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Subject: RELATIONS WITH THE REPUBLIC OF MOLDOVA
– Council conclusions

Delegations will find attached in the Annex the Council conclusions on the Republic of Moldova, as adopted by the Council (Foreign Affairs) on 26 February 2018.

COUNCIL CONCLUSIONS ON THE REPUBLIC OF MOLDOVA

Foreign Affairs Council, 26 February 2018

1. The Council reaffirms its commitment to strengthening political association and economic integration between the European Union and the Republic of Moldova by working in close partnership on the basis of the Association Agreement that entered into force in July 2016. The European Union remains committed to supporting progress in reforms which are needed to reap the benefits of the Association Agreement, including the Deep and Comprehensive Free Trade Area, to the citizens of the Republic of Moldova.
2. Following the Council Conclusions of February 2016, the authorities of the Republic of Moldova adopted several legislative initiatives related to the priority reform areas identified in the Council Conclusions. Acknowledging the reform steps already taken by the Republic of Moldova, the Council highlights that it is crucial that the reforms started in 2016 are implemented. The Council recalls that EU assistance to the Republic of Moldova is based on strict conditionality, and is linked to satisfactory progress in reforms.
3. The Council recalls that the objective of its efforts to assist the Republic of Moldova is to achieve tangible improvements in the lives of the citizens of the Republic of Moldova.
4. The Council recalls that structural reforms are crucial in order to enable growth, create jobs and reduce poverty. The Council expects the Republic of Moldova to continue with its overall reform process and enhance it in line with the commitments undertaken under the Association Agreement and recalls that the revised Association Agenda, setting out 13 key priorities for reform actions for 2017–2019, should serve as practical guidance. The European Union will continue to strengthen coordination and monitoring of support to the reform process in the Republic of Moldova.

5. The Council acknowledges the constructive contribution made by the Republic of Moldova to the Eastern Partnership Summit of 24 November 2017 and encourages the Republic of Moldova to continue contributing to the achievement of the 20 deliverables for 2020.
6. The Council recalls the importance of respecting effective democratic mechanisms, including a multi-party democratic system, the rule of law and respect for human rights. The Council welcomes the adoption of the Action Plan on the consolidation of interethnic relations.
7. The Council regrets that the new electoral law did not address some of the key recommendations of the Joint Opinion of the Council of Europe Venice Commission and the Organisation for Security and Cooperation in Europe/Office for Democratic Institutions and Human Rights. The Joint Opinion referred *inter alia* to the lack of consensus on the proposed reform and to the risk that majoritarian candidates may be influenced by businesspeople or other actors who follow their own separate interests. The consequences of the new electoral system should be thoroughly and closely monitored during the electoral process, including during the campaign, on Election Day and the period thereafter, with respect to their impact on democracy in general and on the multi-party system in particular. Transparent, inclusive and credible elections at central and local level are of key importance.
8. The Council also recalls the importance of following all the pending recommendations of the Council of Europe Venice Commission and the Organisation for Security and Cooperation in Europe/Office for Democratic Institutions and Human Rights including those on party financing and campaign financing.
9. For all reforms to be successful and sustainable, the Council reiterates the importance of enhancing relations with civil society. The Council strongly encourages the authorities of the Republic of Moldova to involve civil society in the decision making process. The inclusive engagement of civil society is essential to a democratic, resilient and prosperous state.

10. A prerequisite for a democratic society is media freedom and pluralism. In this context, as a first step to guarantee these freedoms, the Council urges the Republic of Moldova to pursue the long overdue comprehensive reform of the audiovisual code that would enhance transparency and competition in the sector, with a view to addressing the concentration of media ownership, guaranteeing media freedom and pluralism, creating a business environment conducive for the activity of independent media outlets and offering high quality information to its citizens. As regards the recent amendments to the audiovisual code, the European Union acknowledges that disinformation and propaganda can have considerable negative effects, but it also notes that the measures adopted should be necessary, proportionate and in conformity with the relevant international law provisions, in order not to curtail media freedom or hinder access to information.
11. The Council welcomes the effective implementation of the short-term visa-free regime, underlining the enhanced possibilities for people-to-people contacts since its entry into force and calls on the Republic of Moldova to continue making the necessary efforts to continuously fulfil the visa liberalisation benchmarks and to inform its citizens on the rights and obligations entailed in visa-free travel. Referring to the Commission's First Report under the Visa Suspension Mechanism from December 2017, the Council recalls that further special attention needs to be paid to the continuous fulfilment of the anti-corruption and anti-money laundering benchmarks by taking immediate actions.
12. The Council is convinced that renewed efforts should be urgently dedicated to a more decisive fight against corruption with tangible results that should be also accompanied by a thorough reform of the judiciary, including the prosecution service. A functioning, independent, impartial, transparent and accountable justice system, a proven track-record of convictions for corruption (in particular high-level corruption) and respect for the rule of law are key elements to restore the trust of citizens of the Republic of Moldova in state institutions.

13. Against this background, the Council draws attention to the importance of ensuring that law enforcement and the judiciary system function impartially, and expresses concern for cases of prosecution against some lawyers, judges and political opponents. The Council recalls that a selective use of law enforcement and selective justice undermine the rule of law and the public's respect and faith in the judicial system.
14. The Council urges again the authorities of the Republic of Moldova to ensure that the cases of massive banking fraud that were exposed in 2014 are made subject to a thorough, impartial and comprehensive investigation and prosecution, with a view to recovering the misappropriated funds and to bringing all those responsible to justice, irrespectively of any political affiliation. The Council welcomes the publication of a summary of the second Kroll report in December 2017. However, it continues to urge the authorities to pursue the investigations and to continue prosecutions of all those involved in the massive fraudulent schemes, in full respect for the rule of law.
15. The Council welcomes the recent appointments made within anti-corruption institutions and the adoption of an anti-money laundering law to bring the legislation in line with the current EU standards. With respect to the ongoing reforms, it will be crucial to ensure the implementation of the anti-money laundering legislation and to continue strengthening the operational capacities of the anticorruption bodies, to set up a functioning and effective mechanism for asset freezing, confiscation, management and recovery, to swiftly ensure a functioning asset declaration and verification system, and to underpin the independence of the anti-corruption institutions from undue influence. The Council also recalls the importance of swiftly setting up an autonomous office in charge of preventing and fighting money laundering, as well as developing and approving mechanisms for the sanctioning of violations of the anti-money laundering regime, identification and freezing of the suspicious transactions.

16. The Council recalls the importance of continuing the implementation of the Public Administration Reform with a view to providing better services to citizens.
17. The Council welcomes the reforms aimed at ensuring macroeconomic and financial stability and restoring credibility with international donors, notably in the field of corporate governance in the financial sector, strengthening the independence and the supervisory powers of the National Bank. These reforms helped to restore economic and financial stability and were key to the conclusion and successful implementation of an agreement with the International Monetary Fund. The Council encourages the Republic of Moldova to pursue further reforms in order to address the significant remaining challenges, notably weak governance, politicisation of state institutions, systemic corruption, the need to improve the business environment and thereby enhance economic growth.
18. The Council welcomes the signature of the Memorandum of Understanding, Loan Facility Agreement and Grant Agreement on the Macro Financial Assistance in November 2017 and their ratification by the Parliament of the Republic of Moldova in December 2017.
19. The Council recalls that each payment under the Macro Financial Assistance programme will be subject to the fulfilment of the policy measures included in the Memorandum of Understanding and the respect of political preconditions.
20. The Council highlights the importance of taking steps to create a level-playing field for business in order to guarantee an attractive and stable investment climate, and to improve transparency and investment conditions while maintaining adequate controls and penalties for those infringing these areas. The Council notes that more efforts are needed to improve the business climate and to attract more foreign direct investments.

21. The Council expects the Republic of Moldova to step up its reform efforts related to the implementation and enforcement of the Deep and Comprehensive Free Trade Area, including by strengthening the operational capacity and independence of the relevant institutions.
22. The Council recalls the importance of the effective enforcement of intellectual property rights protection, including the protection of Geographical Indications, in the Republic of Moldova, in line with the commitments undertaken under the Association Agreement.
23. The Council recalls the importance of strengthening competition and transparency in the energy sector, *inter alia* by ensuring the institutional and financial capacity for the energy regulator to continue the energy market reform. The Council urges the full respect of the Energy Community *acquis*, in particular as regards tariff-setting for energy distribution ensuring full cost recovery. The Council calls on the Republic of Moldova to complete the energy sector reform in line with the EU Third Energy Package, in particular regarding unbundling of gas and electricity transmission and distribution. The Council also calls for accelerating the implementation of interconnection projects, underlining their importance for energy security and diversification of energy supply and routes.
24. The EU reiterates its readiness to continue assisting the Republic of Moldova, based on concrete and satisfactory progress in all areas of reform and on strict conditionality. In this respect, the Council recalls the importance of making the best use of ongoing EU assistance, with a view to supporting the objectives of the Association Agreement, including the Deep and Comprehensive Free Trade Area, and improving the living conditions of the citizens of Republic of Moldova in a visible and tangible manner. Respect for commitments undertaken with the International Monetary Fund, substantive progress in the fight against corruption and in the reform of the justice sector, compliance with democratic principles and respect for human rights will be key elements for the outstanding disbursements of sectoral budget support. The Council also recalls the importance of following up on the September 2016 Court of Auditors report on EU assistance to the Republic of Moldova and of strengthening donor coordination with the Government of the Republic of Moldova in the context of Joint Programming.

25. The Council also recalls the importance of stepping up joint efforts on effective strategic communication on the reforms achieved, and their concrete benefits for citizens, to promote visibility of cooperation between the EU and the Republic of Moldova and address disinformation.
 26. The Council welcomes the interest of the Republic of Moldova to advance on cooperation with the EU in the security and defence field as well as its participation in the EU-led CSDP missions and cooperation under action 18 of the Joint Communication "Joint Framework on countering hybrid threats".
 27. The Council welcomes the encouraging progress made under the 5+2 process on the settlement of the Transnistrian conflict during the Austrian OSCE Chairmanship in Office. It strongly encourages the Republic of Moldova to build on this level of engagement during the Italian OSCE Chairmanship in Office and thereafter, and underlines the importance of timely implementation of agreements reached. The Council also recalls the importance of progressing on the implementation of the law on the Special Legal Status of Gagauzia and calls on Chisinau to proceed with the pending legislative initiatives.
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