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JOINT STAFF WORKING PAPER

Implementation of the European Neighbourhood Policy in 2010
Country report: Republic of Moldova

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1. OVERALL ASSESSMENT

The Republic of Moldova and the European Union first established contractual relations in 1994 through a Partnership and Cooperation Agreement, which entered into force in 1998. On that basis, an EU-Republic of Moldova Action Plan was adopted in February 2005 for a period of three years and was extended by mutual agreement from February 2008 onwards. In order to provide further guidance for the implementation of the ENP Action Plan, a reform priorities matrix was tabled by the EU side in May 2010, and a yearly implementation tool was adopted at the EU-Republic of Moldova Cooperation Council of June 2010. In the context of the Eastern Partnership, negotiations on a future EU-Republic of Moldova Association Agreement were launched in January 2010, and negotiations since then have been progressing at a very good pace. This Agreement is conceived by both Parties as illustrating the most advanced and ambitious approach to the Eastern Partnership vision of association, including a Deep and Comprehensive Free Trade Area and a comprehensive programme of approximation to EU *acquis*. The negotiations on a Deep and Comprehensive Free Trade Area (DFCTA) will start, in the same framework, once the necessary conditions have been met.

Close cooperation, including at the various levels of the Cooperation Council, the Cooperation Committee and its four subcommittees, enabled both sides to steer the implementation of the Action Plan in 2010. This document reports on overall progress made in the implementation of the EU-Republic of Moldova Action Plan between 1 January and 31 December 2010. Developments outside this period are also considered when deemed relevant. It is not intended to be a general review of the political and economic situation in the Republic of Moldova.

Notwithstanding the unresolved political stalemate over the election of the next President of the Republic, the Republic of Moldova made good progress overall in most areas of the Action Plan. Progress was achieved in the legislative field as well as at the implementation level. Efforts were initiated to address the administrative capacity problems underlined in previous Progress Reports. The Republic of Moldova ratified, without territorial reservations, the Rome Statute of the International Criminal Court. Thanks to a dynamic and constructive political dialogue and cooperation with the EU, the Republic of Moldova was able to secure an unprecedented level of assistance from its international partners for the coming years. At the same time, the underlying political uncertainty and resource constraints prevented large-scale reform. More sustained efforts are needed to fight corruption, to reform the judiciary, prosecution and police, and to implement certain human rights commitments.

The structural vulnerabilities of the economy of the Republic of Moldova severely exposed it to the global crisis. In 2010, with large international financial support and the start of the recovery, the tasks of maintaining basic living standards whilst consolidating public finances – both reflected in the Action Plan – proved somewhat easier to achieve. The authorities maintained strict macroeconomic policies and launched structural reforms. By the end of the

reporting period, a post-crisis return to the macro-economic objectives set out in the Action Plan was well underway. This allowed the EU to disburse significant macro-financial assistance to the country. However, progress towards improving the functioning of the market economy and the business and investment climate through reforms aimed at achieving transparency and predictability of business conditions – another Action Plan objective – was too limited to bear fruit.

The EU proposed an Action Plan on Visa Liberalisation in January 2011.

The Moldovan authorities and civil society representatives participated actively in the multilateral framework of the Eastern Partnership, in particular through open dialogue and their contribution of the working programmes for the four thematic platforms. Together with the bilateral elements of the Eastern Partnership, this contributed to the strengthening of EU-Republic of Moldova relations and reinforcement of the follow-up on the priorities of the ENP Action Plan.

Finally, EU-Republic of Moldova cooperation on all issues pertaining to the Transnistria issue has remained good throughout the year. The Republic of Moldova continued to play a constructive part in the five informal meetings of the so-called "5+2" format, despite the fact that these efforts did not bring real progress towards the resumption of official talks. The Republic of Moldova and the Transnistrian de-facto authorities lent their coordinated support to the EU-sponsored confidence building efforts. The EU Border Assistance Mission to Moldova and Ukraine (EUBAM) has continued to operate smoothly.

2. POLITICAL DIALOGUE AND REFORM

The political dialogue between the Republic of Moldova and the EU was intense, with many high-level contacts. In January 2010, at the initiative of France and Romania, an informal "Group of EU ministers for the European Action of the Republic of Moldova" was set up in Brussels as a ministerial forum to advise the Republic of Moldova on its EU integration path; it met again in Chisinau in September.

Political consultations also took place between the Moldovan government and the EU Political and Security Committee, the Council Working Party on Eastern Europe and Central Asia (which visited the Republic of Moldova in September 2010), and the EU Political Directors. The EU-Moldova Parliamentary Cooperation Committee convened twice.

Democracy and the rule of law

The Republic of Moldova managed to make progress towards compliance with **democratic** principles in a year of severe budget constraints and in the context of protracted political crisis linked to the election of the President of the Republic. The resolution of this crisis through an inclusive process of political consultations among the country's main political forces remains essential, notably for ensuring the sustainability of the reform process. In particular, training and organisational measures were implemented to strengthen the parliament and the operation of the Central Electoral Commission – key institutions for the Republic of Moldova's democratic development.

During the year the country engaged in **two major polls**: first, a referendum in September to introduce a system for electing the President by universal suffrage; second, following the failure of the referendum as the minimum voter turnout requirement was not reached, pre-

term parliamentary elections in November. The Organisation for Security and Cooperation in Europe - Office for Democratic Institutions and Human Rights (OSCE/ODIHR) Election Observation Mission, which was present throughout the process, concluded that the elections "met most OSCE and Council of Europe commitments". In particular it noted that the media ensured that a "broad range of political views and election information" was available to the electorate. Nonetheless it underlined the need for further efforts "to strengthen public confidence in the democratic process".

The **Election code** was amended in June and September 2010, in order to address a number of deficiencies previously identified by the Venice Commission and the OSCE/ODIHR. Weaknesses remained with regard to the public control of campaign financing and the quality of voters' lists. If properly established and maintained, the centralised electronic voter register to be set up by law in 2011 could address the latter issue. An amendment modifying the mandate allocation method was strongly challenged by the parliamentary opposition. The timing of its adoption – four months before the elections and without public consultation – was widely perceived as being designed to benefit the parties in power, and was qualified by the OSCE/ODIHR as a breach of the Venice Commission's Code of Good Practice in Electoral Matters. Nonetheless, the Secretary-General of the Council of Europe and the President of the Venice Commission noted that the amendment did "not appear as an obstacle to the holding of free and fair elections".

Public administration reform was given new impetus. An e-government Centre was created, with the streamlining of public service delivery as its objective. Institutional development planning methods were revised ahead of major capacity-building efforts which will be supported in part by the Comprehensive Institution Building Programme under the Eastern Partnership. However, reform was slowed down by a long process of re-organisation and the unfinished reform of the civil service. Regarding **decentralisation,** a National Strategy for Regional Development was approved in March 2010 and the process of implementation was launched under the auspices of the new National Coordination Council for Regional Development. However, progress was hampered on the ground due to lack of resources at the local level.

In the field of **regional policy** dialogue Commissioner for Regional Policy J. Hahn signed a joint declaration with Prime Minister V. Filat during a visit in July 2010. However, new elections, government changes and uncertainty about ministerial structures delayed approval and implementation of a work programme until March 2011.

Steps were taken to improve the **justice system** and strengthen the **rule of law**. In July 2010, the Law on the Status of Judges was amended to increase judges' responsibility, with mixed results. The self-governing bodies of the judiciary were re-cast, in line with a decision of 2008. The implementation of a comprehensive judicial information system, ensuring the random distribution of cases, the recording of court sittings and the publication of court rulings, continued. However, the parliament did not abolish the widely-criticised specialised economic courts. Furthermore, an ongoing conflict between the executive and parliament, on the one hand, and the Supreme Court of Justice, on the other hand, diverted efforts away from reforming the judiciary.

The Law on the Bar was amended to create a self-governing body for lawyers, introduce a system of mandatory training, reform the apprenticeship system, and forbid representation in court by non-lawyers. A corps of private bailiffs was created in June 2010 to improve the execution of judgments. A Superior Council of Public Prosecutors was established, but further

reform of the prosecution was delayed. In November 2010 the government adopted a police reform concept which, if implemented, should lead to improvements in the way police investigators operate. No progress can be reported with regard to the implementation of the Law on Mediation.

The National Institute of Justice stepped up its training and qualification activities for judges and prosecutors. Nevertheless, the existence of a parallel qualification system at the Superior Council of Magistrates, and the direct appointments of judges, continue to raise questions as to the consistency and cost efficiency of public policy in this area.

The main challenge in reforming the justice system remained the limited resources available. While access to justice continued to be improved, with the introduction of a ceiling on case registration fees, other shortcomings of the legal aid system - mainly the lack of resources for its administration - were not addressed. In September 2010 the government adopted an action plan on the funding of the judicial system which began to address resources constraints. The EU, throughout the reporting period in this domain, consistently provided assistance to the Republic of Moldova in this important area, and it remains committed to continue to do so.

Only limited progress was observed in the **fight against corruption**, and more sustained efforts are needed. Awareness-raising campaigns continued; a new version of the Anti-corruption action plan was approved in May 2010 and a Civil Council was established to monitor the activities of the Centre for Combating Economic Crimes and Corruption. The enforcement of the legal framework remained a primary concern: the Council of Europe's Group of States against Corruption (GRECO) concluded that five of its six recommendations made in 2008 (second evaluation round) required further work. The GRECO Report for the third evaluation round comprised all in all 17 recommendations, pointing out the need for further amendments to the criminal law framework and for additional steps to ensure a more transparent party funding system and a new independent and effective mechanism for supervision of financing of political parties and electoral campaigns. Overall, the track-record of high level corruption cases is unsatisfactory. Coordination of law enforcement agencies, information exchange, parallel financial investigations and asset recovery remain problematic.

Human rights and fundamental freedoms

In March 2010 the Republic of Moldova and the EU initiated a structured **dialogue on human rights.** In September 2010 the government submitted a draft **National Action Plan on Human Rights 2011-2014** to the parliament. The draft plan, improved compared to its earlier version, still did not take into account some of the important recommendations made by civil society and international organisations. The reform of the Centre for Human Rights (Ombudspersons) was initiated.

While the government accepted responsibility for the instances of **ill-treatment** and **torture** reported during the post-election events of April 2009, investigation of the alleged abuses progressed slowly and did not address the pleas of the vast majority of the victims. The ad-hoc parliamentary commission of inquiry started work in January 2010, three months after it was set up. Its conclusions, delayed until July 2010, were not acted upon as required, thus creating a sense of impunity. In parallel, the government set up a commission to identify and indemnify the victims and in October 2010 provided compensation to 14 civilians and four policemen.

Limited progress was achieved in the eradication of ill-treatment and torture. The police reform concept of November 2010 did not acknowledge the issue. Whereas the Council of Europe recommended the creation of an independent torture investigation body, only a specialised unit was set up within the Public Prosecution Service, and no independent investigators were designated. The obligations laid down by the UN Committee against Torture to improve the functioning of the National Preventive Mechanism Against Torture were only partially addressed. As regards forensic evidence of physical abuse, the requirements of the Istanbul Protocol were still not met.

In 2010 the government started implementing a National Programme on **gender equality** and a related medium-term plan (2010-2012). It also designed a programme addressing the specific problems of women living in rural and suburban areas. Limited progress was made on the protection of persons from **domestic violence** and **sexual harassment** in the workplace. Courts issued some 40 protection orders under the recently adopted Law on Domestic Violence. In February 2010, the government adopted regulations on shelters for the victims of domestic violence as well as a number of professional guidelines, including for the police. In practice, effective protection remained unavailable in most rural areas, owing to the lack of shelters and appropriate social services.

Steps were also taken to protect **children's rights**, including the re-establishment of the National Council for the Protection of Children's Rights; the designation of special judges for juvenile justice; and the ban on solitary confinement for children in the Republic of Moldova's largest penitentiary. In April 2010, an inter-agency commission set up to address the issues of children left without parental care adopted an Action Plan, although the implementation of this plan has been undermined by the lack of resources. The parliament adopted in May 2010 the legal framework for the adoption of children. The government approved in June 2010 the national action plan for protecting children without parental care in 2010-2011.

The situation with regard to **freedom of expression** and **media pluralism** improved. A new Law on Freedom of Expression, largely in line with OSCE recommendations, was adopted in April 2010. Two TV stations with national coverage and several local TV and radio stations were opened. Observers praised the balanced editorial line of the national broadcasting company Teleradio Moldova following changes in its leadership and the strengthening of its Supervisory Council. This improvement, however, is mostly contingent upon individuals and is not guaranteed by law. The Audiovisual Code and the Electoral Code were amended to better regulate media coverage of electoral campaigns. No restrictions on the freedom of media were reported in the electoral context. Nonetheless, complaints about unfair treatment by the authorities were made by a nation-wide TV channel, a radio station and two newspapers linked to a major opposition party.

In June 2010 legal amendments were made to improve the exercise of the **freedom of association**, notably by avoiding re-registration with the authorities of established civil society organisations. At the same time, there was a fall in the number of violations of the **right to peaceful assembly**, although a number of restrictions continued to be reported. In May 2010, the Chisinau municipality requested the prohibition of the Moldovan gay pride parade, which led to the latter's cancellation for the third year in a row; in June, it withdrew its authorisation of a demonstration organised by a large opposition party.

No significant progress was made with regard to **minority rights** and the **fight against discrimination**. A Law on preventing and combating discrimination was not adopted. A

number of groups (including Roma, persons living with HIV/AIDS, and Lesbian, Gay, Bisexual and Transgender persons) continued to suffer from discrimination. In May 2010, the Committee of Ministers of the Council of Europe listed a number of "issues for immediate action" to combat discrimination. In November 2010, the government started to reflect on a new Action Plan on Roma Discrimination. **Persons with disabilities** also continued to face discrimination as well as pressure towards institutionalisation. However, in July 2010, a national strategy on their social inclusion, supported by an action plan, was adopted; as part of that effort, a roadmap was designed to introduce the World Health Organisation International Classification of Functioning, Disability and Health, and the related policy and regulatory reform measures.

Freedom of religion showed a slight improvement. Religion became an optional class in school, and religious activity by foreign citizens in public places was explicitly allowed. However, the treatment of religious groups not belonging to the mainstream Orthodox church remained problematic. A number of groups (mainly Muslim) continued to be denied registration; and although the authorities condemned the dismantling of the Jewish Chanukah Menorah in Chisinau by an Orthodox community in December 2009, the desecrated object was not replaced, which contributed to a sense of impunity.

No new developments can be reported as regards **trade unions' rights** and core labour standards (***see under employment and social policy part)***.

The execution of judgments of the **European Court of Human Rights** improved throughout the reporting period, but not all measures have yet been taken to address the systemic problems noted in the Court's decisions.

During the second half of the year, the Republic of Moldova ratified the International Convention on the Rights of Persons with Disabilities. The following remain to be ratified: the Optional Protocol to the latter convention, the International Conventions for the Protection of All Persons from Enforced Disappearance and on the Rights of All Migrant Workers and Members of their Families, and the European Charter of Regional and Minority Languages. The Republic of Moldova continued to cooperate actively with the UN human rights mechanisms, and in June 2010 extended an open invitation to all UN special procedures.

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

The Republic of Moldova cooperated closely with the EU on regional and international issues, and aligned itself with 38 of the 44 EU **CFSP declarations** open for alignment. In October, the government deposited the ratification documents of the Rome Statute of the **International Criminal Court.**

The Republic of Moldova and Ukraine did not succeed in finding a negotiated solution to their few remaining disagreements over the demarcation of the northern and southern segments of their common border. Whereas bilateral contacts on these issues intensified at the expert level, more attention and effort are needed on this matter at political level given the importance of border management issues in the visa dialogues of the two countries with the EU.

Cooperation for the settlement of the Transnistrian conflict

The Republic of Moldova cooperated with the EU on all issues related to the Transnistria settlement efforts. It played a constructive part in the five informal meetings of the so-called "5+2" format, which yielded long-overdue, though only limited, progress towards the resumption of formal talks. The Deputy Prime Minister in charge of the Transnistrian settlement had frequent informal meetings with the Transnistrian negotiator. The Republic of Moldova and the Transnistrian de-facto authorities lent their coordinated support to the EU-sponsored confidence-building projects, and reactivated their bilateral sectoral working groups. As a result, train passenger traffic to and from Odessa (Ukraine) through the Transnistrian region resumed.

EU Border Assistance Mission to Moldova and Ukraine (EUBAM)

The Republic of Moldova continued to be fully committed to, and participated constructively in the work of the EU Border Assistance Mission to Moldova and Ukraine (EUBAM). A EUBAM branch office was opened in Chisinau in February 2010. With EUBAM support, the Moldovan customs and border guard services continued to enhance their professional capacities, as well as inter-agency cooperation within the Republic of Moldova and between the Republic of Moldova and Ukraine. EUBAM supported the demarcation of the central segment of the Moldovan-Ukrainian State border on the Ukrainian side.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework and functioning of the market economy

The global crisis hit the Moldovan economy hard. GDP contracted by 6% in 2009, with investment and remittances falling by around 30%. The sharp fall in external financing sources exposed a severe financing gap. On 29 January 2010, the IMF agreed to provide financial assistance of approximately USD 560 million (EUR 420 million) spread over three years. This was supplemented by EUR 90 million of EU macro-financial assistance.

In 2010 the Moldovan economy began to recover. Real GDP grew by 6.9%. Private consumption and investment started to rise again, although external demand subtracted again from growth. On a sectoral basis, the recovery was broad-based, with agriculture, industry and services all growing. Exports rebounded strongly but were outpaced by imports, meaning that the persistently high trade balance expanded by about 2% of GDP. The increase was offset by a rise in remittances and labour income and the current account deficit decreased slightly from 8.5 %of GDP in 2009 to 8,3% of GDP in 2010. Foreign direct investment inflows are estimated to have risen to 3.5% of GDP from 2.3% % in 2009 (although still less than a third of the level in 2008). Long term external borrowing increased again together with the official reserves, although also supported by the multilateral and bilateral financial assistance. The weakness on the external accounts subsided in 2010 while the IMF programme and the international donor assistance continued supporting the macro-economic stability and the government's reform agenda.

After decreasing rapidly through 2009, inflation edged up again through 2010, while credit and domestic demand remained subdued. In particular, inflation was driven up by increases in food prices and energy tariffs, the depreciation of the leu, and higher excise rates. The Consumer Price Index rose to 7.41% in 2010 (period average). In response to mounting inflationary pressures, the National Bank of Moldova (NBM) reversed the trend of monetary easing by raising the base lending rate twice in the first quarter of 2010, up to 7% and further

to 8% in January 2011. The National Bank of Moldova (NBM) adopted a more explicit policy of inflation-targeting, with a target of 5% ±1,5 percentage point for the end of 2012. The NBM's policies have started to be gauged in quarterly Monetary Policy Reports, the first of which was published in February 2010.

The authorities have focused fiscal and monetary policy on ensuring macroeconomic stability and fiscal consolidation. The government reduced the deficit in 2010 to 2.5% of GDP *)* from 6.3% in 2009. The reduction was driven by the good performance of revenues linked to the economic recovery, cuts in general public services and reduced debt servicing costs, as well as regulatory rises in taxation contributing to a substantial increase in revenue. The 2010 budget included increases in VAT on gas, and higher excise duties on tobacco products, luxury cars, alcoholic beverages and perfumes. Government debt increased somewhat to around 26% of GDP.

In the context of efforts to put the economy on a reform path, the government has adopted a wide-ranging medium-term structural reform programme ('Rethink Moldova'). The programme received the support of international donors at the Consultative Group meeting of March 2010 organised by the World Bank and by the Commission. In the medium term, the government aims at further narrowing the budget deficit, mainly through an adjustment of current expenditure on wages, goods and services, and subsidies. In line with Action Plan objectives, the government also aims at reforming the civil service and the judiciary; combating corruption; reducing and streamlining business administration, providing greater support to small and medium-sized enterprises, and improving education and health. A total of EUR 1.9 billion (of which EUR 550 million from the EU) were pledged by international donors in support of the programme for the period 2010-13.

Employment and social policy

As 30% of the Republic of Moldova's population lives in **absolute poverty** and 4.5% lives in **extreme poverty**, the impact of the recession on living standards has been acute. The major near-term challenge for the Republic of Moldova is to fight poverty and maintain basic living standards, whilst consolidating public finances.

The economic recovery is not yet reflected in **employment** creation. Unemployment continued to rise and was estimated at 6.5% according to the survey-based ILO methodology at the end of 2010 – while officially registered unemployment is estimated at 3.4% for the same year. Youth unemployment (16-24 years old) also rose, to 18.9%.

In January 2010, the funds for active employment policies (training, mediation, placement in the labour market) increased, but the resources for passive policies remained much higher. Active Labour Market Policies are often not offered as comprehensive packages of employment and training services and do not reach those who are "hard to place". In March 2010, the government approved the 2010 National Action Plan on Employment.

The Republic of Moldova continued convergence towards EU standards in the area of employment and social policy. In May 2010, the government approved national legislation in line with the EU directive on the minimum requirements for safety and health at the workplace, following the ratification of the International Labour Organisation (ILO) Convention on occupational safety and health. The Amendment to Article 20, paragraph 1 of the Convention on the Elimination of All Forms of Discrimination against Women was ratified in September.

No new developments can be reported as regards **social dialogue**.

As regards **labour rights**, the Labour Code was amended in July 2010 with changes aiming at respecting human dignity, preventing discrimination based on gender and against persons infected with HIV, as well as at combating sexual harassment at the workplace. A government Decision of May 2010 transposed into Moldovan national legislation the EU Directive (89/391/EEC) regarding the minimum requirements for **health and safety at the workplace**.

In the area of **social protection**, the Republic of Moldova put in place targeted compensation schemes for heating costs for families receiving social assistance, low wage public sector workers and pensioners on low incomes. The minimum guaranteed income was increased in October 2010 by 40% for the first three months of 2011. Although social aid continued to expand, as of August 2010 it only covers 27% of the poorest 10% of the population and 7.6% of the second poorest. The Republic of Moldova continued to extend the new targeted social assistance scheme and, according to the ministry of labour, Social Protection and Family over two thirds of the eligible households (a target agreed with the IMF) benefited from at least one social allowance by the end of 2010

4. TRADE-RELATED ISSUES, MARKET AND REGULATORY REFORM

The EU remained the Republic of Moldova's most important trade partner. Moldovan exports to the EU increased by 12.8%, while EU exports to the Republic of Moldova increased by 24.7%. The Republic of Moldova's trade balance with the EU remains substantially negative, accounting for EUR 948 million. The EU Autonomous Trade Preferences (ATPs) granted to the Republic of Moldova since March 2008 had a positive impact on trade flows, as the Republic of Moldova used its EU import quotas mainly for non-animal related products. A proposal from the Commission to extend the current ATP Regulation, which would also include a significant increase of the wine quota, will be presented to the Council in May 2011. The negotiation of the Agreement for protection of Geographical Indications made good progress during the reporting period. The legal framework was further developed with, inter alia, the adoption of regulations on the procedure for filing, examination and registration of Geographical Indications, Appellations of Origin and Traditional Specialties Guaranteed. There were no developments in relation to the ecological tax on the eco-declaration on imports of products packed in plastic recipients and in plastic coated paperboard.

The Commission carried out a fact-finding mission to the Republic of Moldova in June 2010 and established a detailed assessment of the Republic of Moldova's preparedness for a **deep and comprehensive free trade area** (DCFTA). It made recommendations on key reforms which the Republic of Moldova would need to undertake in order to start negotiations ("key recommendations"). To address these recommendations the Republic of Moldova adopted an Action Plan in October 2010. The plan was prepared in consultation with the private sector and provides for the creation of Mixed Working Groups for the DCFTA.

As of January 2010 the **Customs** Service of the Republic of Moldova (MDCS) comes under the ministry of finance. The modernisation of the MDCS in line with the EU standards is continuing via the implementation of the 2009-2011 Institutional Development Plan and the Strategy of Professional Training for 2010-2013. In order to strengthen customs control based on risk management, the MDCS developed a risk management action plan. It also drafted new regulations on procedures for risk assessment, analyses, profiling, monitoring and reviewing

of the risk management process, including the reporting system. It furthermore reinforced the central and local levels by means of additional personnel and training. The MDCS set up a specialised IPR division at central level. In June 2010, the Republic of Moldova adopted a law for abolishing customs fees. Since July 2010 the Republic of Moldova has applied the ATA Carnets System for the facilitation of temporary import procedures. The MDCS launched the implementation of the "Trustworthy economic operators" programme which provides for a simplified customs control procedure for reliable companies. In July 2010, the MDCS approved a regulation which outlines the criteria and procedures for obtaining the said status. As far as cooperation with other enforcement agencies at the border is concerned, in April 2010 the MDCS and the Border Guard started implementing a new on-line information exchange system to simplify control procedures.

On the free **movement of goods and technical regulations,** the Republic of Moldova continued to make some progress. The government adopted a draft law on accreditation in August 2010 and submitted it to the parliament. The Republic of Moldova has adopted over 700 EU standards since late 2009.

In the area of **sanitary and phyto-sanitary** (SPS) rules, the Republic of Moldova took further steps towards gradual approximation with EU rules. This is important, *inter alia*, in the context of a future DCFTA. The Republic of Moldova started developing a food safety strategy. It adopted implementing legislation in areas such as hygiene rules and prepared other SPS legislation. The European Commission's fact-finding mission of June 2010, preparing the DCFTA, showed that the Republic of Moldova will have to make further progress in the sector. In May 2010 the Republic of Moldova adopted rules on food of animal origin and on hygiene for food. The Republic of Moldova trained SPS experts, further strengthened laboratories and continued the identification of animals with a view to developing traceability. In May 2010, the European Commission's Food and Veterinary Office (FVO) carried out a mission to the Republic of Moldova on residue control in live animals and animal products and the control of veterinary medicinal products. This mission monitored the implementation of the action plan established by the Republic of Moldova following a FVO mission in 2008.

The **business climate** was improved through the adoption in June 2010 of a law on a 'one-stop-shop' for business registration and in September 2010 of a new law on Internal Trade that clearly stipulates the authorisation procedures for business activities. The ministry of economy conducted an inventory of the permissive acts issued by public central authorities to entrepreneurs, instruments such as authorizations, permits, certificates, approvals and declarations. The study concluded that only 270 of the 400 or so acts should be maintained.

There were no significant developments on **company law** and the bankruptcy law in 2010.

On **financial services**, while the banking system is well capitalised, there are a large number of non-performing loans, amounting to 17% of all bank loans, and a high proportion of foreign currency denominated loans, around 45%, which heightens exchange rate vulnerability. Partly as a result of this, as well as due to falling deposits, banks significantly tightened their lending criteria. The parliament adopted a Law on Financial Institutions in September 2010. This will also lead to some modifications in the Law on the National Bank of Moldova (NBM). The Strategy for Development of the Non-Banking Financial Sector 2010-2013 was adopted in August 2010. It provides for consolidation of regulatory and surveillance system; development of securities markets; strengthening of a network for loan associations; and reduction of risks as well as protection of the rights and interests of financial

market participants. A draft law on capital markets was presented to the government in September 2010.

There were no new developments in the policy area of **movement of capital and current payments**.

Other key issues

The Republic of Moldova continued to strengthen its **tax** administration and developed a medium-term strategy for its reform (State Tax Service Development Plan for 2011-2015), and a tax compliance strategy for 2011. More efforts are needed in terms of policy formulation. The Republic of Moldova approved a new regulation on VAT refunds in October 2010, which assigns the responsibility for examination of requests for VAT refunds to the heads of local tax units with a view to simplifying the refunds procedure and increasing transparency.

There was no progress in the key area of **competition policy**. Work on the new Law on Competition is still ongoing.

In the field of **intellectual property rights,** the Republic of Moldova adopted a law on copyrights and related rights in July 2010. The National Commission on Intellectual Property started work in July and is to take the lead in implementing and enforcing intellectual property legislation. Enforcement of intellectual property rights remained an issue of concern. The level of piracy and counterfeiting remained high. According to a study by an independent expert organisation, published in May 2010, prevalence of software piracy had risen to 91%. The Republic of Moldova ranks as the third most affected country in the world. The National Commission on intellectual property started work in July 2010. Following the Republic of Moldova's request to negotiate an extension agreement with the European Patent Office (EPO), a feasibility study was launched. The Customs improved its surveillance of the borders by setting up a specialised IPR division and by completing its IPR register, doubling its risk profiles in Asycuda World from 15 to 30.

Approximation of the Moldovan **public procurement** legislation continued on the basis of the 2007 law. An independent Public Procurement Agency was created under the ministry of finance. Sectoral Legislation Approximation Guidelines for convergence towards EU law were developed to help complete the work; the main shortcomings concern the domestic preference for contracts below MDL 2.5 Million (EUR 152,000), the electronic procedure and the appeals procedure. Practice showed increased public confidence in the fairness of the procurement system. Over 900 representatives of contracting authorities were trained in the new procurement systems.

The National Bureau of **Statistics** continued implementing the Strategy for National Statistics Development and Action Plan for 2008-2011. It prepared the upgrade to the Classification of Economic Activities of the Republic of Moldova according to the Nomenclature of activities within the European Union - NACE rev.2 and launched the Consumer Price Index calculator on its web site. In September the government approved the concept for the development of the Statistical Information System. The dissemination of statistical information was further improved.

In August 2010 the Republic of Moldova adopted the Action Plan for the Development of **Accounting and Auditing** in the Corporate Sector for 2009-2014. The new National

Accounting Standards will be implemented from January 2014 except for public entities, starting in 2011. The ministry of finance undertook preparation and broad consultation on the introduction of International Financial Reporting Standards (IFRS) for SMEs as an optional second level reporting standard, whilst retaining the existing National Accounting Standards, which were updated in line with recent developments in IFRS.

During 2010, the ministry of finance started work on measures to improve the organisational structure of the Audit Oversight Council and to ensure operation in line with the EU Directive on Statutory Audit. A Working Group to draft proposals for amendments to the Law on Auditing was set up in September 2010.

On **enterprise policy**, the government continued to implement the Institutional Development Plan (IDP) for 2009-2011 in support of SMEs. It also adopted a national strategy for **consumer protection**, which provides for the cooperation of governmental bodies with civic associations and for some public financial support. The Republic of Moldova improved the compliance evaluation process, reinforced consumer protection, made market supervision more efficient, facilitated domestic trade, eliminated certain administrative constraints and reduced operational costs for authorising trade activities. A new retail price formation mechanism for medicines was also developed.

With regard to the management of **public finances**, the ministry of finance proposed additional amendments to the 2009 law on budget systems and processes in the context of the 2010 Budget Law. Work on budget preparation and implementation methodologies progressed satisfactorily, but the new law on public sector financial management and accountability remains suspended and further reforms are being introduced through other legislation. Weak implementation capacity within the Treasury, including staffing and management, may be hindering progress on developing further budget implementation methodologies.

In July 2010, the government approved the **public internal financial control** development programme, setting out its strategy and action plan for implementation. In September 2010, the parliament approved a new law on public internal financial control and this will enter into force in November 2011. The Central Harmonisation Unit within the ministry of finance continued developing methodological norms for improved financial management and control. Considerable awareness-raising and training effort will still be required in order to explain and implement the new approach to public internal financial control

The Court of Accounts adopted Financial Audit and Performance Audit manuals for **external audit** in line with the International Organisation of Supreme Audit Institutions (INTOSAI) standards and prepared a Development Strategy for 2011-15.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

In the field of **mobility**, in June 2010 the EU and the Republic of Moldova established a visa dialogue examining the conditions for visa-free travel of Moldovan citizens to the EU as a long-term goal. The EU prepared an Action Plan on visa liberalisation and forwarded it to the Republic of Moldova in January 2011. The Action Plan contains two sets of benchmarks and identifies all the measures to be adopted and implemented as well as clear requirements to be achieved.

The implementation of the Visa Facilitation and Readmission Agreements with the Republic of Moldova has continued. The European Commission adopted in October 2010 draft negotiating directives for the renegotiation of the Visa Facilitation Agreement in order to align it with the new Visa Code and to introduce further facilitations. The negotiating directives were approved by the Council in April 2011.

Regarding the **mobility partnership**, new initiatives were included, covering areas such as strengthening organisational and institutional capacity of the Republic of Moldova to regulate legal migration flows, promotion of sustainable use of remittances and their attraction into the local economy, supporting the implementation of the EU-Republic of Moldova visa facilitation and readmission agreements, protection of victims of trafficking, analysing the effects of migration on families left behind, as well as protection of refugees and asylum seekers. The implementation of most of these projects will start in 2011.

As far as the **asylum** system is concerned, the Republic of Moldova continues to be covered by a Regional Protection Programme (RPP) for Eastern Europe (encompassing also Belarus and Ukraine). Phase II of this RPP will start being implemented in 2011. So far the Programme has been successful. The asylum legislation has been aligned with EU standards. However, needs to ensure that the rights of recognised refugees are enforced (i.e. regarding the issuance of travel documents).

In July 2010, the Republic of Moldova adopted the Law on Foreigners, which regulates the entry, stay and exit of foreigners. The law includes provisions for a 'one stop shop' for foreigners to obtain residency permits.

In the area of **border management**, the Republic of Moldova established a National Council on Border Management in September and adopted its Integrated Border Management strategy in November 2010. In addition, it cooperated closely with EUBAM, FRONTEX and other partners in the TYRA joint border control operation. This intelligence-led action enabled Moldovan and Ukrainian agencies to identify illegal migration and contraband channels and to develop a corresponding *modus operandi*.

Concerning the fight against **organised crime,** the ministry of the interior established an inter-agency Working Group in July 2010 to draft a law and a corresponding Strategy for the period 2010-15.

The Additional Protocol to the Council of Europe Convention on Cybercrime concerning the criminalization of acts of a racist or xenophobic nature committed through computer systems, which the Republic of Moldova signed in 2003, remained un-ratified.

With regard to the fight against **trafficking in human beings**, an amendment to the 2005 law in June 2010 specified the state authorities and agencies involved in addressing the issue. In August, the National Committee for Combating Trafficking in Human Beings adopted its second National Action Plan for 2010-11 establishing state policy on coordination; prevention; victim assistance and witness protection; criminal investigation and prosecution. The number of victims still remains high, and much greater efforts are required in order to tackle organised trafficking networks and related corruption activities. The National Referral System for the protection of victims under the ministry of labour, social protection and the family needs to be enhanced. Considerable capacity-building of all relevant stakeholders including law-enforcement agencies is still needed. Further vigorous action to prevent and combat violence against women is also necessary. Measures to improve reintegration of and

assistance to victims should be stepped up. Strengthening cooperation with civil society in these efforts is fundamental.

An inter-ministerial Agreement with the Russian Federation on combating trafficking is being discussed with view to signature in 2011.

Concerning the fight against **drugs**, in December the government approved a National Strategy on Combating Drug Trafficking and Addiction for 2010-2017 as well as a first Action Plan. The Strategy is evidence-based and predicated on targeting both drug demand and supply as well as harm reduction, in line with EU practice. In September, the Anti-Drugs Department of the ministry of the interior participated in the "Narcostop 2010" operation organized by GUAM countries (Georgia, Ukraine, Azerbaijan and the Republic of Moldova) focusing on operational coordination of law enforcement agencies along regional transport corridors. However, drug trafficking and its links with organised crime remains an issue of serious concern which requires intensified inter-agency law enforcement cooperation both nationally and regionally. The development of an integrated approach on drug demand and supply reduction needs investment, particularly in capacity building, training and operational coordination. In October 2010, the Republic of Moldova participated in the ENP regional seminar on the EU drug monitoring system organised by EMCDDA (European Monitoring Centre for Drugs and Drug Addiction) and the Commission in Brussels.

With regard to the fight against **money laundering**, the Centre for Combating Economic Crime and Corruption elaborated a draft National Action Plan against money laundering and the financing of terrorism in February 2010. The Moldovan Financial Intelligence Unit participated in the Egmont Group meeting in October 2010 leading to negotiations on information exchange agreements with Portugal, France, Malta and Azerbaijan. The Republic of Moldova continued to implement the national control regime based upon the 40 plus 9 Special Recommendations of the Financial Action Task Force (FATF) and in line with Council of Europe Moneyval recommendations. Due diligence, 'Know Your Customer' (KYC) and 'Know Your Business' (KYB) practices continued to be implemented within financial institutions and reporting agencies, in line with statutory obligations.

In the area of **data protection**, the Republic of Moldova signed the Additional Protocol to the 1981 CoE Convention for the Protection of Individual with regard to the Automatic Processing of Personal Data regarding supervisory authorities and trans-border data flows in April 2010.

Regarding **police and judicial cooperation,** the Republic of Moldova actively participated in the information exchange activities of the SECI centre (Southeast European Cooperation Initiative) and with other GUAM countries. In July 2010 the ministry of interior agreed an Action Plan with the General Inspectorate of the Romanian Gendarmerie. The government approved the concept for the reform of the ministry of interior and its subordinated and deconcentrated structures in December 2010. The Republic of Moldova has not yet signed the Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters.

With regard to judicial cooperation in civil matters, no progress can be registered regarding the accession of the Republic of Moldova to some important Hague Conventions e. g. conventions on judicial assistance (1965 Convention on the **Service Abroad of Judicial and Extrajudicial Documents** in Civil or Commercial Matters and 1970 Convention on the **Taking of Evidence** Abroad in Civil or Commercial Matters) and on Child protection (1996

Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in respect of Parental Responsibility and Measures for the **Protection of Children**). The implementation of the 1980 Hague Convention on International Child Abduction is also a matter of interest for the Commission.

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

In January 2010 the government started allocating 50% of the fuel excise tax revenues to a road fund. This boosted the implementation of the land **transport** infrastructure policy. The procurement of works for investments financed by various donors made significant progress. As regards the United Nation Economic Commission for Europe (UNECE) - AETR agreement on driving times and rest periods, the ministry of transport developed a security policy for the use of digital tachographs that has been approved by the European Certification Authority (ERCA). As from 1 January 2011, drivers of vehicles equipped with digital tachographs will be fined when conducting international transportations, if they do not have the personal driver card. Furthermore, the Republic of Moldova approved a National Road Safety action plan.

The Republic of Moldova cooperated closely with the European Aviation Safety Agency and plans to achieve a higher level of integration with the EU through the negotiation of a comprehensive aviation agreement aimed at creating a Common Aviation Area.

As regards inland waterways, there is a need to ensure that the Republic of Moldova's inland waterway fleet will meet UNECE requirements. In the maritime sector, the Republic of Moldova's main port, in Giurgiulesti on the Danube River, substantially increased the turnover of goods. Construction work to extend the port for container handling is ongoing. Maritime safety remains an issue of great concern. The Moldovan fleet still figures in the 'High Risk' category of the black list of the Paris Memorandum of Understanding on port state control.

In May 2010 following the entry into force of the new electricity and gas laws (in February 2010), the Republic of Moldova became a member of the **Energy** Community. The Republic of Moldova initiated an update of its energy strategy. The situation in the energy sector remained difficult due to the heavy dependence on (Russian) imports, major inefficiencies and historical debts. In March 2010, the Republic of Moldova adopted a plan to implement the EU acquis in accordance with its obligations under the Energy Community Treaty. In May, the regulator adopted rules to enhance transparency in its decision making. The Republic of Moldova continued to assess ways to address historical gas supply debts including gas supplies to Transnistria. The Republic of Moldova started addressing losses and arrears in the heating sector. Since January, the Republic of Moldova has transferred the responsibility for setting heat tariffs from the municipalities to the energy regulator. In January and May, the Republic of Moldova adjusted heat, electricity and gas tariffs.

The Republic of Moldova pursued preparations to assess the possibility to join, together with Ukraine, the interconnected electricity networks of continental Europe. It continued the construction of the electricity interconnection Gotesti-Falciu (Romania) and further studied the Balti-Suceava (Romania) electricity interconnection. The Republic of Moldova rehabilitated electricity and gas networks and further reduced network losses. It drafted an inventory for the maintenance of gas pipelines. The Republic of Moldova continued to

implement its programme to gasify the country and assessed the possibilities for underground gas storage. The Republic of Moldova and Romania studied the construction of the reversible Ungheni-Iasi gas pipeline.

In July 2010 the Republic of Moldova adopted an energy efficiency law, which provides, inter alia, for the establishment of an energy efficiency agency. The Republic of Moldova took steps towards an energy efficiency programme, the updating of the law on renewable energy, as well as action plans on renewable energy and biofuels. The Republic of Moldova needs to step up its efforts to update and implement its energy strategy in this area.

In the field of **climate change,** the Republic of Moldova completed a first draft National Low Emission Development Strategy and a draft National Climate Change Adaptation Strategy**.** The Republic of Moldova continued to prepare projects under the Clean Development Mechanism (CDM), even if no new projects were registered at the UN level, leaving the overall number of registered projects at four. The European Commission continued to support the Republic of Moldova in the implementation of the Kyoto Protocol. The Republic of Moldova is encouraged to fully implement the Cancun agreement and in particular devise a low carbon development strategy including update information on target or actions that it will implement

Regarding the **environment**, the legislative framework for environmental policy continues to require further development, and implementation of legislation remains a challenge. There was little development in the preparation of a new environment framework law, a law on environmental impact assessment and a new water law, as well as legislative amendments on nature protection. The Republic of Moldova made progress in developing river basin management plans with neighbouring countries. It also took some steps to promote the integration of environmental considerations into other policy sectors, such as energy. The ministry of environment obtained additional staff, although further strengthening of administrative capacity at all levels remains a major challenge. Coordination between authorities continues to require attention.

Procedures and consultation with the public in the context of environmental assessments continue to require particular attention. The Republic of Moldova finalised a plan for implementing the Aarhus Convention. The Moldova Regional Environmental Centre continued to play an important role in enhancing stakeholder participation and networking in the area of the environment. The Republic of Moldova made no significant progress in the ratification of remaining relevant UNECE protocols. Furthermore, particular attention is needed with regard to the implementation of several agreements which are already ratified.

The Republic of Moldova participated in the EU Water Initiative, including a national policy dialogue, as well as in the International Commission for the Protection of the Danube River. Cooperation and information exchange took place between the Commission and the Republic of Moldova, including on the 2001 national concept of environment policy, water, forestry, waste management, management of environmental information, nature protection and air quality.

In the field of **civil protection,** an administrative arrangement to reinforce cooperation between the authorities of the Republic of Moldova and the EU Civil Protection Mechanism is under preparation. There are also activities under the EaP framework (*please see the sectoral report*).

In the **information society** sector, the National Regulatory Agency for Electronic Communications and Information Technology started the market analysis process, identified six relevant markets and designated the incumbent operator as having significant market power in two of them (wholesale access to network infrastructure at a fixed location and wholesale broadband access). This is expected to lead to obligations imposed on these operators that will open the fixed telecommunications markets to competition. Other important measures concern the management of the National Numbering Plan and the National Table for Frequencies Allocation, the alignment to the EU decision on harmonised numbers for services of social value and the elaboration of the methodology to be used for drafting the cost calculation models for interconnection and access services.

Some positive initiatives are reported in the field of e-government, including the establishment of an e-government centre in August 2010. To improve accessibility in rural areas, the International Telecommunication Union (ITU) will implement a pilot project on the connection of education institutions to broadband Internet in rural areas of the Republic of Moldova. The Republic of Moldova has made progress to improve high speed connectivity with research and education networks. This included the inauguration of the fibre link between the Republic of Moldova and the GEANT network node in Romania, which took place in May 2010. Via this link, the Moldovan research and education community has full access to its European and global partners.

Regarding the **audiovisual** sector, there is a need to ensure that all enacted legislation in the field of media complies with European standards on media regulation, in particular the laws on state secrets and on transparency in the public decision-making process which entered into force in 2009. There is also a need to ensure the further approximation of audiovisual legislation and standards to those of the EU, in particular with regard to the 'Audiovisual media services directive'.

Investment in **Research and Innovation** remains at relatively modest levels. During 2010, the Academy of Science continued to be very active in preparing the Moldovan research community for association to the 7th Framework Programme (FP7), by implementing a comprehensive action plan to increase research capacity. Although the numbers of applications from Moldovan research organisations to FP7 increased slightly in 2010, the overall number of applications still remains relatively low.

The Republic of Moldova continued to participate actively in the International Science and Technology Cooperation Network for Eastern European and Central Asian countries (FP7 IncoNet EECA project), which aims to support a bi-regional EU-EECA policy dialogue and to increase EECA participation in FP7. The Republic of Moldova is a target country under the new FP7 International Cooperation Network for Central Asia and South Caucasus countries (FP7 IncoNet CA/SC) which was launched in April 2010 and aims to strengthen and deepen the EU S&T cooperation with the CA/SC countries.

The Republic of Moldova is also taking an active part in the Black Sea ERA-NET project, the aim of which is to contribute to the coordination of national research programmes (from EU member states and partner countries) targeting the extended Black Sea region. The project consortium for the Black Sea ERA-NET project recently launched a first joint call for research proposals to develop innovative solutions for sustainable development in the region.

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

The ministry of education drafted a new **Education** Code which was submitted to public consultation in April and presented to parliament in June, but not yet adopted. It includes important provisions on decentralization to the regions, lifelong learning, quality assurance and the involvement of social partners in education. Most higher education institutions have achieved Bologna Process objectives, such as the implementation of a two-cycle system; the quality assurance measures; the European Credit Transfer and Accumulation System (ECTS); and the recognition of diplomas. However, further work is required on the development of a national qualifications framework that is compatible with the European Qualifications Framework (EQF) and on the organization of third cycle for doctoral studies.

In the field of **vocational education and training** (VET), reforms continued to orient training provision towards labour market demands in line with the 2007 National Strategy. The Consultative Council finalised a first draft of a comprehensive National Qualifications Framework with the technical support of the European Training Foundation. The first national report under the Torino Process, spearheaded by the Republican Centre for VET Development, identified the following as future priorities: a clear role for social partners in training provision, learning opportunities for adults and young people outside formal education, and effective financing. As in 2009, EU assistance focused on improving training content in the context of the EU-Republic of Moldova Mobility Partnership with results achieved in the definition of occupational standards and development of a competence-based approach in education and training. Continuing work on social dialogue in education and training is needed in order to enable training provision and policy to better meet the demands of employers and the labour market.

Higher education reform continued to benefit from participation in **Tempus,** with 5 projects selected under the third Call for Proposals for Tempus IV, including support for the creation of doctoral studies in line with policy commitments under the Bologna Process. The programme continues to facilitate implementation of Bologna reforms with all 17 public universities taking part.

Six Moldovan students were awarded scholarships for **Erasmus Mundus** Masters Courses under Action 1. In 2010, Moldova State University became the first Moldovan university to be selected as a full partner in an Erasmus Mundus Action 1 project, delivering a masters course on migration with EU partner universities. Student and academic mobility was further enhanced under Action 2 with the expected award of 66 grants. The Academy of Economic Studies received a **Jean Monnet** project to increase the understanding of the Eastern Partnership by public servants, students and academics.

Moldovan **youth** organisations and young people continued to benefit from participation in the Youth in Action Programme, with a particular increase being noted in the number of young people from the EU who are participating in voluntary service actions in the Republic of Moldova. In the area of **culture**, three Moldovan cultural organizations participated in the 2010 ENP Special Action under the Culture Programme. The ministry of culture began preparing four legislative proposals on the protection of cultural heritage; the first of these – on archaeological sites - was adopted in September.

The government continued to implement its National Strategy for the development of **civil society** 2008-2011. In this respect, the 2008 law on transparency in public decision-making was amended in September, while the strategic partnership between public authorities and

civil society developed further through the facilitation of public dialogue, via the National Participation Council and access to a specific website.

The Republic of Moldova continued to reform the **health** sector. The challenges include disparities in health services related to, *inter alia*, place of residence or wealth. In July 2010, it adopted a primary health care strategy for the period 2010-2013. The Republic of Moldova continued to renovate and build hospitals, and it adopted a hospital development programme in May 2010. It also worked towards a health information system that will be aligned with EU and international practice. In May 2010, the Republic of Moldova adopted measures enhancing state supervision in public health. It also established a Transplantation Agency and started preparations to adapt the law on organs, tissues and cells to EU rules. The Republic of Moldova continued to participate in the Commission's HIV/AIDS think tank. It adopted programmes on the prevention and control of HIV/AIDS and Sexually Transmitted Infections, and on the control of tuberculosis for the period 2011-2015.

8. FINANCIAL COOPERATION – 2010 KEY FACTS AND FIGURES

Cooperation framework

The Mid-Term Review of the programming document confirmed that the Country Strategy Paper adopted in 2007 remains a valid framework for cooperation with the Republic of Moldova. The new National Indicative Programme (NIP) 2011-2013 for the Republic of Moldova was adopted in May 2010 and has a budget of EUR 273.1 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Republic of Moldova Action Plan, and pursues three priorities: (1) good governance, rule of law and fundamental freedoms; (2) social and human development; and (3) trade and sustainable development.

The NIP 2011-13 includes a specific appropriation to finance new actions under the Eastern Partnership, notably a Comprehensive Institution Building programme (CIB) (a minimum of EUR 41.2 million) and Cohesion Policy (a minimum of EUR 6.9 million). The CIB Framework Document was signed in November 2010 and identified the following key institutions / institutional clusters for capacity-building support: public administration reform; reform of the justice system and law enforcement institutions; and preparations for a future Deep and Comprehensive Free Trade Area (DCFTA) with the EU.

Implementation

The implementation of measures covered by the Annual Action Programmes (AAP) for 2007, 2008 and 2009 continued. The Sector Budget Support Programme (SBS) in the area of social protection was further implemented; it helped the government cushion the effects of the increase in energy tariffs on the vulnerable layers of the population. The SBS programme in the area of healthcare system reform rewarded the progress made in areas such as: (1) management stewardship of the healthcare system, (2) funding of the healthcare system and mechanisms of payment for healthcare services, (3) the delivery of healthcare services and (4) resource management. The 2009 SBS programme in the area of water and water sanitation experienced some delay due to the Republic of Moldova's only partial compliance with the conditions set for disbursement. Besides, EU assistance continued to be implemented through other aid modalities such as TAIEX, twinning, SIGMA and Technical Assistance. In particular, a High Level Advisory Group of 10 experts was recruited at the request of the

government to provide strategic advice in a number of areas. The EU continued to support reform efforts and committed assistance for a total amount of EUR 66 million under the bilateral appropriation of the European Neighbourhood and Partnership Instrument (ENPI). The AAP 2010 comprises a Sector Policy Support Programme on economic stimulation of rural areas (EUR 45 million), an energy and biomass project (EUR 14 million) and Technical Assistance & Twinning in support of the implementation of the EU-Republic of Moldova ENP Action Plan (EUR 7 million).

In addition to the bilateral allocation, the Republic of Moldova also benefited from cooperation activities financed under the ENPI cross-border, inter-regional and regional programmes. The Republic of Moldova participated in the ENPI Cross-Border Cooperation (CBC) programme Romania/Ukraine/Republic of Moldova (EUR 126.7 million for the whole programme in 2007-2013). Priorities are competitiveness of the border economy, environment, emergencies and interaction between people and communities living in the border areas. The Republic of Moldova also participated in the ENPI CBC Black Sea Basin programme (EUR 21.3 million for the programme in the period 2007-2013 with a perspective of an additional increase in its budget). The main priorities of this programme are to support cross-border partnerships for economic and social development based on combined resources, to share resources and competencies for environmental protection and conservation, and to support cultural and educational initiatives for the establishment of a common cultural environment in the Basin. The Republic of Moldova also participated in South-East Europe Transnational Cooperation Programme to which the country was admitted in May 2008 with the prospect of being able to access ENPI Funds for this co-operation. Since March 2011 ENPI funds are integrated in the South-East Europe programme and are managed by the authorities of the programme as for ERDF. On the other hand, due to its geographical location in the Danube Basin, the Republic of Moldova is part of the Danube macro-region and therefore plays an important role in achieving objectives of the future EU Strategy for the Danube Region as a whole.

Under the ENPI-financed Neighbourhood Investment Facility (NIF), one project was approved for the Republic of Moldova in 2010: the Water Utilities Development Programme (NIF grant contribution: EUR 10 million, total project cost: EUR 31.5 million).

Other EU instruments supplement the ENPI assistance package. The Republic of Moldova benefited from cooperation activities financed under horizontal instruments such as the European Instrument for Democracy and Human Rights (EIDHR) and the Development Co-operation Instrument (DCI) thematic programmes: Non-State Actors and Local Authorities in Development (NSA-LA), Investing in People, Migration and Asylum, and Environment and sustainable management of natural resources including energy. The EU adopted a EUR 90 million package, tied to public finance reforms and improvements in financial stability in 2010, under the Instrument for Macro-Financial Assistance.

In 2010 the European Investment Bank signed lending operations to the Republic of Moldova for an amount of EUR 150 million of which: (1) EUR 75 million to upgrade the quality of Moldovan wine production and (2) EUR 75 million to support the rehabilitation and upgrade of priority roads.

Donor coordination

In 2010, the EU Delegation in the Republic of Moldova played an important role in the coordination of assistance activities in particular among EU member states. Most donors signed the “Partnership principles” with a view to enhancing donor coordination in the future.