



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 8 April 2014
(OR. en)**

**8595/14
ADD 11**

**COEST 125
MED 23**

COVER NOTE

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 27 March 2014

To: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No. Cion doc.: SWD(2014) 93 final

Subject: JOINT STAFF WORKING DOCUMENT
- Implementation of the European Neighbourhood Policy in the Republic of
Moldova
= Progress in 2013 and recommendations for action

Delegations will find attached document SWD(2014) 93 final.

Encl.: SWD(2014) 93 final



EUROPEAN
COMMISSION

HIGH REPRESENTATIVE OF THE
EUROPEAN UNION FOR
FOREIGN AFFAIRS AND
SECURITY POLICY

Brussels, 27.3.2014
SWD(2014) 93 final

JOINT STAFF WORKING DOCUMENT

Implementation of the European Neighbourhood Policy in the Republic of Moldova Progress in 2013 and recommendations for action

Accompanying the document

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

Neighbourhood at the Crossroads: Implementation of the European Neighbourhood Policy in 2013

{JOIN(2014) 12 final}
{SWD(2014) 69 final}
{SWD(2014) 70 final}
{SWD(2014) 71 final}
{SWD(2014) 72 final}
{SWD(2014) 73 final}
{SWD(2014) 74 final}
{SWD(2014) 92 final}
{SWD(2014) 94 final}
{SWD(2014) 95 final}
{SWD(2014) 96 final}
{SWD(2014) 97 final}
{SWD(2014) 98 final}
{SWD(2014) 99 final}
{SWD(2014) 100 final}

1. OVERALL ASSESMENT AND RECOMMENDATIONS

This document reports on overall progress made on the implementation of the EU-Moldova European Neighbourhood Policy (ENP) Action Plan between 1 January and 31 December 2013, although developments outside this period are also considered where relevant. It is not a general review of the political and economic situation in the Republic of Moldova (hereafter 'Moldova'). For information on regional and multilateral sector processes, readers should refer to the Eastern Partnership (EaP) Implementation Report. The draft of the Association Agenda, the instrument that will supersede the current ENP Action Plan, was presented in November 2013, and negotiations on it were nearly completed at the time of writing this report.

Overall, despite backwards steps in the first half of 2013, Moldova managed to make progress on significant and sensitive areas of the ENP Action Plan, identified as priorities in the previous ENP progress report. At the beginning of the year, the country's political crisis deepened as a result of a series of conflicts within the ruling coalition, triggering political stand-off and an institutional meltdown: state institutions proved vulnerable to the vested interests of a few people, in spite of the constitutional system of checks and balances. This discredited democratic institutions, threatened the transformation process initiated by the Moldovan authorities in 2005, and affected the political dialogue between the EU and Moldova. However, the Moldovan administration continued to work on the country's European agenda, in particular the visa liberalisation action plan. The European Union stressed to the authorities in Chisinau the need to overcome the roots of the crisis and repair the credibility of the institutions. Negotiations on the EU-Moldova Association Agreement, and human rights and sectorial consultations took place as planned. Substantial progress was achieved in the visa dialogue, which allowed to launch and finalise, in March 2014, the EU legislative procedure towards the visa-free regime for Moldovan citizens.

The election of a new government in May 2013 signalled a truce among the political elite, but did not resolve the root causes of instability. It allowed the EU-Moldova political dialogue to regain momentum, and gave impetus to important reforms, notably in the justice sector. In June, the EU-Moldova Cooperation Council announced the substantive completion of Association Agreement negotiations. High-level contacts intensified. In March, Foreign Minister Iurie Leancă held informal consultations with the EU and its Member States in Brussels. In May, Commissioner Štefan Füle celebrated Europe Day in Chişinău. In July, the High Representative for Foreign Affairs and Security Policy/Vice President of the Commission Catherine Ashton visited Chişinău for the second time in two years. In October, in Chişinău, Commissioner Füle and Commissioner Dacian Cioloş re-affirmed the EU's commitment to supporting Moldova's democratic reforms and economic recovery, including against undue pressure.

No new agreements were signed, but significant efforts were made to implement those that had been concluded previously, in the areas of aviation, agriculture, civil protection, participation in EU agencies and programmes, and common security and defence policy cooperation. Amendments to the visa facilitation agreement came into force in July 2013, extending existing arrangements to new categories of people. Significant developments followed in November 2013, with the initialling of the Association Agreement (including its provisions setting up a deep and comprehensive free trade area – DCFTA) and the issuing of the European Commission proposal to lift the Schengen visa requirement for Moldovan citizens holding biometric passports. In October, Moldova hosted the fifth meeting of the EaP Civil Society Forum.

Some positive developments were seen in the field of human rights. Thanks to the sustained efforts from the government and the Ombudsman, the May 2012 law on equality began to be effectively implemented. Some progress was achieved on tackling impunity for ill-treatment and torture, however, judicial treatment of torture remained biased in favour of the perpetrators. Progress was also noted on gender equality, inclusion of Roma people, and inclusion of people with disabilities. Important institutional and media related issues remained unresolved, however, including rules on political party funding and transparency of media ownership. The Council of Europe adopted an action plan in November 2013 to help address these issues, notably constitutional reform, electoral matters, corruption, justice reform, impunity and ill-treatment, freedom and pluralism of the media, and local democracy and decentralisation. The EU strongly supported this initiative, both politically and through the provision of assistance funds.

Reform of the justice and the law enforcement systems progressed, helped by a solid budget increase for the judicial system, a large programme of EU technical and financial support, and the stimuli provided by the requirements of the visa liberalisation action plan. A start was made on reforming the prosecution system. However, implementation confirmed the extent and complexity of the challenges facing the government—including the resistance to change and the destructive impact of corruption at all levels—and the need for sustained political will to tackle them. The fight against corruption in the second half of the year, combined with several other measures, showed that Moldova was more consistent in addressing the factors that were hindering its long-term economic performance. Those other measures include the creation of an inter-institutional communication platform to discuss economic reforms, the ongoing reform of the vocational education and training system and the adoption of related business-friendly strategies.

In the short term, Moldova's economy recovered well in 2013 on the back of a rebound in agriculture, after a slight slowdown in the previous year, and its unemployment rate continued to fall. This allowed the government to continue its fiscal consolidation efforts. However, since September 2013, Moldova has been faced with Russia's temporary ban on imports of wine and spirits. Moldova's economic dependence on agricultural exports to Russia makes it vulnerable to this type of pressure.

Alarming developments in the banking sector, coupled with public and legal controversy around the concession of Chişinău international airport and the *de facto* partial privatisation of the country's main savings bank (*Banca de Economii*) highlighted the opacity of the business and investment environment.

Positive developments took place, however, in the energy sector, including starting construction of a gas interconnector to Romania. In the transport sector, a new modernisation strategy was adopted and, symbolically, the first segment of European-gauge railway was put into operation. Lack of transparency and the continuing high level of corruption represented a potential threat to the sustainability of the steps taken by the government to address Moldova's structural economic problems.

As regards the breakaway Transnistrian region (hereafter 'Transnistria'), the Moldovan authorities continued to agree, in a constructive spirit, to follow the 'small steps' tactics of the settlement process. However, lack of a shared vision on the basic

parameters of a comprehensive settlement held up progress in the '5+2' process, which did not address political and security issues. In the last months of the year, decisions taken (or implemented) by Transnistria dramatically raised tensions in the security zone (targeting both Moldovan police and civilians), challenging the established balance of peace. The situation of Latin-script Moldovan schools in the region, and that of their staff, significantly worsened in the school year 2013-2014 compared to the previous one. In December, the Kyiv OSCE Ministerial Council issued a statement that re-asserted the ministers' commitment to achieving a comprehensive, just and viable resolution of the conflict on the basis of the sovereignty and territorial integrity of Moldova, with a special status for Transnistria that fully guaranteed the rights of its population.

In 2013, Moldova addressed many of the key recommendations contained in last year's ENP progress report. It completed the implementation of the visa liberalisation action plan; took forward judicial and law enforcement reforms; started restructuring the anti-corruption framework; stepped up its implementation of the human rights action plan and the action plan in support of the Roma people; maintained its dialogue with Tiraspol; and continued with challenging regulatory and sectoral reforms. As a result, it benefitted in 2013 from an additional assistance allocation of EUR 35 million, in line with the incentive-based approach. On the basis of this year's report, and with a view to sustained implementation of the ENP Action Plan in 2014, keeping in mind the overarching goal of good governance in all branches of power and the need for consistent political will and policy predictability to ensure effective implementation, Moldova is invited to:

- intensify the fight against corruption at all levels, particularly by ensuring the full functioning and independence of the National Anti-corruption Centre, providing an enabling legislative framework for the National Integrity Commission, preventing undue business interest influence on all sectors, including the judiciary, and ensuring the transparency of public procurement and privatisation;
- conduct parliamentary elections, scheduled for the end of November 2014, in line with European and international standards for democratic elections. Particular attention should be given to not changing electoral legislation too close to the poll, to avoid moving the goalposts for participants in the election process;
- vigorously advance reforms in the justice and law enforcement systems, by ensuring effective implementation of the justice sector reform strategy and the related action plan, finalising reforms to the prosecution system, pursuing structural reform of the Interior Ministry, and strengthening cooperation with EU Member States' judicial and police authorities;
- consolidate its system of protection of human rights and fundamental freedoms, including by completing the reform of the ombudsman, implementing the national human rights action plan and related legislation and systematically combatting impunity, through better coordination of actors (including representatives of civil society), better public communication, and funding sufficient to attain the intended objectives;
- continue work to ensure media freedom and plurality of the media landscape, adopt rules to increase transparency of media ownership, and complete the reform of the national broadcaster;

- work to prevent the resurgence of institutional deadlock by revising the constitution, with a view to strengthening the system of checks and balances, and clarifying the competencies of the Constitutional Court. These processes should be inclusive and done in consultation with the Venice Commission;
- continue to make progress on sector reforms and regulatory approximation to EU law, to implement the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA); continue in particular to implement energy sector reform, diversification of energy sources and energy efficiency plans; raise public awareness and visibility of the merits of the Association Agreement;
- improve the business and investment environment and work to increase the competitiveness of the Moldovan economy, notably by developing better quality regulation and implementing this transparently, facilitating the use of innovative technologies, ensuring the protection of intellectual rights, pursuing work to join the European Cooperation for Accreditation multilateral agreement, and countering the grey economy;
- continue the reform of education, including vocational and education training, to bring it into line with the needs of the labour market;
- continue to engage pro-actively with Transnistria to develop an enticing, mutually acceptable vision for a common future, and to enable Transnistria-based economic agents to enjoy the full benefits of the future DCFTA, and support implementation of the recommendations of the Hammarberg report on the human rights situation in the Transnistrian region;
- continue the privatisation process, with a focus on transparency and accountability; take further steps to strengthen the supervision of the banking sector; and continue efforts to increase shareholder transparency, including through robust enforcement of legislation requiring disclosure of ultimate beneficiaries;
- deepen reform of the public administration and implement the decentralisation strategy in an inclusive manner, including by involving civil society.

2. POLITICAL DIALOGUE AND REFORM

Deep and sustainable democracy

Between January and May, Moldova went through its deepest **political crisis** in years. In March, Parliament dismissed the government of Prime Minister Vlad Filat, through a vote of no-confidence. In April, Prime Minister Filat was barred by the Constitutional Court from serving as Prime Minister. The crisis evolved rapidly into an institutional one, involving almost all state institutions, which reflected a wider problem of malfunctioning checks and balances in the constitutional and political set-up. The crisis eventually ended, but it did lasting harm to the credibility of Moldova's democratic institutions. On 30 May, a **new coalition government**, mostly consisting of the former coalition partners and headed by former Foreign Minister Leancă, came to office.

Shortly afterwards, the Constitutional Court struck down a law from October 2012 prohibiting the use for political purposes of the Communist symbol, as had been recommended by the Venice Commission and the Office for Democratic Institutions and Human Rights of the Organisation for Security and Co-operation in Europe (OSCE / ODIHR).

There have been tensions during the reporting period between the authorities of the autonomous territorial unit **Gagauz-Yeri** and the central authorities, partly linked to unease among the Gagauz elite over the government's 'pro-European' policies, insufficient representation at the central level as well as lack of support from the central budget. The Gagauz legislature decided in November to hold a referendum in February 2014 on a 'deferred status of independence' for Gagauzia, conditional on Moldova losing its sovereignty to another country, and on Moldova's foreign policy direction. The referendum was deemed illegal by the local court and a criminal case was later opened with respect to its organisation.

The situation of **freedom of expression** and **freedom of media** remained good overall, with free access and a large number of media outlets. However, concerns remain over the lack of transparency of media ownership, and the **concentration** of mass media ownership and suboptimal **plurality** of the media landscape, with mass media being controlled by a few political and business interests suspected of political interference in editorial policies. At the beginning of 2014, a seemingly politically motivated effort to restrict access to the audiovisual landscape for a number of television channels called into question Moldova's commitment to upholding the principle of plurality of media. Reform of the national broadcaster, Teleradio Moldova, remained unfinished.

The perceived lack of independence of the Audiovisual Coordination Council (CCA) remained a concern. The media financial environment did not encourage the plurality of the media landscape, with strongly monopolised advertising services and mail delivery services markets.

In February, after a long judicial process, the Chişinău Court of Appeal upheld the CCA's questionable 2012 withdrawal of the television channel NIT's broadcasting license. This long process, coupled with repeated refusals by the CCA to grant the Moldnews news portal a broadcasting license on grounds of contradictions in the submitted application, raised questions about the independence of the CCA and the judiciary. NIT, which is reputed to be close to the current opposition, has now lodged an appeal with the European Court of Human Rights. Parliament postponed *sine die* the discussion of amendments to the broadcasting code which aimed to increase transparency in media ownership.

Justice sector reform progressed with difficulty, partly because of arrangements serving to maintain the political status quo within the ruling coalition. Cases of corruption in the judiciary and related impunity have led over many years to a lack of public trust in the rule of law and an adverse business climate. Priorities for reform are now the prosecution system, and tackling corruption and the perception of impunity in the justice and law enforcement sectors. The four rulings made by the European Court of Human Rights against Moldova in 2013 related to infringement of legal certainty in contractual relations, torture and inhuman treatment on procedural grounds, and lack of diligence in investigations.

Parliament adopted a legislative package in October to tighten the judicial disciplinary process and tackle corruption in the justice sector, through integrity checks, regulation of judges' communication with third parties and penalties for corruption, including confiscation of unlawfully acquired wealth. The Ministry of Justice and the Prosecutor General's Office established a joint working group, which, by November, had prepared a comprehensive reform plan and draft legal amendments to reform the

prosecution system (including appointment and dismissal procedures, disciplinary measures, and demilitarisation), as envisaged in the government's programme.

Reform of the Interior Ministry began to be implemented in March 2013, involving the reorganisation and demilitarisation of the ministry. Issues such as the transfer of detention facilities to the Ministry of Justice, however, were not addressed this year.

High-profile corruption investigations were launched during the political crisis, and in December a package of anti-corruption laws was adopted by Parliament, allowing tougher penalties for bribery and illicit actions committed by law enforcement officers, and providing for a significant increase in judges' salaries. On 9 May, the government took on oversight of the National Anti-corruption Centre (rather than Parliament, where it had been previously), which cast doubts over the future of high-level **anti-corruption** efforts. In the second half of the year, the fight against petty corruption increased, and a number of cases were actively publicised. The effectiveness of the other branch of the anti-corruption system, the National Integrity Centre, suffered from the lack of an adequate legal framework and insufficient resources. Moldova was ranked 102 out of 177 countries in the Transparency International's Corruption Perception Index 2013, with a slightly lower score than in 2012.

Since the protests in April 2009, the Moldovan authorities have made efforts to **combat ill treatment and torture**. In practice, allegations of ill treatment and torture are often investigated slowly, are rarely successfully prosecuted and sentences against the perpetrators are often suspended by the judges. This contributed to a feeling of impunity that damaged the effectiveness of the authorities' efforts.

Other human rights and fundamental freedoms

In April 2013, the fourth round of the EU-Moldova **human rights** dialogue took place.

A new law on the **Ombudsman** institution (the Centre for Human Rights) was adopted in December 2013, which was a welcome development.

Concerns remain about rights people belonging to **religious minorities** — including Jehovah's Witnesses, Baptists, Adventists and other evangelical Christian groups — being unable to practice openly and without harassment or obstruction, notably in rural areas. For a third year in a row, the Chişinău municipality first pretexted security reasons to deny the Jewish community the right to celebrate Hanukkah in public, before finally authorising the event. In May, the European Court of Human Rights found that Moldova provided insufficient protection from **domestic violence**. The Government is considering strengthening the existing system of court-ordered protection by including emergency police protection orders.

In a positive development, the government approved a new action plan to implement the 2013-2015 national gender equality programme, which for the first time provides for **gender equality** measures in the fields of security, law and order and the national army.

The situation for people with physical, sensory, intellectual and (real or perceived) psychological **disabilities** remains difficult, as they continue to face discrimination and social exclusion, even though there has been a significant decrease in institutionalisation. There were numerous reports of abuse of people in psychiatric

detention during 2013, such as reports of serial sexual assaults in the Bălți neuro-psychiatric residential institution. However, the pilot ombudsperson for psychiatry, established with UN financial support, was not given full access to all places. Despite the *ad hoc* law adopted in August 2012, systemic problems remained in the system of guardianship for people declared to be lacking in capacity.

Good progress was seen in the field of **anti-discrimination**. In 2013, courts ruled for the first time on the law to ensure equality, which came into force on 1 January 2013. There have been two positive judgments, in which courts found that discriminators had violated the law. The council on preventing and combating discrimination and ensuring equality ('Equality Council') was established in July and given a budget lasting until 2015.

Also, for the first time, the local lesbian, gay, bisexual, transgender and intersex community was able to hold a small number of public events with effective police protection. Several pieces of local and national legislation, seen as contrary to the law on ensuring equality, were challenged in court or Parliament by the government or the Ombudsman, and were subsequently annulled or repealed. The process of removing discriminatory provisions from all legislation has yet to be completed, however.

Discrimination on grounds of HIV/AIDS remained an issue, though less prominently than in previous years, with cases of people with HIV being refused operations or admission to hospital.

As regards ethnic **minority rights**, although discrimination and widely-held prejudices against Roma people persist in society, active integration policies proved effective. In November, the first group of community mediators to assist Roma people in interfacing public services began work. Fourteen community mediators started their work on the ground, in fifteen communities, and their number is to be increased to forty-eight next year.

In April, Parliament amended the criminal code to include provisions on genocide, crimes against humanity, and war crimes, as well as the use of prohibited means and methods in the conduct of war.

Other Governance related issues

Work to de-politicise and professionalise the central and local **public administration** continued throughout the year, but was hampered by an unwillingness to devolve decision-making powers and responsibilities to non-political civil servants. The draft law on administrative procedures was still under revision as of the date of reporting. Limited developments were recorded on **decentralisation**. The implementation of fiscal decentralisation was postponed to 2015. Preparatory training on setting local budgets in line with future local autonomy rules revealed the reticence of some local decision-makers to allow for more citizen participation in the political life of communities.

Cooperation on foreign and security policy, regional and international issues, conflict prevention and crisis management

In 2013 Moldova brought itself into line with 28 out of the 32 common foreign and security policy declarations the country was invited to support (compared to 56 out of 62 in 2012). In April, Parliament ratified the common security and defence policy framework participation agreement, which allowed Moldova to be involved in several

EU crisis management operations. At the same time, structural reform of the security and defence sector began, and Moldova requested EU assistance in harmonising and upgrading its security and defence policies.

Moldova continued to cooperate constructively with the **EU Border Assistance Mission** (EUBAM). With EUBAM support, the Moldovan customs and border guard services continued to enhance their capacities and to secure inter-agency cooperation both within Moldova and between Moldova and Ukraine. EUBAM continued to support the demarcation of the state border with Ukraine, as well as the pilot project launched in 2012, establishing joint control of the ‘Briceni-Rososhany’ border section and beyond.

Transnistria

Little development was seen in the **Transnistrian conflict** resolution process. Overall, tensions increased on the ground, while the continuation of regular talks in the 5+2 format, which followed the ‘small steps’ tactics, failed to tangibly improve the situation for people caught in the conflict. While the intensity and frequency of meetings in the 5+2 framework was maintained, there was a lack of concrete progress towards a political settlement. A significant exception was the unilateral change of Moldova’s migration policy, which allowed Transnistrian residents holding non-Moldovan passports to travel freely from and to Moldova, as do citizens of Moldova. Against this background, regular meetings with the regional leadership, including high-level meetings, contributed episodically to improving the atmosphere in relations between Chişinău and Tiraspol. Agreements were reached on maintaining freight train traffic through the region, and on removing obstacles to the freedom of movement across the administrative boundary line. On the technical side, Chişinău and Tiraspol concluded an agreement on the payment of pensions.

In the run-up to the Vilnius summit, Transnistria took provocative measures, targeting not only Moldova’s police forces, but also ordinary people in farms and schools. In May, it adopted a ‘law on the state border’ defining the administrative boundary line as a ‘state border’ and making claims on territories administered by Moldova. The Moldovan authorities reacted with restraint to these decisions.

The implementation of the **EU confidence-building programme** received a fair reception on both sides of the Nistru/Dniester river, resulting in specific cross-river partnerships in various sectors, ranging from joint business trips to the EU for local entrepreneurs and road safety partnerships, to numerous social projects and joint civil society dialogue on conflict resolution.

3. ECONOMIC AND SOCIAL REFORM

Macroeconomic framework¹

Economic growth picked up in 2013, after a significant slowdown in 2012 as a result of weaker export demand from the EU and the adverse weather conditions that hit the large agricultural sector severely. GDP grew by an estimated 5.5% compared to -0.8% in 2012. This pick-up was attributed to a strong growth in agricultural production

¹ Figures are from the national statistical office, the central bank, the IMF or Commission estimates, as indicated in the Statistical Annex. When other data sources are used these are then indicated.

(+36% in the first nine months of 2013, compared to the same period in 2012), following a contraction of 23.3% in 2012, and a solid growth in the industrial sector (+7.5%) in the first nine months of 2013.

Headline Consumer price index (CPI) and core inflation, which respectively amounted to 5.2% and 4.8% in 2013, were quite stable when compared to 2012, but about 2.5% down from the inflation level in 2010-2011, when it averaged 7.5%. This improved inflationary outlook enabled the National Bank of Moldova to continue its policy of monetary easing. It started in 2012 when it cut rates aggressively by cumulative 400bps. Since April 2013, the **key policy rate** was kept at a record low of 3.5% in response to weak demand pressures.

The fiscal deficit represented 1.8% of GDP in 2013, slightly above the 1.5% target reflected in the 2013 budget. The prudent fiscal policies pursued by the authorities allowed a gradual reduction of **the public debt** to about 22.6% of GDP at the end of 2013.

The current account deficit decreased significantly from 11.3% of GDP in 2011 to 7% of GDP in 2012, it is estimated to have slightly increased in 2013, to 7.6% of GDP. This reflected some import expansion as economic activity picked up, counterbalanced by resilient remittances. Overall, remittances rose by 7.1% in the first 11 months of 2013, compared to the same period in 2012.

External indebtedness edged up to USD 6.2 billion as of September 2013, or about 80% of GDP. The vulnerability associated with the high level of external debt was somewhat mitigated by the National Bank's market interventions in 2012 and 2013 to replenish the **official reserves**, which, having also benefited from inflows from International Financial Institutions (including under an IMF arrangement that expired in April 2013), amounted to a record high USD 2.8 billion at year-end 2013, covering five months of imports.

Progress in **structural reforms** was mixed in 2013. Governance in the financial sector suffered from a number of challenges, notably a lack of transparency in the recapitalisation of some banks. The authority of the National Bank was also contested by a Constitutional Court's ruling in October 2013. On the other hand, the Association Agreement with the EU, including the Deep and Comprehensive Free Trade Area (DCFTA), was initialled at the end of November and is expected to bolster trade between Moldova and the EU, attract foreign investment and improve competition, the business environment and quality and safety standards in general.

Social situation, employment and poverty reduction

2013 saw an increase in unemployment, with an estimated rate of 6.2% as compared to 5.6% in 2012.

The Economy Ministry continued the practice of conducting extensive consultations on its main policy initiatives (including, notably, the Competitiveness Roadmap), and of ensuring the transparency of its work, including by posting all draft normative acts on the website and publishing press releases on its activities.

Moldova continued to carry out reforms on **social protection**. A new law on special protection of children at risk and children left behind in migrant households was adopted. Modifications to the adoption law were made, creating a consultation council

for adoptions. The government adopted a new regulation relating to community mediator work. Two new social services were launched, providing support to families with children at risk and providing community homes for children at risk. An electronic information system for social assistance was launched. Social allocations were increased and a new social service on ‘personal assistance’ was created for people with disabilities. The government increased wages in some areas, in sectors such as culture, health, social assistance, sports, sciences and education. The reform of the pensions system was presented for public debate.

4. TRADE RELATED ISSUES, MARKET AND REGULATORY REFORM

Trade relations between the EU and Moldova saw a further improvement during 2012-2013. Trade flows have increased by over 10%, to a total of EUR 2.97 billion in 2012.² EU imports from Moldova and EU exports to Moldova both contributed to this growth. Imports from Moldova grew by 11.4% (to EUR 944 million), and exports increased by 9.5% (to EUR 2.03 billion) in 2012. The current trade relationship continues to be based on the Autonomous Trade Preferences (ATP) that the EU has unilaterally granted to Moldova since 2008. As of 1 January 2014, the EU has fully liberalised trade in wine under the ATP, in light of the difficulties Moldova faced exporting wine to its traditional export markets, as a consequence of trade measures taken by the Russian Federation.

In June, the EU and Moldova completed negotiations on an ambitious Deep and Comprehensive Free Trade Area (DCFTA), as an integral part of the Association Agreement (AA). The DCFTA is expected to lock in Moldova’s reform efforts, based on EU law, which will boost its export potential and economic growth. The EU and Moldova envisage signing the DCFTA and implementing it as soon as possible. In November, the government approved a roadmap to increase Moldova’s competitiveness. It contains a set of measures to be implemented in the short and medium term, to maximise the benefits of the AA/DCFTA.

In February, Moldova completed negotiations on a free trade agreement with Turkey, which is expected to be signed in 2014. Moldova is also negotiating a free trade agreement on services with countries in the Commonwealth of Independent States. A draft law on nomenclature to introduce the new Harmonised System for classification of goods (HS 2012) and to align Moldova’s classification system with the EU, has been completed and is expected to be adopted in 2015. This law, which is relevant for the application of tariffs, is aligned with the latest World Trade Organisation and World Customs Organisation rules.

An EU High Level Policy Adviser was appointed to Moldova’s **Customs** Service and worked closely with EUBAM to support the ongoing reforms. Moldova should continue its effort to facilitate trade by introducing automated procedures. In particular, further steps should be taken to implement the New Computerised Transit System and a single window concept. Enhanced use of risk assessment methods and the operation of the pre-arrival information exchange system (PAIES) with Ukraine has achieved good results. Corruption and integrity issues remained a concern but reforms planned for the human resource sector and the introduction of performance-related pay should assist in this area. Moldova submitted a request to accede to a

² Data for 2013 was not available at the time of writing.

regional convention on pan-Euro-Mediterranean preferential rules of origin. The EU will continue to closely follow the issue of a possible replacement of criminal penalties with fines for the smuggling of goods. In May, an administrative cooperation arrangement was signed between the European Anti-Fraud Office and the Moldovan Customs Service to strengthen the practical framework for cooperation in fight against cigarette smuggling. For the first time, Moldovan Customs participated in the joint customs operation "ROMOLUK" with customs authorities of Romania and Ukraine against the smuggling of cigarettes and alcohol.

In the area of **free movement of goods** and **technical regulations**, Moldova continued to transpose EU standards and to withdraw conflicting standards. The national standardisation programme for 2013 envisages the adoption of 2625 European and international standards. In 2013, around 3300 standards were harmonised and 269 conflicting standards were withdrawn. The National Institute of Standardisation, created in 2012, became fully operational in August. A twinning project on accreditation provided support to implement the law transposing EU requirements for accreditation and market surveillance. A draft law on market surveillance, covering accreditation and conformity assessment was adopted and came into force in December 2013.

On **sanitary and phyto-sanitary** (SPS) issues, Moldova continued to implement the National Food Safety Strategy, with the launch of the National food safety agency. In October 2013, this agency was transferred from the Ministry of Agriculture to the government. Approximation of SPS legislation took a major step forward, with the adoption of a law on official controls for verifying compliance with legislation on feed, food and health standards, and animal welfare. Needs assessments for laboratory infrastructure and equipment have been undertaken and the Ministry of Agriculture and the Food Industry adopted a plan to consolidate and modernise the laboratory system. The European Commission approved Moldova's residue monitoring plans for eggs, poultry and aquaculture. Moldova was preparing for audits by the Food and Veterinary Office, and hosted TAIEX pre-audit evaluation visits looking at aquaculture, eggs, poultry, fruit and wine. EU has approved Moldova as a third country for exporting egg products to the EU.

Compared to the previous year, Moldova advanced to 78th place (out of 189 economies) in the ranking for ease of doing business, in the World Bank's annual report, 'Doing Business 2014'. Progress was made in the areas of starting a business, getting credit and paying taxes. However, businesses still face difficulties in dealing with construction permits, getting electricity and trading across borders. Moldova dropped to 89th place (out of 148) in the World Economic Forum's 'Global Competitiveness Report 2013-2014'. Moldova ranked very low on indicators such as protection of property rights and intellectual property rights, effectiveness of anti-monopoly policy and judicial independence. Other major problems for the **business climate** were corruption, government and policy instability, inefficient bureaucracy and tax regulations.

In order to improve the business and **investment climate**, Moldova approved a regulatory reform strategy for the period 2013-2020, aiming to establish a regulatory framework that supports the efficient allocation of resources and stimulates innovation and entrepreneurship. In parallel, Moldova approved a detailed roadmap to remove critical constraints in the business environment, which covers the period 2013-2014.

In the area of **financial services**, Moldova amended the law on the National Bank and introduced changes to its core functions. As a result, legal challenges to the Bank's decisions no longer have a suspensive effect. However, the amendments were struck down by the Constitutional Court, seriously undermining the Bank's authority. The government and the National Bank are currently looking into alternative ways of restoring the Bank's authority, taking into account the Constitutional Court's ruling. Moldova also amended the law on financial institutions in respect of licensing of commercial banks, shareholder transparency and suitability requirements, as well as protection of property rights in banks. The law on capital market came into force in September. The law created the necessary legislative framework for the development of the capital market through an adequate mechanism for the protection of rights and interests of investors and consumers, creation and maintenance of equitable, efficient and transparent markets and mitigation of systemic risks.

On **movement of capital and current payments**, authorisation from the National Bank is required for certain operations that result in the outflow of capital, in order to mitigate the negative effects of export capital liberalisation on the national economy. Moldovan banks implemented the IBAN (international bank account number) code for cross-border transfers. The law on payment services and electronic money, adopted in May 2012, came into force in September.

There were no substantial regulatory changes in the areas of **establishment and company law**.

Other key areas

Moldova worked to bring its VAT legislation in line with the EU *acquis* with support from the IMF and the EU high level policy advisor for **tax** issues. The current Moldovan VAT and excise law should be amended to reflect developments in EU law. Reform of the tax administration, with particular attention on strengthening tax collection and control systems, continued under the 2011-2015 state tax inspectorate development plan. Moldova launched new e-services for tax payers, put a general electronic register of tax invoices into operation, developed an annual taxpayer compliance strategy and intensified cooperation with international organisations and foreign tax administrations.

The **Competition** Council has made considerable progress in adopting the secondary legislation necessary to implement competition law³ and **state aid** law⁴. In June, Moldova adopted a regulation intended to attract private investment in state-owned commercial companies and existing public-private commercial companies.

Moldova signed the Marrakesh Treaty to facilitate access to published works by visually impaired persons and persons with print disabilities. In May, the first report on the enforcement of **Intellectual Property Rights** (IPR) in Moldova in 2012 was published. In order to consolidate the institutional framework of the IPR system, a

³ regulations on the assessment of horizontal agreements, the assessment of vertical agreements, technology transfer agreements and related exemptions, merger controls, and the assessment of dominant positions.

⁴ a regulation governing notification of state aid and the procedure for examining and assessing state aid.

draft law regulating the activity of the State Agency on intellectual property was approved by the government in August. Once adopted, this law will secure the Agency's independence and its position as the strongest element of the national IPR system. In April, the EU–Moldova Agreement on the protection of geographical indications came into force.

In the area of **public procurement**, Moldova adopted three regulations on acquisitions working groups, small value acquisitions and acquisitions of works.

The National Bureau of **Statistics** will conduct a population census in April 2014. The legal basis for the census is in place, and the pilot population census was conducted in April 2013. The report on a global assessment of the national statistical system in Moldova was published and provided recommendations for improvements that need to be followed up.

In August, the government approved the 2013-2020 **public finance management** improvement strategy, including a chapter dedicated to public internal financial control (PIFC). Following this, the government approved a draft PIFC strategy for 2014–2017 in December 2013. Moldova is still at an early stage of implementing the PIFC legislation and considerable further efforts will therefore be required. Moldova made progress in the area of public sector **internal audit** by introducing changes to internal audit methods and the certification of internal auditors. The first national conference for public sector internal auditors was organised in May.

The implementation of the **small and medium-sized enterprises** (SMEs) development strategy continued and the first progress report has been published. Actions to implement the strategy included:

- the on-going programmes supporting SMEs (PARE 1+1, PNAET, loan guarantees for rural business);
- the creation of five business incubators;
- the introduction of an 'entrepreneurship curriculum' in all vocational and technical education schools, agricultural colleges and other selected professional colleges.

As part of efforts to improve access to finance and business development services, and as a follow-up to the recommendations of the Small Business Act for Europe Assessment, Moldova engaged in a detailed analysis of these two sectors, assessing the current state of play and providing a policy roadmap and guidance. Moldova has established two new industrial parks ('CAAN' and 'Raut'). At the beginning of 2014, Moldova requested agreement for it to participate in the EU Programme for the Competitiveness of Enterprises and SMEs (COSME).

In June, Moldova adopted a **consumer protection** strategy for 2013 to 2020. The consumer protection agency became fully operational and started implementing the strategy. As part of its monitoring responsibility, the agency conducts surveillance on domestic markets for industrial goods and services, including services provided by public utilities.

5. COOPERATION ON JUSTICE, FREEDOM AND SECURITY

The Department of Border Police in the Moldovan Interior Ministry continued, with support from EUBAM and an EU high-level advisor, to implement reforms to establish a modern border authority in line with the Schengen Catalogue of recommendations and other best European practices. Significant steps were taken towards implementing the 2011-2013 National Strategy and Action Plan on Integrated Border Management. Amendments to the implementing regulations of the new law on the state border and the law on border police, and amendments to the Contravention Code came into force in July 2012 and June 2013. Border checks and surveillance were carried out mainly in line with EU standards and the risk analysis system was organised according to Schengen best practices.

Cooperation between the EU and Moldova developed under the **Mobility Partnership**. In particular, in the context of one of its pilot projects, Moldova made good progress in mainstreaming migration into national development policies through the long-term development strategy, 'Moldova 2020'. A comprehensive and far-reaching evaluation report, the first-ever done for a Mobility Partnership, was issued at the end of 2012. The first ever online scoreboard database of projects for a Mobility Partnership was created in March. In total, 63 projects were completed, 29 are ongoing and nine are under consideration. The first Extended Migration Profile of Moldova was produced in March. This innovative tool provides a framework for bringing together information on various phenomena related to migration, allowing the government to have an overview of the complex causes and effects of migration processes.

Moldova made good progress in adopting and implementing **migration and asylum**-related legislation, and in establishing an efficient migration management system, in line with EU and international standards. The integrated information system on migration and asylum was completed and launched. Secondary legislation relating to the law on the integration of foreigners was approved and implemented. The capacity of the relevant institutions in the field was increased, and the level of authority was raised and extended in geographical terms. Inter-agency coordination on migration was significantly improved, in particular through signing and implementing cooperation agreements with key migration and asylum stakeholders. Good progress was made on consolidating the institutional framework on migration and on developing the structure of the Bureau of Migration and Asylum. Several new key teams were created (such as the Directorate for Migration Control and the Risk Analysis Unit) and a new organisation chart was adopted.

Travel documents for refugees together with fourth generation biometric passports for Moldovan citizens will be issued as of mid-2015.

Progress on preventing and combating illegal migration was particularly positive, with the strengthening of the regional presence of the Bureau of Migration and Asylum and the opening of three regional offices of the Bureau's Directorate for Combatting the Illegal Stay of Foreigners. Moldova made progress on combatting illegal migration through **Transnistria**, drafting legislation to impose administrative penalties on foreign travellers non-resident in Transnistria who fail to register their presence after entering Moldovan territory through a non-controlled segment of the border. The text of the amendment to the Contravention Code expressly excludes residents of Transnistria from the scope of this law, regardless of the passport(s) they hold. These amendments to the Contravention Code came into force in November. In parallel to the legislative amendments, six new territorial Bureau of Migration and

Asylum offices were established in the security zone to offer additional registration services to foreigners. These measures proved to be highly controversial in relations with Transnistria, where they are seen as limitations on the freedom of movement of people between Transnistria and Moldova. The Moldovan authorities carried out information campaigns to explain the new rules to the public and highlight the improved legal security and benefits of using territorial offices.

In the context of the **visa** dialogue, the Commission's fourth report on the implementation of the Visa Liberalisation Action Plan (VLAP), adopted in June, concluded that Moldova is broadly in line with all the benchmarks set, and confirmed that Moldova has made very good progress. In September, Moldova submitted the last report on its VLAP implementation status, to facilitate the Commission's active monitoring, with a view to reporting at the November EaP Summit in Vilnius. The fifth report on the VLAP implementation, adopted in November, concluded that Moldova meets all the benchmarks set in the four blocks of the second phase of the VLAP. Following these positive and final reports, the Commission proposed to move Moldova to the positive list under Regulation 539/2001 and grant Moldovan citizens who are holders of biometric passports visa-free travel to the Schengen area. The proposal was agreed to by the European Parliament in February 2014 and approved by the Council in March 2014.

Implementation of EU-Moldova **visa facilitation and readmission agreements** continued in a satisfactory manner, and was monitored at meetings of the respective joint committees in June 2013. Amendments to the EU-Moldova visa facilitation agreement, signed in June 2012, came into force on 1 July 2013. Moldova also continued to make progress on **return and readmission**. An implementing protocol to the readmission agreement was signed with the Benelux countries. Negotiations continued on readmission agreements with Georgia, Ukraine, Lebanon, Azerbaijan, the Russian Federation and Armenia. National legislation was amended to transpose the main provisions of European Council Directive [2008/115/EC](#) on the return of illegally staying third-country nationals.

Moldova continued to progress in the **fight against organised crime**. The government implemented the law on prevention of and combatting organised crime, and the strategy and the accompanying action plan for 2011-2016. The action plan was drawn up in line with reforms and systemic changes in the law enforcement authorities (e.g. the reform of the Interior Ministry and the National Anti-corruption Centre) and European and international best practice.

The permanent secretariat of the national committee on trafficking in human beings drafted a report on the 2013 implementation of the 2012-2013 national action plan on people trafficking. It was published in August 2013 (including on the national anti-trafficking website). The new action plan for 2014-2016 is being developed and is expected to be approved during the first half of 2014.

The authorities continued addressing the issue of **drugs** and implementing the 2011-2018 Anti-Drug Strategy and its Action Plan. Cooperation and information exchange with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) continued.

The road map for the implementation of the strategic cooperation agreement between Moldova and **Europol** was signed in February and then implemented. The first

secondment of a Moldovan liaison officer to Europol began in July 2013. In November, Europol's Management Board submitted the report on its assessment of Moldova's data protection regime to Europol's Joint Supervisory Body, following a fact-finding mission in October. Once the Joint Supervisory Body gives its agreement, EUROPOL could commence negotiations with Moldova for concluding an operational cooperation agreement.

Regarding the **fight against terrorism**, the majority of UN and Council of Europe conventions have been ratified and have come into force. Moldova is part of 16 United Nations conventions on fight against terrorism and continued to actively support the Council of Europe initiatives on the fight against terrorism. During 2013 the relevant law enforcement authorities ensured efficient implementation of the national and international standards on prevention and fight against terrorism. Moldova continued to align itself to the EU statements/CFSP Declarations on prevention and fight against terrorism.

Following the finalisation of the negotiations on the Cooperation Agreement with **Eurojust**, the decision on the signature of the agreement was submitted to the Council of the EU and is pending adoption.

The relevant authorities of the Republic of Moldova were very active in further consolidating and implementing the legislative and policy framework on **data protection**. The Data Protection Strategy for 2013-2018 and Action Plan for its implementation were adopted in October.

As regards **judicial cooperation** in civil matters, the 1965 Hague Convention on Service Abroad of Judicial and Extrajudicial Documents in Civil and Commercial Matters came into force for Moldova in February, while other Hague conventions remain unratified. As regards **judicial cooperation** in criminal matters, the Second Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters entered into force in December. The authorities continued the implementation of the legislative framework and relevant conventions in criminal matters and processed an important number of cases with third countries.

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

A new **transport and logistics strategy** for 2013-2023 was approved, setting objectives for the road, rail, aviation, maritime and inland waterway sectors. A comprehensive investment plan was prepared for specific sectors. The strategy introduces an integrated approach to transport, logistics and trade facilitation.

In the **road sector**, the first phase of road maintenance reform was completed. Several road renovation projects were implemented with external financial support, including from the EU Neighbourhood Investment Facility, and some of these were finished this year. Two new loans of EUR 150 million each were signed with the European Bank for Reconstruction and Development and the European Investment Bank for the improvement of more roads. In the **maritime and inland waterway sector**, a law on inland waterway transport was passed. The Moldovan fleet continued to figure on the Paris Memorandum of Understanding on Port State Control's black list, but it moved from the 'high risk' category to the 'medium to high risk' category. In the **aviation**

sector, authorities worked on implementing the EU-Moldova Common Aviation Area, and a three-year EU technical assistance project was launched to support the harmonisation of the legal and regulatory framework. The first joint committee meeting took place in February in Chişinău. In July, amendments were made to the civil aviation law, bringing the Common Aviation Authority under the political authority of the Prime Minister's office rather than the Ministry of Transport. In 2013 Moldova also signed a working arrangement on the Safety Assessment of Foreign Aircraft (SAFA) programme with the European Aviation Safety Agency (EASA).

The government continued to focus on integration with the EU **energy** market and to address the main challenges in the energy sector, i.e., the security of supply situation with very high dependency on few external suppliers, accumulated energy related debts and low energy efficiency. A revised energy strategy was adopted.

The government participated in the activities of the Energy Community. New draft electricity and gas laws to ensure proper implementation of Energy Community commitments were developed. They were approved by the government and sent to Parliament at the end of the year. The Economy Ministry developed a roadmap for implementing Moldova's Energy Community commitments between 2013 and 2020, including its obligations under the third package. A series of workshops were organised in Chişinău as part of the Danube strategy to implement the third package. An EU-Moldova joint expert group involving interested EU Member States was also set up, to give legal and technical support for the implementation of the relevant EU energy laws in Moldova.

Parliamentary dismissal of the head of the national energy regulator in July, prior to the expiry of his term of office, raised serious questions over the regulator's independence, which Moldova is obliged to ensure under the Energy Community Treaty. In September, Moldova's Constitutional Court declared the dismissal had been illegal.

Moldova intensified cooperation with Romania on common energy projects, and a list of jointly-selected **gas** and **electricity** interconnector projects was agreed with the European Commission and Romania in November. Four technical meetings between the Commission, Moldova, Romania and international financial institutions were organised in Brussels to support the implementation of these projects. The 110 kV electricity cross-border connection between Falciu and Gotesti was completed. In August, Commissioner Günther Oettinger attended the inauguration of work on the Iaşi-Ungheni gas interconnector, a project to diversify sources of gas supply, which has the potential to significantly increase Moldova's energy security. The project is due to be completed by March 2014. The extension of this pipeline from Ungheni to Chişinău would significantly improve Moldova's energy security.

Moldova continued working with the World Bank on the restructuring of the district heating sector and on settling the gas debts related to this sector. The merger of district heating companies into the new enterprise "Termoelectrica", which was approved in December, represented an important step forward in restructuring. Moldova also continued to work on improving energy efficiency and the development of **renewable** energy sources with the support of the EU energy sector budget support programme. The 2013-2015 national action plan for energy efficiency was developed using the energy community template and approved by the government in February. A draft law on renewable energy sources was developed and

is expected to be adopted in the first quarter of 2014. An energy efficiency fund is operational and two calls were launched for both the public and the private sector. The first 85 projects were approved and involve investments to renovate hospitals, schools and other public buildings. Moldova became a full member of the Eastern Europe energy efficiency and environment partnership (E5P).

New EU **climate change** projects to assist Moldova were launched in 2013, including Clima East and Climate Forum East. At the nineteenth session of the United Nations Framework Convention on Climate Change conference of the parties in Warsaw in November, Moldova submitted its third national inventory report on greenhouse gas sources and sinks in Moldova between 1990 and 2010.

Moldova drafted a new national **environment** strategy and environmental protection legislation, which should provide it with a framework to develop further related legislation and institutional reform. It announced its intention to adopt a strategy and action plan for the conservation of biological diversity, and laws on environmental impact assessments, chemicals, and access to environmental information. Moldova is one of the five ENP countries to have started an enhanced cooperation with the European Environment Agency (EEA).

The government adopted most of the secondary legislation required for the full enforcement of the 2011 water law, which came into force in October 2013. It continued to implement the sector policy support programme in the water sector, under which the EU is providing budget support assistance. The results of the programme, however, were not considered fully satisfactory, due to lack of coordination among stakeholders and lack of absorption capacity. The Ministry of Environment also adopted a revised version of its water supply and sanitation strategy.

Draft legislation to establish a new regulatory framework for waste management was considered. A national waste management strategy was approved in April, and a waste management strategy for the country's southern development region was developed with support from the EU-funded waste governance regional programme.

The government supported the activities of Moldova's regional environmental centre, which helped to support environmental NGOs in the country.

Moldova actively participated in regional EU programmes in the environment sector and in the international commission for the protection of the Danube river. In April, it ratified the Kiev protocol on pollutant release and transfer registers, and in October it signed the Minamata convention on control of mercury.

In the area of **civil protection**, Moldova was intensively involved in the regional flagship Programme for Prevention of, Preparedness for, and Response to Natural and Man-Made Disasters (PPRD East). Through the programme the country became better acquainted with the EU Civil Protection Mechanism and improved its connection with the Emergency Response Coordination Centre of the European Commission.

On **information society**, the digital **Moldova 2020 strategy** was adopted in September. This was a framework document, based on the 'Digital Agenda for Europe 2020', aiming to ensure economic growth based on knowledge and efficient

governance by increasing the use of information and communications technology tools. Moldova made progress on bringing the domestic regulatory information and communications technology framework closer to the European one. On 1 July, a mobile phone number portability service was successfully launched in Moldova, which will improve competition in both the fixed and mobile telephony markets. The National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI) identified the market for access of end-users to fixed locations of the public telephone network as susceptible to ex-ante regulation and designated JSC MoldTelecom as significant market power (SMP). During the first plenary meeting of the EaP Electronic Communications Regulators' Network held in March, the director of ANRCETI was elected the Network Chairman for 2013.

In the field of **audiovisual policy**, the public broadcaster Teleradio Moldova (TRM) made progress on implementation of its reform strategy for 2010-2015; however, further work is needed on implementation of organisational reforms.

Concerning **research and innovation**, Moldova is the only EaP country with association status in the Seventh Framework Programme (FP7), participating in 53 projects in the programme, with a total EU contribution of EUR 3.8 million. Moldova was very proactive in increasing its participation level in the programme and considered its FP7 status as extremely positive. The FP7 association not only increased Moldova's opportunities to participate in FP7 calls, but also allowed the country to access the EU pool of expertise and knowledge on science policy management, joint programming and research infrastructure development. As a follow up to the association to FP7, Moldova applied for association to the newly launched Horizon 2020 Programme on Research and Innovation. Moldova participated in the Joint Research Center (JRC) Board of Governors, the Strategic Forum for International Cooperation (SFIC) or the High-Level Group for Joint Programming (GPC). Moldova is a member of two Joint Programming Initiatives on Water and Cultural Heritage.

Three new FP7 projects (R2I-Research to Innovation) involving Moldovan stakeholders were launched in 2013, with EU funding of around EUR 3 million aiming to foster research-industry partnerships, build Moldovan innovation capacity and facilitate the commercial use of research. A new FP7 regional project, the INCONET EaP, involving the centre for international projects at the Academy of Sciences was launched in September for three years, to prepare for the transition to Horizon 2020 and to promote the cooperation opportunities of this new programme.

In addition, Moldova launched a number of initiatives to prepare for its participation in Horizon 2020, including the creation of a science and technology office in Brussels, a competition to select Horizon 2020 national contact points, and the setting-up of a Horizon 2020 national committee to coordinate the process at inter-ministerial level.

Taking into account the geographic interconnectedness of the Danube delta and the Black Sea, Moldova started a dialogue on **fisheries** and **integrated maritime policy** with the Black Sea coastal states at the Black Sea Stakeholders conference in Bucharest on 30 January 2014.

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

Reform of the education sector continued to be an important priority in Moldova, with high public spending on **education** (around 8% of GDP). However, output and quality of education remained poor due to inefficiencies and an inadequate match between education offered and the needs of the labour market. Efforts to optimise the use of resources continued at a slower pace in 2013, as these were heavily politicised and met significant social resistance, given their disproportional impact on small rural communities, minorities and teachers. Reform of the education sector progressed with the release of a considerably improved 'Education 2020' Strategy, setting out clear priorities on developing the education system in Moldova at all levels. The strategy is expected to be approved in the first half of 2014. Many of the solutions proposed in the strategy were included in the revised Education Code, which was released for public discussion. Progress was also seen on including children with disabilities in mainstream schools.

Moldova adopted a **vocational education and training** (VET) sector development strategy for 2013 to 2020, following wide stakeholder consultation. The development of a national qualifications framework was started, while work as part of the EU-Moldova mobility partnership prompted changes to the classification of occupations, which will also benefit the VET system. Moldova hosted the EaP regional meeting on entrepreneurial learning (in the framework of Platform 4), where it presented examples of good practice such as its new entrepreneurial learning curriculum and teacher training scheme for secondary schools. A new law on professions was subject to public debate, and is expected to be approved in the course of 2014. It will contribute to developing a national qualification framework, occupational standards and a curriculum more tailored to the needs of the labour market. The VET sector will benefit from increased EU support.

Parliament approved a legislative initiative to reform post-graduate (third cycle) **higher education** and establish an independent quality assurance agency for higher education and vocational education and training. The establishment of the sector council on education in June and the implementation of financial autonomy in all public universities were further positive steps. However, further reforms are necessary on doctoral studies, where the Bologna process requirements have not yet been met.

Moldova again confirmed a high interest in the **Tempus** programme, and in 2013, nine new projects involving a Moldovan institution were selected. Tempus made significant contributions towards curricula development, quality assurance reform and the implementation of financial autonomy of higher education institutions. In 2013, students and staff from Moldova were selected for 163 scholarships to study at a European higher education institution, under nine new **Erasmus Mundus** partnerships. In addition, nine masters students were awarded scholarships to take part in Erasmus Mundus joint programmes of excellence. These included eight additional scholarships awarded under a special window for Eastern Partnership countries. Since 2007, 15 institutions and 25 individual researchers have benefited from **Marie Curie** Actions supporting researchers' training, mobility and career development.

Moldova officially joined the 'e**Twinning** plus' action for schools, supporting school collaboration through the use of information and communication technologies. 80 schools and 166 teachers from Moldova are registered, and 29 schools are involved in projects so far.

Moldovan youth and youth organisations continued to participate in the **Youth in Action** programme. Additional funds were provided to the Youth in Action programme in the form of an 'Eastern Partnership Youth Window'. In 2013, 315 projects were selected, involving 1048 young citizens of Moldova.

Drafting continued on a law on **culture** accompanied by a national strategy on cultural developments. Initiatives to protect national cultural heritage as part of the Kyiv Initiative were taken, with five pilot Moldovan towns being selected and restoration works launched on the Soroca Fortress. Moldova participated in four projects under the EaP Culture programme. A consultation workshop gathered stakeholders from the cultural sector, as part of the consultation process for the Preparatory Action on 'Culture in EU External Relations'.

Moldova received EUR 6 million under the EaP integration and cooperation programme, to support the regionalisation of the **public health** laboratory network and to improve health worker training. Ten regional labs were strengthened and re-equipped, and training equipment was provided to the State Medical and Pharmaceutical University.

Moldova developed, but has not yet launched, a new national programme on public health. The Ministry of Health also published a strategy paper on occupational health services which led to considerable public debate. A performance related pay scheme was introduced in primary healthcare, and immunisations and prenatal care were included amongst confidence-building measures adopted in Transnistria. Anti-smoking and anti-alcohol campaigns were launched, with plans for a new law on tobacco control.

The Food Safety Agency and the Transplant Agency both became fully operational. The latter was supported by a new twinning project, and a human tissue bank opened in March. The Medicines Agency was reformed and renamed the National Medicines and Medical Devices Agency, and the Ministry of Health began revising the country's medicines legislation to bring it into line with EU directives.

Policy-makers from Moldova participated in meetings of the HIV/AIDS think tank and the HIV/AIDS Civil Society Forum, as well as in a TAIEX multi-country workshop on EU law on the prevention and control of communicable diseases. Moldova strengthened its capacity to implement the international health regulations, including through participation in training under the EU's Shisans action (which deals with the impact on maritime transport of health threats).