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REPORT

ON PROGRESS IN THE IMPLEMENTATION

OF THE

EU - MD ACTION PLAN 2008

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List of Abbreviations

AMRPPHA	Agency for Material Resources, Public Procurement and Humanitarian Aid
ANRCETI	National Competition Regulatory Agency for Electronic Communications and Informational Technologies
ATP	Autonomous Trade Preferences
CAPC	Center for Analysis and Prevention of Corruption
CCECC	Center for Combating Economic Crimes and Corruption
CCTP	Center for Combating Trafficking in Persons
CoE	Council of Europe
CPA	Central Public Authorities
CPI	Corruption Perception Index
EC	European Commission
ECHR	European Court for Human Rights
EG-PRSP	Economic Growth and Poverty Reduction Strategy Paper
EUBAM	European Union Border Assistance Mission
EU-MD AP	EU – Moldova Action Plan
FDI	Foreign Direct Investment
GRECO	Group of States against Corruption
ILO	International Labour Organization
IP	Intellectual Property
KBBE	Knowledge Based Bio-Technology
ISO/CEI	International Standards Organization / International Electrical Commission
LPA	Local Public Authorities
M&E	Monitoring and Evaluation
MAFI	Ministry of Agriculture and Trade
MCC	Millennium Challenge Corporation
MET	Ministry of Economy and Trade
MH	Ministry of Health
MoF	Ministry of Finance
MSFI	Mains State Fiscal Inspectorate
MSTQ	Metrology, Standardization, Testing and Quality
MTEF	Medium Term Expenditure Framework
NAPC	National Agency for Protection of Competition
NBM	National Bank of Moldova
NCEI	National Commission for European Integration
NCFM	National Commission Financial Market
NDS	National Development Strategy
NIJ	National Institute of Justice
NSD	National Security Depositary
ODIHR	Office for Democratic Institutions and Human Rights
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Cooperation in Europe
PCA	Partnership and Cooperation Agreement
RAI	Regional Anti-corruption Initiative
RoO	Rules of Origin
SAIP	State Agency for Intellectual Property
SIDA	Swedish International Development Agency
TA	Technical Assistance
TACIS	Technical Assistance for Community of Independent State
TBT	Technical Barriers to Trade

TCP	Threshold Country Plan
TI	Transparency International
UNDP	United Nations Development Programme
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WB	World Bank
WTO	World Trade Organization

PURPOSE OF THE REPORT

This report presents the main results obtained by the Government of the Republic of Moldova in the implementation of the EU-Moldova European Neighbourhood Policy Action Plan (hereinafter the EU-MD AP) in the period of January - November 2008.

After the EU-MD AP has officially expired on February, 2008 the Republic of Moldova has elaborated the Priorities of the Internal Agenda for European Integration for 2008 (hereinafter the Agenda), a document outlining specific policy actions, aimed at addressing a number of problematic areas highlighted in the European Commission's ENP Progress Report (thereafter the Progress Report), published on April 9, 2008¹. The Agenda served as a reference point for both focusing the attention of the central public administration to a limited number of priority areas, and for outlining specific policy actions in this report.

By concentrating on "problematic" areas, this report constitutes a starting point for evaluating Moldova's commitment to tackle some of the difficult policies on the transition reform path by strengthening the degree of collaboration with the European Union.

¹ Commission Staff Working Document, accompanying the Communication from the Commission to the Council and the European Parliament "Implementation of the European Neighborhood Policy in 2007; Progress Report Moldova, Brussels, 3 April 2008, SEC (2008), 399

I. INTRODUCTION

1.1. EU-MD Action Plan 2005 - 2008

The last Progress Report highlighted the uneven character of EU-MD AP implementation, some of the areas registering better progress than others. The report has pointed out to important progress in improving the institutional framework, procedures on control and certification of the origin of goods, entering into force of agreements on visa facilitation and readmission, and positive cooperation on EU Border Assistance Mission (EUBAM). Additionally, correct and transparent administration of local elections 2007 and positive collaboration with EU regarding country's reintegration were mentioned as tangible achievements.

In the area of ensuring the independence of the judiciary, progress was mainly due to improvements in the legislative and regulatory framework in the context of new regulations by the Supreme Council of Magistrates, establishment of the National Institute of Justice, and improvements in the professional qualifications of judges. The adoption of new legal provisions on state-guaranteed legal assistance and mandatory anti-corruption expertise prior to passing laws was also mentioned as significant results.

The Progress Report has also mentioned good results obtained by the country at the macro-economic level. Progress in reduction of the administrative and regulatory burden on the activity of entrepreneurs was stressed, as well as success in the improving customs legislation and controls, and making public procurement more transparent. Moldovan Parliament unanimously passed the innovative "Law on Basic Principles and Mechanisms Regulating Business Activity" requiring that all new business regulations be based on the law; that an open and transparent regulatory impact assessment must accompany all proposed laws; and that a strict framework of rights and responsibilities is established for all state inspections and controls.

Despite stressing the achievements, EC report has also pointed out that effective implementation of reforms remains a challenge for the country in the areas of judiciary, fight against corruption as well as ensuring media freedom and improving the business and investment climate.

1.2. Priorities of the Internal Agenda for European Integration for 2008

After the publication of the Progress Report, the Government has initiated the process of elaborating an action plan, aimed at addressing shortcomings and problems indicated by the EC. In May, 2008, the National Commission for European Integration approved the Priorities of the Internal Agenda for European Integration for 2008. The Agenda contains separate chapters on enhancing independence of justice and freedom of mass-media, guaranteeing the respect of human rights, strengthening the fight against corruption, and improving the investment climate.

The chapter on enhancing the independence of justice contains policy actions aiming at clear setting of prosecutor competences, strengthening capacities of the judicial system (including of the National Institute of Justice), and the reform of legal assistance guaranteed by state.

Policy actions aiming to ensure the freedom of mass-media refer to improving the access to information of public interest, making the activity of audiovisual and mass-media more transparent.

Respect for human rights was conceived to be improved by guaranteeing freedom of public assemblies; ensuring freedom to apply for public positions; respect for religious freedoms and

minority rights; improving detention conditions and security at work; and strengthening the fight against trafficking of human beings.

In the same manner, anti-corruption measures included overall improvement in the management of public service; introduction of transparent selection-based recruitment process, reduction of systemic factors encouraging corruption, and relevant training.

Improvement in the investment climate was planned to be obtained through continuation of regulatory reform and introduction of effective impact assessment of drafts of the normative acts; improving customs and tax procedures, development of financial system (banking, accounting, non-banking financial market); improvement of quality infrastructure, metrology and standardization. Attention was also paid to close monitoring of reforms in state social assistance and to society's sustainable development in terms of energy efficiency and environment protection.

A number of measures provided in the Agenda seek to improve the role of civil society and media and strengthen good governance. These measures aim to encourage civil society participation in monitoring public policy implementation and respect of human rights. It was intended to be achieved through improving access to information for civil society organizations, increasing transparency of the decision making process in the government, and establishing effective channels of communication between the government and civil society. The same is true about the role of media.

Overall, it was expected that measures implemented under the Agenda would have tangible and practical effects, with civil society and the mass media raising public awareness of public policy actions, and monitoring the activities of the Government.

1.3. Institutional framework for implementation of the Agenda

In order to improve the effectiveness of EU affairs coordination, especially focusing on implementation of legal acts and decision taken, the EU coordination institutional framework has been changed. On May 16, 2008, the President issued a Decree², by which the National Commission for European Integration (hereinafter the NCEI) was revitalized and given new overarching competences. It is currently being headed by the President of the Republic of Moldova, and comprises representatives of all branches of power – the Prime Minister and key ministers, Deputy Speaker and key MPs, as well as the Head of the Superior Council of Magistrates, the self-administration body of the judiciary.

At the middle-echelon decision making level, NCEI set up a special group for interdepartmental coordination (hereinafter the EU Agenda Group), comprised of deputy ministers from key public institutions: Ministry of Foreign Affairs and European Integration, Ministry of Economy and Trade, Ministry of Finance, Ministry of Justice, and the Centre for Harmonizing Legislation. The main task of the EU Agenda Group is to discuss issues related to the implementation of the Agenda, as well as to formulate draft decisions for NCEI consideration.

A NCEI Secretariat was established within the Prime-Minister's Office. The Secretariat works under the authority of the NCEI Secretary, who also serves as the Head of the EU Agenda Group. The main competences of the Secretariat consist in constant monitoring progress, and timely identification of implementation concerns. The Secretariat issues monthly progress reports, and provides logistic and analytical support to NCEI and EU Agenda Group meetings.

² Presidential Decree nr 1663 – IV from 16 June 2008

The Secretariat has also been drafting reports for meetings of the Cooperation Committee and subcommittees (e.g. Report for the meeting of Cooperation Sub-Committee on “Trade and Investment” EU-Moldova, 12 November, Brussels). This Report on the implementation of the Agenda has also been elaborated within the Secretariat.

1.4. Strategic Planning Framework

In 2008, the Government has made important improvements in the strategic planning process, and alignment of priority policies with the Medium Term Expenditure Framework (MTEF). The National Development Strategy 2008-2011 (NDS) was effectively launched, based on previous accomplishments achieved during the implementation of the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), as well as the EU-MD AP. The new Agenda for 2008 and the NDS are well-aligned. The launch of both these documents was closely associated with the appointment of a new Government in March 2008. After receiving the vote of confidence from the Parliament, the newly elected Prime Minister declared that the main goal of the executive will constitute improvement of good governance, tighter collaboration with civil society, effective reform of the judiciary and general improvement in living standards of population by fulfilling the objectives set up in the NDS, and in the EU-MD Action Plan.

The NDS focuses on policies intended to change the quality of economic growth and shift the role of consumption as an engine of growth to investment (both domestic and foreign) over medium to the long term. The schedule and procedures for elaborating the NDS were closely correlated with the MTEF planning process. The NDS Implementation Plan has been conceived as a rolling 3 year-plan, updated yearly in congruence with the MTEF. Line ministries have analyzed and costed proposed actions, and reviewed them within the MTEF working groups to determine the link with the budget and medium-term expenditure planning. In the beginning of 2008, the Government has, for the first time, approved policy priorities that fed into the MTEF allocations. The 2009 budget, approved by Parliament on November 21, includes new financing for actions under the NDS and the Agenda. The implementation of NDS is being carried out in the context of a gradual move of expenditure planning, determining priorities for financing and costing of actions in the framework of MTEF.

The Government has also continued to reform public institutions in order to make these more transparent, more efficient in the use of public resources and effective in delivering public goods³. In the framework of the public administration reform functional analysis of institutions, and subsequent institutional re-organization was made⁴. Along with the set up of new Government, an improvement in overall policy coordination and strategic planning was registered. The Division for Policy Coordination and External Assistance was set up within the Government Office in view of enhancing administrative policy coordination and aid absorption capacity of Moldova. Selection of staff was carried out through public competition, a practice used across all public institutions.

Efforts have also been made in order to substantially strengthen strategic planning capacity of the Government, improve decision-making, introduce result-based management, and ex-ante analysis in the elaboration, evaluation and monitoring of development strategies, actions plans and programs. A comprehensive review of all strategic documents was performed, aiming at reducing overlaps, increasing synergies and maximizing overall development impact of public policies. In order to complete the review, a special interministerial working group was created.

³ Government approved 37 decisions reforming public institutions in 2008. Staff optimization was done in 14 public bodies, 19 subordinated bodies, and 22 institutional regulations were amended.

⁴ Institutional Development Plans were elaborated and approved for 13 line ministries (out of 16), and Government Apparatus for the period 2009 - 2011

As a result of the first stage of analysis, 61 policy documents (including 43 Government Decisions) were deemed as irrelevant or outdated, and lost their legal power. Currently, the second stage of analysis is being completed. It represents a more detailed assessment of all policy documents (conceptions, strategies, programs and plans), resulting in a general classification and clearer hierarchy of all policies.

In order to increase the capacities of public authorities, in 2008, 16 ministries and 11 central public authorities have elaborated Institutional Development Plans. IDPs have the scope to integrate in a single management framework aspects regarding public policy planning, budget drafting, setting priorities and organizational planning, conceived to become a tool for institutional activity prioritization, for planning and monitoring, for identifying necessities of institutional capacities consolidation in order to achieve different policy objectives and priorities, established in the national and sectoral policy documents. IDPs are cyclical documents, which have to be updated annually, adding one year to the planning period and integrating it to the NDS and MTEF planning cycle. In December, all ministries will present implementation plans, which, if done correctly, can serve as the main document for planning and reporting at the level of the institution.

The government has also elaborated and is currently testing a new guide for ex-ante and ex-post impact analysis. A new coordination system is being designed to ensure that impact analysis is conducted before decisions are made.

1.5. Donor coordination

To carry out the objectives of the Agenda, the GoM received financial support from the European Union (EU); United States Agency for International Development (USAID); the Council of Europe (CoE); World Bank (WB); Swedish International Development Agency (SIDA); various UN Agencies, UK Department for International Development (DFID) and other development partners.

The EU funded training for judges and equipment for courts, as well as food testing laboratories. Both the EU and World Bank have supported overall reform of the tax and custom administration. The EU supported the introduction of primary and secondary customs legislation, improvement of customs control, and transit systems. In 2008 the European Commission has offered 40 mln Euro for implementation of the National Action Program 2007 in the fields of social assistance, improving border management and control (EUBAM), and support to civil society from Transnistria, as well as necessary assistance for a number of twinning projects.

The World Bank provided technical assistance in developing public procurement legislation, improving MSQT systems and public finance management, as well as supported training for accountants and auditors from Moldova. In particular, in 2008 World Bank has signed a number of agreements with the Government for providing assistance in total value of 37 mln. USD. These funds were agreed upon for Economic Growth and Poverty Reduction Program, Water and Sanitation Project, Rural Financing Project, as well as health and social services.

USAID supported programs to advance regulatory reform; identify and remove tax and policy barriers encountered by small business; provide legal education and reform; build good governance at the local level; and improve the non-profit sector's involvement in reform. This development organization has also provided support to the Government in implementing Threshold Country Plan, financed by the Millennium Challenge Corporation, and aiming at preventing, curbing and combating corruption in judiciary, customs and tax administration,

police bodies, as well as optimizing the functionality of the Centre for Combating Economic Crimes and Corruption (i.e. CCECC). The Council of Europe has provided technical assistance to the CCECC for building professional skills of the personnel. Lastly, Transparency International has conducted surveys, worked closely with the Government, and created media pieces to raise public awareness of corruption.

With increasing assistance afforded to Moldova, the Government has been working towards simplifying, harmonizing and coordinating joint practices in the spirit of the resolutions of the Monterrey Consensus (2002), the Rome Declaration on Harmonization (2003), and the Paris Declaration (2005). In collaboration with UN Resident Coordinator Office in Moldova, Government has performed the second exercise of monitoring the implementation of Paris Declaration indicators in Moldova in 2008, in view of preparing country's input for the Accra High Level Forum on Aid Effectiveness (2-4 September, 2008).

1.6. Monitoring and Evaluation Methodology

The monitoring and evaluation methodology used in to assess implementation of the Agenda is based on analysis data contained in the implementation reports of line ministries. Additionally, the Secretariat worked to achieve effective and constant review of progress; perform an assessment of cost and benefits of particular Agenda actions; evaluate the degree of compliance of specific actions (especially, normative initiatives) with the EU acquis; identify main constraints and bottlenecks in the implementation process; as well as propose the right course of actions. Draft decisions on policy actions were first issued by the Secretariat for EU Integration, further discussed during meetings of the EU Agenda Group, and, subsequently, decisions were taken on the political level at the meetings of the National Commission for European Integration. Finally, the implementation progress was registered in the final Agenda Report. The figure below summarizes the monitoring and review process of the Agenda in 2008.

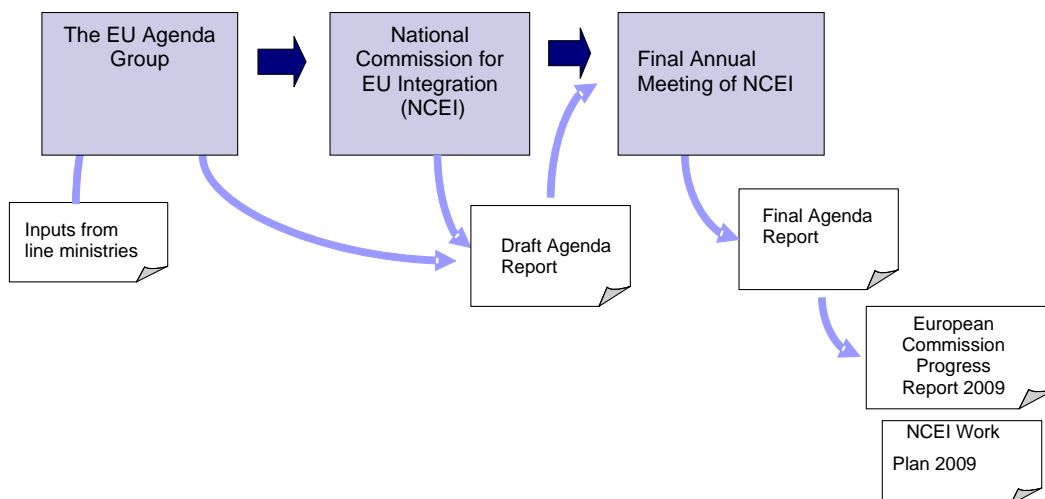


Figure 2. Monitoring and Evaluation of the Agenda in Moldova

II. GENERAL OVERVIEW

2.1. Macroeconomic situation

In 2008, Moldova's macroeconomic outlook has remained positive. The sustained efforts of the authorities have led to further stabilization of the macroeconomic situation in the second half of the year. The actions undertaken by the National Bank to restrain monetary policy, supported by an austere budgetary framework, as well as a series of measures undertaken by the Government towards the continuous liberalization of the imports market, have helped bring inflation to a single digit number. In October 2008, annualized inflation stood at 9.8%.

Economic growth remained robust during the first semester of 2008, with an economic growth of 5.4%. The outlook for continued growth in the third quarter of the year is positive, due to recovery in agriculture after the severe drought of last year, amounting to 27.3% in the first nine months of the year. Export performance in the first three quarters has also been strong, with a growth of 30.4%. The growth of imports, at 45.1%, has exceeded growth in exports, and the trade balance registered a deficit of 861 million USD.

The financial system of the Republic of Moldova proved to be resilient to the effects of the global financial crisis. Having little, if any, direct exposure to the losses incurred due to the fall in the main capital markets, the Moldovan commercial banks proved to be in a more advantageous situation in terms of risk, solvency, and liquidity indicators. Thus, at the end of September, unfavourable assets represented just 2.9% of the total assets, capital sufficiency stood at 30.8%, while the share of liquid assets in total assets was 31.4%. Nevertheless, recent developments on the international financial market dictate maintaining a prudent policy in the area of financial market supervision. Furthermore, the probability of economic recession in remittance-originating countries on one hand, and countries that represent the main export markets on the other hand, is a source of concern in terms of the economic performance of Moldova and the capacity to honour commitments to continuously reduce poverty and improve the welfare of the Moldovan people.

2.2. Main trends and developments in relations with the EU

In 2008 Moldova has continued to implement provisions of the EU-Moldova PCA Agreement, reflected in the ENP Action Plan, and in the Priorities of the Internal Agenda for European Integration for 2008. Further efforts have been made, specifically in the areas of ensuring the independence of justice, human rights and freedom of media, as well as economic structural reforms. In particular, in the course of 2008 Moldova has been striving to improve technical regulations, safety and quality requirements, and intellectual property rights protection for potentially gaining a greater stake in the EU internal market.

In March, 2008, Moldova signed an Autonomous Trade Preferences (ATP) agreement with the EU in 2008. Government efforts to benefit to the fullest extent from the ATP regime were oriented towards complying with the EU rules of origin, raising competitiveness and diversifying production, improving marketing and distribution skills of local exporters, ensuring adequate quality infrastructure, as well as facilitating a better dialogue with business counterparts on the EU market. The increasing trend of bilateral trade with EU observed in the course of last 5 years has been given further impetus in 2008 after EU has extended ATP regime to Moldova. Total trade turnover with EU in January-August constituted 1.9 bln. USD. It represents an increase of 41.4% in comparison with the same period of the previous year. During January-August 2008, imports increased by 40.5% while exports by 33.9%, which has led to an increase of the trade deficit in relations with EU by 45%, reaching 877 mln.USD.

In order to considerably boost the current levels of foreign direct investment (FDI), to broaden country's export base and increase productivity of domestic producers, special attention has been given to the improvement of business climate. Moldova has responded to the signals of market participants and initiated necessary internal procedures for the withdrawal of some of the protectionist measures of domestic market. In particular, on November 25, the Government has adopted a decision to withdraw from the Parliament the legislative initiative on introducing additional safeguard tax on import of pastry products. It has also drafted relevant amendments to legislation regarding the tax for environment pollution. This was done in order to prevent possible effects that the potential protectionist measures may cause on the preferential trade with EU. Additionally, Moldovan regulatory framework⁵ regarding import of meat, edible offal, and meat and dairy products was examined on 20 October, 2008 within WTO Import Licensing Committee, and no claims or disagreements from WTO members were registered.

On a more general note, Government vision regarding investments is based on consolidating and extending regulatory reform, promoting stimulatory tax regime and proactive trade policy, as well as ensuring political, macroeconomic and financial stability, including coping effectively with inflationary pressures.

⁵ GoM Decision nr 1363 of 29 November, 2006 regarding the Procedures for the Issuance of Authorizations to Import Meat, Edible Offal, Meat Products (Commodities) and Dairy Products.

III. INDEPENDENCE OF JUSTICE

3.1. Prosecutor Competences

The General Prosecutor's Office drafted in 2008 a new Law on prosecution with view to streamline the national legislation on prosecutions with the *acquis*. The Law has been reviewed by the European Commission for Democracy through Law (Venice Commission), as well as by the Centre for Combating the Economic Crimes and Corruption, and has been circulated among different national stakeholders. Some of the concerns voiced by the Venice Commission have been taken into account, while others require amendments to the Constitution and procedural legislation. The draft Law was approved by Government on November 26, and is expected to be adopted by Parliament by end-2008.

3.2. Efficiency of judiciary

In 2008, Parliament adopted a new mechanism for financing the judiciary. However, the practical application of the mechanism did not succeed due to the fact that it did not correspond to the Law on budgetary system and the budgetary process⁶ and did not provide for proper involvement of the Ministry of Finance in making allocation decisions. Nevertheless, budgetary allocations for the judiciary (general courts and the Constitutional Court) included in the draft budget for 2009 have increased by 18,6% (approx. MDL 30 mln) compared to the approved budget for 2008. To provide a sustainable solution for the appropriate financing of courts, the Ministry of Justice, in cooperation with other relevant authorities and the judiciary, has developed a new concept for financing the judiciary, by which allocations would be based on certain performance indicators.

With a view to reduce the caseload in the courts and to implement the mediation institution, the Ministry of Justice created in 2008 the Mediation Council. It has nine members that have been selected on competition basis. The National Institute of Justice carried out trainings for the mediators in October 2008, using the curriculum approved by the Mediation Council in June 2008. In 2008 the Council of the National Institute of Justice (CNIJ) and the Mediation Council adopted a series of important documents, regulating the mediator's activity in Moldova: Decision on the examination of mediators, Decision on adoption of the: i) Regulations on mediation council, ii) Regulations on attestation of mediators, iii) Regulations on registration of mediation bureaus, and of iv) Mediators' code of ethics⁷.

The National Institute of Justice carried out trainings for trainers on teaching methodology on ECHR module; within the joint EC and CoE project 'Increased independence, transparency and efficiency of the justice system'. 30 trainers of the National Institute of Justice participated at four trainings during 2008 on the European Court of Human Rights. One of the trainings was conducted at the Judiciary Schools in Slovakia. During January – October 2008, the National Institute of Justice carried out 14 trainings for 392 judges and prosecutors on the European Court of Human Rights. The Governmental Agent (which represents Moldova in the ECHR) and two prosecutors from the General Prosecutor's have been conducting the lectures.

In January 2008, the law on amending the Law on Superior Council of Magistracy⁸, which provides for the created of the judicial inspection entered into force. The creation of the judicial inspection is in line with the CoE commitments. In October 2007, the Superior Council of

⁶ The Law on budgetary system and budgetary process no. 847-XIII of 4.05.1996

⁷ Decision of the Mediation Council no. 1 of 16 June 2008

⁸ Law no. 185 of 26.07.2007 on amending the Law no. 947-XIII of 19.07.1996 on the Superior Council of Magistracy, published in the Official Gazette on 31.08.2007 no. 136-140

Magistracy has adopted the Regulations of the judicial inspection⁹, which also entered into force in January 2008. Although a competition for selecting members to the judicial inspection has been carried out, the process has been delayed due to low interest of judges in the positions.

Additionally, the Superior Council of Magistrates has approved the following regulations to improve the activity of courts:

- Regulations – model for internal code of conduct in courts and courts of appeal, approved through the Decision of the Superior Council of Magistracy, no. 401/16 of 20.12.2007
- Code of conduct of the courts employees approved through the Decision of the Superior Council of Magistracy no. 95/5 of 20 March 2008
- Regulations on the organization of the contest for filling the vacancies in the judiciary, approved through the Decision of the Superior Council of Magistracy no.96/5 of 20 March 2008

One of the means for ensuring the efficiency of the judiciary system is the creation of the judiciary portal which will provide access to the informational system for the random distribution of the cases in courts, the judiciary online data base, and also will make available the court decisions and general information regarding the activities of the courts. Since October 2008 the computer based data system is being piloted at the Court in Ungheni. It has been targeted by the beginning of 2009 to have the soft created for the Courts of Appeal, for the Supreme Courts of Justice, and for the other courts in the country. Now the judiciary related information is made public, being posted and updated on the websites of Courts of Appeal and of the Supreme Court of Magistracy. The random distribution of cases in Courts is ensured in 12,2% of cases. The draft Regulations on digital audio recording of court sessions has been adopted.

3.3. Reform of State-Guaranteed Legal Assistance

In January 2008 the Minister of Justice adopted the Regulations of the National Council for State-Guaranteed Legal Assistance¹⁰. In June 2008 modifications have been adopted to the Govt Decision on remuneration of some institutions funded by the state budget¹¹ that provided the monthly salary for the lawyers providing state-guaranteed legal assistance. By the end of October 2008, all regional offices for state-guaranteed legal assistance were operational. So far, 1204 persons have been granted free legal assistance. In October 2008 the National Council for Legal Assistance adopted the Regulations on public lawyers.

With a view to increase awareness on the new legal provisions regarding state-guaranteed legal assistance and to build capacities in this area, in September 2008, the National Council on State-Guaranteed Legal Assistance carried out trainings in three rayons, one of which was attended by international experts from Lithuania, Ukraine and Georgia. Five round tables on the new legal assistance system have been organized in October 2008. In order to raise public awareness on legal assistance, representatives of the Ministry of Justice have participated in TV and radio broadcasts; as well as published articles in the national press.

⁹ Adopted on the basis of art.4 para.(6) and art.7 para.(3) from the Law on Superior Council of Magistracy through the Decision of the Superior Council of Magistracy no. 321/13 of 11 October 2007.

¹⁰ Ordinance4 of the Minster of Justice no. 18 of 24 January 2008 Regulations of the National Council for Legal Assistance Guaranteed by the State

¹¹ Govt Decision no. 720 of 16 June 2008 on adopting the modifications to the annex 2 of the Govt Decision no.1108 of 25 September 2006 on remuneration of some institutions funded by the state budget

IV. FREEDOM OF THE MEDIA

4.1. Improving access to information

During 2008, the Government has taken measures to increase the visibility and transparency of its policies and actions for the benefit of the public. With a view to ensure a higher degree of transparency, the Government has built the capacities of press services in public authorities and is continuously promoting the participation of civil servants in joint activities with non-governmental organizations. It has created the Communication Council, a network of all press services in public authorities and in June 2008, provided training for members of the network at the Academy for Public Administration in ethics and communication, and ensuring access to information. The Prime-Minister requested that all ministers organize monthly press conferences, inviting all media outlets. In the period between April and November 2008, ministries and other central public authorities carried out 28 such press conferences. All public authorities have reviewed their web-pages and have ensured that the press services are updating them on regular basis.

4.2. Improving media transparency

The Audiovisual Coordination Council has established in August 2008 a fully-operational press service, intended to improve the transparency of the Council's activity and decisions. The sessions of the Council are open to the general public and the media. Representatives of the civil society are invited to monitor and to provide support to the Council's activity. The Council's website has been restructured, and it provides updated information on the agenda of Council meetings, on the current developments in the field of audiovisual, decisions adopted, national and European legal framework, records and reports of the Council activity, etc.

With respect to guarantying transparency of equal competition for radio and TV broadcast channels, the results of the bids are included in Council's decision, as well as publicly presented during the Council's meetings. An important element in this regard is the adoption of *instructions on passing well-argued decision in the process of granting broadcasting license*. Templates for applications for participation at the contest, the classification of documents needed for participation in the competition have been adopted. This aims at ensuring a competitive bid, to facilitate the participation at the bid, as well as to guarantee the transparency of Council's activities. In 2008, the Council issued 178 licenses to providers of TV cable, MMDS, GSM and satellite broadcast.

4.3. Strengthening the dialogue with civil society

On November 14, 2008, Parliament adopted the Law on transparency of the decision-making act. The Law will clearly outline the obligation of all public authorities to consult the public and civil society on draft decisions, and has as objectives to ensure in the transparency of the decision making process, to active involve civil society and public in decision-making act and in adoption process, to increase the quality of the adopted decisions and of the normative acts, to strengthen the informational resources and to create the monitoring tools in towards the implementation of laws, to increase the responsibility of the public authorities.

V. RESPECT FOR HUMAN RIGHTS

Further steps in respecting human rights and fundamental freedoms have been made during 2008, notably in improving the stability and effectiveness of institutions guaranteeing democracy, and protection of human rights. Specific areas, however, need further continuous improvement. The national human rights action plan is set to expire in 2008 and the National Commission for European Integration tasked the Ministry of Justice with drafting a new plan by end-2008, with a view to consult and adopt the plan by spring 2009.

5.1. Enforcement of ECHR decisions

As of end-November 2008, the ECHR has issued 55 judgements and decisions against Moldova:

- 23 judgements condemning the Republic of Moldova
- 27 decisions to strike out cases
- 3 judgements to strike out cases
- 1 judgement on friendly settlement
- 1 judgement acquitting the Republic of Moldova

Although there has been progress made in adjusting the national legal framework to the acquis and international standards, including on human rights and fundamental freedoms, and efforts have been made in strengthening democratic institution, the number of ECHR decisions against Moldova remains high.

In order to prevent deficient enforcement of court decisions issued by Moldovan courts, as well as to tackle other reasons for which Moldova is most often condemned by the ECHR, in March 2008, the Parliament has passed the Decision on enforcing ECHR decisions against the Republic of Moldova, and preventing violation of human rights and fundamental freedoms. The Decision outlines main reasons for ECHR judgments and provides for steps to be taken by the Government, the General Prosecutor's Office, the Supreme Council of Magistracy, the National Institute of Justice. Additionally, the Permanent Government Commission for Enforcing Final ECHR Judgements meets regularly to identify enforcement drawbacks and direct implementation actions. The Commission has met 6 times during the course of 2008.

5.2. Freedom of public assembly

A new law on public assembly was adopted and enacted in February 2008. The law is more progressive and inclusive than previous legal provisions, covering all possible forms of assemblies, including political assemblies, as well as simplifying authorization requirements. Civil society reports indicate that the law is one of the best in the OSCE region. A joint project of OSCE/ODIHR/OSCE Mission to Moldova/CreDO has been monitoring assemblies carried out in Moldova prior to the adoption of the new law and after. The number of assemblies has risen and the liberalisation of the law did not have an adverse effect on public order during the assemblies. Moreover, the more libertarian freedom of assembly regime facilitated the increase of the citizens' activity for public assemblies.

The National Institute of Justice has included for this purpose lectures on freedom of assembly in its training curriculum. Representatives from local public administration, law enforcement officers and prosecutors have been trained on the legality of assembly. The Ministry of Interior has adopted recommendations on maintenance of public order during assemblies in August 2008. A relatively small number of cases of excessive involvement by law enforcement officials have been registered. Such cases have been investigated, and several law enforcement officials have been administratively sanctioned.

5.3. Freedom to run for elected office

On November 27, Parliament adopted a draft new law on state secret. The draft law has been reviewed by the Venice Commission in March 2008; it is expected that the draft law will be signed by the President and will enter into force by end-2009.

In 2007, a new Law on Political Parties complementing the electoral code was drafted and submitted to the Venice Commission. The law was adopted on December 21, 2007, and aims to regulate the registration, functioning, and financing of political parties and seeks to make the electoral system more transparent and less prone to abuse. To enact the provisions of the law, the 2009 draft budget, set to be adopted by end of November, includes allocations in the amount of MDL 7,8 mil for financing political parties. The financing is to be disbursed the second semester of 2009, after the parliamentary elections. This amount will be split in two parts – 50% will be disbursed proportionally to the results of parliamentary elections, and 50% for financing the parties proportionally to the results of local general elections. Presently, there are 29 political parties registered. In the cases when the Ministry of Justice rejects application of a political party to be registered, it provides arguments and reasons for refusal of applications, and places all decisions on its website.

5.4. Ensuring religious freedom

There are 39 registered application from religious cults submitted at the Ministry of Justice so far. In July 2008 a round table on registration and functioning of religious cults was held at the Ministry of Justice, with the support of a UNDP project. Guidelines on registration of religious cults are being presently drafted. In September 2008 a meeting was held at the Ministry of Justice on the implementation of the Law on religious cults, with the participation of the deputy head of the Office for Enforcing the ECHR Judgments.

5.5. Improving detention conditions

The Government has been making further efforts towards ensuring better detention conditions in prisons. Based on the provisions of the Recommendation Rec(2006)2 of the Committee of Ministers to member states on the European Prison Rules, the Parliament adopted in November 2008 a law on *civil control on the respect of human rights in prisons*. The law provides the establishment of an efficient and independent mechanism for monitoring the prisons, run by independent bodies in order to ensure transparency in prisons and to prevent torture or other ill treatments in prisons.

With a view to transfer prerogatives regarding persons in remand from the Ministry of Interior to the Ministry of Justice, four regional arrest houses have to be built. The Ministry is currently exploring funding possibilities for the construction of arrest houses with domestic or international financing. For the purpose of ensuring access of detainees to education and socialization programs, 14 socio-educational programs, including 5 psycho-correctional and 3 programs aimed at preparation for liberation, which were delivered to 5.521 persons. Important legislative measures have been undertaken: in February 2008 a law for amending the law on penitentiary system (adopted in 1996) has passed; more than 500 persons benefited from the law adopted in August 2008 on amnesty connected to the declaration of 2008 as Year of the Youth.

As means to enforce alternative measures, in September 2008 the law on probation has entered into force. It aims at preventing the recidivism and provision of assistance and counselling for community reintegration of subjects in probation. In October 2008 Parliament adopted an

amendment to the law on salaries in budgetary sector (adopted in 2005). It provides remuneration of probation officers from state budget. Per total, there are 173 persons within the Probation Unit by the Enforcement Department/Ministry of Justice. In August 2008 a Government Decision was adopted, providing the template for the probation officer's badges. In order to build capacity of new probation officers, conferences and thematic lectures have been carried out with participation of foreign experts on probation (i.e. Norwegian Mission of Rule of Law Advisers to Moldova). The Criminal Code is to be amended by mid-2009, aiming at 'humanization' of criminal law. Important amendments are to be made to decrease the length of detention.

In October 2008 the coordinator of the National Mechanism for Prevention of Torture has been appointed, that is at the same time the director of the Centre for Human Rights of Moldova (ombudsman institution). In November 2008, the Government has sent an official note authorizing the publication of all CPT reports. The four parliamentary advocates (ombudspersons) have also been appointed in October 2008; one of them is in charge with the protection of children's rights. There have been 5 criminal cases on torture initiated upon the notification of the ombudsman. The National Preventive Mechanism is operational since January 2008, with funds allocated in the budget of the Centre for Human Rights. The ombudsman report on the implementation of national preventive mechanism, as well as generally, on respect of human rights in Moldova, according to the law on parliamentary advocates is to be submitted to the Parliament by March 15, 2009.

In 2008 the Ministry of Interior has been providing trainings for law enforcement officers on respect of human rights during arrest, during home arrest, limits of physical force used by investigation officers, restoration of prejudice caused by illegal actions of law enforcement agencies, prosecutors and judiciary. Such lectures are being provided both during professional retraining sessions for officers, as well as at the Police Academy.

5.6. Fight against trafficking in human beings

In 2008, the Government has undertaken significant efforts in the fight against trafficking in human beings. In March 2008, the nominal composition and the regulation of the National Committee for Combating Trafficking in Human Beings have been adopted. In July 2008, the Committee has re-launched its activity and adopted the National Action Plan on combating and preventing trafficking in human beings for 2008-2009. The Committee meets on a quarterly basis. The last meeting of the Committee took place in October 2008.

Following the provisional placement of Moldova in the lowest, Tier 3, list of countries in the US Department of State yearly Human Trafficking Report, the Government of Moldova undertook significant efforts to investigate public officials complicit in trafficking. By November 2008, the CCTP has been staffed under a new formula (greater focus on analytical department), with hiring completed in the proportion of 80%. Every single police commissariat has an officer appointed exclusively for investigating trafficking cases. A data base on traffickers has been created by the Ministry of Interior in February 2008. Presently, data on traffickers from previous years is being registered into the data base.

Investigations were resumed in the case of certain officials, former MoI employees, on their possible involvement in cases of human trafficking. This information was made public to the media. In order to prevent officials' direct or indirect involvement in trafficking related cases, a Code of Conduct for Government officials is currently drafted. In June-July 2008 the Ministry of Interior, the General Prosecutor's Office, and the Ministry of Justice have compiled and made available statistics on allegedly corrupted officials involved in trafficking cases for 2007-2008

years. In 2007, 6 criminal cases against corrupt officials were launched in 2007, and 5 more such cases were initiated By October 2008.

The General Prosecutor's Office is monitoring all cases on human trafficking in order to avoid delays during investigation and to hasten their examination in court. In 2007, 352 criminal cases on trafficking in persons and related crimes have been initiated, while by the end of October 2008, 236 criminal cases had been opened. The CCPT has taken a leading role in carrying out prevention and information campaigns, coordinating the activities with nongovernmental organizations. CCTP developed capacity building trainings for law enforcement officers, focused on identification of trafficking crimes, investigation (evidence collection and use), as well as on protection of survivors of trafficking. A law for amending the criminal code was adopted in September 2008, making clearer specifications on particular trafficking crime components.

The Government of Moldova has taken a leading role in establishing a National Referral System for Assisting and Protecting Victims of Human Trafficking (NRS). This is in line with international trends on development of referral mechanisms, involving civil society and governmental agencies. Currently, the NRS is being successfully implemented in Moldova in 16 rayons, through multidisciplinary teams periodically trained and supervised by the Ministry of Social Protection, Family and Child. The Strategy document for the implementation and development of the mechanism has been adopted by Government decision on November 12, 2008. In July 2008 the Centre for Assistance and Protection of Victims and Potential Victims of Trafficking in Human Beings was created through a Government Decision. In 2008, there were MDL 512.000 provided for operating the Rehabilitation Centre; allocations were increased for 2009 – MDL 708.300 are provided for running the Rehabilitation Centre in 2009.

5.7. Protecting the rights of minorities

The Bureau for Interethnic Relations is carrying out trainings targeting local public administration, involving roma communities and professionals who work on regular basis with minorities. In 2008 a Protocol was signed by the Bureau for Interethnic Relations from Moldova and the Secretariat of the Ministry for Social Integration of the Republic of Latvia, and the Secretariat of the Estonian Ministry for Population Affairs. The Bureau for Interethnic Relations is cooperating with 36 ethno-cultural organizations of roma, supporting their activities and projects. The Bureau has launched a project focused on strengthening roma communities, project supported by the European Commission and the Council of Europe. Four trainings for educational mediators on minority issues have been carried out in 2008 by the Bureau. At the same time, with a view to strengthening international cooperation in this field and sharing Moldovan practices, working visits have been made to Lithuania, Latvia and Estonia, opportunities for establishing cooperation floors on this issue.

5.8. Security at Work

In July 2008 Parliament adopted a Law on safety and health at work. Following the enforcement of the law, territorial labour inspectorates subordinated to the Labour Inspection have been invested with supervisory functions over the implementation of the new law, as well as other normative acts on safety and health at work. So far the control is being ensured as provided by the Law no.140/2001 on Labour Inspection. The national legal framework ensures the organization and the functioning of the trade unions. It provides the rights of the employees and of the employers to associate, providing in details the role of the employers' and employees' organizations within the framework of social partnership.

VI. FIGHT AGAINST CORRUPTION

During 2008, the Republic of Moldova made further steps in reducing corruption and raising population awareness regarding this phenomenon, continuing the implementation of GRECO recommendations, the National Strategy for Combating Corruption, and the Country Threshold Program with the Millennium Challenge Corporation.

In the course of 2008 the fight against corruption in Moldova has been based on four major pillars: national legal framework enhancement (adjustment in line with the international anticorruption legislation and the *acquis*); corruption prevention (legal drafts anti-corruption expertise, corruption risks assessment in public institutions, population awareness toward corruption, civil society implication in corruption prevention issues, etc.); combating corruption (in public institutions and public services); international cooperation (Group of States Against Corruption (GRECO), Regional Anticorruption Initiative (RAI), other international forums).

In terms of performance, Moldova registered positive dynamics in 2008. The country scored 2.9 points on Corruption Perception Index (C.P.I.), issued by Transparency International (on a scale from 1 to 10), which shows a positive trend in comparison to 2007 (when Moldova obtained the score of 2.8). This C.P.I. score ranks Moldova on the second place in the Commonwealth of Independent States (C.I.S.) (being out-run only by Georgia).

6.1. Civil Service Reform

In order to develop a professional and meritocratic public service, on November 27, Parliament adopted a new Law on Public Function and the Statute of Civil Servant. The law has been re-voted after considering objections presented by the President, and will now be promulgated by the President within three weeks and enter into force on January 1, 2009. Additionally, the Parliament adopted a Law¹² regarding the Civil Servant's Code of Conduct.

The Government has drafted several regulations for the implementation of the two laws, notably on amending the rules for competition-based selections for public positions, on the probation period for new entrants in the public service, and on the organization and the functioning of Disciplinary Commissions within the Central Public Authorities. The regulations will be approved by Government immediately after the entry into force of the Law on Public Function and the Statute of Civil Servant. Additionally, a Methodology regarding the elaboration, coordination and approval of terms of reference for public positions has been developed and applied within all public authorities.

On April 16th 2008, the Government created two new units in the Government Office – the Department for Personnel Policy, and the Department for Policy and Aid Coordination. These new departments have assumed responsibility for implementing policies in civil service reform, strategic planning, and reform of the decision-making process, including introduction of participatory mechanisms in decision-making. New employees have been recruited through competition-based selection. Although competition-based selection will become mandatory only after the enforcement of the new Law on Public Function and the Statute of Civil Servant, it is already applied by many central public authorities: Ministry of Economy and Trade, Ministry of Justice, Ministry of Social Protection, Family and Child, Center for Combating Economic Crimes and Corruption, Custom Service, Main Fiscal State Inspectorate, and Court of Account.

The preparation for corruption risks assessment was initiated within central public institutions. Corruption risks assessment is a process of detecting institutional factors which encourages or

¹² nr 25-XVI of the 22 of February, 2008

might encourage corruption, as well as drafting recommendations for the elimination of these factors. Beginning with November 2007, with the support of the Council of Europe (CoE) MOLICO Project, corruption risks assessment was conducted in 51 institutions of the Judiciary System (including the National Institute for Justice). This activity began with 4 introductory trainings conducted by CoE experts with participation of 250 judges. The final reports on self-evaluations are expected to be drafted by the end of this year.

In July, the Government approved the methodology for corruption risks assessment in public institutions¹³. In accordance with this normative act self-evaluation has to be carried out by public institutions during 2008-2009. In order to effectively apply risk assessment, with the support of the MOLICO Project, two trainings were organized for the CCECC employees. The first one (13 – 16 May, 20 participants) aimed to present the way of organizing and the stages of corruption risks self-assessment, and the second one (28 – 29 October, 16 participants) debated the topic of integrity plans and of training methods in the framework of risks self-assessment. It is planned that by the end of this year central public institutions will accomplish the first stage of self-assessment “Pre-condition assessment” which comprises the evaluation of institutions’ relevant legal framework, evaluation of organization structure and of ethics internal regulations.

In October 2008, the Government approved a Decision to create the Civil Council of monitoring the C.C.E.C.C. According to this Regulation, the main attribution of the Civil Council, after its creation, will consist in monitoring the Center’s activity. That includes: evaluating the Center’s yearly reports; evaluating the Center’s performance; notification on the Center’s yearly budget; quarterly and yearly informing the Center’s Director, the Government, the Parliament and the President of the Republic of Moldova regarding the Center’s monitoring; receiving intimations regarding corruption offences.

In addition to the actions presented above, and in accordance with GRECO recommendations, on the 18th September, 2008, a circular letter was sent to all regional Fiscal Inspectorates in order to ensure that, in practice, the expenses related to corruption offences are not tax-deductible.

6.2. Reduction of systemic factors encouraging corruption

Main policy actions in this field were focused on ensuring the effectiveness of anti-corruption expertise of draft laws, enhancing the customs control of goods and bringing before the court individuals involved in corruption offences.

According to the national legal framework, all drafts of legal acts must be submitted for a compulsory anti-corruption expertise. The anti-corruption expertise reports are elaborated by CCECC and regularly published on its web-page. The Center for Analysis and Prevention of Corruption, a non-governmental organization, also presents anti-corruption expertise reports to the Parliament (drafted by its own methodology) to the majority of legal drafts published on the Parliament web-page.

Customs control of goods was improved in 2008. According to the Concept of Risk Management System of the Custom Service main efforts are directed toward elaboration of selectivity criteria and risk profiles. The Custom Service operates with risk criteria on the local and national level, depending on the identification codes, origin and destination of goods, type of transportation, company profile and others.

The selective custom control is performed automatically through the Custom Informational System “ASYCUDA World” which ensures the streamlining of custom declarations toward one

¹³ nr. 906 from 28 of July, 2008.

of the three selectivity corridors: the red corridor (compulsory personal and documentary control), the yellow corridor (compulsory documentary control) and the green corridor (custom clearance is made without any physical or documentary control). Performance criteria are set according to the following proportions: for import – 40% green, 25% yellow and 35% red; for export – 70% green, 20% yellow, 10% red. In this regard, training for the Custom employees using “ASYCUDA World” was carried out (47 participants) in 2008.

The custom staff rotation is carried out monthly at all custom units of each Custom Bureau beginning with June, 2008. In order to enhance this procedure, an electronic system of staff rotation has been elaborated. This electronic system significantly reduces the implication of the human factor in the rotation procedures management, and, therefore, eliminates possibilities for corruption. One problem encountered with scaling up rotation is the high transportation and moving costs.

Additionally, in 2008 the Custom Service improved the procedures of staff recruitment, promotion and evaluation, ensured adequate use of the Code of Conduct by employees. It has also conducted a thorough analysis and verification of information received through the hot-line.

According to the Threshold Country Plan, the Ministry of Health realized some actions aiming to minimize systemic corruption risks. In particular, the transparency of budget sources was enhanced by creating an electronic Portal of the health system; the Code of Ethics of the medical and pharmaceutical worker was adopted and disseminated; the internal/external auditing was enforced by creating a medical audit unit in the National Center for Health Management and finally, elaboration of clinical protocols (which constitute best practices in standardization of illnesses diagnosis and treatment) improves the quality of medical services and the respect of patients' rights. The electronic Portal facilitates the access to information of public interest, like public procurement procedures, job vacancies, health insurance system and others.

The Ministry of Internal Affairs is another institution which made significant steps toward reducing institutional corruption risks. The practice of corruption cases investigation was improved by establishing a better control on the investigation officers' activity. All their actions are permanently verified by their superiors and, if necessary, by the Internal Security Unit of Ministry of Internal Affairs. The Ministry permanently improves and updates its official web-page in order to ensure the transparency of its activity. The web-page contains information regarding the Ministry' daily work, public procurements announcements, job vacancies, budget execution by institution and a hot-line regarding corruption offences. Another important measure realized by M.I.A. consisted in improving the human resources management (by introducing a competition-based selection for vacant positions) and adopting (and disseminating) the Code of Ethics of the police officer. In June 2008, the entire staff of the Traffic Police was dismissed and 50% out of fired personnel were re-employed through a competition-based selection.

During 2008, Law Enforcement Bodies concentrated their efforts on bringing before court individuals involved in corruption offences. In this regard, an interdepartmental working group was created on the 4th of July, 2008. In accordance with G.R.E.C.O. recommendations, made during II Evaluation Cycle, this working group has elaborated draft Law on whistleblowers' protection, and the draft Law regarding the protection of witnesses and other participants in criminal process. Subsequently the latter was voted and approved by the Parliament¹⁴.

In the first 10 months of 2008, Ministry of Internal Affairs, General Prosecutor's Office and C.C.E.C.C registered 3424 intimations on corruption offences. After their examination, the criminal procedure was initiated in 849 cases. Out of this cases, 243 individuals were convicted

¹⁴ Law nr 105 – XVI, from 16 May 2008

(from which: 57 - police officers, 43 - civil servants, 1 - prosecutor, 7 - custom officers, 135 – others.).

6.3. Public procurement

An assessment of the national procurement system of the Republic of Moldova has been performed with technical assistance of UNDP using OECD methodology, and report issued in October 2008. The report shows good progress registered by Moldova in implementing World Bank recommendations as part of Country Procurement Assessment Report (CPAR 2003) and meeting OECD targets for internationally accepted standards. Additionally, the report shows that Moldovan public procurement system is mainstreamed and well integrated into the public sector governance system.

Moldova's Law on public procurement, which entered into force in October 2007, conforms to GPA requirements, and provides for a fair and transparent public procurement process. In accordance with the law all important acquisitions require competitive bidding with strict formal legal requirements that limit the extent of sole sourcing. Unsuccessful bidders can instigate an official review of procurement decisions and challenge these decisions in a court of law. Likewise, all announcements regarding annual Procurement Plans of Contracting Authorities, Invitation for Bids for public tenders, Requests for Quotations, as well as notification of Contract Awards and Complaints are published on the web-page www.tender.md and in the "Procurement Bulletin". As a result, the procurement procedures have become more transparent, and the accountability of the National Procurement Agency has been strengthened. Along these lines, while the number of tenders has been increasing (from 564 in 2003 to 2592 in 2007, and, finally – 1235 in the first 6 months of 2008), the percentage of single-source procurement has been constantly decreasing (from 45% in 2003 to 7.14% in 2007, and 6.06% in the 6 months of 2008).

In March, 2008, Government adopted a Decision regarding the elaboration and launching of new free public procurement portal by the National Procurement Agency. It is expected that this will ensure an on-going monitoring of tender procedures, and will allow to gradually moving towards e-procurement system in Moldova by 2010. In March, 2008, an amount of MDL 3 mln was allocated from the Fund "Electronic Moldova" for creation of the portal. Pilot e-procurements are planned to be launched within some central public authorities at the beginning of 2009.

A Government Decision of 29 May, 2008 has established a supervisory Committee on public procurement. The agency for Material Reserves, Public Procurement and Humanitarian Aid (AMRPPHA) reports to this Committee, which in turn submits reports to the Government every 6 months. It approves contracts for goods in the amount exceeding MDL 5 mln., and for works in the amount exceeding MDL 20 mln.

In order to improve the skills of main participants in the procurement process, a number of training exercises was conducted. AMRPPHA has organized 43 seminars (approximately 1400 individuals trained). Currently, AMRPPHA is elaborating a Guide on public procurement, which will be used as a methodological support for future trainings in public procurement.

6.4. Raising public awareness regarding corruption

In the course of 2008, the CCECC continuously improved and updated its web-page, effectively launched in April, 2008. In particular, 123 press-releases, and 142 articles regarding prevention and combating corruption were posted. Additionally, 2 studies on fight against corruption were published in the Information Bulletin of the Government of Moldova. In the same context, 7 press-conferences with the participation of national press-agencies were organized (with 44 press-communicés issued). Since the beginning of 2008, 30 seminars on anticorruption issues

for employees of central public authorities were organized (with approximately 1300 participants).

By the beginning of 2008, the Center prepared and carried out 125 Radio-shows and TV-reports on the topic of corruption prevention. With the support of MOLICO Project, the CCECC has launched the shooting of anti-corruption TV spots. The first TV spot from that new anti-corruption media campaign will be officially revealed during the National Anticorruption Conference in December, 2008.

VII. IMPROVING THE INVESTMENT CLIMATE

7.1. Regulatory Reform and Establishment

On 1 January 2008 legislative provisions establishing the principle that all drafts of normative acts should be accompanied by the Regulatory Impact Assessment (RIA), entered into force¹⁵. Additionally, the Government has drafted a manual, which exceeds the scope of RIA and proposes specific modalities and tools on how to perform ex-ante assessment of decisions and policies in all sectors of the national economy (including financial and environmental impact). A number of workshops were organized with participation of public authorities in order to finalize the content of the manual. It is planned to pilot the manual in a number of line ministries during 2009, and, afterwards, introduce it effectively in all public institutions.

During the first 10 months of 2008 the Working Group for regulating the entrepreneurial activity has examined 84 draft normative acts and 28 draft laws and various departments (64 drafts of normative acts as well as 28 draft laws were accepted, the rest – returned back for re-examination). In general, the absolute majority of the draft normative acts, discussed by the Working Group regarding the entrepreneurial activity (around 80%), were accompanied by the Regulatory Impact Assessment.

In order to effectively implement RIA, a training needs assessment was conducted in order to identify main target groups and beneficiaries among public servants. In the period of 2006 – 2008, training was provided to 761 representatives of both public and private sector, including 228 in October, 2008. Further training exercises are foreseen for the next year.

On 14 March 2008 new amendments to “Guillotine law” entered into force¹⁶. These strengthen the responsibility of public authorities (both central and local) and/or other institutions responsible for issuance of licenses /authorizations. Article 18 introduces the “principle of tacit legal approval”, which means that if public authority does not take a decision in 15 days, as national legislation foresees, it is obliged to issue an authorization.

The Parliament of Moldova has approved new legislation¹⁷ on the registration of legal persons and individual entrepreneurs. It contains the provision for a simplified registration procedure in State Register, and is expressed in registration time reduction from 15 to 5 days.

The Parliament of Moldova has introduced the principle of “one-stop-shop” at license issuance¹⁸. In order to effectively implement the law a Government decision has been drafted, which foresees that 85 documents required for registration will pass through “one-stop-shop” procedure.

During 2008 Moldova has been implementing new Integrated Informational System “Single Register of Licenses”, introduced by Government Decision nr 606 from 01.06.2007. It is expected that this system will further streamline and simplify licensing in Moldova by reducing transaction costs.

¹⁵ Law nr 235 – XVI, from 20.07.2006 regarding key principles regulating entrepreneurial activity, Law nr 780 - XV from 27.12.2001 on legislative acts, Law nr 317 – XV from 18.07.2003 on normative acts of the Government and other central and local public authorities.

¹⁶ Law nr.279 – XVI, from 14.12.2007 introduced amendments to the Law nr.235 from 20.07.2006 regarding main principles regulating the activity of entrepreneurs (Guillotine II) (in particular, art.18)

¹⁷ Law nr 220 – XVI, from 19 October 2007 regarding the state registration of legal persons and individual entrepreneurs

¹⁸ Law nr 451 – XV from 30.07.2008 regarding the regulation through licensing of the activity of entrepreneurs

For the purpose of effective implementation the principle of “one-stop-shop” in process of issuance of authorizations, the Ministry of Informational Development has initiated analysis of specific modalities and technical possibilities to inter-connect data-bases of public authorities having competences in issuing authorizations. Overall assessment will be completed by the end of 2008.

In 2008 the Regulation regarding specific mode of attributing, modification of use and change of land entered into force. The improvement of regulatory framework was obtained through clear specification of all procedural requirements and criteria, which need to be fulfilled in order to change the status of land from agricultural use into industrial. New regulation has also delimited competences between Ministry of Ecology and Natural Resources, Ministry of Agriculture and Food Industry, Forestry Agency “Mold Silva” and Service for Standardization and Metrology.

7.2 Customs and taxation

In order to reduce transaction costs and simplify border trade flows Customs Service has started the implementation of the New Computerized Transit System (NCTS), which will connect Moldova to unified European information system. The concept of NCTS has been elaborated, and Action Plan for implementation was approved by the internal decision of the Customs Service. Currently, the Customs Service is implementing this Action Plan by harmonizing relevant customs legislation, as well as modernizing existing IT infrastructure. It is expected that this will ensure electronic connection among customs posts, will streamline and simplify the control of transit goods on the territory of Moldova. Currently, controls are conducted selectively, guided by the methodology for monitoring performance indicators and established targets.

Customs Service in collaboration with other relevant public authorities continued to implement the “one-stop-shop” approach in streamlining the flow of goods, including agricultural products over the country’s border. Customs Service has taken over the functions of State Phytosanitary Quarantine Service, State Ecological Inspectorate, and Agency for International Transport of Moldova at border-crossing points¹⁹. Additionally, on 17 September, 2008 the Government has approved the Decision regarding approval, amendment and abrogation of normative acts in view of ensuring the principle of “one-stop-shop” at auto border crossing points.

On the basis of the Memorandum of understanding signed with United Nations Conference in Trade and Development (UNCTAD), in 2008 a program on improving Integrated Informational Customs System “ASYCUDA World” was launched in order to implement the procedure of electronic declaration and simplified customs procedures. Main improvements relate to modernization of all the ASYCUDA modules; implementation of digital signature for documents used by Customs Service; development of the “blue corridor” and ex-post audit; and implementation of the Integrated Customs Tariff of the Republic of Moldova in accordance with EU norms. An Action Plan has been approved and all the improvement measures of “ASYCUDA World” will be completed by the end of 2008.

A number of amendments were operated in the Customs Code in order to harmonize it with the EU customs code²⁰. These provide for the simplification of customs procedures and export/import operations, as well as to improving the protection of intellectual property rights.

¹⁹ Law nr 102 – XVI from 16 May, 2008 & Decision of Customs Service nr 169-0 from 25 April 2008

²⁰ Law 103 – XVI from 16.05.2008

During 2008 the Main State Fiscal Inspectorate (MSFI) has implemented the principle of risk-based selectivity in identification of the need for performing direct controls at enterprises. Controls are only performed when there are clear indicators of potential tax evasion or fraud, generated during the supervision process (i.e. “cameral analysis”). It is expected that the implementation of the Automated Informational System “Financial Analysis Instrument”, elaborated within US funded Threshold Country Plan (TCP) will further improve the capacity to analyze financial and fiscal data accumulated in the MSFI informational system. The IT concept was elaborated and setting an Action Plan is under way.

In order to introduce on-line tax reporting system, MSFI has launched a pilot use of the Integrated Informational System (e-Declaration) in August 2008, mainly for the tax payers having digital signatures. This launch was preceded by elaboration of technical and methodological specifications required for effective system use. Previously, reporting system was streamlined and simplified by the elaboration of a template for a single financial report (UNIF07) leading to the unification of previously different reporting formats.²¹

After the meeting of Supreme Security Council (SSC) on 19 November, 2008, chaired by the Moldovan President, the process of amending relevant legislation and changing the system of paying value-added tax (VAT) and repaying it to the economic agents was initiated. As a result of discovery of some criminal schemes in the process of VAT repayment, responsibilities of members of the State Commission for VAT Repayment were strengthened, and CCECC and Information and Security Service were involved more closely into operating necessary improvements.

7.3. Competition and state aid policy

The new draft law on Competition, containing amendments and some modifications to previous law²² was approved by the Parliament of the Republic of Moldova on 16 May 2008. However, after the rejection to endorse the draft law by the President, a number of comments by the office of the President were formulated. These are currently being examined by the relevant Parliamentary Committee. The discussions mainly refer to the degree of competition in both transition, and potential accession contexts of the country. In particular, specific modalities of ensuring an effective interplay between independence and accountability of the National Agency for the Protection of Competition (NAPC) are being examined. The new draft Law is fully in line with the EU acquis.²³

The new draft law regarding state aid was elaborated in 2008. Currently, it is undergoing through the so-called “Guillotine” process, and soon the process of Government notification will start. This draft document specifies the terminology relating to state aid, proposes a methodology of identification of the state aid, main restrictions and criteria for the eligibility of aid (i.e. restructuring and support for poorly performing enterprises), and, most importantly, involves the obligation of notification the NAPC, and its close involvement in aid monitoring. New draft document has already passed through Regulatory Impact Assessment (RIA).

Parliament approved the regulation²⁴ regarding the use of resources from the fund for support of agricultural producers²⁵. The total value of the fund for 2008 has been 309 mln. MDL, and in the

²¹ Decision nr.440 from 12 July 2007

²² Law 1103 – XIV from 30 June 2000

²³ Council Regulation (EC) Nr. 1/2003 of 16 December 2002 on the implementation of the rules on competition, laid down in Articles 81 and 82 of the Treaty.

²⁵ Parliament Decision nr. 310 – XVI from 27 December, 2007

course of the year 3625 producers benefited from agricultural subventions. Out of these 530 beneficiaries obtained assistance in the form of investments. In general, subventions were in form of support for planting fruit and nuts trees, procurement of equipment required for processing, drying and freezing of fruits and vegetables, as well as equipment for farmers involved in raising livestock.

Telecommunications and Energy

On 20 June 2008 an Agreement between the energy regulator ANRE and the company operating 3 of the 5 electricity distribution networks Union Fenosa, which has resolved all divergent positions with regard to electricity tariff policies and regulations. This has resulted in the elimination of the need to perform an independent assessment of the regulatory tariff framework. It has also served as an implicit recognition of the fact that current tariff setting policy and the actual tariff level are both cost-effective and conducive to sufficient re-investments in capacity strengthening.

The new Law on electronic communications, fully in line with EU regulatory framework, has entered into force in 2008. This has allowed National Regulatory Agency for Electronic Communications and Informational Technologies (ANRCETI) to improve competition on telecommunications market by regulating the issuance of authorizations (including licenses for radio frequencies and channels required for 3G mobile networks) and extending the access of local providers to national telecommunications infrastructure.

A series of negotiations between NAPC and ANRCETI were conducted in the course of 2008 regarding signing a collaboration agreement on the division of competences in regulating competition on the electronic communications and informational technologies market. In particular, first step towards a comprehensive agreement was made by elaboration in 2008, and collaboration with NAPC, of ANRCETI Regulation regarding analysis of relevant electronic communications markets and identification of network / service providers with a dominant position.

The Government has drafted a new Law for energy sector. It introduces new market regulations, aiming to boost competition by efficient management of conglomerate practices, to provide for overall increase of cross-border trade in energy, and improve the access on electric energy market. Currently, the draft law undergoes the process of notification, and it was also sent to World Bank country office in Moldova for appraisal.

7.4. Development of financial system

Accounting

On 1 January 2008 new legislation regarding accounting entered into force²⁶. Enforcement of new amendments to the existing Accounting Law and certain aspects of the Joint Stock Companies law improved the quality of financial information and allowed to move closer to implementing International Financial Reporting Standards (IFRS). Amendments were made through the prism of relevant EU directives (IV and VII). The Law provides for the compulsory use of the IFRS by public interest entities (i.e. financial institutions; insurance companies; companies with shares quoted on the stock market, etc) starting with 1 January, 2009.

²⁶ Law on accounting nr 113 – XVI

On 22 May 2008 an Agreement on the right to use IFRS on the territory of Moldova was signed between the Ministry of Finance and Council for International Financial Reporting Standards.

Moldova is currently completing the preparatory phase for generating financial reports on the basis of IFRS [mobilization of the finance function and IT, building tools (internal policies, accounting manual, financial statements, training and testing)]. Relevant amendments were also made to national accounting standards (NAS), in particular, to NAS 5 (submission of financial reports) and NAS 7 (cash flows) in order to harmonize these with IFRS.

Banking sector

Being overwhelmingly dominant in country's financial sector, in the course of 2008 banking sector has been withstanding well the effects of world financial crisis. The overall liquidity was high, being determined by previous NBM decisions on raising base rate and norms of mandatory reserves to 22%. Although slowing down a little, lending has also continued without major deterioration in loan portfolio, the volume of non-performing loans (NPL) making up less than 4.5% out of total.

The Government has continued the process of privatization of the state-owned "Banca de Economii" JSC by publishing in international press (*Financial Times*, issue of 29 March, 2008) an announcement to hire a consultant, who will subsequently conduct a diligence study, make necessary preparations for the informational memorandum and assist the Government in the bank privatization to a reputable strategic investor.

All licensed entities regulated or supervised by the National Bank of Moldova (NBM) and NCFM were excluded from the provisions of the "Guillotine Law"²⁷. Thus, the necessary amendments were operated to the art.1. The amendments entered into force on 14 March, 2008.

During 2008 Moldova improved the Inter-bank Payment System (AIPS) by strengthening some of the elements of national payment infrastructure, in particular settlement systems for the securities markets, for foreign exchange markets and electronic payment instruments.

To make banks' ownership more transparent, in addition to decreasing the threshold for significant shareholding from previous 10% to 5% (*banks must submit information NBM on shareholders exceeding this limit, but also on those holding 1%-5% of shares), in the course of the 9 months of 2008 central bank conducted field research collecting information on all shareholders. The absolute majority of commercial banks have supplied NBM with required information. A number of recommendations were also issued, targeting the improvement of internal audit procedures in commercial banks.

NBM has continued to implement the basic stress testing toolkit in the assessment of credit and liquidity risks. A testing scenario was modelled comprising risks on lending to constructions sector, and consumption in case of a potential decrease in remittances based-income. In the same manner, in the second half of 2008 a reassessment of the toolkit used for stress tests of the possible deterioration in loan portfolio to wine-making industry, viticulture and wine trade was made.

During field research, performed in the course of the first 9 months of 2008, there were examined instructions of banks regarding vulnerability to credit, liquidity, interest rate, and exchange rate scenario, as well as macroeconomic scenarios involving a combination of risks

²⁷ Law nr 235 – XVI from 20.07.2006 regarding key principles regulating entrepreneurial activity

(country, market, reputation, and operational). As a result of this exercise, necessary changes were operated in the instructions of commercial banks regarding exposure limits to risks, and vulnerability to liquidity crises.

Non-banking financial market

The power of the National Commission for Financial Market (NCFM), responsible among others for the prudential monitoring, has been strengthened by transferring the legal power from the Chamber of Licensing to NCFM relating to the process of licensing insurance companies and credit and savings associations (CSA). The licensing process of NCFM operators itself has also been reviewed by amendments regarding insurance, mainly referring to the establishment of procedures and criteria for the suspension of licenses²⁸. Legal strengthening of NCFM has also been supplemented by the possibility of obtaining financial budgetary support for performing an efficient regulatory function in case of need.

For strengthening NCFM human resources, a number of trainings for NCFM employees were conducted by USAID, East-West Management Institute and Centre of Excellence in Finances, Slovenia on fiscal fraud, use and development of insurance products. Additional support was provided by EU TAIEX instrument, in particular, in making EU insurance practices familiar to the staff of NCFM. Finally, the skills and knowledge obtained during these trainings were further enriched during the first international seminar in Moldova, organized by International Actuarial Association.

Taking as a reference the provisions of the 2003 Insurance Law, which removed the limitations for the access of foreign shareholding in Moldovan insurance companies, the year 2008 has shown growth of the foreign capital in the sector. It has had beneficial consequences on the capitalization of insurance companies and their restructuring, being also influenced by previous increase in the capital requirements in non-life insurance to MDL 15 million in order to meet generally accepted international standards.

In order to combine depositary and registration functions and streamline Moldovan stock market operations, the National Securities Depository (NSD) will gradually acquire registration function²⁹. Currently for the purpose of ensuring listed companies' register maintenance, the process of software elaboration and signing of contracts with issuers has started.

7.5. Improving the management of public finances

A new draft Law on internal public financial control (IPFC) has been developed by the Ministry of Finance in the context of the general reform of the system of financial control and internal audit. Currently, this draft law is being examined by specialized services of DG ECFIN of the European Commission. Drafting of new legislation on IPFC has been preceded by a number of important developments. The Government approved the Strategy on developing internal public financial control, which contains a general vision on fulfilling the commitments undertaken by Moldova in Article 42 of the EU-MD AP.³⁰ Ministry of Finance and Court of Accounts have developed and approved new IPFC standards in accordance to international practice, and the Code of Ethics for internal auditors. Finally, amendments to legislation were drafted, strengthening the responsibility of managers for establishing proper IPFC systems in their institutions.

²⁸ Law nr 407 – XVI from 21.12.2006

²⁹ Law nr.249 – XVI from 22.11.2007

³⁰ Government Decision nr 74 from 29.01.2008

For ensuring an adequate institutional design, the Ministry of Finance has taken over the Central Harmonization Unit (CHU) from the Department of Financial Control and Review. In the new framework CHU will issue standards, policies, and provide for effective enforcement of internal public financial control in all public bodies executing state budget.

A number of trainings were conducted for public authorities regarding implementation of financial control and internal audit. An audit of the Ministry of Social Protection, Family and Child has been conducted, and it is planned to extend these efforts to other public authorities. Trainings were also conducted at the Academy of Public Administration and implementation of the module “Financial control and internal audit”. Besides this module, other IPFC training materials were developed, and 60 relevant public servants were trained. As human resources are being strengthened, for 2009 Government is planning to start a comprehensive training program for IPFC certification of accountants, and internal and external auditors in the country’s public sector.

The Ministry of Finance has finalized elaboration of economic and functional modules of budget classification with the support of the *Management of Public Finances Project (MPFP)*, supported by World Bank. IMF has performed an assessment and confirmed that modules were developed in accordance with GFSM2001 and COFOG standards. The draft of the Plan of Accounts was integrated in budgetary classification and adjusted to GFSM 2001. Preparations for testing of new budgetary classification were made for developing and executing 2010 state budget.

In order to improve public finance management through the consolidation of national budget funds into Single Treasury Account (STA) of the National Bank, balance accounts from local budgets were transferred to STA. Balance accounts of social and medical insurance schemes were also moved from commercial banks to STA. Additionally, State Treasury has implemented informational system “Client - Treasury” as interface for sending clients’ invoices to STA. These are currently being authorized through digital signatures.

New methodology of macroeconomic forecasting was developed in 2008 within MPFP. This toolkit was tested in the process of the macroeconomic analysis in the process of MTEF 2009-2011 elaboration. Preliminary results of testing show good potential for the improvement of sector forecasting (i.e. export/import indicators).

7.6. Modernization of standardization, metrology and conformity control.

Implementing EU standards in Agriculture

In 2008, the Government has carried out a significant reorganization of the Ministry of Agriculture and Food Industry (MAFI), and delimited the competencies of the various bodies responsible for implementing standards and regulations relating to food security³¹. Currently there is a clear delimitation of competencies between the Ministry of Agriculture and Food Industry, the Ministry of Health (MoH) and the Ministry of Economy and Trade (MET) in the areas of origin and labelling of food products, as well as consumer complaints related to foodstuff. MAFI (through the Veterinary-Sanitary Agency and Security of Products of Animal Origin) has exclusive powers of surveillance and control of the circuit of products of animal origin throughout the technological chain. The MH (through the State Epidemiologic Service) surveys and controls the circuit of products of non-animal origin throughout the technological chain. MET (after receiving the prerogatives of the former Standardization and Metrology

³¹ By art. 42 and 43 (2) of Law no. 221 of 19.10.2007 on the veterinary-sanitary activity

Service) has exclusive powers of surveillance and control on checking labelling the advertisement, as well as on solving the notifications and complaints received from consumers.

In the framework of modernisation of the Republican Centre for Veterinary Diagnostics, a new laboratory has been rebuilt in 2008, with financial assistance from the European Commission. This allowed for the modernisation of Necropsy Section of the Centre, and the actual separation of the animal health direction from the food security direction. Additionally, a new laboratory for food security was build in order to increase the range of available tests for monitoring medication residuals.

With a view to build the capacities of veterinary doctors, MAFI adopted a concept for modernizing its information system and building an Intranet page. In accordance with the concept, by February 2009, MAFI will connect the regional veterinary offices to the Central Directorate of Veterinary Medicine through a new computer-assisted system of reporting.

Efforts have been continued in the field of identification, registration, movement controls and holdings, of animals and products of animals origin³². It is expected 95% of animals to be identified and recorded until the end of 2008. The monitoring system would be in place until 2010 recording 10% of stock selected according to the risk analysis principles. In September-October 2008 two pilot-projects in Orhei and Straseni districts, regarding connection of regional veterinary laboratories to the system of animal identification were lunched.

Standards in Civil Aviation

As regards aviation Moldova will sign the association agreement to the Joint Aviation Authorities (JAA), – a European organization which elaborates standards and rules for all European states members of JAA, JAR's - Joint Aviation Regulations. Starting 1 July of 2009 JAA will transfer its competences to EASA - European Air Safety Agency, which will elaborate IRs - Implementing Rules. Republic of Moldova will apply these rules in order to be recognized in European air space after the signing of Association Agreement. Relevant note for expressing interest in joining EASA is sent to the MFAEI.

Metrology, Standardization, Testing and Quality System (MSTQ): Consumer and Industrial Goods

Horizontal legislation in (MSTQ) is to large extent harmonized with EU Acquis and WTO/TBT requirements as assessed by external experts. Standards are voluntary since 01.01.2007³³. The institutional framework has been “unbundled” to promote industrial competitiveness and to avoid conflict of interest through new institutional structure whereby there is a clear division between units with policies implementation and policies making functions. In this respect two Government Decisions³⁴, establish and lunch the activity of GSIMSMCP (General State Inspection for Market Supervision, Metrology and Consumer Protection) and GSITSHIO (General State inspection for Technical Supervision of Hazardous Industrial Objects) respectively. The big task ahead is to make this modern system work properly.

³² Obligation to establish such a system fall under the law 231-XVI of 20.07.2006 regarding registration and identification of animals and 221-XVI of 19.10.2007 regarding sanitary-veterinary activity as well as articles 19,20,22 and 30 of EUMAP.

³³ Law no. 590 of 22.9.1995 on Standardization, amended by Law nr. 421 of 22.12.2006 (introduction voluntary standards, creation standardization institute)

³⁴ no. 757 of 23.06.08 and no. 765 of 24.06.,2008

In 2008 progress was achieved in the area consolidating laboratories capacities for contemporary services, testing and supervising the quality of products. The “Action Plan of the Strategy in the Field of Consumer Protection”³⁵. foresee in the period of three years from 2008-2011, MDL 38000 of budgetary funds and MDL 7800000 lei. (USD 650000) of external assistance for laboratories modernization. The WB project “Competitiveness Enhancement Project” through its component B, (Metrology, Standardisation, Testing and Quality) contributed towards the improvement of National Metrological System in the area of measurement uniformity and precision. The improvements concern temperature etalon, metrological verification of dosimeters and electrical power measurement devices along with pressure laboratory and roads testing.

During the 2008, in the framework of legislation approximation, in line with the” National Program 2008-2009 regarding adoption of International and EU quality standards at national level”³⁶ and in regards of MET defined priorities among the industrial sectors, several progresses were recorded within National System of Metrology including 8 legal metrological regulations and 2 legal metrological norms adopted in the frame of Metrology Law³⁷. In total there were 91 adoptions of norms at the national level identical to the International standards (ISO/CEI) and 14 identical to the European Standards (EN) and 35 of technical regulations were harmonised with the community legislation. Further attention is necessary at the implementation and human resources development in associated areas. Further directions of development are participation in the Agreements regarding Conformity Assessment and the Acceptance of Industrial Products (PECA) and accession to the European Commission for Electrotechnical Standardization (CENELC)

7.7. Intellectual Property Rights

On November 26, the Government approved a new draft law on copyright and connected rights. The law is expected to be adopted by Parliament by end-2008. The new law envisages the transfer of competencies regarding the inspection and control of intellectual property (IP) rights enforcement to the Fraud Direction of Ministry of Interior. In March, 2008, the National Commission for Intellectual Property Rights³⁸ was created, with the mandate to coordinate and to intensify the cooperation of governmental institutions, civil society, NGO, academics and businesses on this issue. The first meeting of the Commission is planned for December 2008.

The new draft Customs Code integrates several EU regulation regarding IP rights³⁹. The Customs Service signed several memorandums of cooperation with private companies⁴⁰ regarding exchange of information, reciprocal trainings and instruction, research and technical expertise and other measures that support the proper protection of IP rights.

Special attention is paid to the regular training of public servants involved in the area of IP protection. In 2008, employees of the State Agency for Intellectual Property (SAIP) have

³⁵ Approved by Government decision no. 5 of 14.01.2008.

³⁶ Approved by the Standardisation and metrology Service of RM.

³⁷ Stipulated in the implementation plan of Law no. 647-XIII of 17.11.1995 modified through law no. 222-XVI of 25.10.2007.

³⁸ Created by Government Decision no. 489 of 29.03.2008.

³⁹ Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights, Commission Regulation (EC) No 1891/2004 of 21 October 2004 laying down provisions for the implementation of Council Regulation (EC) No 1383/2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights

⁴⁰ Among signatories B.V. PHILIP MORRIS MANAGEMENT SERVICES, JT INTERNATIONAL S.A., SRL. „Auto space”, and „British American Tobacco Moldova” S.R.L.

attended 50 training programmes and seminars, while 27 persons were trained as IP advisers. Special events were organised for employees of different central public authorities with an emphasis on MIA, CS, and MID. Two judges from the Court of Appeal and Supreme Court of Justice and Secretary of Appeal Commission have attended a specialised seminar in the area of IP. In 2009, the launch of a TWINING project in this area, as well as of a TAIEX seminar on Geographic Indications is planned.

7.8. Improving social assistance offered by the state

In 2008, the Government launched a far-reaching reform of social assistance. On October 1, a new law on state aid has entered into force. The law introduces a new, better-targeted system of social assistance, based on income-testing. At the first stage, families with at least one disabled member will benefit from social assistance. Starting with January 1, 2009 this category will be extended to families with one or more children, and starting with July 1, 2009 the rest of the families that qualify will benefit from social assistance. In order to finance the new system, the MTEF provides for the allocation of approximately MDL 200 mln. in 2008, and MDL 400 mln. in 2009.

On October 16, the Government approved the Regulation on Establishing the Amount and Payment Mechanism of Social Assistance, which provides the implementation mechanism of the new state aid system. On November 12, the Government approved the structure of a new automated system on social assistance, which will support local social assistants in applying the new system. By end-November, practically all the hardware and software has been distributed to local social assistance sections. A Social Inspection Unit has been created within the Ministry of Social Protection, Family and Child with the task to supervise and control the calculation and payment of social assistance from the 1 of January, 2009⁴¹.

In order to provide the necessary human resources for the implementation of the new system, MSPFC has employed 901 social assistants at the community level. All social assistants, as well as local public authorities and other stakeholders have been trained on the new system. In the context of ongoing development of human resources working in the system of social assistance, a strategy paper on the ongoing training in social assistance has been drafted. Also, on September 11, 2008, Government approved a decision⁴² to increase the salaries of social assistants.

As of end-November 2008, social assistants have identified households and individuals that qualify for state aid and are assisting them with information on how to apply for this aid. Actual payments of state aid are expected to begin in December 2008.

7.9. Sustainable development

Moldova has expressed its strong interest to participate in the 7th Framework Programme of the EU as an International Cooperation Partner Country. The Government is currently working with EU authorities to amend the PCA to this effect. According to the Academy of Sciences, 14 out of 60 projects developed jointly with Moldovan researchers are accepted for financing negotiation with the EC. Two out of five project proposals in the frame of the “People” programme of Marie Curie action have already been financed.

⁴¹ Government decision no. 1178 of 17.10.2008

⁴² Government Decision on the amendment of the Government Decision no. 381 of April 13, 2006

In line with the increasing attention to the environment and energy efficiency, the National Agency for Energy Regulation, is currently developing the “Methodology of New Tariff for Production of Fuel and Electrical Power from Renewable Sources” and “Regulation regarding guaranty of origin for electrical power produced from renewable sources”. The Ministry of Economy and Trade has submitted to the Government a new law on energy efficiency, which is expected to be adopted by end-2008.

In line with current legislation⁴³, the Ministry of Environment and Natural Resources (MENR) has been conducting environmental impact assessments. MERN evaluated infrastructure projects for the Goods and Passengers Terminal of Giurgiulesti International Free Port (2007) and Giurgiulesti - Cahul passenger and goods train route (2007). The ongoing process of new legislation development in the area of environment protection will further increase the quality of environment impact assessment, through distinguishing the environment impact assessment and strategic environmental assessment⁴⁴ and fulfilling other EC requirements.⁴⁵ The law on environment protection will be presented Parliamentary adoption in 2009⁴⁶.

⁴³ In the area of Environmental protection following laws assure an Environment Impact Assessment: law regarding environment protection (no. 1515-XII of 16.06.93), law regarding ecologic expertise and environment impact analysis (no. 851 – XII of 29.05.96) and Instruction regarding methods of organisation and implementation of ecologic expertise (nr. 188 of 10. 9.02 adopted by the (MENR) Ministry of Ecology and Natural Resources)

⁴⁴ as required by EU directives (2001/42/CE and 85/337/CEE).

⁴⁵ 2001/42/CE and 85/337/CEE

⁴⁶ Parliament decision no. 300-XVI of 24.11.2005 regarding Program of Legislation for 2005-2009