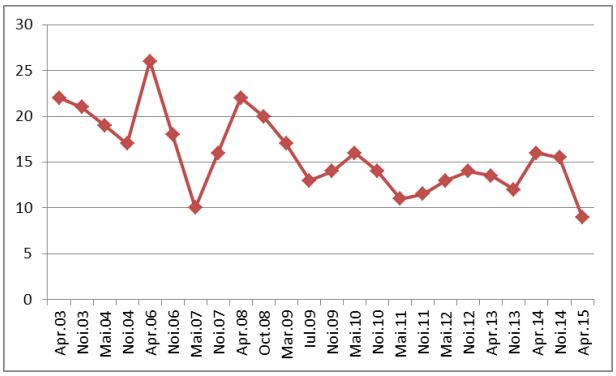
[34] http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=353969
[35] http://www.dniester.ru/node/10571

- In the period of 2005-2014, despite the implementation of confidence-building measures and Transnistrian settlement measures within the ENP, there were constantly challenges against: free movement of Moldovan citizens and peacekeepers in the Security Zone; Romanian-language schools under Moldovan jurisdiction in Transnistria; Moldovan farmers whose lands are located on the left bank of the Nistru.

IV. Citizens' perceptions on the efforts and context of Transnistrian settlement

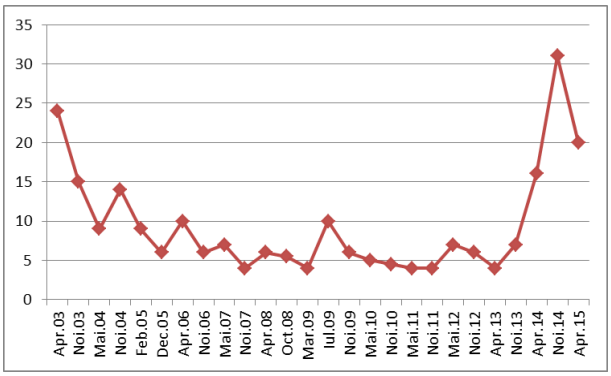
Opinion polls, especially conducted for the Barometer of Public Opinion (BPO)[36], under the auspices of the Institute of Public Policies (IPP), revealed little and continuously decreasing interest of Moldovan citizens for Transnistrian settlement. There is, however, a close correlation between domestic and international efforts for Transnistrian settlement and citizens' interest for them. It should be mentioned that citizens' concern about an eventual war in the region is related to the problem of separatist crises in Moldova and Ukraine: the project of federalization of Moldova in 2002-2003, annexation of Crimea, war in Donbass and Transnistrian administration's address to Russian authorities about recognition of region's independence and its incorporation into Russia in 2014. There is also a close correlation between citizens' attitude to the above-mentioned events and perception of relations with Russia, Ukraine, Romania, US and EU.

Figure 7. What are the most important problems that must be solved in Moldova? (Transnistrian problem settlement)



Source: Barometer of Public Opinion

Figure 8. What worries you the most at present? (a war in the region)

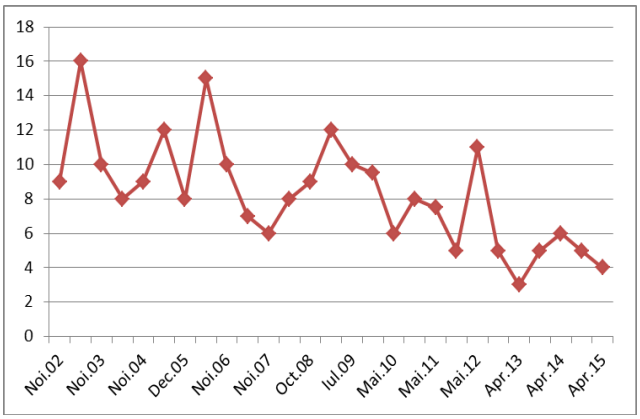


Source: Barometer of Public Opinion

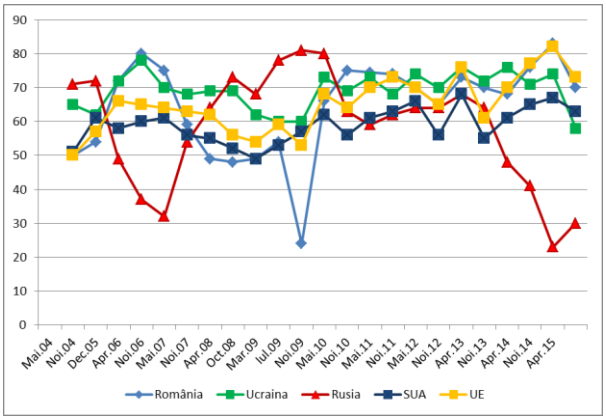
Figure 9. How satisfied are you by what the country's government does in terms of Transnistrian conflict settlement? (quite satisfied/very satisfied)

Figure 10. How do you appreciate current relations of Moldova with the following countries? (good/very good)

[36] http://www.ipp.md/lib.php?l=ro&idc=156



Source: Barometer of Public Opinion



Source: Barometer of Public Opinion

V. Conclusions

- Efforts to Transnistrian settlement in the period of 2005-2014 strongly depended on the political situation and regional context.
- The launch of ENP in 2004, followed by extended internationalization of settlement efforts and involvement of the EUBAM mission, provided Moldova with the first real levers to influence Transnistrian commercial activities through customs regulation.
- The Ukrainian crisis caused by annexation of Crimea by Russia further diminished the potential for survival and separation of Transnistria from Moldova through dramatic restriction of the commercial and military movement of Transnistrian citizens to and from Russia, provoking an acute socio-economic crisis in the region in 2014.
- Moldova does not have its own resources for constructive initiatives to redress and improve the situation in the Transnistrian region other than those provided by partners in the "5+2" format. Therefore, Transnistrian settlement in the new regional context, created by the signing of the Association Agreement and the DCFTA, should take place strictly according to the above-mentioned documents and approaches.

COMMERCIAL RELATIONS

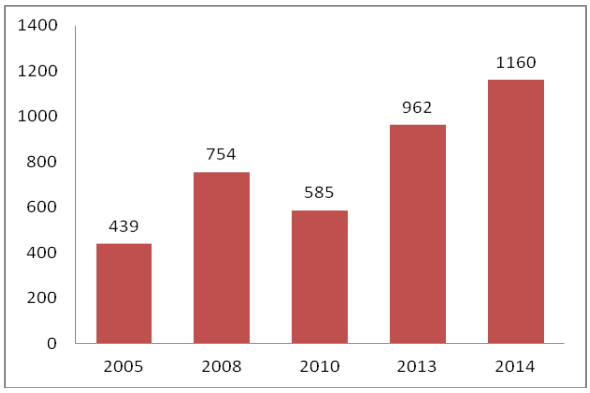
Major developments

- Major developments in the field of commercial relations in the period of 2005-2014 are related to gradual liberalization of trade with the EU, which evolved from the Generalized System of Preferences (GSP) to GSP Plus, Autonomous Trade Preferences (ATP) and advanced to the establishment of the Deep and Comprehensive Free Trade Area (DSFTA) with the EU.
- In the analyzed period, Moldova fulfilled all requirements concerning efficient control of the origin of goods and improved the institutional framework in this sense, through implementation of SICOM and SPECIMEN information systems. They are integrated in the ASYCUDA World information system and are transferring competences for issuance of EUR.1 and CT-1 movement certificates from the Chamber of Commerce and Industry to the Customs Service.

- Measures were adopted to fulfill obligations before the World Trade Organization (WTO). Also, the Combined Nomenclature of Goods and the Regulations on administration of tariff quotas for the import/export of goods to/from Moldova were approved. Important changes were obtained to facilitate, simplify and expedite customs procedures: introduction of electronic declarations for import and export, development of the concept of Authorized Economic Operator (AEO). Besides, Moldova applied for membership in the Regional Convention on Pan-Euro-Mediterranean preferential rules of origin.
- Major progress in commercial relations is the signing of the Association Agreement with the EU (June 2014), which provides for the establishment of the Deep and Comprehensive Free Trade Area (DCFTA), ratified by Moldova and provisionally implemented since 1 September 2014. In this sense, the Moldovan side started the process of reducing and/or eliminating import tariffs on some products from the EU, while continuing to approximate the national legislation with the EU aquis.
- A Free Trade Agreement was signed with Turkey, creating opportunities for diversification of Moldovan exports.
- Preferential trade regimes with the EU (GSP, GSP+, ATP and DCFTA) helped increase exports to the European market. As a result, the share of exports to the EU in total exports grew from 40.7% in 2005 to 53.3%, which was also determined by reduction of deliveries to the CIS countries, in particular due to Russian trade embargoes and recently due to the crisis in Ukraine.

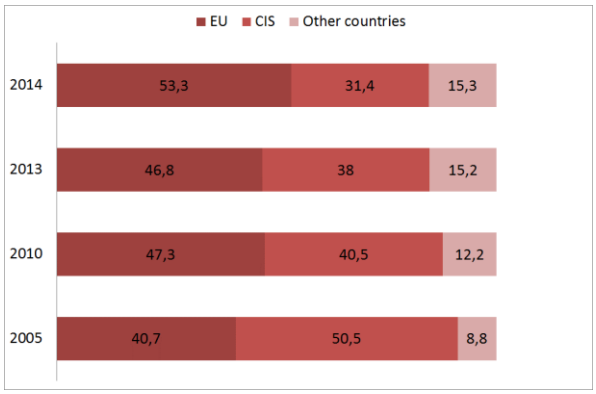
Progress Indicators

Figure 11. Exports to the EU, million EUR



Source: European Commission

Figure 12. Structure of exports per groups of countries



Source: National Bureau of Statistics

Main problems

- Maintenance of non-tariff barriers on the Community market for products of animal origin;
- Reduced capacities of local exporters to fully exploit tariff quotas set by the EU in the ATP;
- Absence of efficient mechanisms for promotion of Moldovan products on the Community market;

- The majority of quality standards remain non-harmonized with European standards.

Conclusions and recommendations

Institutional and legislative changes related to fulfilling commitments within the WTO, interconnection with trade-related information systems, deepening of trade liberalization with the EU helped expand, diversify and modernize foreign trade in the period of 2005-2014. To exploit and strengthen the country's export capacities, the following measures are recommended:

- To attract European financial and technical assistance in order to bring products of animal origin in compliance with the EU sanitary and phytosanitary requirements, thus allowing their export to the European market. Also, implementation of European safety standards will help increase the quality and competitiveness of products of animal origin on other external markets and on the local market.
- To conduct activities of familiarizing Moldovan producers with European market requirements (technical regulations, export procedures, European information instruments) and building management skills in the field of promotion of local products (marketing, PR) on external markets.
- To negotiate (in trilateral format, Chisinau-Tiraspol-EU) and define a mechanism for implementation of aspects of DCFTA in Transnistria, considering three essential aspects: i) harmonization of the quality infrastructure; ii) meeting the requirements of the rules of origin; iii) state aid transparency.
- To adopt an efficient strategy for MIEPO, with emphasis on strengthening institutional capacities. The strategy should include practical measures to empower Moldovan exports, which shall complement traditional activities of promotion of local products.

CUSTOMS SERVICE

Major developments

- Definition of "counterfeit goods" in the Customs Code and establishment of measures to counter the flow of counterfeit goods and pirated works. In this sense, "cases of detention of the goods suspected of being counterfeit/pirated" indicator was introduced into the system of performance indicators of the Customs Service (CS). Also, the Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property was ratified in 2007.
- Adjustment of external trade statistics to European and international standards. The nomenclature of goods of the Republic of Moldova was reviewed in compliance with the Harmonized Commodity Description and Coding System, and in 2014 the law on combined nomenclature of goods was approved. The Integrated Customs Tariff (TARIM) online data system was launched, where information can be sought on tariff and non-tariff measures applied on imported or exported goods.
- Extension of CS competences through transfer to this institution of tasks related to issuance of certificates of origin from the Chamber of Commerce of Industry, as well as some functions previously held by the specialized services of the Ministry of Transport, Ministry of Environment, phytosanitary and veterinary authorities. Also, in the context of ATP, the customs authority expanded its activity on Transnistrian economic agents exporting to the EU.

- Implementation of the ASYCUDA World system, provision to the CS of special modern equipment necessary for customs fraud detection (including with the assistance of EUBAM), provision of video surveillance equipment to customs posts, simplification of customs clearance procedures and approval of the customs officer's Code of Conduct.
- Creation of an online database with information about tariff quotas in trade with the EU.
- Modernization of customs procedures through approval of the Regulations on electronic customs clearance procedures in the export of goods (E-customs), which simplifies customs procedures and reduces related time and costs while minimizing corruption risks. Adoption of a regulatory framework that facilitates customs procedures by conferring the status of Authorized Economic Operator (AEO).

Progress Indicators

- Exports conducted exclusively through electronic customs clearance reached 43% (on 1 January 2015).
- By now, about 70 entities obtained the status of Authorized Economic Operator (AEO).

Table 1. Position of Moldova in cross-border trade compared with other Eastern Partnership countries, Russia and Romania, according to "Doing Business" ranking

	2008 (178 countries)	2010 (183 countries)	2014 (189 countries)	2015 (189 countries)
Moldova	**122**	**140**	**150**	**152**
Ukraine	120	139	148	154
Georgia	64	30	43	33
Armenia	118	102	117	110
Belarus	137	129	149	145
Russia	155	162	157	155
Romania	38	46	76	65

Source: World Bank

Table 2. Aspects of cross-border trade referring to Moldova, according to "Doing Business" ranking

	2008	2010	2014	2015
Number of documents for export	6	6	7	9
Time for export (days)	32	32	32	23
Cost for export (US $ per container)	1,425	1,815	1,545	1,510
Number of documents for import	7	7	8	11
Time for import (days)	35	35	35	27
Cost for import (US $ per container)	1,545	1,945	1,870	1,870

Source: World Bank

Main problems

- Application of physical customs control prevails, determined by inefficient use of risk analysis tools, which generates risks of corruption.
- There are some problems related to transparency in the work of the CS, which are related to non-publication of data about performance in combating of contraband, work of the Information Service (Call Center), efficiency of Consultative Councils under the CS in solving the problems of economic operators, cases of corruption with involvement of customs officers, etc.

Conclusions and recommendations

Measures taken in the period of 2005-2014 visibly contributed to modernizing the customs service, by increasing efficiency, simplifying and digitalizing customs operations, according to international and European standards. Nevertheless, considerable efforts must be focused on solving a series of problems that have a negative effect on the work of the CS and hinder external trade:

- Facilitation of external trade through efficient customs procedures: (i) active promotion of electronic customs procedures with complete abandonment of paper-based customs procedures; (ii) implementation of a "one stop shop" to issue all permissive documents; (iii) continuing simplification of customs control procedures and increase of the number of AEOs.
- Efficient combating of corruption in the CS: (i) elimination of sources generating situations of corruption (removal from current legislation of evasive provisions related to the determination of customs value, with reference to the Law on customs tariff); (ii) technical equipment of customs points (video surveillance at all customs points); (iii) reduction of physical contact in the process of customs controls (electronic customs clearance for all customs regimes, customs control based on risk analysis); (iv) stimulation of economic agents to report cases of abuse by the CS (through facilitation of the AEO status); (v) improvement of CS's capacities of reporting and communication (publication of information about combating contraband, cases of abuse by the CS, settlement of problems identified by Consultative Councils); (vi) improvement of personnel quality and introduction of performance indicators and stimuli (bonuses) to contribute to combating corruption in the CS.

IMPROVING WELFARE

Major developments

- The social protection system has been reformed structurally and institutionally. New institutions were created, including the Social Inspection, in order to facilitate correct application of relevant legislation and to ensure a higher level of services.
- Establishment of the "State financial support" mechanism in order to strengthen the social protection of persons whose pensions are below the minimum subsistence level. According to this mechanism, pensioners in this category receive financial aid in addition to pensions, which is indexed regularly.
- A new program of monetary social transfers called "Social Aid" was launched in 2008. This program, together with some legislative modifications, led to implementation of a new mechanism of social benefits based on testing real income and assessing applicants' needs. Thus, the efficiency of social assistance grew due to improvement of criteria of eligibility for such assistance and more efficient orientation of funds towards the poorest categories of population.
- The Automated Information System of records of applicants for and beneficiaries of social assistance was created within the "Health and Social Assistance Services" project. This information system will strengthen the capacities of managing the social assistance system at country level, offering a broad range of information for relevant institutions.

- The national system of accreditation of social service providers and the National Accreditation Council in this field were established. Accreditation of social service providers will help improve the quality of these services due to increase of their responsibility for observance of quality standards.
- The legal framework on protection and monitoring of children at risk and children left without parental care was improved. Also, the range of services aimed at families with children and children at risk was diversified, including creation of the service of free telephone support service for children.

Main problems

- The current pensions system of Moldova fails to ensure the minimum subsistence level for the majority of pensioners. The average age-based pension, despite having grown in recent years, was constantly below the subsistence minimum for pensioners, covering only 83% of it in 2014.
- The social assistance provided to families with children, despite being regularly adjusted, remains below the subsistence minimum for children. By the end of 2013, monthly allowances for childcare covered only 75.5% of the subsistence minimum for children aged 0-17 among insured persons and only 49.1% of non-insured.
- Although the poverty level significantly decreased in recent years, this process depends a lot on the growth of remittances from abroad. This model of reducing poverty is not sustainable and it is vulnerable to external shocks (e.g. worsening of the economic situation in Russia, where about 2/3 of Moldovan migrants work).
- Despite continuing reform of the social assistance system, there still are major dysfunctions that adversely affect the quality of services. Thus, inefficient management and imperfection of the regulatory framework led to the growth of irregularities found by the Social Inspection with 6.2 p.p. in 2014 compared with 2013 (13.4% of the cases subjected to inspection procedures and techniques).

Table 3. Welfare development indicators

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Ratio between the average pension and the subsistence minimum for pensioners (%)	57.2	60	57.1	78.3	70.6	69	75.8	79.1	83
Ratio between allowances for children and the subsistence minimum for children; Insured persons (%)	54.8	58.5	65.7	49.6	61.6	62.1	69.1	75.5	
Share of population below the absolute national poverty threshold (%)	30.2	25.8	26.4	26.3	21.9	17.5	16.6	12.7	

Source: National Bureau of Statistics

Conclusions and recommendations

- To increase the level of pensioners' insurance and sustainability of the pensions system, a broad range of restructuring and reforms is necessary. Thus, to reform the current pensions system, a set of parametric measures is necessary, such as balancing the retirement age between men and women, changing the current formula for counting pensions and changing the amount of social insurance contributions paid by employers and employees. Also, in the medium term it is important to develop the second pillar of pensions, which is based on the cumulative principle of social contributions.
- To reduce irregularities and increase the range of social services, it is necessary to further strengthen the institutional capacities of the Social Inspection. Also, it is important to increase the capacities of territorial institutions of social assistance, which currently do not fulfill more than 50% of the Inspection's recommendations.
- The policy of support for children and families with children should become a priority from the socio-economic and demographic perspective. Therefore, it is essential to adjust allowances for children to the subsistence minimum, and to implement non-fiscal measures, such as extending the range of free medicines and medical services for children under 18 y.o.

RURAL AND REGIONAL DEVELOPMENT

Major developments

- Development of the regulatory and institutional framework for regional development. In 2006, the Law on the regional development of Moldova was approved, which is the basis for development of further policies in this field. Also, regional development agencies were created for the regions of South, North, Center, Chisinau, Gagauzia and Transnistria. Other key elements of the institutional framework are regional councils and the national council for coordination of regional development, which manages the use of allocations from the National Fund of Regional Development.
- Approval of amendments to the Law on local public finances, which entered into force provisionally in 2014 and fully in 2015. They gave more fiscal autonomy to local public authorities of level 1, by establishing a mechanism of transfers to local public authorities based on income, according to formulas excluding the discretionary and political factor. In addition, transfers are allocated from the state budget directly to local public authorities of level 1 and level 2. As a result, local public authorities will be able to individually establish development priorities at the local level, without interference from upper level authorities.
- The main actions of regional socio-economic impact were focused mainly on the development of basic infrastructure. They included amplification of construction of roads, water supply infrastructure and building of social housing in several regions of Moldova.
- Several technical assistance projects were launched with funding from external development partners. A priority for these projects is strengthening institutional capacities of local public authorities in application of regional socio-economic development tools.
- Another important area in the regional development policy was the development of the regional statistics base. Regional statistics is developed within the project of technical assistance "Improved

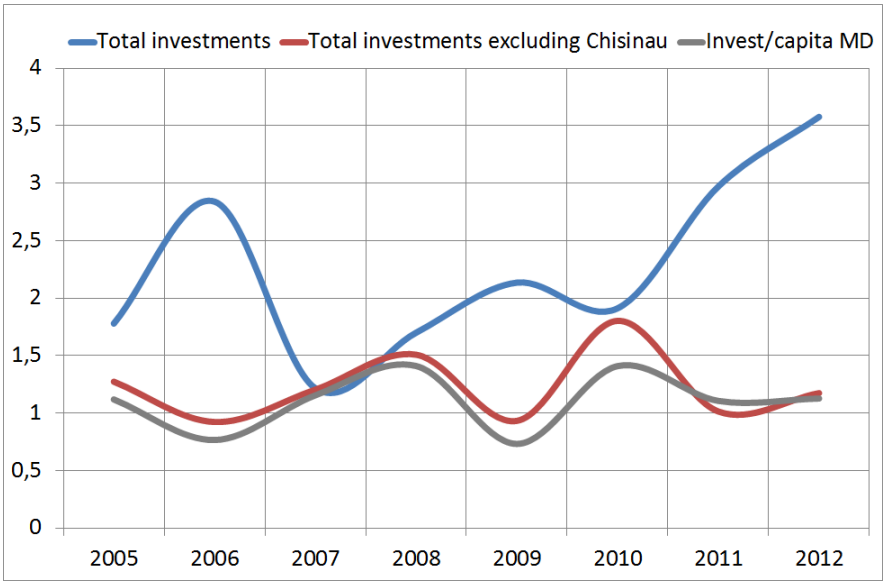
availability and reliability of regional statistics for decision makers in Moldova", funded by the Government of Romania.

Main problems

- Moldovan economy is extremely unbalanced in regional profile. About half of the country's GDP is produced in Chisinau municipality. At the same time, the state did not use public investments to the maximum in order to diminish regional discrepancies. On the contrary, investments from the state budget have been recently distributed with less and less geographic uniformity, contributing to maintenance of regional disparities (see Figure 1).
- Enhancement of infrastructure works largely depends on the institutional framework of development, management and implementation of these projects, which is still poorly developed. This applies in particular to local public authorities and becomes a critical point in the process of decentralization and regionalization of responsibilities in those areas.
- Increase of investment in infrastructure was not correlated with improvement of the quality and efficiency of spending. So, to ensure the multiplier effect in the construction of the basic infrastructure, it is necessary to ensure strict control of the above-mentioned components by relevant authorities.
- Despite some progress in recent years, regional statistics is still underdeveloped. It inhibits the complex analysis of socio-economic processes at regional level and negatively affects the quality of regional development policies.

Progress Indicators

Figure 13. Dynamics of the coefficient of variation for investment in long-term assets financed from the state budget



Source: I.Morcotîlo, „Dezvoltarea regională şi două realităţi paralele" [Regional Development and Two Parallel Realities], Expert-Grup

Conclusions and recommendations

- To diminish regional discrepancies, it is important to strengthen institutional and self-funding capacities of local public authorities. In this sense, it is important, along with implementation of the Law on local public finances, to stimulate local public authorities to borrow for capital expenditures, especially by issuing infrastructure bonds.
- Another critical area for regional policy is further development of statistics, in order to comply with the highest international standards.

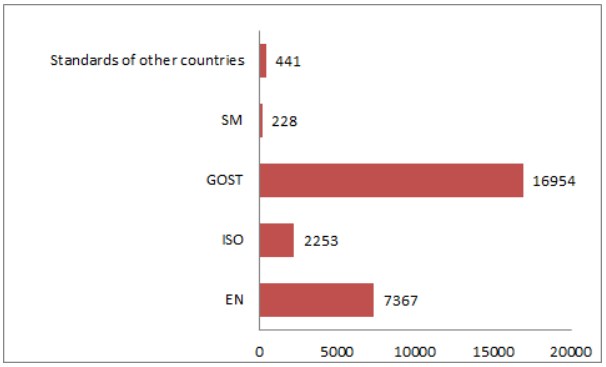
STANDARDS, TECHNICAL REGULATIONS AND CONFORMITY ASSESSMENT PROCEDURES (HARMONIZED AREAS)

Major developments

- Approval of the Concept on quality infrastructure in Moldova, adjustment of the Law on standardization, adoption of the National Consumer Protection Strategy.
- Adoption of Sector Strategy of spending on quality infrastructure and consumer protection for the period of 2013-2015, which provides for actions and costs necessary for reforming the quality infrastructure system in 5 sectors: national system of standardization, metrology, accreditation, consumer protection, and industrial safety.
- Creation of the National Accreditation Agency (MOLDAC) and adjustment of the institutional framework in the field of standardization and metrology to European legislation through creation of the National Institute of Standardization (NIS) and National Institute of Metrology (NIM).
- NIS joining the European Committee for Electrotechnical Standardization (CENELEC) and European Telecommunications Standards Institute (ETSI), which facilitates adoption of European standards.

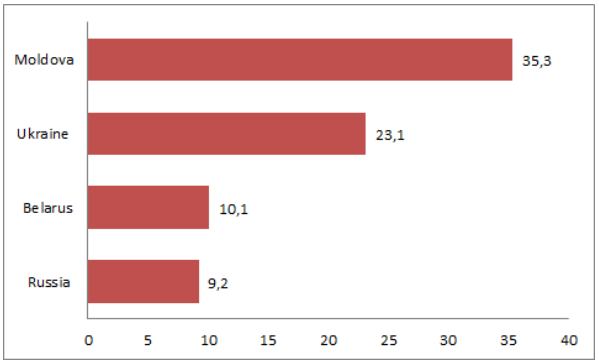
Progress Indicators

Figure 14. Total distribution of Moldovan standards per category, 2014



Source: NIS

Figure 15. Degree of "internationalization"[37] of national standards at regional level, 2014, %



Source: NIS

[37] Adoption of European and international standards as national standards is characteristic to the process of "internationalization" of standards.

Main problems

- The national system of accreditation failed to align to the requirements necessary for joining the Multilateral Agreement of the European Cooperation for Accreditation (EA MLA).
- Insufficiency of financial and human resources necessary for efficient functioning of the quality system (inadequate equipment of laboratories, constraints in implementation of European standards for economic operators, etc.).
- Slow adoption of European standards in the context of existence of many conflicting standards, which are dominated by interstate standards (GOSTs), which make up about 60% (16,954) of all national standards.[38]
- In the food sector, the transposition of some binding European documents (regulations, directives) produces collisions with GOST standards, not annulled yet, which set technical requirements for various food products (e.g. condensed milk, jam, chicken, etc.).[39]

Conclusions and recommendations

The start of the process of adjusting the quality infrastructure to European requirements led to first results, such as revision of the legal framework and reorganization of relevant institutions (standardization, metrology and accreditation). However, more efforts are necessary to:

- Attract financial and technical assistance from outside to modernize evaluation and testing bodies (laboratories) according to European requirements and to strengthen the institutions of quality infrastructure (NIS, NIM and MOLDAC);
- Promote European standards by applying fiscal stimuli for the businesses that implement them and by facilitating the access of SMEs to relevant financial assistance from the EU (ENPARD, COSME) for implementation of European standards.

ELIMINATION OF RESTRICTIONS AND ADMINISTRATION OPTIMIZATION (NON-HARMONIZED SECTORS)

Major developments

- Periodic organization of consultations with stakeholders on various draft laws within the working group for regulation of entrepreneurship, created by Government Decision (GD) no. 1429 of 16.12.2008.
- Establishment in 2012 of WTO notification and information centers within ministries and other central authorities under coordination of the Ministry of Economy.
- Production of the Study on non-tariff measures applied in trade by Moldova, which identified the main obstacles in Moldova's trade with goods and services.

[38] Denis Cenușa, Expert-Grup, Notă analitică: Oportunitățile standardelor europene și soarta GOST-urilor, Septembrie 2014, http://expert-grup.org/ro/biblioteca/item/1017-na-standarde-europene

[39] Denis Cenușa, Expert-Grup, "Adoptarea standardelor europene și situația din sectorul agro-alimentar: provocări și oportunități", Septembrie 2014, p.17, http://expert-grup.org/ro/biblioteca/item/1010-adoptarea-standardelor-europene

Progress Indicators

Although the working group for the regulation of entrepreneurship has been regularly convened since 2009, official information about the total number of meetings or the number of entrepreneurs who participated in them is unavailable.

Main problems

- The government produced the majority of its decisions outside consultative processes, with companies being announced about consultations post factum. Also, the majority of consultations were formal, and small companies were practically absent from this process.
- The work of the information and consultation centers and communication between them was anemic and had little visibility.

Conclusions and recommendations

Although authorities took some measures to remove restrictions and optimize the circulation of goods, some actions are recommended to maximize results:

- Revision of the regulatory framework on the working group for the regulation of entrepreneurship through introduction of performance indicators, which will enable assessment of the impact of the consulting platform, the degree and quality of participation of this group's members and its relations with the civil society. Also, business and civil society representatives should be allowed to access these indicators.
- Strengthening of institutional capacities of relevant ministries and other institutions of central public authorities in communication with WTO and in the context of the DCFTA, ensuring greater visibility of WTO notification and information centers.

SANITARY AND PHYTOSANITARY ISSUES

Major developments

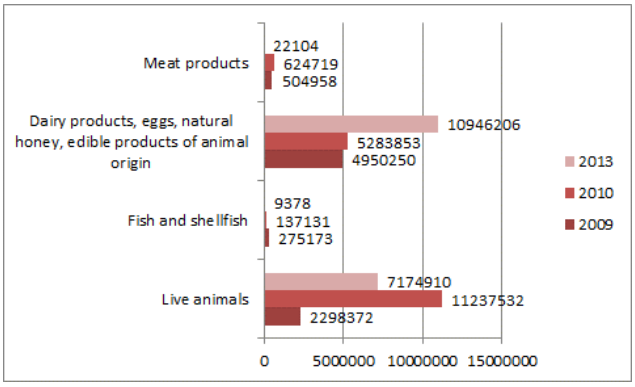
- Adoption of the Law on sanitary and veterinary activities, which provides for creation of the Sanitary Veterinary Agency for Safety of Products of Animal Origin (2008). Transfer of phytosanitary and veterinarian services to the border (2011) and adoption of the Law on establishment of general principles and requirements in food safety legislation and of the Food Safety Strategy for 2011-2015.
- Adoption of Regulations on organization and functioning of the National Food Safety Agency (NFSA) as institution responsible for implementation of state policy on the regulation and control in the field of food safety, sanitary veterinary, zootechnics, plant protection and phytosanitary quarantine, seed control, safety of primary products, foodstuffs and animal feeding.
- Launch of the System of Identification and Traceability of Animals (SITA) in 2007 and its migration to the MCloud electronic platform, which allowed increasing the system's efficiency, flexibility and cost savings on maintenance.
- Approval of Regulations on creation and functioning of the 'one stop shop' for issuance of export/import phytosanitary certificates (2014), which reduced the number of documents required

in order to obtain a phytosanitary certificate to 3 documents (from the 7 mandatory documents previously). Also, the Regulations provide for reduction of the number of visits to NFSA territorial offices (from 5 to 2 visits), elimination of the need to present the document confirming phytosanitary control and certificate of quarantine examination of plants and products of plant origin. Also, the invoice and the sales (export) contract shall be presented only once at any subdivision of NFSA.

- Launch of the e-NFSA system, which involves increasing the efficiency of surveillance of import-export activities in the context of ensuring sanitary and phytosanitary conditions. Initiation of assessment by DG Santé (DG SANCO) of the state control system in the field of regulation of animal production (production of table eggs).
- Intensification of collaboration with the UN Food and Agriculture Organization (FAO), which opened a representative office in Moldova.

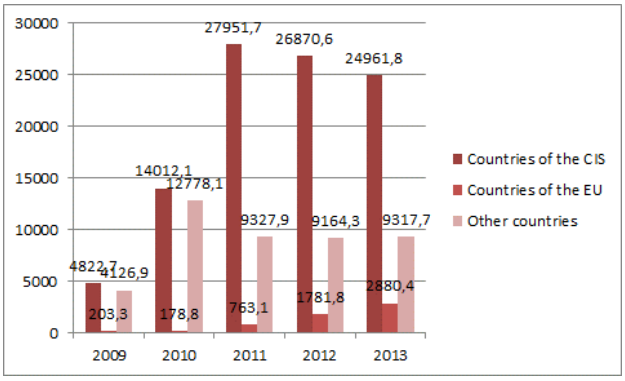
Progress Indicators

Figure 16. Total export of the main products of animal origin, according to HS 2007, USD



Source: UN Comtrade

Figure 17. Volume of exports of products of the "live animals and animal products" category, thousand USD



Source: National Bureau of Statistics

Main problems

- Insufficiency of funds for proper maintenance and equipment of the system of laboratories in the sanitary and phytosanitary sectors.
- Reduced and inefficient capacities in ensuring safety control of products of animal and plant origin.
- Troublesome compliance with European sanitary and phytosanitary requirements impedes export of animal products to the EU market. Problems in surveillance of animal production and in ensuring traceability create obstacles for deliveries to traditional markets in the CIS (Russia).

Conclusions and recommendations

In the analyzed period, actions were made to increase food safety, on the one hand, and reform and modernize the sanitary and phytosanitary sectors in compliance with European requirements, on the other hand. To exploit the potential of this sector, the following actions are recommended:

- To channel external assistance in order to accelerate the process of adjusting to technical requirements on the EU market in the sanitary and phytosanitary field; to modernize food sector laboratories, which are subordinated to the Ministry of Agriculture and Food Industry and to the NFSA, and to improve the system of animal identification and traceability.
- To strengthen institutional and operational capacities of NFSA at national and local level in order to increase efficiency in ensuring quality control of products in export-import. Also, to provide NFSA with the right to legislative initiative in order to accelerate reforms in the food and agriculture sector.
- To increase efficiency in surveillance and control in the food and agriculture sector, through broader use of risk control, removal of overlaps and duplications in food safety control, ensuring an efficient mechanism of animal traceability and developing information systems to facilitate data exchange in the sector.
- To identify stimulating measures (fiscal, technical and financial assistance, consultancy and free information support) for producers and exporters in order to adjust food and agriculture production to European sanitary and phytosanitary requirements.
- To implement the recommendations of DG Santé (DG SANCO), such as strengthening capacities in products traceability or developing, purchasing and applying mechanisms for prevention and control of diseases in the field of animal production.

SOCIAL AND EMPLOYMENT POLICY

Major developments

- Negotiation and signing of a number of international agreements on social protection and labor migration. In the period of 2008-2014, such agreements were signed with 14 countries. Their aim is to ensure Moldovan emigrants' labor and social protection rights.
- Elaboration of the Strategy for development of vocational-technical education for 2013-2020 and implementation of the project "Consolidation of management in the vocational-technical education sector" for 2013-2017. The measures in them will enable adjusting this system to the conditions of market economy by raising professional training standards and by involving economic agents into the educational process.
- Approval in 2014 of Regulations on the mechanism of using funds allocated from the state budget to support investors in the preparation and training of personnel (staff) in connection with the creation of new jobs. According to this document, economic agents will be able to receive compensations amounting to up to 50% of the training expenses.
- Approval in 2014 of the Regulations on the amount and criteria of establishment of expenses incurred and determined by the employer for the transport, food and professional studies of the employee. The document set fiscal criteria for deduction of employer's expenses for the

maintenance and professional development of employees, creating additional incentives for investment in human capital.

Main problems

- Informal employment is still an important problem for the labor market, both in terms of more efficient and complete use of labor force and in terms of ensuring social protection of workers in this field. In the recent period, the rate of people with informal jobs started to grow again, reaching 385.5 thousand persons in 2014.
- Although the number of social protection agreements grew quite significantly in recent years, there are no such agreements with some countries with a significant concentration of Moldovan emigrants. It primarily refers to Russia; negotiations with this country were finalized, but the agreement has not been signed mostly for political reasons. Also, lack of budget funding for the negotiation and signing of these agreements by 2014 delayed the process of geographic expansion of these agreements.
- Employment policies so far have had a minor impact on the degree and efficiency of use of labor. The employment rate is extremely low, 39.6% (in 2014), much smaller than in other countries in the region. Also, the discrepancy between curricula and the quality of training has a negative impact not only on labor productivity, but also on the integration of young people into the labor market. Thus, the unemployment rate for young people aged 15-24 was constantly about twice as big as the average unemployment rate in the country.

Table 4. Employment development indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Informally employed population (thousand persons)	441	441.5	419.5	389.6	355.4	353.5	360.7	340.9	362.8	385.5
Employment rate (%)	45.4	42.9	42.5	42.5	40	38.5	39.4	38.4	39.3	39.6
Unemployment rate. 15-24 years (%)	18.7	17.1	14.4	11.2	15.4	17.8	14.9	13.1	12.2	9.8

Source: National Bureau of Statistics

Conclusions and recommendations

- Reduction of informal employment can be achieved by improving doing business conditions for the companies that operate in the formal sector and, at the same time, by increasing costs for the companies that conduct informal activities. In this sense, it is important to improve the institutional capacities of the Tax Inspectorate and the Labor Inspection, with an additional emphasis on increasing penalties for informal employment.

- To mitigate the risks associated with external migration, it is important to increase efforts of negotiating social protection and temporary migration agreements with several countries. A broader network of such agreements will enable broader protection of Moldovan emigrants' rights and diversification of migration flows.
- Maintenance of efforts to reform the education system, especially vocational and higher education, is critical for improvement of labor force quality in Moldova. Therefore, improvement of infrastructure, curricula and quality of the teaching staff, as well as involvement of economic agents into the educational process, are key elements for progress in this field.

THE RIGHT OF ESTABLISHMENT AND COMPANY LAW

Major developments

- In recent years, some measures were implemented to optimize the regulatory framework governing entrepreneurship, and the main measures were several generations of Guillotines. It resulted in significant reduction of the number of procedures and costs for business registration.
- Another important measure was creation of 'one stop shops' for business registration. Also, in recent years modifications were made to the current legislation on 'one stop shops'. These modifications, improving the mechanism of registration of individual entrepreneurs and legal entities, brought positive changes to the operation of 'one stop shops' by establishing a single tariff for business registration.
- Development of a set of legislative modifications to simplify the procedure of voluntary liquidation of a business. Following these modifications, the term of voluntary liquidation will be halved and some legal collisions will be removed from the legislation.

Main problems

- Having made essential progress in registration of businesses in recent years (a growth of 16 positions in this segment of Doing Business 2015 compared with 2014), Moldova still falls behind in other important aspects related to business management. Specifically, protection of shareholders' rights, first of all minority shareholders, must become a priority for the government. It is confirmed by the poor performance of our country in this segment of Doing Business 2015, where Moldova dropped 1 point, to 56th position.
- Despite the simplification of the procedure of business liquidation, Moldova did not advance in this segment of Doing Business 2015, climbing 5 points to position 58. The main factors that contributed to this involution include the increase of liquidation costs and reduction of the recovery quota for creditors. Thus, in the past year the cost for liquidation of a business for the first time grew from 9% to 15% of a company's shares, and the credit recovery rate dropped to the minimum of the past four years.
- Although it does not take long to establish a business (6 working days), the process of obtaining permissive documents (e.g. licenses, authorizations), without which the majority of companies are non-functional, is still difficult. The main problems are related to obtaining construction permits, export and import documents, and connection to electricity networks.

Table 5. Progress Indicators of business establishment

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
No. of procedures to open a business	10	10	9	9	8	8	7	7	6	5
No. of days to open a business	30	30	23	15	10	10	9	9	7	6
Rate of recovery for creditors (cents per 1 USD)	27.3	29.4	28.8	28.6	28.6	28.2	31.3	32	32.8	29.4

Source: World Bank

Conclusions and recommendations

- Reforms in the regulation of entrepreneurship reached a certain limit of optimization of the number of documents required to open and manage a business. So, to facilitate the business environment, it is important to accelerate the process of digitalization of public institutions responsible for business registration, transferring to the maximum authorization processes into the electronic form.
- An area that can be optimized is the current regulatory framework of voluntary liquidation of businesses. Progress in this field depends, in addition to modifications in the current legislation, on the justice sector reform. Part of the business liquidation costs are related to corruption. The more corrupted the judiciary, the bigger third-party costs unrelated to official payments are.
- It is necessary to facilitate the process of obtaining permissive documents in order to enable more dynamic businesses activities, especially for small and medium enterprises. In this sense, the implementation of the principle of tacit approval of applications for licenses and authorizations is inopportune.

INTELECTUAL AND INDUSTRIAL PROPERTY RIGHTS

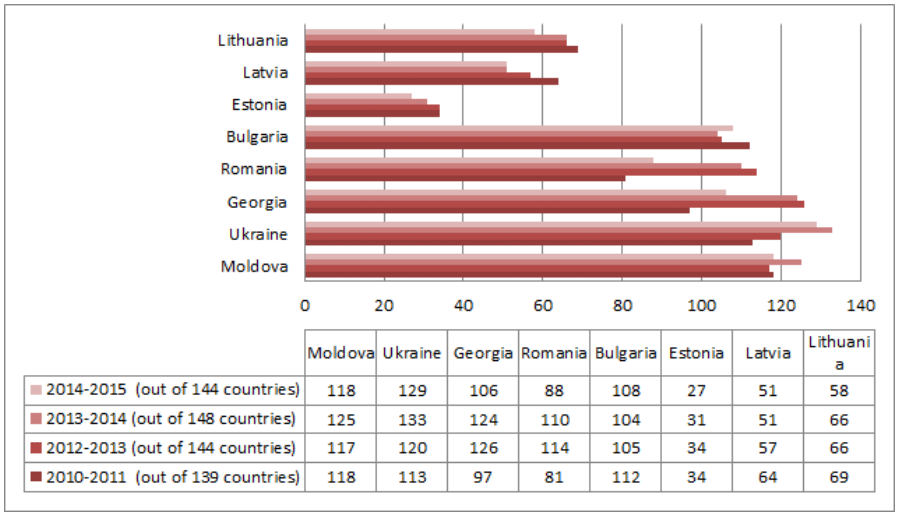
Major developments

- Until January 2014 AGEPI had issued 121 patents for plant varieties, 1403 certificates on registration of industrial drawings and models (IDM), 4560 patents (of which 78% Eurasian patents), 24,988 certificates on trademark registration. The number of certificates issued to protect software copyright has increased compared to the protection of other works (96% of registrations belong to domestic developers).
- The withdrawal of Moldova from the Eurasian Patent Convention (EAPC) (2012) and the broad application of procedures provided by the Patent Cooperation Treaty (PCT). Thus, foreign applicants can patent their inventions in Moldova under PCT, or by submitting a request directly to the State Agency on Intellectual Property (AGEPI).
- AGEPI has conducted training for judges in order to increase the enforcement of IP rights and the fair review of IP related litigations in the courts.
- Adoption of the Law on AGEPI, which defines the general rules on the IP rights and IP objects in the national legislation.

- Entry into force of the Agreement between the EU and Moldova on the protection of geographical indications (GI) of agricultural products and foodstuffs (2013). Thus, 3136 GIs and designations of origin (DOs) from the EU are protected in the Republic of Moldova, as provided by the annexes to the Agreement.
- The inclusion of 4 GIs ("Codru", "Valul lui Traian", "Divin" and "Stefan Voda") and 2 DOs ("Ciumai", "Romanesti") in the annexes to the Agreement between the EU and Moldova on the protection of geographical indications of agricultural products and foodstuffs.
- Launching of the "GIs from the EU" module in the Geographical Indications database, available online on the official website of AGEPI.
- Launching of the "e-AGEPI" e-service that allows submitting online the requests to register intellectual property objects (trademarks, inventions, industrial drawings, works, sound images and other IP objects).

Progress Indicators

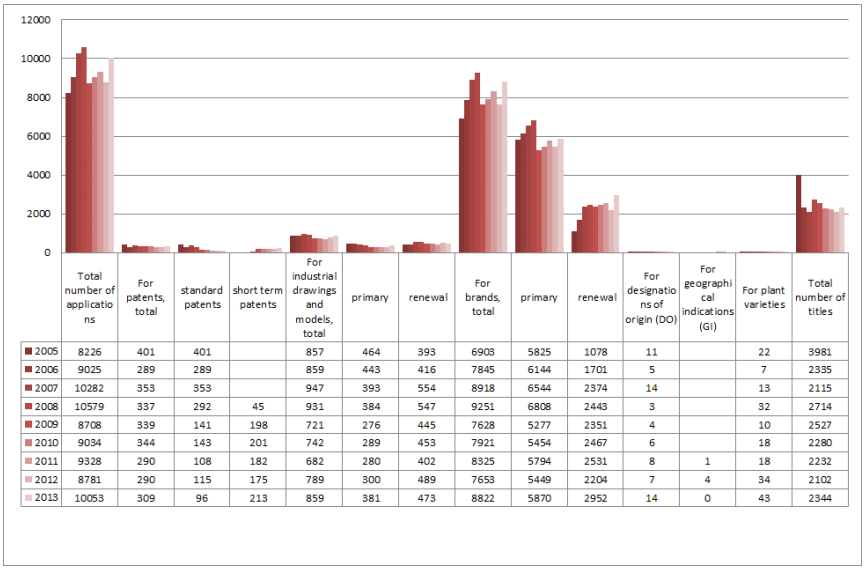
Figure 18. The position of Moldova in the international classification on the protection of intellectual property (IP) according to the Global Competitiveness Report



	Moldova	Ukraine	Georgia	Romania	Bulgaria	Estonia	Latvia	Lithuania
2014-2015 (out of 144 countries)	118	129	106	88	108	27	51	58
2013-2014 (out of 148 countries)	125	133	124	110	104	31	51	66
2012-2013 (out of 144 countries)	117	120	126	114	105	34	57	66
2010-2011 (out of 139 countries)	118	113	97	81	112	34	64	69

Source: *World Economic Forum*

Figure 19. Evolution of the amount of requests to protect intellectual property objects and titles awarded by AGEPI



	Total number of applications	For patents, total	standard patents	short term patents	For industrial drawings and models, total	primary	renewal	For brands, total	primary	renewal	For designations of origin (DO)	For geographical indications (GI)	For plant varieties	Total number of titles
2005	8226	401	401		857	464	393	6903	5825	1078	11		22	3981
2006	9025	289	289		859	443	416	7845	6144	1701	5		7	2335
2007	10282	353	353		947	393	554	8918	6544	2374	14		13	2115
2008	10579	337	292	45	931	384	547	9251	6808	2443	3		32	2714
2009	8708	339	141	198	721	276	445	7628	5277	2351	4		10	2527
2010	9034	344	143	201	742	289	453	7921	5454	2467	6		18	2280
2011	9328	290	108	182	682	280	402	8325	5794	2531	8	1	18	2232
2012	8781	290	115	175	789	300	489	7653	5449	2204	7	4	34	2102
2013	10053	309	96	213	859	381	473	8822	5870	2952	14	0	43	2344

Source: *AGEPI*

Main problems

- Limited cooperation with international holders of intellectual property rights due to the economic potential and the risks for such property rights caused by the Moldovan market.
- There is still a small number of titles to protect local products (GI, DO and TSG)[40]. Thus, two DOs (Ciumai and Romanesti), three GIs for wines (Valul lui Traian, Codri, Stefan Voda) and one GI for brandy (Divin) are registered.
- There are still some problems with the enforcement of laws in the IP field and the exercise and observance of IP rights, due to poor knowledge of the IP system by judges.

Conclusions and Recommendations

Although some progresses were made in bringing the promotion and protection of intellectual property rights closer to the European practice, the authorities still need to invest further efforts on the following issues:

- Improve the strategic and operational coordination between the various institutions responsible for the protection of intellectual property rights. Remove the overlapping competence areas of several authorities, as well as the training and employment of staff qualified in the area of intellectual property rights by the Customs Service, the Prosecutor's Office, the Ministry of Internal Affairs, the Ministry of Information Technology and Communications, MAFI, the Ministry of Health and the Ministry of Culture.

[40] GI - Geographic Indication, DO - Designation of Origin, TSG - Traditional Speciality Guaranteed

- Enhance the qualification of judges in IP area by continuing the training programs for judges with the participation of international consultants and study visits to the EU states in order to assimilate the good practice.
- Develop a strategy to identify the local products that could obtain intellectual property titles (GI, DO and TSG), which would also include training and support (technical and financial) activities for producers, as well as actions to promote those products in the EU and on other sales markets.

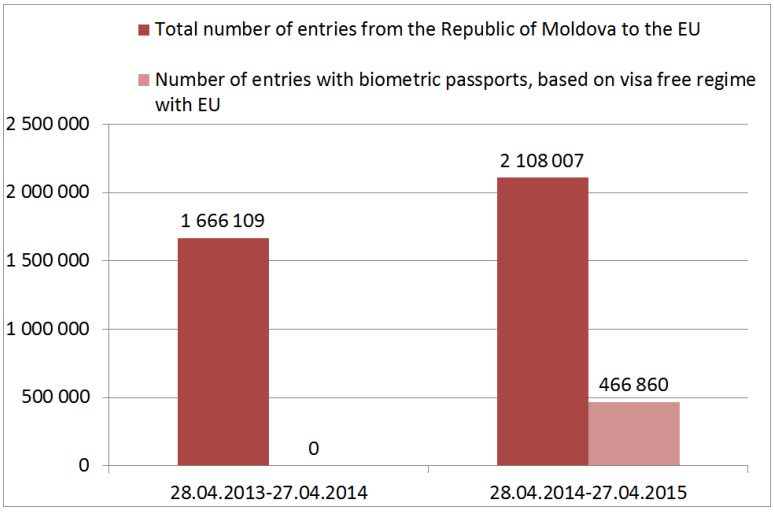
MOVEMENT OF PERSONS, INCLUDING THE MOVEMENT OF WORKERS AND THE COORDINATION OF SOCIAL INSURANCE

Major developments

- Removal of discriminatory measures based on nationality, which affect the migrant workers, related to work conditions, remuneration and dismissal. Several laws and regulatory acts were adopted in order to simplify the procedures to obtain visas, work permits and residence permits by immigrant workers.
- Introduction of the one-stop-shop for the documentation of foreigners, established in the Bureau for Migration and Asylum of the Ministry of Internal Affairs (2010).
- Signing of social security agreements with some EU Member States (11 states) and progress achieved in the negotiations with Greece, Italy, Spain, Latvia and also with Turkey.
- EU visa liberalization for Moldovan citizens holding biometric passports, who may travel into 30 UE and Schengen states (for 90 days within 6 months since the date of first entry).

Progress Indicators

Figure 20. Number of Entries of Moldovan Citizens in the EU Before and After the Visa Liberalization



Source: *Border Police, border.gov.md*

Main problems

- In spite of some progresses, there are still some discriminatory practices towards immigrant workers, notably related to the priority given compulsorily to local workers by employers. The adjustments made in 2012 to the legislation related to the employment of immigrants did not remove some discriminatory provisions. Hence, the provisions under which immigrants can work only for one employer and occupy only the vacant jobs (Article 4(3) of the Law on Labor Migration of 2008) have remained in force.
- Limited human resources available to the relevant authorities of the Republic of Moldova (Ministry of Labour, Social Protection and Family) to negotiate social security agreements with all EU states.

Conclusions and Recommendations

The progress in this area, although significant, is not sufficient. Thus, the following actions are recommended:

- Review the immigration policy in order to facilitate the integration of foreign workers on the local labor market and remove any discriminatory practice.
- Supplement the human resources of the Ministry of Labor, Social Protection and Family in order to accelerate the negotiation and signing of bilateral agreements on social protection with all EU states, but also with Russia, which is the main destination for Moldovan migrants.

SERVICES

Major developments

- Adoption of important laws regarding the principle of non-discrimination in various activity areas for service providers (e.g. Law on Public Procurement, Law on Domestic Trade).
- Adoption and implementation of several strategic documents in the field of transport (Land Transport Infrastructure Strategy for 2008-2017, Civil Aviation Development Strategy for 2007-2012, Transport and Logistics Strategy for 2013-2022), which helped the revival of the transport services (goods, passengers).
- Fostering of online services following the implementation of the National Strategy for Building the Information Society - "E-Moldova" (2005) and increasing the degree of Internet usage and accessibility.
- Adjustment and renewal of legal and regulatory framework on financial services related to the extended use of movable collateral; improved access to funding for business entities; increased role of financial authorities in the surveillance of changes occurred in shareholders structure; improved framework for the financial and audit monitoring of state-owned enterprises.

Main problems

- Despite the significant improvements of the regulatory framework on public procurement, there are still some discriminatory provisions against foreign business entities. Thus, although the Public

Procurement Law provides the principle of non-discrimination, the Regulation on the procurement of goods and services by request of price offers (2008) allows (p. 13) to favor the domestic business operators.

- The Civil Aviation Development Strategy for 2007-2012 provided market quotas for the local companies (75%); this protected the state enterprise "Air Moldova" and handicapped the foreign operators.
- According to the Association Agreement between the EU and Moldova, the parties agreed to ensure non-discriminatory treatment in the provision of cross-border services. However, the liberalization of services is not exhaustive, as it has some limitations regarding the market access and the national treatment (Article 212). On the one hand, the EU Member States maintain a series of restrictions for the Moldovan services and service providers, in such areas as legal services, accounting, tax advice, architecture, engineering, medical services, etc. (Annex XXVII-B). On the other hand, there are some constraints applies to EU entities, for example with regards to the international mail services, where the state-owned company "Posta Moldovei" has the monopoly (Annex XXVII-F).
- In addition, some parts of the Tax Code may generate cases of discrimination (Title 3, Article 104, paras f) and g)). Thus, the Code provides that services and goods supplied to/from FEZ are taxed at zero VAT rate in relation to the remaining customs territory of Moldova. The Code also entitles the Ministry of Economy to approve the list of light industry enterprises (service providers) that may benefit of zero VAT rate.
- Insufficient institutional capacities in the central institutions responsible for the implementation of DCFTA (Ministry of Economy) related to the harmonization of service sector regulations with the EU legislation.

Progress Indicators

Table 6. Share of Services in the GDP (in %) according to the Global Competitiveness Report

	2010-2011	2012-2013	2013-2014
Moldova	**74**	**78**	**74**
Ukraine	55	63	60
Georgia	69	69	75
Romania	68	67	68
Bulgaria	62	64	64
Estonia	68	68	65
Latvia	74	74	74
Lithuania	63	70	68

Source: *World Economic Forum*

Conclusions and Recommendations

Although several measures were taken to remove the protectionist aspects regarding the services provided by foreign companies, some efforts are recommended to strengthen this field:

- Give up on the principle of protecting local producers by putting foreign companies at a disadvantage, which generate obstacles for foreign capital. Liberalization of the market of passenger air transport services by fair treatment for all enterprises that operate or intend to enter on the local market. Likewise, liberalize the public procurement by removing the provisions under which local companies are favored over the foreign ones.
- Review the tax law in order to remove the provisions that distort the market mechanisms and competitive environment. Therefore, it is necessary to remove the facilities offered to some service providers by taxing them at zero VAT rate, and enhance the transparency of the conditions under which such facilities could be granted.
- Strengthen the internal capacities of central institutions (in particular the Ministry of Economy) in order to facilitate the harmonization of national regulations on services with the EU legislation in this area.

TAXATION

Major developments

- Implementation of the preliminary budget forecast, via the Medium Term Budget Framework (MTBF), with the involvement of the relevant stakeholders (public authorities, social partners, LPAs, business environment, civil society) in order to collect the recommendations related to budgetary, tax and customs policies.
- Implementation of some measures to increase budgetary transparency by developing and presenting the information on the 2015 state budget in a more accessible format for the broad audience - "Budget for the citizens"[41].
- Adoption of the Law on Public Finance and the Budgetary and Fiscal Accountability (2014), which envisages the use of a new budgetary classification and budget planning methodology to be implemented beginning with the 2016-2018 budget planning cycle.
- Strengthening of the capacity of local public authorities (LPAs) to manage public funds by developing the knowledge and skills related to program and performance-based budgeting. The new budget planning methodology is reflected in the Action Plan implementing the National Decentralization Strategy for 2012-2015, but also in the Strategy for the Development of Public Finance Management for 2013-2020.
- Facilitation of the online filling in of documents via the Online Tax Services, as well as the payment of some taxes (income tax, real estate tax) via MPay electronic payment system (launched in 2013).
- Lower costs for companies by decreasing the rate of social insurance contribution paid by the employer.
- Upgraded fiscal reporting procedures by the implementation of electronic and mobile signatures, introduction of indirect methods of taxable income estimation, simplification of VAT collection procedures.

[41] Ministry of Finance, Budget for the citizens, 2015, http://www.mf.gov.md/files/files/News%20MF/BS%202015%20definitivat/buget%20pentru%20cetateni%20%202015%20def.pdf

- Higher excise taxes on tobacco, alcohol and fuel in order to gradually align them to the minimum EU rates until 2025.

Progress Indicators

Table 7. Ease of Paying Taxes by Companies in the Republic of Moldova, according to *Doing Business*

	2007	2009	2010	2011	2012	2013	2014	2015
Payments (number per year)	44	53	48	48	48	48	31	21
Time (hours per year)	250	234	228	228	228	220	181	185
Total tax rate (% of profit)	48.8	42.1	31.3	30.9	31.3	31.2	40.4	39.7

Source: *World Bank*

Table 8. Moldova's ranking in *Doing Business* on Ease of Paying Taxes Compared to Other Countries

	2007	2009	2013	2015
Moldova	**119**	**123**	**109**	**70**
Ukraine	174	180	165	108
Georgia	104	110	33	38
Romania	131	146	136	52
Bulgaria	107	94	91	89
Estonia	29	34	50	28
Latvia	52	36	52	24
Lithuania	40	57	60	44

Source: *World Bank*

Main problems

- Slow refunding of VAT, bureaucratic tax administration and persistence of fiscal protection measures.
- Protectionist barriers to the import of several agrifood products distort the competitive environment.
- Problems were recorded as regards the implementation of one-stop-shop for the receipt of tax reports and servicing taxpayers.
- The tax authority consists of decentralized and fragmented territorial offices.

- The mechanisms needed to ensure the consultation and participation of citizens in the budget development process are still lacking.[42] At the same time, there are deficiencies related to the presentation of budget data in the "Budget for the citizens 2015", with a huge amount of data on the budget, but explained in a statistical language, not suitable for the public.

Conclusions and Recommendations

The measures taken to adjust the fiscal sector to the EU practices have had positive effects. Nevertheless, it is recommended to pay attention to the following issues:

- Shift from the mechanical principle of taxation and sanctioning the taxpayers to the principle of communication, interaction and consultation with them. This means the shift from the "police" approach of the tax administration and CS to the role of business and trade facilitator.
- In the tax area it is necessary to focus on the following: (i) streamlining the tax administration activity (reducing the number of tax reporting documents, implementation of one-stop-shop, simplification of VAT refund, enhanced communication and consultation with the business environment, etc.); (ii) unification of tax administration in the form of a unique legal entity (with central headquarters and regional offices), which will streamline the operational and organizational capacities; (iii) applying the principle of risk assessment in all stages of tax administration (registration, file classification, payment and audit), which will strengthen the professionalism and integrity of tax inspectors; (iv) transparency of the decision-making related to tax collection and use of budget resources.
- Implement efficiently, in line with the best international practices, the budget transparency principle by disclosing the budget related information in due time, visibly, accessibly and in open format. Increase the participation of stakeholders in all stages of the budgetary process. At the same time, the format used to describe and present the information in the "Budget for the citizens" needs to be improved or simplified by using info-charts.

PUBLIC PROCUREMENTS

Major developments

- Adoption of the Law on Public Procurement, which gives the Public Procurement Agency the power to ensure organization of public tenders by publishing the Invitations to Tender on the website and in the Public Procurement Bulletin (2007). Amendment of legislation in order to regulate the electronic tender and the activity of the Appeals Settlement Agency.
- Launching of the "State Register of Public Procurement" Automated Information System (SRPP AIS). Extension of the list of contracting authorities (from 98 to 149 institutions) that will use the public procurement procedures "public tender" and "request of price offers" only via SRPP AIS.
- Development of the Guide of Good Practices in Public Procurement in order to facilitate the law enforcement by awarding the public procurement contracts in line with the good practices in the field, including by referring to the case law of the European Court of Justice.

[42] Expert-Grup, "Analysis of the budgetary transparency", November 2013, http://expert-grup.org/en/biblioteca/item/878-analiza-cadrului-de-transparen%C8%9B%C4%83-bugetar%C4%83/878-analiza-cadrului-de-transparen%C8%9B%C4%83-bugetar%C4%83

Progress Indicators

The number of public procurements made by open tender via SRPP AIS is increasing: 1004 contracts (MDL 2 billion) – in 2013; 2469 contracts (MDL 3.5 billion) - in 2014. The transparency of procurement contracts increased. Thus, the number of public procurement contracts implemented without prior publication in the Public Procurement Bulletin decreased significantly: from 22% in 2011 to only 2.2% in 2013.

Main problems

- Failure to use the electronic public procurements: lack of a clear strategy for the development of electronic procurements; lack of financial resources to promote the use of electronic procurements; poor information of business entities on the existence of electronic procurement components, etc.
- Poor transparency of public procurement in respect of: sporadic publication of public procurements; limited public access to information about the procurement process; lack of access to reporting documents (post-procurement stage); improper implementation of public procurement contracts.
- There are some problems affecting the proper organization of public procurements: failure to fulfill the contract clauses; submission of false documents and reports (at the stage of tendering, contract awarding and contract implementation); replacement of products provided in procurement contracts without notifying the beneficiary and obtaining its approval; faking of public procurements.[43]

Conclusions and Recommendations

Some legal, institutional and procedural changes have occurred in the field of public procurement. Nevertheless, there are some problems that affect the public procurements and should be removed:

- Adopt the new Public Procurement Law, ensuring the total independence of the Appeals Settlement Agency in the field of public procurement, active promotion of electronic tendering.
- Revise the regulatory framework in order to ensure transparency of public procurements and availability of information about public procurements made by public institutions, which, together with electronic tendering, will help reduce the risk of embezzlement in the public procurement process.

COMPETITION POLICY

Major developments

- Reform of the institutional and regulatory framework on the competition policy in the national economy, conducted in 2012. Thus, the National Agency for Competition Protection has become the Competition Council and several key documents in this area, such as the Law on Competition and the Law on State Aid, were adopted.

[43] Expert-Grup, "Public Acquisitions in Moldova: Problems and Solutions", June 2014, http://expert-grup.org/en/biblioteca/item/969-achizitii-publice-moldova/969-achizitii-publice-moldova

- In 2014 the Competition Council developed and launched the State Aid Register. Thus, this information system will centralize the storage, processing and analysis of information on all state aid measures, providers and beneficiaries of the state aid, and sectoral statistics on aid allocation.

Main problems

- Although the institutional and regulatory framework was largely changed and harmonized to the EU regulations, the Competition Council still has little impact on the concentration of economic activity in some branches. Thus, sectors like banking and fuel trade are still extremely distorted and uncompetitive.
- The allocation of state aid, due to endemic corruption of the public sector, is still non-transparent, which causes the sub-optimal allocation of scarce public resources and the distortion of competition environment in the country.

Table 9.Development Indicators on Competition Policy

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Indicator of policy and public institutions assessment. Structural policies (1-min, 6-max)	3.7	3.5	3.8	3.8	3.8	3.8	3.8	3.8	3.8

Source: *World Bank, World Development Indicators*

Conclusions and Recommendations

- To progress with the economy liberalization and fair competition for all business entities, it is extremely important to strengthen the capacities of the Competition Council. Thus, after establishing the institutional and regulatory framework in this area, one should focus on policy improvement, namely by increasing the technical assistance and revising the Council funding. In addition, in the medium-term, in order to increase the efficiency of actions related to competition, the Council should focus its actions on some key areas with greatest irregularities, such as banking and energy.

STATISTICS

Major developments

- In the past 10 years two censuses of population and housing (2004 and 2014) were organized in the Republic of Moldova. The last one was implemented, using the methodology and organizational principles developed by the National Bureau of Statistics (NBS), which are in compliance with Conference of European Statisticians Recommendations for the 2010 Censuses of Population and Housing and adjusted to the Moldovan realities.

- The E-reporting system was launched and tested for 4 monthly statistical questionnaires. In order to maximize the utility for the business entities and for the statistical data recipient institutions, the E-reporting system was integrated on the national common reporting platform.

Main problems

- In spite of the registered progress in the digitalization of the statistical reporting mechanism, this process is still in a beginning phase. Taking into consideration the importance of statistical data for economic planning and, simultaneously the cost of reporting for the business entities, it is very important to expedite the transition to electronic reporting in all economic fields.
- However, even if the National Bureau of Statistics is making efforts to standardize the national statistics processes to the European ones, in some fields, such as the regional and energy statistics, the discrepancy is significant. This discrepancy is reflected in terms of volume of information available and levels of disaggregation in the Republic of Moldova compared to the information published by Eurostat.

Table 10.Development Indicators in Statistics

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
The national statistics system capacity (0-100)	83.3	86.7	86.7	86.7	84.4	84.4	84.4	91.1	94.4	94.4

Source: *World Bank, World Development Indicators*

Conclusions and Recommendations

- The National Bureau of Statistics should focus, as a matter of priority, on the extension of the national and regional statistical indicators. Also, it is important to expedite the adjustment of the statistical standards to the international and European ones in order to ensure international compatibility of the information. In this sense, given the shortage of national financing, attracting foreign technical and financial assistance should be a priority for the sectoral authorities.

INDUSTRIAL POLICY

Major developments

- Development of the institutional and regulatory framework on SME promotion and support. Thus, in 2006 the Law on Support to SME Sector was adopted and in 2007 the SME Sector Development Organization was set up.
- Initiation of the business infrastructure development throughout Moldova by launching a network of business incubators and industrial parks.
- Launching of Pilot Program for Attracting Remittances in the Economy "PARE 1 +1"

- Signing wit the EU the Agreement on the participation in the programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) running from 2014 to 2020, Moldova being the first country from the Eastern Partnership to have adhered to this programme.
- Accession of the Republic of Moldova to the Energy Community Treaty and the approval of a certain set of laws in the energy field, focusing on transposing EU energy Package II and III.
- Construction of Iasi - Ungheni gas pipe and the signing of the Natural Gas Sales Contract between Republic of Moldova and Romania. Extension of Iasi-Ungheni gas pipe to Chisinau is planned for 2015 under the same project.
- Launching of the corporative, institutional and financial restructuring of the Centralized Heating System in Chisinau municipality.
- Establishment of the institutional and regulatory framework on energy efficiency. Thus, the Energy Efficiency Agency and the relevant fund were set up.

Main problems

- In spite of the Government's efforts to improve the business environment, in 2015 no significant progresses were made by the Republic of Moldova in *Doing Business* classification, the country oscillating between 80-85 positions. But even the visible advancement in the 2015 classification was not symmetrical throughout all the measured areas, significant failures being identified in such areas as dealing with construction permits, getting electricity and trading across borders.
- The energy sector progress depends on the transposition of the Association Agreement, Treaty Establishing the Energy Community, and firstly The Third Energy Package. The transposition of this document, which slowed down in the recent years, undermines the efforts of sector de-monopolization, efficiency enhancement and energy security.
- The SME sector, in spite of the efforts made, is confronted with major problems. The main negative factors that impact the competitiveness of these enterprises include the underdeveloped financial markets, corruption and the low quality of public institutions, and last but not least, the high concentration and unfair competition on some domestic markets, especially on the fuel market.

Table 11.Development Indicators on Industrial Policy

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Doing Business ranking		83	88	92	108	94	90	81	83	82	63
Energy consumption per USD 1000 in the GDP (kilogram oil equivalent)	294.4	276.1	260.3	243.1	243.8	246	223.9				
SME revenue from sales Share in the total number (%)					39.2	36.8	34.6	34.5	33.4		

Note: Due to the changes applied to methodology for the Doing Business report, the rankings for 2014 and 2015 are not compatible with the ones from the previous years.

Source: *World Bank, NBS*

Conclusions and Recommendations

- The progress in the energy sector depends on the application of the Second and Third Energy Package on the liberalization of the energy market. In order to expedite this process it is important to ensure the independence of the Energy Regulatory Authority (ANRE), to accelerate the interconnection with Romania, which gives the opportunity of accessing the common European energy market and developing the local infrastructure.
- The development of the SME sector depends on the coherence and the extent of the support measures for these enterprises. Thus, the SME support measures have to include not only the regulatory framework, but also a variety of other aspects, such as competition and technological transfer, labor force fitting, access to external markets, as well as better entrepreneurial culture. Also, facilitating SMEs depends on the existence of a fair competitive environment for all business entities, regardless of their size.

TRANSPORTATION

Major developments

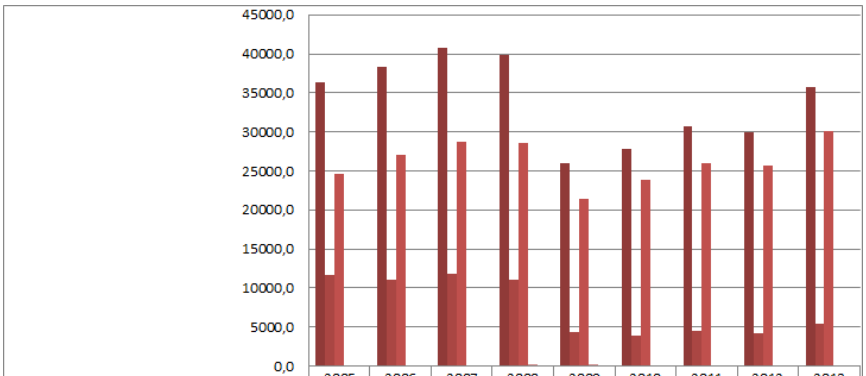
- Adoption of a series of strategic plans focused on the transport sector: National Traffic Safety Strategy (2011), Land Transport Infrastructure Strategy (for 2008-2017), the public roads maintenance system reform adopted in 2012, Civil Aviation Development Strategy for 2007-2012, Transport and Logistics Strategy for 2013-2022. Adoption of the Regulation on the Organization and Operation of the Automatic Traffic Supervision System ("Traffic Control").
- Launching of the electronic service dedicated to transporters - "e-Authorizations", which allows transport agents to purchase online the permits issued by the National Road Transport Agency.
- Starting with 2010 the Road Fund was enlarged substantially, as a result of the increase of excise taxes in 2010 coupled with an increase in the share of the excise tax volume directed to the Road Fund - from 50% in 2010 to 80% in 2012.
- The considerable growth of accumulations to the Road Fund: from MDL 241 million in 2009 up to MDL 1.5 billion foreseen for 2015. Until the beginning of 2015 a number of projects on the reconstruction and rehabilitation of the national roads (about 450km) were launched. They imply attracting financial sources (from financial institutions, such as EBRD, EIB and foreign donors) amounting to EUR 350 million[44].
- Launching of a Local Roads Rehabilitation Program in 2014, with funds allocated from the Road Fund (390 million MDL) to LPAs.
- Establishment of the National Road Transport Agency, under the subordination of the Ministry of Transport and Road Infrastructure, in charge of monitoring and implementing the national laws and regulations and relevant international documents on road transport.
- Enhanced road transport security and ensured ecological transport by introducing new practices: technical testing of vehicles and trailers; their refitting and certification; pre-service and in-service training of road transport specialists; implementation of the tachographs to record the driving time, breaks and rest periods in compliance with the AETR agreement, etc. Adoption of the National Strategy for Road Transport Safety (2010) and the Action Plan for its implementation (2011).

[44] Ministry of Transport and Road Infrastructure (MTID), Program of Rehabilitation Works from Foreign Sources 2011-2015 http://www.mtid.gov.md/img/Site/Program%20surse%20externe%202011-2015.pdf

- Adopting the new Road Transport Code (2014, July), which allows a better control over the road transport and drivers, foresees the introduction of new measures of preventing accidents (speed delimiters, tachograph).
- Adoption of the Action Plan to improve the situation of "Moldovan Railroad" state-owned enterprise in crisis situation and ensure its restructuring. Accession of the "Moldovan Railoard" state-owned enterprise to the Community of European Railway and Infrastructure Companies. Implementation of the railroad project "Implementation of the Suw Technology 200 of automatic switching from 1520mm track spacing to the European 1435 mm at the Moldovan - Romanian border (Ungheni station)".
- Adoption of the Law on Aeronautic Safety (2007) of the Civil Aviation Development for 2007-2012 and of the Law on Air Space Control. Approval of the Regulation on the Organization and Operation of the Civil Aeronautic Authority, which has replaced ASAC, responsible for the certification, control and surveillance in the field of civil aviation. Adoption of the Law on Aeronautic Safety (2007), approval of the National Program on Quality Control of Aeronautic Safety (2006).
- Accession of Moldova to the Single European Sky (starting with December 2012) has eliminated the restrictions of foreign companies, which want to be operate flights from and to Moldova, thus contributing to a decrease in the tickets prices, access on the market to low-cost operators (Wizz Air) and increased passengers rights protection (right to compensations).
- Establishment of the public institution "Captainship of the Giurgiulesti Port", which has control and surveillance functions "state - port" or "state - pavilion", as well as of the "Naval Registry" state-owned enterprise, in charge of technical surveillance of the river ships. Approval of the Law on Internal National Transport. Opening of the first railway terminal with mixed track spacing for liquid products in the Free International Giurgiulesti Port, which creates new opportunities for the export-import transactions with the EU states, including by railway transport.
- Until 2015, approximately 10% of the European acquis on transport was transposed.

Progress Indicators

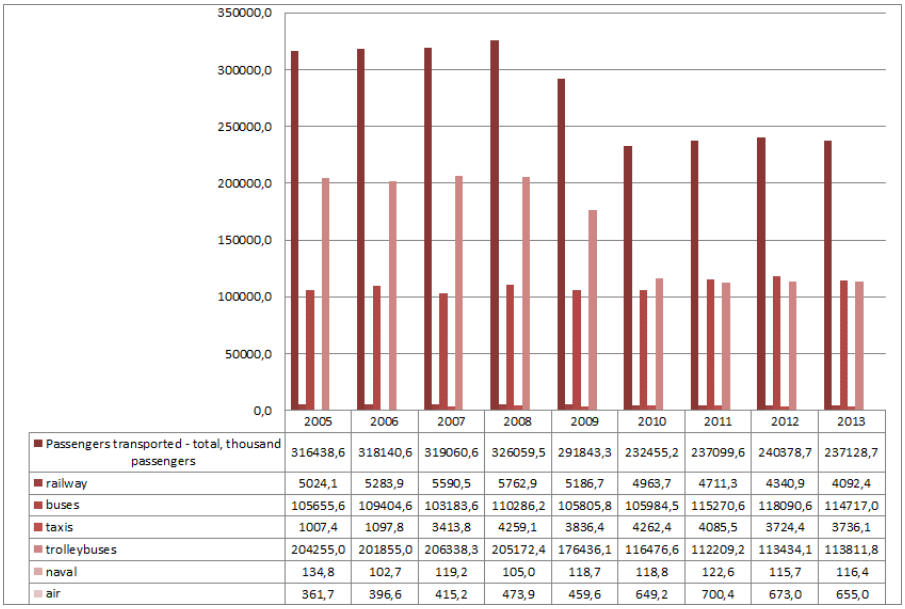
Figure 21. Transport of Goods, thousand tones



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Goods transported – total, thousand tons	36410,0	38250,1	40794,2	39793,6	25988,5	27781,2	30717,6	30022,6	35674,1
railway	11704,1	11092,5	11846,8	11006,2	4414,9	3852,1	4554,0	4163,8	5430,6
road	24593,3	27015,1	28779,9	28584,6	21390,8	23800,6	26012,9	25713,0	30079,6
naval	111,8	141,5	166,5	202,0	182,0	127,2	149,1	144,2	162,6
air	0,77	0,97	1,00	0,83	0,83	1,30	1,60	1,57	1,28

Source: *NBS*

Figure 22. Transport of Passengers, thousands of passengers



	2005	2006	2007	2008	2009	2010	2011	2012	2013
Passengers transported - total, thousand passengers	316438,6	318140,6	319060,6	326059,5	291843,3	232455,2	237099,6	240378,7	237128,7
railway	5024,1	5283,9	5590,5	5762,9	5186,7	4963,7	4711,3	4340,9	4092,4
buses	105655,6	109404,6	103183,6	110286,2	105805,8	105984,5	115270,6	118090,6	114717,0
taxis	1007,4	1097,8	3413,8	4259,1	3836,4	4262,4	4085,5	3724,4	3736,1
trolleybuses	204255,0	201855,0	206338,3	205172,4	176436,1	116476,6	112209,2	113434,1	113811,8
naval	134,8	102,7	119,2	105,0	118,7	118,8	122,6	115,7	116,4
air	361,7	396,6	415,2	473,9	459,6	649,2	700,4	673,0	655,0

Source: *NBS*

Table 12.Evolution of the National Roads Condition, %

	Good	Fair	Bad	Very bad
2009	9.78	29.64	40.70	19.88
2010	19.70	36.70	27.10	16.50
2012	32.00	41.41	19.29	7.30
2013	41.26	37.99	14.93	5.82

Source: *Ministry of Transport and Roads Infrastructure*

Main problems

- Insufficient financial and institutional capacities (investments) for the implementation of the local roads rehabilitation (and maintenance) program.
- Low transparency of the road rehabilitation tender procedures, the lack of an effective system of technical audit, which would comply with the international norms.
- Only 70% of the Civil Aviation Development Strategy for 2007-2012 was implemented. Moreover, according to the Ministry of Economy, the general objective set by the Strategy was achieved to an extent of 40% only.
- Delayed development and approval of the European legislation (about 15 European legal documents) on the surveillance of civil aviation, passenger rights, coordination of the air operator, flight safety, etc., foreseen in the Common Aviation Area Agreement EU-RM (Annex III); inefficient supervision of the air operators by the Civil Aeronautic Authority.

- The situation in the naval transport remains very difficult due to several causes: obsolete ships, low navigability of the Prut and Nistru rivers due to siltation and failure to perform the necessary works to maintain the guaranteed depth for a safe navigation.
- Degradation of the railway sector, due to the inefficient activity of the "Moldovan Railway" state-owned enterprise, underfinancing of the sector, as well as obsolete railway infrastructure.

Conclusions and Recommendations

The progress in the transport field was substantial, contributing to the modernization of infrastructure, integration of the European transportation system (air), but also to the strengthening of the passengers transport safety. However, a number of efforts are necessary in order to address the following aspects:

- Change the Road Fund management by its depoliticizing, as well as ensure the transparency of the decision-making with regards to funds allocation, by ensuring a broader participation of road users and of the public.
- Expedite and ensure the transparency of the restructuring of the "Moldovan Railroad" state-owned enterprise, modernize the railway sector, optimize the services and liberalize the tariffs for passengers.
- Liberalize the passengers' service market and facilitate competition in this sector, as well as revise the airport charges and assure a non-discriminatory treatment of foreign companies by public authorities.
- Establish a Naval Agency for efficient surveillance of the commercial fleet, registered under the Moldovan pavilion, attracting external assistance investments, but also from the private sector for the development of the naval infrastructure and for expanding the navigability on the Nistru and Prut rivers.

INFORMATION SOCIETY

Major developments

- Adoption of the National Strategy of Edification of Information Society - "Electronic Moldova", as well as its Action Plan (2005).
- Adoption of the Law on Electronic Communications (2008), which was aligned to the EU directives and included new conditions to facilitate the access of new operators to the electronic communications market. Development of the Program on Developing the Access to Broadband Internet for 2010-2013 and adoption of the Strategic Program for Governance Technological Modernization (e-Transformation) (2011).
- Establishment of the National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI) (2008) by reorganizing the National Agency for Telecommunications and Informatics Regulations (ANRTI).
- Establishment of the e-Government Center (2010), which simplified the procedure of obtaining public documents by launching the online public services (e-Record, Electronic Fiscal Record, Fast Electronic State, e-Licensing, e-Invoice, e-Traffic, e-Visa, e-Reporting, e-Customs, e-ANSA, digital

signature (Msign), e-Public Procurement, e-Integrity, e-Subsidies, e-Import/Export Permits), Open Data Platform, Unique Public Services Portal).

- Approval of the Government Decision on Interoperability Platform Piloting to test the efficiency of inter-institutional communication by facilitating the data exchange among public administration authorities, as well as between public institutions and state-owned enterprises. Storage of crucial systems and data on the Mcloud platform.

Progress Indicators

- Computer penetration rate increased from 3 to 37 computers per 100 inhabitants between 2004-2010.
- Mobile phone penetration rate increased from 52.6 units per 100 inhabitants to 104.3 units (2007-2011).
- The number of documents that can be requested online has increased - up to 21 civil status documents.

Table 13. Ranking of Moldova in the Global Competitiveness Report on the level of technological readiness

	2010-2011	2012-2013	2013-2014	2014-2015
Availability of latest technologies	112	118	116	96
Firm-level technology absorption	133	128	124	109
FDI and technology technology transfer	110	103	109	97
Internet users	64	74	77	70
Broadband Internet subscription per 100 inhabitants	68	58	52	52
Mobile telephone subscription per 100 inhabitants	-	92	97	42

Source: *World Economic Forum*

Main problems

- Low competition in the sector because of the influence of “Moldtelecom” state-owned operator, which holds monopoly over the access infrastructure.
- Insufficient financial and human resources in LPAs for the implementation of ICT solutions.
- Absence of a regulatory framework on cyber security, which generates threats to the safety and, respectively, sustainability of e-Government.

Conclusions and Recommendations

The significant evolution of this sector has covered the improvement of the regulatory framework, liberalization of operators’ access to the ICT market, as well as establishment of an efficient platform for the digital transformation of the services provided by public authorities. Yet, efforts are still necessary to eliminate the barriers that hinder the development of the information society by addressing the following aspects:

- Strengthen the ANRCETI capacities and decrease its dependence on the Government, as well as privatize or restructure "Moldtelecom" state-owned enterprise in order to ensure a better regulation of the ICT sector and foster a solid competitive environment, respectively.
- Synchronize the digitalization process with the modernization of public institutions and public services. Strengthen the administrative capacities of central and local public institutions in order to implement the new technologies, including in the interaction with the business environment and civil society.
- Educate the population in online public services. Promote the e-Government concept among citizens and the business environment in order to broaden the use of ICT solutions in the interaction with public institutions and in the conduct of their economic activities.
- Establish an ICT Policies Coordination Unit, which would include the relevant ministries and Government agencies that are linked to e-Government.
- Open the Government data for the business environment, academia and local authorities, currently available for a fee, in order to stimulate the use of new technologies.
- Set up a data storage platform that would replicate the information from Mcloud and would allow data recovery if the main system crashes.
- Develop and adopt a regulatory framework on cyber security.

PUBLIC HEALTH

Major developments

- Implementation of the Epidemiological Warning Information System in 2012 to monitor the epidemiological situation and take measures aimed at preventing the spread of diseases and decreasing the impact of these diseases on public health.
- Amplification of the construction and rehabilitation of health centers in regional aspect, focusing on rural areas. 117 such centers were constructed and rehabilitated during 2009-2014.
- Approval of the National Program for Prevention and Control of HIV/AIDS and Sexually Transmitted Infections for 2014-2015. Development of this program and inclusion of some amendments proposed by national and international experts, which will allow the Republic of Moldova to apply to Global Fund grant to support the national HIV response during the transition to a new financing model in the sector.
- Approval of the National Food and Nutrition Program for 2014-2020. The final purpose of the national Program is to set up by the end of the decade a functioning and effective national system of surveillance, monitoring and evaluation of nutritional health, nutritional status and the key determinants.
- Approval of the National Program for Prevention and Control of Cardiovascular Diseases for 2014-2020, the main purpose to increase the life expectancy and reduce cardiovascular mortality by 10% by 2020.

Main problems

- A sufficient level of universal coverage with compulsory health insurance was not achieved yet. The coverage rate was 83.2% in 2014.
- The current nutritional health system is fragmented and depends of foreign donations; most of the monitoring indicators cannot be disaggregated sufficiently to evaluate their dynamics and analyze the inequality issues.
- Despite the recent development of the public health system infrastructure, there are still discrepancies in terms of access to quality health services between the country's regions.
- The information system of data collection and processing, as well as the registries of some diseases are still in a fragmented state.
- The coverage with family doctors is still imbalanced. Thus, the rate for the Republic of Moldova is of about 5.2 per 10 thousand inhabitants, while the EU average is 8.5 per the same number of inhabitants.

Table 14.Development Indicators in Public Health

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Child mortality per 1000 births	12.4	11.8	11.3	12.2	12.1	11.7	10.9	9.8	9.4
Number of medical staff in urban area per 10 thousand inhabitants	120	120	150.4	149.5	150.4	151	149.9	149.6	145.7
Number of medical staff in rural area per 10 thousand inhabitants	27.1	26.5	26.1	25.4	25.1	24.7	24.9	24.6	23.8

Source: *NBS, Ministry of Health*

Conclusions and Recommendations

- To reduce the regional discrepancies, especially affecting the rural population, it is necessary to amplify the process of construction and rehabilitation **of health centers from country's regions.** In addition, to attract specialists with higher education in the rural area, which is affected by a shortage, it is crucially important to review the system of financial and non-financial remuneration.
- To improve the quality of the provided services, motivate the staff and ensure revenue transparency, it is necessary to continue the implementation of actual autonomy of healthcare facilities.
- To improve the outcomes of the provided health services, it is necessary to further extent the number of primary health facilities contracted on the basis of performance; the current share is 72%.
- Enhancement of the health management system depends on the successes in diminishing corruption in the system. Thus, it is necessary to enhance the transparency of the public procurement processes and decrease the discretionary component in the decision-making.

MACROECONOMIC AND MACROFINANCIAL POLICIES

Major developments

- Implementation of the Medium Term Expenditure Framework is its correlation with the strategic planning documents, such as "Moldova 2020" National Development Strategy.
- Adoption of the inflation targeting regime by the NBM in 2010 (target of 5%, +/- 1,5 p.p.), which stabilized the information.
- Development of BOOST public expenditure database, thus facilitating the budget transparency process.
- Approval of the Law on Public Finance and Budgetary-Fiscal Accountability in 2014, which will replace the old Law on the Budgetary System and Budgetary Process. The new version of the documents includes some quantitative criteria to assess the quality of the fiscal-budgetary policy and minimize its discretionary nature.
- Government approval of the "Management of Medium Term State Debt (2014-2016)" Program, which sets the main objectives related to the financing of the state budget by attracting loans at low costs and low risks.

Main problems

- The fiscal-budgetary discipline is not enforced, in term of complying with the legal provisions for the budgetary cycle. Thus, for several years consecutively the Government has been breaking most of the deadlines on the submission, publication and reporting of the National Public Budget (NPB).
- Involvement of discretionary and political influences in the planning and implementation of the fiscal-budgetary policy. This has a negative impact on the predictability and sustainability of public funds.
- High dependency on external funds from donors and international financial institutions. The share of external grants increased up to 3.7% of the GDP in 2014, from 1.6% in 2009.
- The problems of some commercial banks and non-transparency of macrofinancing decisions, that can increase the public debt by over 10% of GDP, have a negative long-term impact on the main parameters of the NPB.

Table 15.Development Indicators on Macroeconomic and Macrofinancing Policies

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Indicator of policy and public institutions estimation. Public debt policy (1-min, 6-max)	3.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Indicator of policy and public institutions estimation. Tax policy (1-min, 6-max)	3.5	4.0	4.0	4.0	3.5	3.5	3.5	3.5	3.5

Indicator of policy and public institutions estimation. Macroeconomic policy (1-min, 6-max)	3.5	4.0	4.0	4.0	3.5	3.5	3.5	4.0	4.5

Source: *World Bank, World Development Indicators*

Conclusions and Recommendations

- In the medium term, the Government must negotiate a new memorandum with IMF in order to strengthen the macrofinancial framework. This document will allow filling up the official reserves of NBM, and will unlock other funds from external partners.
- Adoption of the new Law on Public Finances and Tax Liabilities must be accompanied by the implementation of a Tax Council. Participation of civil society representatives in the activity of this institution and adoption of strict rules for tax policy monitoring will increase the transparency and predictability in this area.
- The public finances can be balanced not only by attracting foreign grants and loans, but also by strengthening the domestic tax base and reducing tax evasion. From this perspective, it is necessary to implement measures of both coercion and facilitation for those who pay fully their taxes.

FINANCIAL SERVICES

Major developments

- Reform of institutional and regulatory framework of the non-banking financial market via the transformation of the National Securities Commission into the National Commission for Financial Markets (NCFM) in 2007.
- Establishment of the National Financial Stability Committee in 2013, in order to mitigate the risks and maintain financial system stability.
- Approval of the Law on Capital Market in 2012, which establishes the necessary legal framework for a balanced and fair development of the non-banking financial markets.
- Approval of the Regulation on the Activity of the National Commission in charge of monitoring and coordinating the improvement of access to funds. This body will have an advisory status, will monitor and coordinate coherently the activities aimed at improving business operators' access to funds.
- Approval in 2014 of amendments to the Law on Financial Institutions No 550-XIII of 21 July 1995, which provide a bigger role to the supervisory bodies, enabling their early intervention in case of shareholders structure change, as well as subsequent monitoring of further changes.

Main problems

- Lending history infrastructure is yet underdeveloped. Thus, according to the number of people and business entities served by public or private lending offices, as well as to the public availability of this type of information, our country is beyond our partners from the region.
- The non-banking financial market is underdeveloped both in quantitative and qualitative terms. Thus, the digital infrastructure of most business operators from the market, including the Stock Exchange, does not comply with the needs of a modern financial market. In addition, the small number of investment tools provided on the local market does not create a sound offer of investment offers for population and business operators.
- NCFM institutional capacities are yet underdeveloped. Thus, the weak cooperation between regulatory institutions, and political interferences contributed to the increase in forced and illegal transmission of some share packages, as well as to the financial crisis of last year.

Table16. Development Indicators on Financial Services

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Indicator of policy and public institutions assessment. Financial sector policy (1-min, 6-max)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
People covered by private registers (% of adult population)	0	0	0	0	0	0	3.0	3.9	4.5

Source: *World Bank, World Development Indicators*

Conclusions and Recommendations

- Qualitative development of the non-banking financial market is critical for strengthening its role in the economic growth. Thus, relevant authorities must stimulate business operators to implement the most modern IT technologies on the market, which are needed to increase the processing speed, transparency and safety of financial information.
- To mitigate the systemic risks and avoid some future financial crises, NCFM must strengthen its capacities of monitoring and cooperating with other regulatory institutions. In addition, it is crucial to ensure the autonomy of the Commission and strengthen the legal protection of its employees.
- A key institution that can foster lending to the real economy are the credit offices, especially the private ones. Their development can contribute to a higher access to loans and lower expenses for creditors, as well as fewer frauds in the system.

FINANCIAL CONTROL AND RELATED ASPECTS

Major developments

- Approval of a new Law on Court of Accounts in 2008, which strengthen its position as a supreme audit institution for public resources and property.
- Approval of the Law on Public Internal Financial Control in 2010 and approval of the Strategy on Public Internal Financial Control Development.
- The Court of Accounts has conducted audit missions in plenty of central and local public institutions and state-owned enterprises. As a result, a set of audit reports on public funds' use and management was published. The audits identified a lot of irregularities, gaps and nonconformities in the previous audits conducted by the Court of Accounts in all mentioned institutions, and a set of recommendations has been formulated.
- "Strengthening the Capacity of the Court of Accounts" Project was launched and financed by the World Bank. Thus, as part of this project, the public audit authority will be assisted by the KOSI Company and individual consultants to strengthen its institutional capacities and increase the efficiency of audit activities.

Main problems

- A persistent problem between the Court of Accounts and the monitored institutions is the latter's failure to implement the audit recommendations. This highlights the limited enforcement and monitoring capacity of the audit institution. Without a significant improvement of the quality of the judiciary institutional framework, it will be almost impossible to change the deep-rooted trends.

Table17. Indicator of policy and public institutions estimation

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Transparency, corruption and responsibility for public money (1-min, 6-max)	3.0	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.5

Source: *World Bank, World Development Indicators*

Conclusions and Recommendations

- Full implementation of the Court of Accounts recommendations depends not only on the level of cooperation with audited institutions and investigation bodies, which is quite important, but also on the independence and professionalism of investigation bodies. Thus, the Parliament and investigation bodies shall be encouraged to get involved in the sanctioning of institutions that do not implement systematically the Court of Accounts recommendations.

MOVEMENT OF CAPITAL AND CURRENT PAYMENTS

Major developments

- During the past 14 years, treaties for the avoidance of double taxation were negotiated and signed with 47 countries.
- Establishment of a National Payment Council in the NBM, which is a high-level forum for counselling between public and private institutions, with the aim to ensure sound and stable development of the payment system in the Republic of Moldova.
- Mpay service was launched, which allows paying for services by several payment methods.
- Approval of the Concept on the Optimization of International Transfers and of the Applicable Surveillance Framework that contributed to the implementation of SWIFT FINInform Service and IBAN Code.

Main problems

- In spite of the efforts to improve the regulatory framework and institutional quality of NBM, the banking sector is still likely to be susceptible to deficiencies of the country's judiciary system. Practically, the banking regulator is limited to measures aimed at combating the negative processes at the level of bank corporate management, as well as protecting shareholders from the forced transfer of the share package.

Table18.Development indicators on Movement of Capital and Current Payments

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of cards in circulation (% y-o-y)	33.9	33.4	-5.2	1.8	9.6	11.5	11	13.8	13.1
Number of cards issued (% y-o-y)	14.8	35.9	-10.2	-21.2	30.4	6.7	9.5	12.4	12.6

Source: *NBM*

Conclusions and Recommendations

- Consolidate the NBM capacity of monitoring and prompt intervention when finding irregularities in doubtful cash transactions in the banking system.
- Facilitate the electronic payments in the transactions made on the local market. The increased transparency of electronic transactions allows for a more complex monitoring of doubtful transactions, and respectively, contributes to tax evasion decrease.
- Development of banking tools for remittances transfer. Thus, the diversification of these tools will enable bank to attract money for their crediting activity from these transfers.

FUNCTIONING MARKET ECONOMY

Major developments

- Improvement of the decisional transparency framework, thanks to approval, in 2008, of the Law on transparency and involvement of civil society and business environment in the consultations related to development of new draft laws. Establishment of a National Participation Council in 2010 is also a major progress in this respect.
- Establishment of an Inter-Institutional Communication Platform, that convenes heads of central public authorities, managers of national development funds, Regional Development Agencies, as well as different non-governmental and consultancy institutions.
- Approval of the Law on Public-Private Partnership in 2008.
- Approval of the Business Regulatory Reform Strategy for 2013-2020.
- Approval by the Government of the Draft Government Decision on the Establishment of Competition Council. This council will coordinate, monitor and evaluate the activities of central public authorities on the implementation of Road Map to improve the competition in the Republic of Moldova.
- Approval of Draft Law on Market Surveillance. This law stipulates clear market surveillance rules on the compliance of non-food goods with fundamental requirements set in the technical regulations of the relevant bodies.
- Approval of the Regulation on the National Commission in charge of monitoring and coordinating the improvement of access to funds. This Commission will coordinate and monitor the activities of public institution on the improvement of the access to funds in the real economy sector.

Main problems

- The main challenges for the business environment consist in the low quality of public institutional framework, prevalence of group interests within regulatory institutions, and non-transparent processes for allocating subsidies and public procurement. The lack of progress on other components related to the enhancement of the business environment is related mostly to the corrupted judicial system.
- Corruption in public institutions and judicial system led to the undermining of property rights, in particular in the financial system. The regulatory institutions' independence from political stakeholders is another critical factor for the business environment. The past years' regresses in this area generated the current financial crisis, which will have sustainable negative consequences on the real economy sector.

Table19. Development Indicators on Market Economy

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Indicator of policy and public institutions estimation. Business	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

regulatory framework (1-min, 6-max)									
Indicator of policy and public institutions estimation. Guarantee of property rights (1-min, 6-max)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

Source: *World Bank, World Development Indicators*

Conclusions and Recommendations

- Ensure the independence of regulatory institutions from political interferences.
- Enhance the transparency of public institutions by setting some well-established compliance criteria for public officials.
- Access to public service must be based on principles of meritocracy and competition. To strengthen this system it is necessary to review the current system of public salaries.
- Implement faster the ICT tools in the chain of interaction between public authorities and economic operators to reduce the likelihood of acts of corruption.