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COMMISSION

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following the
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Commission Opinion on the Republic of Moldova's application for membership of the
European Union**

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A. INTRODUCTION

Contents of the analytical report

This analytical report completes the Commission's Opinion on the Republic of Moldova's application for membership of the EU on 17 June 2022¹. It assesses the country's overall capacity to uphold the obligations of membership, i.e., the full body of EU law as expressed in the Treaty, secondary legislation, and the EU's policies (*acquis* of the European Union).

The analytical report is a structural assessment against the criteria set by the European Council in Copenhagen in 1993 and subsequent European Council conclusions. It builds on knowledge and experience gained from the EU's longstanding close cooperation with Moldova and Moldova's answers to the detailed questionnaires it received on 11 and 19 April 2022. The Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DFCTA) covers a substantial part of the EU *acquis*. The AA also provides a comprehensive institutional set-up for bilateral dialogue and for monitoring the process of gradual approximation of Moldova's legislation with the EU *acquis*. Since 2016, Moldova's implementation of the EU *acquis* has been presented in the EU's annual 'Association Implementation Reports'. This analytical report does not address the situation of non-government-controlled areas of Moldova.

The analytical report focuses on Moldova's alignment of its laws with the *acquis* in the 33 *acquis* chapters, except for areas that were covered in detail by the Opinion. Following the adoption of the revised enlargement methodology² of the EU's enlargement policy, the EU *acquis* is further structured around six thematic clusters.

This report takes stock of the situation in June 2022, when the Commission published its Opinion. The report uses the following assessment scales to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced.

Following the invitation of the European Council held on 24 June 2022, the Commission will report on the fulfilment of the steps specified in its Opinion as part of its regular enlargement package.

B. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

This cluster covers: judiciary and fundamental rights (Chapter 23); justice freedom and security (Chapter 24); public procurement (Chapter 5); statistics (Chapter 18); and financial control (Chapter 32).

Chapter 23: Judiciary and fundamental rights

The substance of this chapter was covered in the Commission Opinion.

Chapter 24: Justice, freedom and security

The EU has common rules governing border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails removing border controls inside the EU. EU Member States also cooperate with Moldova in the fight against organised

¹ COM (2022) 406 final

² COM (2020) 57 final

crime, corruption and terrorism, and in judicial, police and customs matters, with the support of all EU Justice and Home Affairs Agencies.

Cooperation on justice, freedom and security makes up an important part of the Association Agreement between the EU and Moldova. Title III on Justice, freedom and security establishes cooperation in a wide range of areas, including border management, asylum and migration, money laundering, the prevention of crime and terrorism. The visa suspension mechanism also covers border control, visas, external migration, and asylum.

Fight against organised crime

This Section is covered in the Commission Opinion.

Cooperation on drugs policy

Institutional set-up and legal alignment

Moldova's legal framework for the fight against drugs consists of specific legislation and provisions in the criminal code, which include criminal and administrative penalties. It is partly aligned with the EU *acquis*. Moldova is party to the relevant international narcotic drug control conventions.

The National Investigation Inspectorate has a specialised directorate in charge of the fight against drugs, while the National Agency for Public Health monitors the drug situation. Moldova has put in place a national anti-drug strategy, overseen by the National Anti-Drug Commission, for the period 2020-2027 and it has adopted a first action plan. Moldova does not have a national Early Warning System on psychoactive substances.

Implementation and enforcement capacity

Moldova signed a memorandum of understanding with the European Monitoring Centre for Drugs and Drug Addiction in 2012, and the National Drug Observatory is its contact point. Moldova also cooperates with Europol, including in the fight against drug trafficking.

Fight against terrorism

Institutional set-up and legal alignment

The Security and Intelligence Service's Anti-Terrorist Centre coordinates the fight against terrorism. Moldova's anti-terrorism legislation is partly aligned with the EU *acquis* and applicable international law. It has ratified most relevant international terrorism conventions.

The national security strategy covers matters related to the fight against terrorism and terrorist financing. Moldova has put in place a national strategy and action plan to fight money laundering and terrorist financing.

Implementation and enforcement capacity

Moldova has a low level of terrorism alert. It has put in place mechanisms to prosecute the financing of terrorism and to counter terrorist content online. To take steps to prevent radicalisation, Moldova has started a pilot project in prisons and has put sustained effort into fighting disinformation.

Judicial cooperation in civil and criminal matters

Moldova's legislative framework for mutual legal assistance in civil and criminal matters is partly aligned with the EU *acquis*, as are the national legislation and bilateral and international agreements containing civil and criminal provisions. In 2021, Moldova received 517 requests for legal assistance in criminal matters; 41 requests for taking over criminal investigations and 19 extradition requests.

Moldova is a member of the Hague Conference on Private International Law and party to six core conventions. However, it is not party to a number of important core conventions, including the 1996 Child Protection Convention, the 2005 Choice of Court Convention, the 2007 Child Support Convention, and the 2007 Maintenance Obligations Protocol.

A cooperation agreement with Eurojust entered into force in 2014. Moldova has made progress regarding the appointment of a Liaison Prosecutor to Eurojust, with the secondment expected to start in 2023.

Moldova has expressed its readiness to cooperate with the European Public Prosecutor's Office (EPPO) in accordance with the 1959 European Convention on Mutual Assistance in Criminal Matters and its Protocols and further to the declarations issued by the EU Member States participating in the EPPO to this effect. The General Prosecutor's Office of Moldova concluded a Working Arrangement with the EPPO on 13 July 2022.

Legal and irregular migration

Institutional set-up and legal alignment

Within the Ministry of Internal Affairs, the General Inspectorate of the Border Police, the Bureau of Migration and Asylum, and the Centre for Combating Trafficking in Human Beings within the General Police Inspectorate are responsible for managing migration. Moldova is an observer in the European Migration Network.

Moldova has general rules on admission for work purposes and on family reunification of foreigners staying legally in Moldova. There is no specific legislation on admission of third-country researchers, nor on a single procedure and permit for work and residence. Moldova has put in place legislation on return, including the principle of *non-refoulement*, and puts obligations on carriers transporting foreign nationals into Moldova who do not fulfil the entry conditions.

Implementation and enforcement capacity

There is *ad hoc* coordination in the event of a migration crisis. In spring 2022, following the unprecedented influx of persons fleeing Ukraine, the Moldovan authorities mobilised resources, including in cooperation with other countries and international organisations, to provide immediate assistance.

Implementation of the EU-Moldova **readmission agreement** is generally good. In 2021, the number of return orders issued to Moldovan nationals increased by 17% (7 880 compared to 2020). The number of effective returns has fallen by 14% to 2 495 since 2020.

Moldova has concluded readmission agreements with Albania, Bosnia and Herzegovina, Georgia, Kazakhstan, Montenegro, North Macedonia, Norway, Serbia, Switzerland, Türkiye, and Ukraine.

There is a coordination mechanism including an inter-ministerial commission, committees and working groups. The commission is tasked with monitoring and coordinating work on migration, asylum, statelessness and integration of foreigners, as well as uniform and coherent application of governmental policies.

Asylum

Institutional set-up and legal alignment

Moldova's legislation governing asylum is broadly in line with the EU *acquis* and it is party to the relevant international conventions. The Ministry of Internal Affairs' Asylum and Integration Directorate decides on applications for international protection. The legal status of

asylum seekers, beneficiaries of international protection, temporary protection and political asylum are regulated by the law on asylum. Unaccompanied minors applying for asylum are subject to child protection measures, including social placement services. Asylum seekers are generally obliged to stay in accommodation centres during the asylum procedure.

Implementation and enforcement capacity

In 2021, 86 applications for international protection were lodged and 43 people were granted protection. By September 2022, Moldova had received more than 9 000 applications, following the arrival of people from Ukraine seeking asylum.

Visa policy

The legal framework for visa policy is broadly in line with the EU *acquis*, although the list of third countries with which Moldova maintains visa-free regimes is not fully aligned with the list of third countries whose nationals are subject to a visa for short stays in the EU.

The security features of visas and travel documents are broadly aligned with EU standards. All passports issued by Moldova are biometric International Civil Aviation Organization compliant. Cooperation with Interpol on lost and stolen passports is regular and systematic.

Moldova has a visa management system for processing applications, but it lacks equipment for digital collection of biometric identifiers. Moldova does not have agreements on consular and visa-issuing cooperation with other countries.

Implementation of the 2014 **visa-free regime** with the EU is smooth, with the number of unfounded asylum applications from Moldova in EU and in Schengen countries falling. The number of applications for international protection by Moldovan nationals in Member States decreased by 24% between 2019 and 2020, with 6 865 applications lodged in 2020. The recognition rate slightly increased from 0.8% in 2019 to 1.0% in 2020.

Schengen and external borders

Institutional set-up and legal alignment

The General Inspectorate of Border Police manages the state border. Moldova has put in place a national strategy for 2018-2023 and action plans to strengthen border security. The National Council for Integrated State Border Management is the advisory body in charge of implementing the action plan.

Border control **legislation** is partly aligned with EU policy and best practice, although technical equipment and infrastructure are inadequate. Border-crossing points have biometric travel document readers and some have videosurveillance systems for profiling the flow of passengers. Moldova does not have a national advanced passenger information system.

Implementation and enforcement capacity

The integrated border management agencies have insufficient capacity, and lack both infrastructure and resources. They do have a mechanism for **inter-agency cooperation**.

Border checks satisfy minimum standards. Moldova needs additional resources, in particular technical, to improve the quality of border checks. Border surveillance resources are limited and require substantial improvements.

Border crossing **infrastructure** also requires significant improvements. The state of infrastructure in half of the 39 border police sectors is unsatisfactory.

Moldova aims to gradually bring its risk analysis method in line with the Common Integrated Risk Analysis Model II methodology.

The border police training curriculum is partly harmonised with the common core curriculum of the European Border and Coast Guard Agency (Frontex). A Frontex liaison officer with regional mandate for the **Eastern Partnership** has been deployed (currently based in Moldova).

In May 2022, Moldova concluded a status agreement for the deployment of Frontex with the **European Border and Coast Guard Agency**. Frontex launched a joint operation in Moldova in 2022, under which 79 European Border and Coast Guard Standing Corps team members are currently deployed.

The EU Border Assistance Mission to Moldova and Ukraine has provided support to both countries since 2005, including on improvement of integrated border management standards. Moldova has agreements with Romania and Ukraine on border security.

Measures to combat corruption at the border are included in the general national integrity and anticorruption strategy for 2017-2023. This includes measures for specific sectors such as customs and public order, and for administration.

There are *ad hoc* crisis response mechanisms that Moldova has stepped up since February 2022 in response to the high number of border crossings from Ukraine.

Counterfeiting of the euro (criminal law aspects)

Moldova is not party to the 1929 Geneva Convention for the suppression of counterfeiting currency, although the criminal code provides for criminal liability for counterfeiting.

Summary

Moldova **has achieved some level of preparation** to implement the EU *acquis* in the area of justice, freedom and security. Legislation is broadly aligned with EU law and Moldova has put in place a number of important strategies. However, there is scope to improve institutional cooperation and coordination in order to boost implementation.

Chapter 5: Public procurement

EU rules ensure that the public procurement of goods, services and works in any Member State is transparent and open to all EU economic operators on the basis of non-discrimination and equal treatment.

The public procurement *acquis* is partially covered by Chapter 8 of the AA/DCFTA. Under the AA/DCFTA Moldova will need to approximate its legislation to the five public procurement Directives (on classic procurement, utilities, concessions and remedies) by 2024.

Institutional set-up and legal alignment

The legislative framework is partially aligned with the EU *acquis*. Public-sector procurement is harmonised to a high degree with current EU public procurement Directives. The legislation is partially aligned with the Utilities Directive³. The laws on works concessions, service concessions and on public-private partnerships require further alignment with the EU *acquis*. Moldovan legislation is not aligned with the Directive on defence and sensitive security procurement⁴. Moldova has only partially implemented the strategy for development of the public procurement system in 2016-2020 and has yet to adopt a new strategy.

³ Directive 2014/25/EU

⁴ 2009/81/EC

Implementation and enforcement capacity

As regards Moldova's capacity for implementation and enforcement, the Public Procurement Division of the Ministry of Finance is responsible for regulation and implementation of policy in the area of public procurement, and the Public Procurement Agency focuses on monitoring, support and analysis. There are over 3 000 contracting authorities, many of them small, with limited skills and experience. The procurement system is decentralised, except for the Centre for Centralised Health Procurement. The use of centralised procurement is hampered by capacity constraints of central public procurement institutions.

There is limited data on the performance of procurement procedures and execution of public contracts, but assessments indicate there is room to improve efficiency and quality. Evidence suggests that perceived barriers, such as administrative complexity, unfair competition, and corruption, discourage participation in public procurement. Training and capacity-building for procurement staff are needed.

Moldova's electronic procurement system suffers from legal and technical problems, which limit its functionality. Moldova's contracting authorities can publish contract notices in the EU Tenders Electronic Daily.

Efficient remedy system

Moldova's system for efficient remedies is partially approximated. The National Agency for Solving Complaints, independent from the government and responsible to Parliament, is the procurement review body for the public sector, utilities and work and service concessions, reviewing complaints submitted by dissatisfied tenderers. It publishes all decisions online, including the comprehensive reasoning behind the decisions.

Summary

Moldova is at an **early stage of preparation** on the area of public procurement. Most of the elements for phases 1 and 2 of the public procurement annex to the AA/DCFTA have been fulfilled. It needs to further align its legislation with EU law, especially by aligning the laws on concessions and public-private partnerships. It also needs to adopt specific legislation on the award of procurement contracts in the field of defence and security, and amend secondary public procurement legislation. The efficiency of the public procurement system needs to be improved and the e-procurement system needs re-engineering.

Chapter 18: Statistics

EU rules require EU Member States to be able to produce statistics based on professional independence, impartiality, reliability, transparency and confidentiality. Common rules are in place for the methodology for collecting, producing and disseminating statistical information.

Statistical cooperation is covered by Chapter 6, Title IV of the AA/DCFTA, including approximation of legislation to the EU *acquis*.

As regards **statistical infrastructure**, Moldova's Law on official statistics is built on the fundamental principles of official statistics and the European Statistics Code of Practice. It is partially aligned with the Regulation on European Statistics⁵ and the generic Law on official statistics for the European Neighbourhood Policy East Countries. Moldova uses the latest versions of NACE (Statistical Classification of Economic Activities in the European

⁵ Regulation 223/2009

Community), ISCO (International Standard Classification of Occupations) and ISCED (International Standard Classification of Education) but the rules are not aligned with the latest version of CPA (Statistical classification of products by activity).

The National Bureau of Statistics is the central statistical authority and the main producer of official statistics. It also coordinates the national statistical system. The organisation and functioning of the National Bureau are approved by the government, which also appoints its General Director.

The administrative capacity of the National Bureau must be significantly increased in order to fulfil its mandate, perform new statistical activities, and improve the quality of existing outputs.

Individuals, private entities and administrative data owners are obliged to provide data free of charge, and the National Bureau has access rights to databases on natural and legal persons held by other legal entities. The National Bureau has access to administrative data on businesses (at the individual level), but legislation on personal data protection limits its access to individual data on natural persons.

The Statistical Business Register (SBR) serves as the basis for statistical surveys of entities. It includes data both on legal units and local units, though information on the latter remains limited. National classifications are partially harmonised with the standard international and EU classifications.

On a voluntary basis Moldova regularly transmits a limited amount of data to the Commission (Eurostat) in some statistical domains, as well as through an annual data collection exercise.

The production of **macroeconomic statistics** is not yet in line with the EU *acquis*. Quarterly income and sector accounts are missing, and details on published data are not provided. The national accounts are compiled in accordance with the System of National Accounts, 2008 (2008 SNA). Alignment with the European System of National and Regional Accounts (ESA 2010) Regulation is partial. The Classification of Activity in Moldovan Economy (CAEM-2) is used to develop the national accounts variables by economic activity, and it is harmonised with NACE⁶, rev. 2. Balance of payments statistics are compiled and disseminated by the National Bank of Moldova on a quarterly basis, but without the required ESA 2010 geographical breakdown. The current level of alignment of balance of payments and international investment position should be improved and dissemination and publication done according to the timeline set up in the Eurostat *vademecum*. Price statistics are partially aligned with EU rules, but Moldova does not produce harmonised indices of consumer prices, nor owner occupied housing price indices.

Moldova compiles structural **business statistics** in accordance with the Regulation on structural business statistics⁷. It should take account of the new data requirements stemming from the Regulation on European business statistics⁸ and the Commission Implementing Regulation on European business statistics⁹, to ensure alignment with the EU *acquis*. Industrial production statistics are produced based on the Nomenclature of Industrial Products and Services (PRODMOLD, 2013 list), harmonised with the European standard

⁶ Statistical Classification of Economic Activities in the European Community

⁷ Regulation 295/2008

⁸ Regulation 2019/2152

⁹ Regulation 2020/1197

PRODCOM-2013. Moldova has produced short-term statistics in line with the Regulation concerning short-term statistics¹⁰ since 2011.

On **social statistics**, Moldova plans to run the next population and housing census in 2024, in line with the newly-adopted population and housing census law. Although the Public Services Agency maintains a state population register, it lacks a statistical population register. Only basic demographic breakdowns by age and sex are provided to Eurostat without the necessary metadata information. Accurate recording of external and internal migration is a challenge and no statistics on international migration flows are transmitted to Eurostat. The labour force survey is partially compliant with EU standards. Statistical surveys in the field of formal education conducted by the National Bureau of Statistics are exhaustive, covering all educational institutions.

Moldova has a comprehensive system of **agricultural surveys**. It ran the first general census of agriculture in 2011, and plans to integrate the next along with the 2024 population and housing census.

On **transport statistics**, Moldova's legal basis is in line with only two of the five key pieces of EU statistical legislation. No transport data is provided under regular statistical reporting.

On **energy statistics** Moldova is broadly aligned with the statistical requirements compendium adopted by the Energy Community. There are minor data quality issues. Regarding environment statistics, Moldova has a draft methodology and draft calculations for 2014-19 for environmental accounts and some waste statistics, including municipal waste. On tourism statistics, Moldova needs to align with the Regulation on European statistics in tourism¹¹.

Summary

Moldova has achieved **some level of preparation** in the area of statistics. It has put in place most of the national legal instruments needed but capacity building is a pressing concern. The ESA 2010 methodology needs to be applied, and a statistical population register drawn up. The National Bureau of Statistics needs capacity building and proper technical and organisational means to implement the rules governing personal data protection.

Chapter 32: Financial control

The EU promotes the reform of national governance systems to improve managerial accountability, sound financial management of income and expenditure, and external audit of public funds. The financial control rules further protect the EU's financial interests against fraud in the management of EU funds and the euro against counterfeiting.

Financial control is partially covered by Chapter 7 of the AA/DCFTA.

Public internal financial control

The main principles of good financial management and control are laid down in **legislation**, and supplementary orders issued by the Ministry of Finance. The Ministry of Finance is the central harmonisation unit for public internal financial control, preparing methodological guidance, coordinating capacity building and monitoring implementation. It submits an annual report to the public internal financial control council.

¹⁰ Regulation 1165/98

¹¹ Regulation 692/2011

Responsibility for **internal control** and audit rests with managers of public entities, who are in charge of ensuring the principles of good governance. The national internal control standards are based on the Committee of Sponsoring Organizations of the Treadway Commission model.

Implementation suffers from a low level of awareness of the benefits of risk management, poor **managerial accountability**, and limited staff resources.

The main principles of **internal audit** are laid down in legislation and secondary normative frameworks. The quality of internal audit is assessed according to an annual plan. Although internal audit units exist in most central government institutions, covering 98% of revenue and 95.1% of expenditure, only 63% of staffing posts are filled. Over half the internal audit units in public authorities have just one internal auditor.

The State Financial Inspectorate operates a significant financial inspection function, with more resources and power than internal audit bodies, as it has the power to issue penalties. There is a consequent risk that the Inspectorate could undermine the role of internal audit.

External audit

In terms of Moldova's **constitutional and legal framework**, the Court of Accounts is included in the Constitution and the applicable law is reasonably well developed. However, some provisions undermine key elements of the Court's organisational, functional, and financial independence. The tenure of the President is relatively short, which could potentially affect their independence.

As regards **institutional capacity** the Court has a broad mandate to audit all public bodies and resources. Parliament can ask the Court to carry out other tasks, which limits the Court's control of its resources and work programme. The Court has a development strategy supported by annual action plans. It needs to increase its administrative capacity.

The Court has access rights to information, but occasionally this has been refused or delayed. Audit work follows the international standards of supreme audit institutions, and manuals are in place for financial audit and for compliance and performance audit. The Court has a system of quality control and assurance in line with international standards, although capacity to implement the system remains an issue.

The Court's reports are published in the Official Monitor, on the Court's website, and sent to the Parliament's Public Finance Control Commission. There is little evidence that the audit work of the Court has increased the level of implementation of its recommendations.

Protection of the EU's financial interests

The AA/DCFTA partly covers the requirements under EU law. Given the change from the Convention on the Protection of the European Communities' Financial Interests to the Directive on the fight against fraud to the Union's financial interests by means of criminal law¹², legal alignment should now focus on the Directive rather than the Convention.

Cooperation in investigations between the European Anti-Fraud Office and the relevant national authorities takes place on a case-by-case basis. Moldova has nominated the National Anticorruption Center as main focal point and it has provided good assistance to OLAF in the context of investigative cooperation, but it is not yet officially recognised as an **anti-fraud coordination service**.

¹² Directive 2017/1371

Protection of the euro against counterfeiting

Moldova has not ratified the 1929 Geneva Convention for the suppression of counterfeiting of currency. Moldova is partially aligned with EU law on the definition of counterfeiting banknotes and coins, and with the procedures for gathering, storing and withdrawing counterfeit currency from circulation.

Technical analysis is carried out by the National Bank of Moldova, the Technical-Forensic Centre, and the police division of judicial expertise. The National Bank of Moldova and the Ministry of Internal Affairs have a cooperation agreement on preventing and combating counterfeiting and protecting the national currency.

Summary

Moldova **is at an early stage of preparation** on financial control. The law on public internal financial control is an adequate basis for developing work in this area in line with international standards and EU requirements. The lack of capacity needs to be addressed. Moldova needs to adopt a new development strategy and ensure the financial, functional, and operational independence of the Court of Accounts. Moldova needs to ratify the 1929 Geneva Convention and further align its legislation with the EU *acquis*.

CLUSTER 2: INTERNAL MARKET

This cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); the right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 5); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28).

Chapter 1: Free movement of goods

The free movement of goods ensures that many products can be traded freely across the EU based on common rules and procedures. Where products are governed by national rules, the principle of the free movement of goods prevents these rules from giving rise to unjustified barriers to trade.

General principles

Moldova has put in place some elements of the legislative and institutional framework for the free movement of goods in line with the obligations of the AA/DCFTA.

Non-harmonised area

Moldova needs to analyse all its legislation and administrative practices in the **non-harmonised area** to verify compliance with obligations included in articles 34-36 of the Treaty on the Functioning of the European Union (TFEU) and case law of the European Court of Justice. The Ministry of Economy is the national notification authority on technical barriers to trade.

Harmonised area: quality infrastructure

Moldova has put in place the legal basis and administrative structure for technical regulations, standards, conformity assessment, accreditation, metrology and market surveillance and they are partly aligned with the EU *acquis*.

The Ministry of Economy hosts the Institute for **Standardisation**, and was recently accorded the status of affiliate member of the European Committee for Standardisation and the

European Committee for Electrotechnical Standardisation, and the European Technical Standards Institute. Data issued by the Institute shows that it has adopted around 25 000 European standards and revoked over 9 000 old national standards.

The Law on the **accreditation** of conformity assessment bodies is designed to be aligned with the EU *acquis*. The National Accreditation Centre is a member of the European cooperation for Accreditation and a signatory to the European Accreditation multilateral agreement.

The legal basis for **conformity assessment** is the Law on technical regulation and conformity assessment and several pieces of implementing legislation, which are partly aligned with the EU *acquis*. To date 12 conformity assessment bodies have been accredited.

The legal framework for legal **metrology** is based on the national law on metrology and includes the National Institute for Metrology, an independent body, the Ministry of Economy, and related bodies.

The Ministry of Economy coordinates and evaluates **market surveillance** activities with seven market surveillance authorities, each responsible for specific technical regulations. Moldova's market surveillance bodies carried out 1 000 checks in 2021, finding 60 cases of non-compliance, and leading to four products being withdrawn from the market.

Harmonised area: sectoral legislation

On the '**new and global approach**', Moldova has adopted legislation designed to be fully aligned with the EU *acquis* on lifts, electromagnetic compatibility, electrical equipment intended for use within certain voltage limits, radio equipment, civil explosives, protective systems intended for use in potentially explosive atmospheres, simple pressure vessels, pyrotechnic articles, energy labelling (Moldova is a contracting party to the Energy Community Treaty), measuring equipment, non-automatic weighing devices, and medical devices. It is partly aligned with the EU *acquis* on construction products, recreational craft, eco-design, measuring instruments, non-automatic weighing instruments, and medical devices. It is not aligned with the EU *acquis* on outdoor equipment noise emissions, personal protection equipment, cableway installations, and recreational craft. Moldova has adopted but not yet applied laws on gas appliances, designed to ensure alignment with the EU *acquis*. Moldova has adopted legislation designed to be fully aligned, but verification is pending, on toys, machinery and pressure equipment.

On '**old-approach product legislation**', Moldova is not aligned with the EU *acquis* on motor vehicles, tractors, non-road mobile machinery, fertilisers, detergents, aerosol dispensers, on chemicals, including Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), chemicals labelling, and good laboratory practice. It is partly aligned on 2/3 wheeled vehicles, pre-packaging, and drug precursors. It needs to boost administrative capacity to ensure effective alignment with EU legislation on chemicals. Moldova's legislation on units of measurement is largely in line with the EU *acquis*, and partly aligned with the EU *acquis* on crystal glass, footwear textile labelling, and medicinal products pricing. It is not aligned with EU law governing firearms, aerosol dispensers, or with the return of **cultural objects unlawfully removed** from the territory of an EU Member State.

Summary

Moldova has **some level of preparation** on the free movement of goods. It has taken steps to align with some of the EU *acquis* in the new approach sectors. It is especially important for Moldova to achieve full alignment with the EU *acquis* for the legislative framework (known as the "quality infrastructure"), and to build sufficient capacity to implement EU law as these

are fundamental to implement the extensive EU “New and global approach” *acquis* in this chapter. There is only partial alignment on a few sectors of the old approach.

Chapter 2: Freedom of movement for workers

Citizens of one Member State have the right to work in another Member State and must be given the same working and social conditions as other workers.

The AA/DCFTA does not refer to the EU *acquis* under this chapter.

The Bureau of Migration and Asylum of the Ministry of Internal Affairs, is the competent authority for foreigners. Its integrated automated information system ‘Migration and asylum’ keeps records of migrant workers. There is no specific body responsible for enforcing the right to free movement of workers.

The legal framework governing **access to the labour market** does not differentiate between EU workers and other third country nationals, although discrimination on grounds of nationality is not included. Employment in the public administration is reserved for Moldovan citizens. In order to work in Moldova, EU citizens must obtain a temporary residence permit for work purposes (though there are some derogations), granted at the request of the employer, and then submit numerous documents, including a negative HIV test (which contradicts the Labour Code). Family members of EU workers are subject to the same rules as family members of other foreign workers.

Moldova does not have an occupational pension scheme (voluntary private pension schemes supplement public pensions). Therefore, the EU rules on **supplementary pension rights** of mobile workers are not incorporated in Moldovan law.

The Bureau of Migration and Asylum of the Ministry of Internal Affairs is the competent authority for foreigners. Its integrated automated information system “Migration and asylum” keeps records of migrant workers. There is no specific body yet responsible for enforcing the right to free movement of workers.

Moldova has not completed the preparatory work needed on access to the **European Network of Employment Services**.

Moldova has signed international bilateral agreements with Israel, Bulgaria and Germany governing the outward mobility of workers.

As regards the **coordination of social security systems**, Moldova has adopted international bilateral agreements on social security with 13 EU Member States¹³ and with Türkiye. These agreements are based on the principle of proportionality and provide that both parties will calculate and pay pension only for the periods of insurance completed in their country. They also state that pensions must be calculated according to the legislation of each state and transferred to the state where the beneficiary is domiciled. The principles of equal treatment and aggregation are reflected in these international agreements.

Moldova has put in place laws that cover most branches of social security under the EU *acquis* (sickness benefits, maternity and paternity benefits, old-age benefits, survivors’ benefits, benefits in the event of accidents at work and occupational diseases, death grants, unemployment benefits, and family benefits, but not pre-retirement benefits). Moldova’s legislation governing **pensions** provides for old-age or survivors’ pensions. Unemployment

¹³ Bulgaria, Portugal, Romania, Luxembourg, Austria, Estonia, Czechia, Belgium, Poland, Hungary, Lithuania, Turkey and Germany

benefits are not provided for non-Moldovan nationals who have temporary residence in Moldova.

No national health insurance card exists due to the absence of an integrated health information system. The implementation of the **European Health Insurance Card (EHIC)** might therefore be challenging.

The following institutions are responsible for social security: the National Social Insurance House, the National Agency for Employment and the National Council for the Determination of Disability and Work Capacity.

Moldova's Social Protection Information System carries out the registration, granting and payment of social benefits. National authorities struggle with administrative capacity and data exchange when handling international cases, and this leads to delays in document and data exchange.

Summary

Moldova is at an **early stage of preparation** in the field of free movement of workers. It has not yet aligned most of its legislation with the EU *acquis* or with EU case law. It will need to boost its institutional and administrative capacity, inter-institutional cooperation, and ability to coordinate internationally. Capacity-building is needed in EU social security coordination and the distinction between social security and social assistance.

Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on the mutual recognition of qualifications. Postal services have been open to competition since 2017.

This Chapter is partially covered by Chapter 6 of the AA/DCFTA on establishment, trade in services and electronic commerce. The DCFTA plans for gradual approximation of legislation to the EU *acquis* in the field of postal and courier services.

Regulatory reforms have helped bring Moldova's legal framework in line with the Directive on services in the internal market¹⁴. There are no barriers to the **right of establishment** by foreign natural persons and companies and there is a functioning single contact point for companies.

Moldova is currently compliant with the requirements of all three **Postal Services** Directives and has fully opened the postal market to competition. The AA/DCFTA Annex on Rules applicable to postal and courier services has not been updated, and discussions are currently ongoing regarding a future update of the Annex with a new commitment related to the Regulation on cross-border parcel delivery services.

Moldova has not yet harmonised its law with the Directive on the recognition of professional qualifications¹⁵. Further assessment of the training curricula for the professions falling under the automatic recognition regime is required to ensure that minimum training requirements are respected.

Summary

¹⁴ Directive 2006/123/EC

¹⁵ Directive 2005/36/EC

Moldova has achieved **some level of preparation** in the area of right of establishment and freedom to provide services. The legal framework needs to be brought in line with the requirements of the Directive on the recognition of professional qualifications. This needs to be complemented with non-legislative measures and structural reforms such as establishing use of electronic platforms and procedures, building the administrative capacity to fulfil the conditions in the Directive and knowledge building to assess foreign qualifications.

Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move unrestricted, with common rules for cross-border payments. Banks and other economic operators apply certain rules to help combat the fight against money laundering and terrorist financing.

The AA/DCFTA has enabled gradual liberalisation of the movement of capital and progressive alignment of Moldova's rules with the EU *acquis*.

As regards **capital movements and payments**, Moldova is gradually taking action to liberalise capital outflows. It has implemented many of the capital movement commitments made under the AA/DCFTA, but certain restrictions remain. Some larger capital foreign exchange operations are subject to prior notification or authorisation by the National Bank of Moldova. There are also distinctions between the rules for residents and non-residents in terms of payments and transfers.

Non-residents in Moldova and residents abroad can make direct investments without authorisation. Foreign investors can acquire property rights over real estate (except for agricultural and forest land) to carry out entrepreneurial activity. Moldova has put in place a countrywide system for land registration and anyone with a legitimate reason can obtain information from the real property register. Moldova has 39 bilateral investment treaties in force, including with 21 Member States¹⁶.

In terms of alignment with the EU *acquis* on **payment systems**, the level of alignment to the revised Payment Services Directive is unclear.

The legislation and institutional framework in **anti-money laundering** is partially in line with the EU *acquis*. The 4th Anti-Money Laundering Directive¹⁷ has been aligned with. Moldovan anti-money laundering legislation partially addresses the recommendations of the Financial Action Task Force and relevant international legislation, although there are outstanding Moneyval recommendations, and it remains under follow-up process by Moneyval.

The Office for Prevention and Combating of Money Laundering is the Financial Intelligence Unit, established under the Office of the Prime Minister. It lacks clear leadership, institutional capacity and resources.

Summary

Moldova has achieved **some level of preparation** in this area. It remains unclear whether payment services laws have been implemented. The effectiveness of the anti-money laundering system needs to be improved, the legislation requires harmonisation, and Moldova needs to build more capacity for effective implementation.

¹⁶ Austria, Belgium, Luxembourg, Bulgaria, Czechia, Croatia, Cyprus, Greece, Estonia, Finland, France, Germany, Latvia, Lithuania, Netherlands, Poland, Romania, Spain, Slovakia, Slovenia, Hungary,

¹⁷ Directive 2015/849

Chapter 6: Company law

The EU has common rules on the formation, registration and disclosure requirements of a company, with complementary rules for accounting and financial reporting, and statutory audit.

Company law is covered by Chapter 3 of the AA/DCFTA on company law, accounting and auditing and corporate governance.

Recent reforms of the rules governing joint stock companies¹⁸ have enabled a greater degree of alignment with the EU *acquis* on **company law**. Most company information is free of charge and the fees for other data exclusively cover administrative costs. Moldova's rules on disclosure and the registration of foreign branches are close to EU regulations. National legislation also provides for administrative penalties if companies fail to submit financial statements to the business register. In certain cases, the formation of a company can be declared null and void through judicial resolution, assessed in terms quite similar to EU legislation.

The corporate governance code is in line with international practice and the principles set by the OECD. There is some alignment with the EU *acquis* in the areas of legal capital required for public limited liability companies, contributions in kind to protect the capital of the company, protection for shareholders and creditors of joint stock companies in the event of capital reduction/increase operations, domestic mergers and the division of public limited liability companies.

However, there are gaps in alignment with the EU *acquis* on takeover bids, single-member companies and transparency requirements for listed companies, in particular disclosure of private limited liability companies and more recent EU laws governing shareholder rights, digital tools and processes. Moldova has no provisions aligning with the EU *acquis* on cross-border mergers, divisions and conversions, and no rules on the statute for a European company or European economic interest grouping.

On **company reporting**, Moldova has achieved some alignment with the EU *acquis* in the main legal requirements for annual and consolidated financial statements and related reports; disclosure of non-financial and diversity information and of income tax information by certain companies; application of international accounting standards, and for the penalties for not complying with financial reporting requirements. Other areas require further alignment, including country by country reporting by very large multinational companies, the criteria to define company size-categories, and a clear definition of the amounts of fines under the penalty mechanism for breaches of financial reporting requirements.

Likewise on **statutory audit**, there is some alignment with the EU *acquis* in the main legal requirements for approval and registration of statutory auditors, objectivity and confidentiality of auditors, systems of oversight, investigations and penalties. However, major gaps remain on rules governing the institutional set-up to ensure independent systems of oversight, investigations and penalties, and to provide sufficient resources.

Summary

Moldova is at **an early stage of preparation** in the area of company law. Work is needed to fill the gaps in alignment across all areas of the EU *acquis*, in particular with recent EU law,

¹⁸ Law No. 18/2020 amending Law No. 1134/1997 on joint stock companies

and to ensure independent public oversight. The administrative capacity of the Public Service Agency requires further strengthening.

Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR) and of copyright and related rights. Rules for the legal protection of IPR cover, for instance, patents and trademarks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, computer programmes and broadcasting.

Intellectual property rights are covered by Chapter 9 of the AA/DCFTA. The objective is to facilitate the production and marketing of innovative and creative products between Moldovan and EU parties, and to protect and enforce intellectual property rights.

Moldova's law on **copyright and related rights**, adopted in July 2022, is broadly aligned with EU law on copyright. The collective rights management system faces several challenges, including a lack of transparency and accountability in the collection and distribution of royalties, weak institutional capacities of collective management organisations, insufficiently skilled personnel, and unsuitable cooperation mechanisms with foreign collective management organisations. A further challenge is the limited coverage by collective management organisations of the rights to be administrated through the collective management system.

In terms of **industrial property rights**, Moldova is partially aligned with the Directive on trade marks¹⁹, largely aligned with the Directive on the legal protection of designs²⁰, and largely aligned with the *acquis* on patents. Its legislation on trade secrets is partially aligned with the Directive on the protection of undisclosed know-how and business information (trade secrets) against their unlawful acquisition, use and disclosure²¹. Six laws cover Moldova's broad alignment with the Directive on enforcement of intellectual property rights²².

As a World Trade Organization member, Moldova subscribes to the minimum standards enshrined in the Trade-Related Aspects of Intellectual Property Rights Agreement. While it is not a member state of the European Patent Convention, it is a validation state. Under the Validation Agreement with the European Patent Organisation, European patent applications and validated European patents have the same effects and are subject to the same conditions as Moldovan national patent applications and patents. Moldova's trademark and design data is integrated into the European Union Intellectual Property Office's online information and classification systems.

The State Agency on Intellectual Property is the central administrative authority in the field of legal protection of intellectual property relating to industrial property rights, copyright and related rights. Other key institutions responsible for **enforcing** intellectual property rights are the Customs Service, the Ministry of Internal Affairs, the General Prosecutor's Office, the Agency for Consumer Protection and Market Surveillance, and the National Agency for Food Safety. The National Commission for Intellectual Property Rights is charged with building capacity in this area.

¹⁹ Directive 2015/2436

²⁰ Directive 98/71/EC

²¹ Directive 2016/943

²² Directive 2004/48/EC

National legislation contains civil, administrative and criminal measures for infringement, including *ex officio* actions for enforcement at the border and on the internal market. Infringement cases mostly follow civil law procedures, with the possibility to obtain damages. Provisional and precautionary measures can be obtained for industrial design, inventions, trademarks, plant varieties, geographical indicators, and copyright. Moldova does not have specialised courts for enforcing intellectual property law.

Summary

Moldova has **some level of preparation** in the area of intellectual property law. There is room to improve both legislative alignment and enforcement. Administrative capacity is limited. Stepping up cooperation with the EU Intellectual Property Office is a priority.

Chapter 8: Competition policy

EU rules protect free competition. They include antitrust rules on restrictive agreements between companies and the abuse of dominant position, and rules on concentrations between companies that would significantly impede competition. EU rules also set out a system of State aid control. Governments are only allowed to grant State aid if restrictive conditions are met, to prevent the distortion of competition.

The AA/DCFTA includes provisions from the *acquis* on State aid, on the existence of competition laws and a competition enforcement authority, and specific rules governing public companies and companies with special and exclusive rights.

Antitrust and mergers

As regards antitrust and merger control, Moldova's **legislation** is broadly aligned with the EU *acquis*. Competition law largely mirrors the provisions of the Treaty on the Functioning of the European Union on restrictive agreements and on abuse of dominant position. It also provides for *ex ante* monitoring of the effects on competition of mergers above certain turnover thresholds, largely in line with the principles of the EU Merger Regulation²³. Moldova has put in place implementing legislation providing further rules, which broadly aim to follow the EU *acquis*. Further alignment is needed to fully reflect the *acquis* on competition policy.

As regards the **institutional framework**, the Competition Council is an independent body with exclusive competence in competition policy. It is accountable to Parliament and financed from the state budget. It is a collegial body of five members, appointed for a five-year term by Parliament.

State aid

Moldova's legal framework is broadly aligned with the EU *acquis*. The Law on State aid is broadly aligned with Articles 107 and 108 of the TFEU. EU State aid guidelines, regulations and communications are also partially aligned. Social aid to individual consumers and aid to make good damage caused by natural disasters or exceptional occurrences is considered compatible without the need for prior notification. Certain existing state aid schemes still need to be aligned with the EU *acquis*.

The AA requires Moldova to align its State aid schemes with the EU *acquis* by 2022 for general State aid schemes, and 2024 for those covering free economic zones. On 31 December 2021, 82% of State aid schemes were aligned. Further alignment is needed to fully

²³ Regulation 139/2004

harmonise with the EU *acquis*, in particular as regards State aid schemes applying in free economic zones.

On the **institutional framework**, the Competition Council also ensures consistent implementation of State aid law. It publishes reports on aid granted on its website and in the Official Monitor and holds the automated information system State aid register, where measures are reported annually by grantors.

Liberalisation

Competition law and State aid law apply to public companies and companies with special or exclusive rights. The State aid law provides that companies entrusted with the performance of services of general economic interest will be considered when assessing the compatibility of the State aid granted to perform such services. This is in line with Article 106 of the TFEU.

Summary

Moldova has **some level of preparation** in the area of competition policy. Further legislative alignment is necessary. The Competition Council needs to build a solid track record of enforced decisions in the areas of antitrust, merger control and State aid. It needs to substantially increase its administrative capacity. Awareness-raising among aid grantors about State aid rules is also needed.

Chapter 9: Financial services

EU rules aim to ensure fair competition between, and the stability of, financial institutions, namely banking, insurance, supplementary pensions, investment services and securities markets. They include rules on the authorisation, operation and supervision of these institutions.

Chapter 9 of the AA/DCFTA covers financial services, and Moldova has made progress in approximating legislation to EU directives and regulations in line with the AA obligations.

As regards **banks and financial conglomerates**, the banking sector is dominated by large institutions, with the largest two of the 11 banks holding over half of all assets and deposits. Over 70% of bank assets are managed by international groups, mainly by EU banks (some 90%). Foreign bank branches must register in Moldova and operate under local banking legislation.

Following the massive bank fraud in 2014, the government and the National Bank of Moldova rolled out a comprehensive reform of the banking sector. The National Bank is close to completing the banking sector prudential regulatory and supervisory framework based on the current EU Capital Requirements Regulation²⁴ (CRR as amended by CRR I and II) and Directive (CRD as amended by CRD IV²⁵), but has not fully implemented all legislation. For investment firms, although Moldova has brought in provisions governing capital adequacy, there seem to be no requirements relating to risk.

Macroprudential oversight is performed by the National Committee of Financial Stability of which the National Bank is a member, although it seems to lack a mandate for financial stability and macroprudential policy. The microprudential framework applies to banks and branches of foreign banks operating in Moldova. The National Bank may waive the

²⁴ Regulation 575/2013

²⁵ Directive 2019/878

application of prudential requirements to a foreign bank's branch if a prudential regulatory and supervisory framework applied by the bank's country of origin is considered equivalent.

Moldova's requirements for minimum own funds are higher than in the Basel and EU frameworks. Banks are subject to national prudential reporting requirements and partially subject to the European Banking Association financial and capital reporting frameworks. The National Bank has concluded supervisory cooperation agreements with some authorities, and appears in the European Banking Association's list of non-EU supervisory authorities considered equivalent to the Capital Requirements Directive in terms of their confidentiality regime.

A Deposit Guarantee Scheme has been set up to protect small depositors from loss on their insured deposits. It currently covers up to MDL 50 000 (around EUR 2 500– EU law prescribes a coverage of up to EUR 100 000 per depositor and bank). Deposit insurance is extended to both resident and non-resident natural and legal persons. The scheme is an *ex ante* funded scheme with a narrow mandate ('paybox plus') to make prompt payments to guaranteed depositors in the event of a bank failure.

Moldova has a recovery and resolution framework with similar tools and safeguards to those available under the Bank Recovery and Resolution Directive²⁶. It applies resolution powers such as the 'no creditor worse off' principle, and a resolution fund with annual contributions from the banks. The target level has been set at 3% of guaranteed deposits, which needs to be achieved by the end of 2024.

The National Commission for the Financial Market is the authority responsible for overseeing the **insurance sector** and for regulating and supervising voluntary **pension** funds, investment services and capital markets. The insurance market is concentrated (five firms have a market share of 73%) and it is heavily dominated by non-life insurance (95%), with compulsory insurance reaching a share of 44%. The market is growing (15% growth year-on-year in 2020). The share of assets in the financial sector is 2.67%. There is no state-owned insurance provider. Third countries can do business by setting up a branch in Moldova, subject to licensing and supervision by the Moldovan authority.

Moldova has adopted Pillar II and Pillar III of the EU Solvency II²⁷ provisions and the law will come into force on 1 January 2023. There is a transitional period of five years for compliance with minimum capital requirements. There are no occupational pension funds. Moldovan law is broadly aligned with the EU Directive on distance marketing of consumer financial services²⁸.

Moldovan law is also broadly aligned with the revised Directive on Institutions for Occupational Retirement Provision²⁹, although a voluntary pension fund should be implemented.

Moldova has adopted some important parts of the *acquis* on **financial market infrastructures**, along with relevant parts of the European Directives MiFID I³⁰ and II³¹ on Securities Markets and Investment Services. It has a small regulated capital market and one

²⁶ Directive 2014/59/EU

²⁷ Directive 2009/138/EC

²⁸ Directive 2002/65/EC

²⁹ Directive 2016/2341

³⁰ Directive 2004/39/EC

³¹ Directive 2014/65/EU

Multilateral Trading Facility, operated by the Stock Exchange, although no investment firm holds a trading license.

The national legislative framework governing **collective investment management** is broadly aligned with the EU *acquis*. Some product rules, for example on long term investment funds, venture capital funds and social entrepreneurship funds, are lacking.

Summary

Moldova is **at an early stage of preparation** in the area of financial services. Continued implementation of IMF recommendations across the sector will help Moldova achieve alignment with the EU's financial services sector legislation. Improvements are necessary in the prudential, supervisory, resolution and recovery framework of banks and investment firms, as well as interinstitutional collaboration arrangements with other State institutions. Improvements in the liquidation framework for banks are also needed. Capacity-building needs to be strengthened across the sector and insurance and capital markets remain underdeveloped.

Chapter 28: Consumer and health protection

EU rules protect consumers' economic interests, including in relation to product safety, dangerous imitations and liability for defective products. It ensures high common standards for tobacco control, blood, tissues, cells and organs, and medicines for human and veterinary use. The EU also ensures high common standards for upholding patients' rights in cross-border healthcare and tackling serious cross-border health threats including communicable diseases.

The AA/DCFTA provides for Moldova's legislation governing consumer protection (Chapter 5) and public health (Chapter 21) protection to be aligned with EU legislation and standards.

The Ministry of Economy is responsible for consumer protection policy, though other entities also have consumer protection competences. The Agency for Consumer Protection and Market Surveillance ensures enforcement of legislation at national level. The Coordinating Council for Consumer Protection and Market Surveillance is the national contact point. Moldova does not have a European Consumer Centre or equivalent entity that assists consumers with cross-border disputes, educates them about their rights, or contributes to the European Consumer Centres network.

Consumer protection

Moldova's Law on consumer protection is partly aligned with the EU *acquis*. It provides the general requirements for protecting consumers, and the framework for unrestricted access to products and services. It also protects the rights and interests of consumers in the event of unfair commercial practices, enabling them to participate in the decisions that concern them, and regulates aspects of the sale of products and associated guarantees. It also covers the conditions under which the authorities responsible for enforcing legislation protecting consumer interests cooperate across borders. The law is not aligned with the EU *acquis* on consumer protection cooperation, which lists minimum investigative and enforcement powers of the competent authorities. It is also not aligned with the *acquis* on out-of-court dispute resolution.

The Directive on the better enforcement and modernisation of Union consumer protection rules³², Directive on Representative Actions³³, and Directive on the supply of digital content and digital services³⁴ are not transposed.

Moldova's legal framework on **product safety** is partly aligned with the EU *acquis*. The market surveillance system uses a defined methodology on risk assessment to regulate non-food consumer products and select corrective measures.

Public health

National public health legislation is partly aligned with the EU *acquis*. The legislative framework has a focus on universal health coverage and equitable access to medical services. The national public health agency produces health statistics, including data on health status and diseases. Health funding is covered by mandatory health insurance funds, the state budget, local budgets, household expenses and other sources. In 2019, Moldova's total health expenditure was 6.5 % of GDP. It has put in place a number of health strategies, including the strategy for the development of human resources in health. On **e-health**, Moldova's legal framework is partly aligned with the EU *acquis*.

Moldova is partly aligned with the EU *acquis* on **tobacco control**, is a party to the relevant World Health Organization framework convention on tobacco control, and signed the protocol to eliminate illicit trade in tobacco products, which is being phased in. Enforcement mechanisms are in place, including penalties for breaching the tobacco control law.

As regards **serious cross-border health threats including communicable diseases**, Moldova is partly aligned with the EU *acquis* and is actively implementing related policies.

The legal framework regulating the health policy areas of **blood, tissues, cells and organs** is partly aligned with the EU *acquis*, though there does not appear to be legislation on medically assisted reproduction.

The legal framework governing **patients' rights in cross-border healthcare** is partly aligned with the EU *acquis*.

On community-based **mental health**, between 2017 and 2021 Moldova achieved a 50% reduction in the number of hospitalisations in psychiatric beds.

In terms of preventing **drug abuse** and reducing harm, Moldova has legal measures on the circulation of narcotic and psychotropic substances and precursors, designed to be aligned with the UN conventions on drugs, rather than the EU *acquis*. National legislation on preventing alcohol abuse is partly aligned with the EU *acquis*. Moldova's legislation is designed to be aligned with the EU *acquis* to protect workers from adverse health effects arising from exposure to electromagnetic fields in working conditions.

On **preventive measures**, Moldova has a **cancer** screening programme but does not have a programme for rare disease control.

Moldova's legislation on **medicines for human use** and on medical devices is partly aligned with the EU *acquis*. The Agency for Medicines and Medical Devices uses the same criteria as the European Medicines Agency's Pharmacovigilance Risk Assessment Committee.

³² Directive 2019/2161

³³ Directive 2020/1828

³⁴ Directive 2019/770

Legislation on falsified medicines is not aligned with the EU *acquis*. Alignment with the EU *acquis* is needed regarding cosmetics and regarding **medicines for veterinary use**.

As regards **health inequalities**, the law on mandatory health insurance plans for state-guaranteed insurance for a number of categories of unemployed persons residing in Moldova and registered with the competent institutions. Roma have the same rights and obligations in the field of mandatory health insurance as all other citizens. The national programme for prevention and control of HIV and sexually-transmitted infections for 2022-2025 sets out provisions for universal access to prevention, testing, diagnosis, treatment and support. Moldova's law on equality also contains some health-related provisions regarding LGBTQI people.

Summary

Moldova has achieved **some level of preparation** in the field of consumer and health protection. It needs to align its legislation on consumer protection and on public health with the EU *acquis* and then to enforce it.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

This cluster covers: digital transformation and media (Chapter 10); taxation (Chapter 16); economic and monetary policy (Chapter 17); social policy and employment (Chapter 19); industrial policy (chapter 20), science and research (Chapter 25); education and culture (Chapter 26); and customs (Chapter 29).

Chapter 10: Digital transformation and media

The EU supports the smooth functioning of the internal market for electronic communications, electronic commerce and audio-visual services. The rules protect consumers and support the universal availability of modern services.

Moldova created the post of Deputy Prime Minister for Digitalisation in August 2021. The main institution responsible for formulating digital policy is the Ministry of Economy. The independent National Regulatory Agency for Electronic Communications and Information Technology is the agency responsible for implementing the policy. Moldova has also set up agencies for eGovernment, cyber security, and public services.

In the field of **electronic communications** and **information and communication technology**, Moldovan law needs to be aligned with the EU Electronic Communications Code.

Moldova has expressed an interest in joining the EU's "Roam Like at Home" regime, which would require implementing the EU Roaming Regulation and relevant legislation, and agreeing on further market opening.

In the field of **information society services**, no authority currently has responsibility for open data policies. Some laws are aligned with the GDPR, eID and ePrivacy. There is broad alignment with the e-commerce Directive³⁵. The e-Governance Agency is responsible for

³⁵ Directive 2000/31/EC

shared digital services. However, Moldova is not aligned with the EU *acquis* on geoblocking, P2B, the Digital Services Act³⁶ and the Digital Markets Act³⁷.

On **cybersecurity**, the Information Technology and Cyber Security Service is the government's computer security incident response team centre. It provides the administration, maintenance and development of information technology infrastructure and the telecommunications system of public authorities. Moldova has ratified Convention 185 of the Council of Europe on cybercrime. Cybercrime comes under Moldova's information security strategy 2019-2024. Moldova will need to align with the requirements of the NIS framework³⁸.

On **audio-visual policy**, Moldova's Audiovisual Media Services Code was amended in September 2021 regarding, *inter alia*, the dismissal of members of the regulatory authority for TV and radio, the Audiovisual Council, which can now be effected at any time on the basis of a performance review by Parliament. This is not aligned with the EU Audiovisual Media Services Directive³⁹ which states that appointment and dismissal procedures must "guarantee the requisite degree of independence". The Council reports to Parliament, and cooperates with the Central Election Commission and the Competition Council. Internationally, it participates in the European Platform of Regulatory Authorities, Black Sea Broadcasting Regulatory Authorities, and other groupings. The Code also regulates audiovisual commercial communications, provides for a list of major events to be broadcast on free-to-air, provides minimum quotas for the production of local content, as well as for the distribution of European content, and regulates transparency of media ownership.

In June 2022 Moldova prohibited the broadcast or retransmission of "audiovisual television and radio programmes with informative, informative-analytical, military and political content that have been produced in countries other than the Member States of the European Union, the United States, Canada and the states that have ratified the European Convention on Transfrontier Television, with the exception of films and entertainment programmes that have no militaristic content". This is not in line with the Directive as it could bar content produced in a banned country, but distributed by a media service provider established in the EU, from being retransmitted.

Summary

Moldova has achieved **some level of preparation** in the area of digital transformation and media. It needs to align the legal framework with the Electronic Communications Code, and best media practice needs to be more widespread. Secondary legislation needs amending, including the laws on freedom of expression, personal data protection, and access to information.

Chapter 16: Taxation

EU rules on taxation cover value added tax and excise duties and aspects of corporate taxation. They also cover cooperation between tax administrations, including the exchange of information to prevent tax evasion.

Chapter 8 of the AA/DCFTA covers taxation policy, stating that Moldova must align its legislation to EU law and international instruments.

³⁶ Regulation 2022/2065

³⁷ Regulation 2022/1925

³⁸ Directive 2016/1148

³⁹ Directive 2010/13/EU

The AA/DCFTA requires Moldova to align its **indirect taxation** legislation with EU VAT and excise duty legislation. The standard value added tax (VAT) is 20%, with lower rates of 8% and 12% per cent for some products. VAT and excise duty legislation is partly aligned with the EU *acquis*. The national rates on tobacco products need to be adjusted to the EU minimum rates by 2025. There is partial alignment for excise duties on alcohol products. Alignment with excise duties on energy products and electricity remains pending. Moldova does not apply fiscal markers for fuel to gas oils and kerosene.

As regards antifraud measures, Moldova has ratified the WHO Protocol to Eliminate Illicit Trade in Tobacco Products. For alcohol, tobacco and energy, Moldova has yet to adopt the EU system of warehousing and duty suspension, and the excise movement control system.

On **direct taxation**, the tax liability of an individual depends on their tax residence status and the source of their taxable income. Income tax is set at a flat rate of 12%. Moldova has an exemption system for dividends between resident companies. Its legislation needs to be brought more in line with the EU *acquis* and international best practice.

As regards **administrative cooperation and mutual assistance**, Moldova is not a member of the Inclusive Framework on Base Erosion and Profit Shifting and has not signed the October 2021 Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy. Moldova will join the EU Fiscalis programme for the period 2023-2027. It needs to make significant efforts to equip the tax administration with the IT systems, procedures and staff needed to align with the EU *acquis*.

As regards **operational capacity and computerisation**, Moldova needs to further develop its capacity to meet EU requirements.

Summary

Moldova is at an **early stage of preparation** on taxation. It has taken steps to align legislation with the EU *acquis* on VAT and excise duties. Legislation on direct taxation has yet be aligned with the EU *acquis* and international best practice. Significant efforts are needed to equip the tax administration with the IT systems, procedures and staff needed to align with the EU *acquis*.

Chapter 17: Economic and monetary policy

EU rules require the independence of central banks and prohibit them from directly financing the public sector. EU Member States coordinate their economic policies and are subject to fiscal, economic and financial surveillance.

Chapter 8 of the AA/DCFTA covers the area of economic dialogue.

On **monetary policy**, the sole authority in Moldova for issuing currency and defining and implementing monetary and exchange rate policy is the National Bank of Moldova, which reports to Parliament and cooperates with the Ministry of Finance in all significant monetary and financial matters. Both are members of the Financial Stability Board, chaired by the bank's governor, which is responsible for coordinating macroprudential policy and managing systemic financial risks.

The Moldovan leu (MDL) is the sole legal tender. The National Bank may not monetise public debt by purchasing government securities or granting loans to State bodies. It is required to renew a relatively small amount of legacy loans previously provided to the State, which is not in line with EU rules prohibiting the direct monetisation of public debt. The National Bank may only provide financial institutions with solvency assistance under exceptional circumstances and only to solvent and viable banks for a short period of time.

The National Bank can provide liquidity support backed by government securities to the Deposit Guarantee Fund of the banking sector. This is broadly compliant with the EU *acquis*.

The National Bank ensures and maintains price stability in line with the EU's monetary policy framework. It is equipped with regulatory powers and instruments, including to implement its monetary policy objectives through direct inflation targeting. The law prohibits the National Bank and the members of its decision-making bodies from seeking or receiving instructions from public authorities or any other authority.

On **economic policy**, the main authorities are the National Bank, the Ministry of Finance in charge of fiscal policy, and the Ministry of Economy responsible for structural and trade policies and macroeconomic forecasting. Moldova has put in place a public finance management development strategy. Medium-term budgetary frameworks cover a three-year timeframe, which has helped improve fiscal discipline and the accuracy of macro-economic, budgetary and public debt projections but it needs to be strengthened (especially in terms of budgetary forecast, in light of Moldova's prevalent issue of budget under-execution) and be more in line with the budget calendar. Moldova needs to further align with the EU's integrated surveillance framework. There is a need to strengthen the appraisal and management of fiscal risks stemming from the large sector of state-owned enterprises, especially in terms of corporate governance. Insufficient administrative capacity and public sector transparency compromise the effective implementation and coordination of economic policy.

Moldova does not report public sector data in line with the European System of National and Regional Accounts, which impedes macro-economic decisions and budgetary transparency. The underlying statistical framework needs aligning with ESA 2010 requirements and definitions and Moldova should consistently apply accounting rules and procedures across subsectors of general government. It lacks an independent fiscal institution that provides fiscal policy assessments.

Summary

Moldova has achieved **some level of preparation** on economic and monetary policy. Legislative alignment with the EU *acquis* needs to be consistent and implemented. It needs to improve the independence of the National Bank, and financial sector supervision, and better align the ban on monetising public debt with EU rules.

On economic policy, Moldova needs to make substantial efforts to: improve macroeconomic forecasting and strengthen the medium-term budgetary framework; strengthen the appraisal and management of fiscal risks (including from SOEs); build capacity and improve the level of cooperation among key stakeholders; align the underlying statistical framework with EU standards; and improve administrative capacity, rule enforcement and public trust in state institutions.

Chapter 19: Social policy and employment

EU rules on social policy include minimum standards for labour law, equality, health and safety at work and non-discrimination. They also promote social dialogue at EU level.

The AA/DCFTA provides for Moldova's commitment to approximate its legislation to a large number of EU Directives in the fields of employment, social policies and equal opportunities. As a member of the International Labour Organization, Moldova has ratified 43 conventions, of which 42 are in force, and one protocol.

Concerning **labour law**, under the AA/DCFTA, Moldova has to approximate its legislation to eight EU Directives. Overall, Moldova has initiated regulatory convergence in the area of

labour law, however gaps exist as regards alignment with most EU legislation in this area, including labour law legislation applicable to specific sectors, such as transport.

Under the AA/DCFTA, as regards **occupational health and safety**, Moldova has adopted legislative acts for which the degree of approximation to the EU *acquis* requires further clarification.

Administrative capacity to manage labour law comes under the Ministry of Labour and Social Protection. The State Labour Inspectorate (the administrative authority under the Ministry) is in charge of ensuring compliance with labour legislation and occupational health and safety law. Weaknesses in legislation and in the labour inspection regime constrain the application of labour rights and the effectiveness of the inspection system.

Regarding **social dialogue**, Moldova has organisations recognised as social partners at national, branch, regional and unit level. Recognised social partners are legally classified as “bargaining agents”, regulated by the Labour Code. The National Commission for Consultation and Collective Bargaining is operational in matters of socio-economic and labour relations. There are also separate tripartite branch commissions and a Tripartite Territorial Commission including local government representatives. There have been nine tripartite national agreements in the last 10 years, which are also national collective agreements. On bipartite social dialogue, collective bargaining is mostly carried out at unit level, while there are collective agreements at branch, regional, and national level. As regards sector collective bargaining Moldova lacks organised social partners, mainly employers’ organisations, but it does have a Social Dialogue Service office that provides support to social partners, although the capacities of social partners need to be significantly strengthened.

On **employment policy**, Public Employment Services are in place, although their capacity is limited and there is potential to expand the range of services they provide. Alignment of employment policies with the EU *acquis* needs development, notably with regards to the guidelines for the employment policies of Member States. National legislation needs to align with the EU *acquis* on posting of workers.

On **social inclusion and social protection**, Moldova’s constitution recognises the right to social protection and a dignified life as fundamental. Social expenditure is low (12.2% of GDP in 2021). Pension rules boast low retirement ages and differences between women and men. Ageing is a risk to the system’s sustainability, and current policies are inadequate to face this challenge. The Ministry of Labour and Social Protection coordinates policy at national level, involving regional and local authorities as appropriate. Social services are provided either by the National Agency for Social Assistance and paid for from the state budget or, if less complex, by regional/local authorities and financed from the local budget.

As regards **non-discrimination and equality between women and men in employment** the principle of non-discrimination is incorporated in every legal framework governing human relations. The Labour Code states that the principle of equal rights applies in all employment relationships, prohibiting direct or indirect discrimination based on disability, religion, age, sex as well as ‘other grounds unrelated to professional qualifications’ including sexual orientation. While the Contraventions Code sanctions discrimination on the same grounds, sexual orientation is not explicitly covered by the Labour Code and other relevant legal acts. Victims of discrimination can bring cases to court, the burden of proof is reversed, and penalties can be applied.

The Council for the Prevention and Elimination of Discrimination and Ensuring Equality assists anyone considered to be a victim of discrimination, and it acts impartially and

independently of public authorities. Moldova has put in place the basic elements of gender equality protection, but further alignment is needed as well as detailed information and analyses of the EU *acquis*. There is a wide gender pay gap, despite legislation.

Summary

Moldova is at an **early stage of preparation** in the field of social policy and employment. Further work is needed to align with the EU *acquis*, and put in place the institutions and administrative capacity needed, with particular attention to the reinforcement of the labour inspections system.

Chapter 20: Enterprise and industrial policy

EU industrial policy strengthens competitiveness, facilitates structural change and encourages a business-friendly environment that stimulates small and medium-sized enterprises (SMEs).

Chapter 10 of the AA/DCFTA establishes cooperation to develop and strengthen the business environment to improve the administrative and regulatory framework for businesses, particularly small and medium-sized enterprises, operating in the EU and Moldova. Manufacturing output comes from low value-added, labour-intensive activities. Its innovation performance is good for its level of development.

As regards **enterprise and industrial policy principles**, Moldova bases its development strategy on the twin green and digital transitions and the driving forces of foreign direct investment in industry, and of small and medium-sized enterprises (SMEs), notably innovative start-ups, in manufacturing. The Strategy for an Inclusive, Sustainable and Digital Economy 2030 and the National Program for Promoting Entrepreneurship and Increasing Competitiveness for 2022-2026 are in preparation, along with several other industry-specific strategies. A new overarching programme is being developed to replace the 2012-2020 SME Development Strategy, and efforts are geared towards innovation, digital transformation and the green economy. The OECD SME policy index 2020 exhorts Moldova to focus on promoting a level playing field for all companies. Considerable work remains to be done to promote entrepreneurial learning, including meeting the specific skills requirements of SMEs. The limited internationalisation of Moldovan SMEs is a long-term challenge.

Policies to boost competitiveness come under the responsibility of the Ministry of Economy. Public consultations are regular, but regulatory impact assessments, reporting and evaluation are seldom run.

Although there is no dedicated law on combating late payment in commercial transactions, the relevant provisions of the Moldovan Civil Code present a fair level of alignment with the Late Payment Directive⁴⁰. Other key provisions still require alignment. Monitoring systems to assess payment performance, especially by public authorities, are needed. The protection of creditors in business-to-business transactions is suboptimal, which can lead to abusive practices.

Incubation and acceleration of technology start-ups exist. Several special economic zones of the export processing kind make a significant contribution to industrial growth, notably in the automotive industry. Co-operation following a clustering concept has a legal basis and serves regional development, including through internationalisation. A pilot initiative led to the

⁴⁰ Directive 2011/7/EU

creation of clusters in the automotive, food, textile and creative industries. A regular programme to stimulate cluster initiatives is foreseen for adoption in 2022.

The 2016 SME definition is in line with the EU Recommendation⁴¹. Employment thresholds are identical while the thresholds for turnover and assets are lower, reflecting Moldova's lower per capita income. The SME Strategy is in line with the Small Business Act for Europe. A one-stop shop for start-ups is in place.

Entrepreneurship is among the key competences of the educational system, taking the EntrComp framework into account. Future supporting measures for SMEs should focus on internationalisation, access to finance and to innovation (including transition to green market), fair competition and entrepreneurial learning.

For the Single Market Programme (SME Pillar) more effort is needed to encourage participation in a wider range of the actions under the programme.

Summary

Moldova has **some level of preparation** in this chapter after having made good progress in recent years. Alignment with the EU *acquis* needs to improve in terms of alignment to the EU Late Payment Directive, and make the business environment more attractive, notably for inward foreign direct investment.

Chapter 25: Science and research

The EU provides significant support for research and innovation. All EU Member States, associated countries and third countries participate in the EU's research and innovation programmes, and can benefit from them, especially where there is a scientific excellence and solid investment in research and innovation. Future supporting measures for SMEs should focus on the internationalisation, access to finance, access to innovation (including transition to green market), fair competition and entrepreneurial learning.

In the field of science and research, participation in the European Union's framework programmes for research and innovation requires alignment with the values and principles underpinning the European Research Area. Cooperation is covered by chapter 24 of the AA/DCFTA.

The main authorities responsible for this work are the Ministry of Education and Research for policy development and the National Agency for Research and Development for implementation. The Academy of Sciences of Moldova, a member of the EURAXESS network, is a consultative body to the Ministry on setting priorities in fundamental and applied research. The National Agency for Quality Assurance in Education and Research, an administrative authority under the Ministry, is responsible for evaluating research and innovation bodies and their scientific staff.

On **research and innovation policy**, the legal, policy and funding frameworks are covered by the Code of Science and Innovation, and the National Program for Research and Innovation and related action plan. These are broadly aligned with the EU's sectoral research strategies and framework programmes.

Moldova has been associated to the EU's **Framework Programme** for research and innovation since 2012, including the Horizon Europe programme since 2021, it has put in place a network of national contact points . Moldova has been a member of the European

⁴¹ Recommendation 2003/361/EC

Cooperation in Science and Technology (COST) network since 2015 Moldova's success rate in Horizon Europe is 30.93%, which is well above the EU average of 21.80%.

Moldova participates in the **European Research Area** Forum expert group and its subgroup on the Global Approach as an observer. The National Agency for Research and Development is a member of the European Open Science Cloud Association.

Moldovan law requires open access to publications when research activities are publicly funded, although the open science strategy is still in development. Gross domestic expenditure on R&D was 0.23% of GDP in 2021. As for gender equality, the proportion of doctoral graduates in the country is gender balanced, but there is no overall national strategy for promoting gender equality in research and innovation. The number of scientists is in decline and the outflow of researchers is higher than the inflow. There is a need for a clear strategy to retain and attract R&I talent, in particular from the diaspora, as well as to support researchers' careers. The Human Resources Strategy for Researchers incorporates the European Charter for Researchers and the Code of Conduct for the Recruitment of Researchers.

Moldova has institutional and legal frameworks in place for the design and implementation of a Smart Specialisation Strategy. It does not have a specific programme or research institutions for nuclear research and has not participated in research projects under Euratom.

Summary

Overall, Moldova is **moderately prepared** for this chapter. No transposition of EU *acquis* in this chapter is required. Moldova has been active in European Research Area cooperation and is ready to implement its Smart Specialisation Strategy. A more integrated approach to governance of innovation would attract the private sector and improve the targeting of research and innovation measures, and create economic opportunities, investment and start-ups. The absorption capacity for research and innovation remains limited, and infrastructure development is required for the implementation of open science, including the engagement of citizens, local communities and civil society. Further integration of the gender dimension in research is needed, and the career of researchers made more attractive, in order to reverse the brain drain.

Chapter 26: Education and culture

The EU supports cooperation in education and culture by funding programmes and the coordination of Member State policy through the open method of coordination. The EU and its Member States must also prevent discrimination and ensure quality education for children of migrant workers, including those from disadvantaged backgrounds.

Chapters 23 and 25 of the AA/DCFTA cover education and culture.

On **education and training**, Moldova's education code establishes the legal basis of education. It covers preschool, primary, lower and upper secondary, vocational education and training, higher education, lifelong learning and validation of formal and informal learning. There is a National Agency for Quality Assurance in Education and Research.

In terms of data collection, monitoring and evaluating student learning outcomes, Moldova participates in the OECD Programme for International Student Assessment. In 2018, the share of underachievers in reading was 43% against an EU average of 22.5%. The general and higher education statistical systems are under development. Between 2017 and 2022, Moldova developed and implemented reforms in the field of general education. The

education strategic framework defined by the Education Strategy 2014-2020 is under review. The new 'Education 2030' strategy has been endorsed.

On vocational education and training, Moldova has started taking strong decisions in relation to the governance of the sector, establishing Centres of Excellence and revising their financing mechanisms. Moldova is at the activation stage of development of its **National Qualifications Framework** (NQF) and is looking to operationalise it. Arrangements are in place for **validation of non-formal and informal learning**. Certification of knowledge and skills acquired in non-formal and informal settings is possible in nine competent national validation centres. Moldova's Law on dual VET was approved in April 2022, enabling dual education and training within a VET institution and a company based on a cooperation agreement. In accordance with the Education Code, **lifelong learning** is carried out in the contexts of formal, non-formal and informal education.

In the field of higher education, Moldova has been a member of the Bologna process since 2005 and has ratified the Lisbon Recognition Convention. It has made significant progress on the key European Higher Education Area commitments. This is a useful basis for full engagement in EU higher education policy and transnational cooperation. Moldova participates in the international actions of the Erasmus+ programme (2021-2027). Moldovan schools also take part in eTwinning, the online community for schools in Europe. The National Erasmus+ Office in Moldova is operational.

Moldova has started developing its digital education ecosystem, enhancing digital skills and competences. This includes investing in infrastructure and online platforms, ICT curriculum development and reforms in teacher training. Moldova has rolled out and used at national level EU tools and frameworks such as the SELFIE self-reflection tool, the European Framework for Digitally Competent Organisations, and the Key Competences for lifelong learning.

Youth policy is the responsibility of the Ministry of Education and Research. The Moldova National Youth Council promotes the rights of young people and represents their interests in youth policy-making. The National Network of Local Youth Councils NGO supports district/local youth councils. The National Agency for the Development of Programs and Activities for Youth, created in 2022, has a national grant programme for youth organisations.

Moldova's **cultural** policy documents and programmes reflect the general priorities of the New European Agenda for Culture⁴². Moldova was an associate member of the Creative Europe programme during the programming period 2014-2020 but is not part of the new programme as it did not benefit significantly (2 grants over 4 years).

Moldova cooperates on **sport** with European partners, including in the European Week of Sport Beyond Borders. It has signed Conventions against doping, match-fixing and violence.

Summary

Moldova has achieved **some level of preparation** in the area of education and culture. The education system in Moldova is broadly aligned with the EU's objectives. Accessibility and inclusiveness of education and training remain an issue, as does the quality of education. Further efforts are needed to better match VET provision with the needs of the labour market. Regional disparities affect participation rates. Moldova is broadly aligned with the EU

⁴² COM/2018/267 final

objectives on youth policy. Moldova has not ratified the UNESCO Convention on the Protection and Promotion of the Diversity of Cultural Expressions.

Chapter 29: Customs union

All EU Member States are part of the EU customs union and follow the same customs rules and procedures. This requires legislative alignment, adequate implementing and enforcement capacity, and access to the common computerised customs systems.

The AA/DCFTA requires Moldova to align its customs system and **customs legislation** to that of the EU. The new Customs Code is partially aligned with the Union Customs Code, although the implementing regulation has to be adopted. Moldova is party to the Pan-Euro Mediterranean Convention on rules of origin and benefits from the diagonal cumulation of origin between Convention member countries. The Authorised Economic Operator programme is in line with EU rules and the agreement on mutual recognition entered into force on 1 November 2022. The legislation on checks of cultural goods is also broadly aligned with EU rules.

Moldova needs to fully align its law on customs with the Union Customs Code and work on further alignment with EU rules. Moldovan legislation is broadly aligned with the EU *acquis* on intellectual property rights. The movement of drug precursors is subject to legislation implementing the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.

With regard to **administrative and operational capacity**, the Customs Service needs to adapt its structure to EU customs requirements, increase its resources and administrative capacity, and update its procedures and working methods in order to effectively enforce customs legislation.

Summary

Moldova has achieved **some level of preparation** in the area of customs union. Customs legislation is not fully aligned with the EU *acquis* and the 2021 Law on customs needs to be aligned with the Union Customs Code. Moldova needs to improve its administrative and operational capacity and increase resources for the customs service. It also needs to bring its IT systems in line with EU standards.

CLUSTER 4: THE GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27). The Economic and Investment Plan for the Eastern Partnership will support developments across this cluster. Moldova will need to accompany these investments with action to align related legislation with EU standards.

Chapter 14: Transport

The EU has common rules governing multiple aspects of transport policy: technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

Transport is covered by the AA/DCFTA Chapter 15 and Annex IX. The main objective of the AA is to promote transport cooperation between the EU and Moldova and so boost the development of sustainable transport systems, promote efficient and safe and secure transport

operations as well as inter-modality and interoperability of transport systems. Aviation is covered in the Common Aviation Area Agreement between Moldova and the EU.

Moldova has achieved partial alignment of the Regulation on tachographs in **road transport**. Road traffic fatalities are over 50% above the EU average (44 road deaths per million inhabitants). It needs countrywide system for road crash data collection. The Road Transport Code sets rules on driving and rest times, largely in line with the EU *acquis*. It remains unclear if all EU minimum standards governing the organisation of the working time of persons performing mobile road transport activities are incorporated in national law (e.g. the working time Directive⁴³).

Concerning market access, the Regulation establishing common rules for road transport operators and on market access for passenger transport operators are partially aligned.

Moldova has signed the European Agreement concerning the International Carriage of Dangerous goods by Road.

On **rail transport** the Railway Transport Code covers the main elements of railway market structure to be aligned with the Directive establishing the Single European Rail Area⁴⁴. This includes separation of infrastructure management and operations, separation of accounts and market opening (from August 2024).

There are currently no rules governing interoperability, railway safety, or drivers' licensing and certification. A lot of the rail safety elements of the Fourth Railway Package technical pillar (safety management systems, safety responsibilities of railway undertakings and infrastructure managers, and Certification of train drivers Directive⁴⁵) are implemented through the newly-adopted Railway Transport Code. It will enter into force in 2024. Due to the track gauge difference of the Moldovan railway network, authorities consider the EU technical *acquis* not relevant, although the 1520 mm track gauge rail system has been fully in the scope of EU *acquis* since 2015.

The institutional framework of the rail sector is currently not compliant with the EU *acquis*. With the entry into force of the Code in 2024 a new Railway Authority will be set up with responsibility for rail market regulation and railway safety. It will act as a railway safety authority, have control powers, and issue rail transport permits, safety permits, safety certificates and train driver's licences. Having a robust institutional framework and harmonised interoperability requirements and safety responsibilities across the rail sector would facilitate market opening and competition.

The Moldovan Regulation is partially in line with the Directive on the inland transport of **dangerous goods**⁴⁶. Moldova implements the SMGS⁴⁷ 'Provisions for the Carriage of Dangerous Goods'. Regarding **waterborne transport**, Moldovan-flagged vessels are on the black list of the Paris Memorandum of Understanding on Port State Control. Moldova signed the European Agreement concerning the International Carriage of Dangerous goods by **Inland Waterways** in 2008. Moldova needs to send its application in early 2023 for the recognition of certificates, service record books or logbooks issued by Moldovan authorities (Article 10(3), (4) and (5) of the Directive on the recognition of professional qualifications in

⁴³ Directive 2002/15/EC

⁴⁴ Directive 2012/34/EU

⁴⁵ Directive 2007/59/EC

⁴⁶ Directive 2008/68/CE

⁴⁷ Agreement on International Goods Transport by Rail

inland navigation⁴⁸) if Moldovan certificates are to be recognised on EU waterways from 2024.

Implementation of the **aviation acquis** is partially in line with the EU-Moldova Common Aviation Area Agreement. Moldova has implemented about half of the aviation *acquis* governing security, social rights, passenger rights and the environment. However it has not implemented the EU *acquis* on safety, economic issues and traffic management.

Moldovan legislation is not fully aligned with **EU law on passenger rights in all modes of transport**. Moldova is not in line with the EU *acquis* on waterborne transport, and its laws on bus and coach transport only partly reflect EU law. It has partially implemented the rules on access for people with reduced mobility.

Regarding **multimodal and combined transport**, Moldova has not yet sufficiently developed advanced solutions including digital infrastructure, multi-modal mobility and intelligent transport systems services. It needs to develop alternative fuels infrastructure and promote less-polluting vehicles.

Significant work is needed to implement the smart and sustainable mobility strategy.

Summary

Moldova has achieved **some level of preparation** on transport policy. It needs to further align with EU law on transport and implement it effectively. Moldova needs to increase its administrative capacity to improve road safety, enhance infrastructure maintenance and launch awareness-raising campaigns to reduce the high number of accidents and fatalities. It must also adopt laws on the transport of dangerous goods in full alignment with the EU *acquis* and relevant international agreements and set up the corresponding administrative structures.

Chapter 15: Energy

EU energy policy covers energy supply, infrastructure, the internal energy market, consumers, renewable energy, energy efficiency, nuclear energy and nuclear safety, and radiation protection.

Moldova has been a member of the Energy Community since April 2010. By signing the Energy Community Treaty, Moldova committed to align with and implement key EU energy legislation, develop an adequate regulatory framework and liberalise its energy markets in line with the Energy Community *acquis* within a fixed timeframe. The Energy Community *acquis* comprises legal acts in the following areas: electricity, gas, renewable energy, energy efficiency, climate, environment, competition, statistics, infrastructure and oil. Since it joined the Energy Community, Moldova has been working to align its laws with the EU Energy *acquis* under the Energy Community treaty.

The Ministry of Infrastructure and Regional Development is the main authority on energy policy. The Ministry is responsible for overall energy policymaking, including energy security, promoting renewable energy sources and energy efficiency. Other key bodies at this level are the Energy Efficiency Agency and the National Agency for Energy Regulation. As regards the strategic framework, Moldova has put in place an energy strategy running to 2030 and two roadmaps for the period 2015–2030 (for electricity and natural gas). The energy strategy will need to be revised after Moldova drafts its national energy and climate plan.

⁴⁸ Directive 2017/2397

The highest share in the Moldovan energy mix is oil (34.5%) followed closely by gas (27.9%) and renewable energy and biofuels (24.2 %). Electricity from non renewable sources (10.6%) and coal (2.8%) represent a small share of the energy mix).

In terms of **security of supply**, Moldova has not aligned with the Directive imposing an obligation to maintain minimum stocks of crude oil and/or petroleum products into national law. The law on natural gas includes a specific section on the security of gas supply.

Moldova's energy sector relies heavily on imports of electricity and gas. The country produces about 20% of its annual electricity consumption from natural gas-fired combined heat and electricity power plants. Moldova's electricity sector has typically depended on a single source, a thermal power plant in the Transnistria region, but it has diversified supplies in line with EU legislation and buys electricity from alternative sources. Law No.20/03.02.2022 amending the Electricity Law provides for mandatory two sources of external electricity supply. Moldova is well interconnected with Romania and its grid is synchronised with the Continental European Network since March 2022. Moldova relies almost exclusively on Russian gas imports for its supplies of natural gas. In December 2019, physical reverse flow on the T1 Trans Balkan gas pipeline became operational. In October 2021, the new interconnection with Romania (Iasi - Ungheni) became fully functional.

Concerning the **internal energy market**, Moldova aligned with the EU's third energy package primarily through its law on electricity, the law on natural gas and the law on energy. However, the level of implementation of the EU *acquis* remains limited.

The unbundling of the transmission system operators in electricity is ongoing. Vestmoldtransgaz LLC, one of the two national gas transmission system operators, is certified under the ownership unbundling model. The other transmission system operator, Moldovatrangaz, is not yet certified, for which the Energy Community Secretariat has initiated infringement procedures. In case of the incumbent's inaction to unbundle, the Law on Natural Gas amended in July 2022 empowers the regulator to withdraw its license, appoint a new transmission system operator and ask for its certification under the independent system operator model. The gas transmission system operator does not provide for third party access. Electricity distribution system operators are legally and functionally unbundled in compliance with the EU *acquis*.

As regards the energy regulator, in October 2021, Moldova adopted a law bringing in new reasons for dismissing board members, including "unsatisfactory fulfilment of tasks", which is not in line with the EU *acquis*. The regulator lacks sufficient penalty rights and competences on the Regulation on wholesale energy market integrity and transparency (REMIT)⁴⁹ in the electricity sector.

In the *electricity* sector, market rules entered into force on 1 June 2022 providing the basis for electricity market development, cross-border trade and diversification of supply. A balancing mechanism has been developed and provided in the market rules but is not applied and there is a lack of organised spot markets or access to such markets in Ukraine and/or Romania.

The *gas sector* is completely foreclosed and monopolised by the Gazprom-dominated incumbent. Recently a state company has taken over responsibilities for security of supply.

In April 2022, Moldova set up an electronic platform for natural gas trading, which could contribute to more liquidity and transparency in the Moldovan gas market in the future. The current level of concentration in the electricity and gas markets is exceptionally high. In

⁴⁹ Regulation 1227/2011

August 2022, Moldova aligned with the rules for ensuring wholesale energy market integrity and transparency under the REMIT Regulation. This provides the Moldovan energy regulator with the instruments needed to monitor the market and issue effective penalties for market manipulation and uncompetitive behaviour.

Cross-border trade in electricity started since Moldova connected to the European grid. This should speed up implementation and improve conditions for the electricity market by including the electricity TSO in the Inter-TSO compensation mechanism. Most cross-border trade in gas takes the form of imports from Russia through the Ukrainian system, with some purchases of gas from other sources.

Moldovan legislation is not aligned with the Directive on the conditions for granting and using authorisations for the prospection, exploration and production of *hydrocarbons*⁵⁰.

In the area of **renewable energy**, Moldova has fully aligned with the Directive on the promotion of the use of energy from renewable sources⁵¹ but alignment with the Renewable Energy Directive⁵² is pending. In 2020, Moldova's installed RES capacity stood at 65 MW, mostly from wind and hydropower. Moldova is one of the three Energy Community Contracting Parties which achieved its 2020 renewables target. The 2018 renewable law sets the legal basis for renewable energy support schemes. It provides administratively set feed-in tariffs for small producers. However, Moldova lacks auction schemes to help make cost-efficient and transparent use of the country's renewable power capacity. Preparing a market-based support mechanism, aligning with EU law on the sustainability of biofuels and implementing an electronic system for guarantees of origin are important priorities for Moldova in the field of renewable energy.

On **energy efficiency**, Moldova is fully aligned with the EU *acquis* pre-dating the clean energy package, except for the Directive on the energy performance of buildings⁵³. Moldova's main challenges include the lack of financing for energy efficiency measures in the residential sector (including in multi-apartment blocks), delays in introducing energy auditing obligations for big companies, the approval of a long-term buildings stock financing strategy and its implementation, as well as implementation of energy efficiency measures in the transport sector. However, in relative terms, Moldova is the second best performer in terms of energy efficiency among the Energy Community Contracting Parties.

Regarding **nuclear energy, nuclear safety and radiation protection**, Moldova has no nuclear sites on its territory, nor plans to build any. Moldova is party to all the international conventions concluded under the auspices of the International Atomic Energy Agency (IAEA) and has used IAEA services to have its regulatory arrangements reviewed (IRRS in 2018). Moldova has developed a national strategy on radioactive waste management that takes account of the spent fuel and radioactive waste Directive⁵⁴. The Draft Law, based on the Basic Safety Standards Directive⁵⁵, is under approval. Moldova still needs to align with and implement fully the Euratom Directives on nuclear safety, management of spent fuels and nuclear waste, basic safety standards and drinking water.

Summary

⁵⁰ Directive 94/22/EC

⁵¹ Directive 2009/28/EC

⁵² Directive 2018/2001

⁵³ Directive 2010/31/EU

⁵⁴ Directive 2011/70/EURATOM

⁵⁵ Directive 2009/71/EURATOM

Moldova has achieved **some level of preparation** in the area of energy policy. Further alignment with the EU *acquis* and its implementation needs to improve across all sectors and institutional capacity needs to increase. Implementing the third energy package in electricity and gas, addressing unbundling and setting up balancing mechanisms are important priorities for Moldova. Moldova also needs to put in place auction schemes for renewables to exploit its renewable power capacity in a cost-efficient and transparent manner, in full alignment with the EU *acquis*.

Chapter 21: Trans-European networks

The EU promotes trans-European networks (TENs) in the areas of transport, telecommunications and energy to strengthen the internal market and contribute to growth and employment.

The Trans-European Network for Transport (TEN-T) is partially covered by Chapter 15 and Annex IX to the AA/DCFTA.

The Ministry of Infrastructure and Regional Development is the body responsible for **transport** infrastructure policy.

As part of the revised Regulation on Trans-European Network for Transport⁵⁶, the Commission has presented the possibility of extending a European Transport Corridor to Moldova. The indicative Network was extended to the Eastern Partnership, including Moldova, in 2018. The extension to Moldova provides for the identification of core and comprehensive networks. The indicative TEN-T for Moldova includes all transport modes. In January 2019, the Commission and the World Bank jointly prepared an Indicative TEN-T Investment Action Plan for the Eastern Partnership, including Moldova.

Road and rail connections between the EU and Moldova remain insufficient and underdeveloped. Over half of Moldova's roads are in bad or very bad condition (this refers to the 6 000 km of the national road network not the 807 km of motorways that are part of the indicative TEN-T maps). Due to limited scope for financing, only some of the sections in an unsatisfactory condition will undergo maintenance.

The central railway corridor of Moldova (Ungheni-Chisinau-Tighina) is part of the TEN-T Core Network. It is not sufficiently maintained, leading to low efficiency, a higher rate of wear of locomotives and higher fuel consumption. Integration of the rail network faces challenges due to the differences between the Moldovan gauge (1 520mm) and the EU standard gauge (1 435 mm). The rail traffic management system consists of legacy systems, and the European Rail Traffic Management System has not been deployed, which poses another challenge in terms of interoperability.

Concerning inland waterways, investments in ports, infrastructure and equipment is below target due to insufficient financial resources for dredging to ensure safe inland navigation.

Trans-European Networks for Energy (TEN-E) cover gas transport and storage facilities and electricity transmission and make a significant contribution to the electricity and gas market. Moldova needs to align its rules with the guidelines for trans-European energy infrastructure.

There are no identified gaps/concerns in terms of the infrastructure available to fulfil the obligations of security of supply in the internal gas and electricity market, except for the

⁵⁶ Regulation 1315/2013

electricity interconnections with Romania, where capacity could be increased. Moldova has no projects of mutual interest.

The process to draft the national energy and climate plan and the energy strategy will be an opportunity to review infrastructure planning and development.

Summary

Moldova has achieved **some level of preparation** in the area of Trans-European networks. It needs to align the legislative framework with the Trans-European Network for Transport and Trans-European Network for Energy regulations for implementing transport and energy projects, and develop its infrastructure.

Chapter 27: Environment and climate change

EU environment and climate policies are based on preventive action, the 'polluter pays' principle, fighting environmental damage at source, shared responsibility and the integration of environmental and climate change considerations into other EU policies. Chapter 27 of the EU acquis comprises over 200 major legal acts covering both cross-cutting and sectoral legislation (air quality, waste management, water management, nature protection, industrial pollution control and risk management, chemicals, noise, civil protection and climate change).

Environment and climate change is covered by Chapters 16 (environment), 17 (climate action) and 22 (civil protection) of the AA/DCFTA.

Cross-cutting environment issues

The main elements of the EU *acquis* are enshrined in law, although Moldova needs to achieve further alignment with EU **horizontal legislation** and implement the rules. Laws on environmental impact assessment and strategic environmental assessment exist but further alignment is needed. Moldova is a party to the Aarhus and Espoo conventions. Implementation of its current environmental strategy is challenged by the lack of funding, low administrative capacity, especially for implementation and enforcement of environmental legislation, and heavy reliance on international donors. Moldova lacks provisions on environmental liability, and the eco-labelling system is at a preliminary phase.

On **air quality**, Moldova needs to develop legislation and take further action on implementation. Some alignment exists on ambient air quality directives and the national emission reduction commitments directive⁵⁷. Its emission inventories have quality issues that need to be remedied. It needs to develop projections on air pollutant emissions, data on the large point sources of air pollution, and create an air pollution inventory. It has a fragmented air quality monitoring system. Moldova is party to the UNECE Air Convention, to the POPs and Heavy Metal protocols (although not to the amended versions). It signed the original Gothenburg Protocol but has not acceded as a party.

On **waste management**, Moldova has achieved a certain level of alignment. Its legal framework approximates the EU Waste Framework Directive⁵⁸, and adopted secondary legislation on the European List of Waste and Extended Producer Responsibility principles. However, law enforcement and the level of investments for efficient implementation are insufficient, and the vast majority of waste is unrecycled and disposed at landfills.

⁵⁷ Directive 2016/2284

⁵⁸ Directive 2008/98/EC

On **water management** there is limited alignment with EU law. Water resources are subject to general protection and the legal framework on water contains provisions on preventing pollution. Moldova is drawing up water management and flood risk management plans for each river basin district. It has adopted some secondary legislation on urban water treatment and bathing water and a law on drinking water quality. A water supply and sanitation strategy is also in place. Moldova needs to make progress on nitrates and invest in water supply and sanitation infrastructure. Although Moldova is a landlocked country, marine environmental protection is covered by the regulatory framework on water management, including regional agreements.

On **nature protection**, Moldova is partially aligned with the EU *acquis*. Moldova needs to pursue its work to identify and designate its Emerald Network to meet the objectives of the Natura 2000 network. The Moldovan Emerald Network only covers 8.1% of territory and its sufficiency rate to achieve the network objectives is only 24%. It needs to revise the national biodiversity strategy and action plan and introduce legislation to transpose appropriate assessment, monitoring and reporting requirements. It needs to remedy enforcement issues related to the protection of species and sustainable use of resources and management of protected areas and both update and enforce forest policy. Moldova intends to raise the percentage of territory covered by forests by 25%. Moldova has adopted regulations governing the trade in wild animal species but they are not aligned with EU regulations. It needs to build up administrative capacity and financial resources allocated to this policy area. Work to address invasive alien species has not started.

Moldova has started to align with EU provisions on **industrial pollution and risk management**, by adopting a Law on Industrial Emissions. Significant investments are needed for industrial and livestock rearing activities falling under the EU's industrial emissions legislation. Moldova has put in place a pollutant release and transfer register system and is a party to the UNECE Convention on Transboundary Effects of Industrial Accidents.

Moldova is at an early stage of alignment with EU law on chemicals. It has taken some positive steps to align with the REACH Regulation, for example it has initiated work on an automatic information system 'Registry of chemicals placed on the market of the Republic of Moldova'. However, it needs to boost its administrative capacity and enforcement.

Moldova is at an early stage of alignment with EU **noise** legislation.

The country needs to significantly strengthen its **civil protection and disaster risk management** system, notably in terms of financial and human resources. It needs to build more capacity at every level of the disaster management structure. The system is response-oriented, and lacks prevention and preparedness measures. At national level there is no disaster risk assessment produced, and there is no approved methodology. The roles and responsibilities of authorities need to be clarified.

Climate change

Moldova has a low to moderate level of preparedness when it comes to the climate *acquis*, including its obligations under the Energy Community Treaty. It is party to the Paris Agreement and provides regular reports. In its updated nationally determined contribution Moldova committed to an unconditional target to reduce its net greenhouse gas emissions by 70% by 2030 compared with 1990 levels, including a conditional net target to reduce emissions by up to 88%. Moldova has neither adopted a long-term low emission development strategy nor set a binding date to reach climate neutrality. Moldova joined the Global Methane Pledge before COP26. An integrated National Energy and Climate Plan as required

by the Governance Regulation⁵⁹ has not been adopted. Moldova has broadly aligned with the EU Regulation on mechanisms for monitoring and reporting greenhouse gas emissions, the predecessor to the Governance Regulation, and has set up a national system for monitoring and reporting of inventories, policies, measures and projections. Moldovan biennial inventories follow the same global warming potential as the EU, although it does not prepare approximated greenhouse gas inventories.

Moldova is not aligned with the EU's Effort-Sharing Regulation⁶⁰ or the Regulation on Land Use, Land Use Change and Forestry⁶¹, but some provisions are expected to be incorporated into national law through the Energy Community. Moldova has not aligned with the Directive establishing a scheme for greenhouse gas emission allowance trading⁶² (EU Emission Trading System).

Moldova has not implemented CO₂ performance standards for new vehicles, nor has it enacted measures to promote the monitoring and availability of consumer information on fuel economy and CO₂ emissions for the marketing of new cars. On fuel quality, Moldova has adopted several EU standards and aligned some parts of the related Directive⁶³. The country participates in the European Civil Aviation Conference, and, like all EU Member States, volunteered to participate in the global Carbon Offsetting and Reduction Scheme for International Aviation.

Moldova is a party to the Montreal Protocol on substances that deplete the ozone layer, but has not yet ratified the Kigali amendment. It plans to phase out hydrochlorofluorocarbons by 2030, while the EU has already phased out all ozone-depleting substances. Legislation on ozone depleting substances, and on fluorinated gases, is not fully aligned with current EU legislation, and there is no legislation on carbon capture and storage.

The current Moldovan adaptation strategy dates back to 2014. An update of the National Programme for Adaptation to Climate Change until 2030, and a relevant action plan, is ongoing

Summary

Moldova is at an **early stage of preparation** on the area of environment and climate change. Gaps in the level of legislative alignment have grown with the expansion and deepening of EU acquis following the European Green Deal. In general, challenges remain concerning capacities for mainstreaming the environmental and climate acquis and the European Green Deal in all policy areas, as well as for effective implementation and enforcement of legislation. Environmental protection and green transition would benefit from increased political attention and a whole-of-government and whole-of-the-economy approach.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions

⁵⁹ Regulation 2018/1999

⁶⁰ Regulation 2018/842

⁶¹ Regulation 2018/841

⁶² Directive 2003/87/EC

⁶³ Directive 98/70/EC

(Chapter 33).

Chapter 11: Agriculture and rural development

The EU's common agricultural policy (CAP) supports farmers and ensures Europe's food security. It helps to tackle climate change and the sustainable management of natural resources; maintains rural areas and landscapes across the EU; and keeps the rural economy alive by promoting jobs in farming, agri-food industries and associated sectors. This requires strong management and control systems. There are also common EU rules for marketing standards, quality policy, and organic farming.

Moldova and the EU have already largely liberalised their mutual trade in agricultural products. Agriculture and rural development is covered by Chapter 12 and Annex VII of the AA/DCFTA. The DCFTA provides for progressive convergence of policies and legislation.

Agriculture and the agri-food sector is one of the most sensitive sectors in the economy of Moldova. It contributes around EUR 2.4 billion (12% of GDP), representing about 45% of total exports, employs 21.5 % of the workforce, and is an important activity for over 2.6 million people. Agricultural land covers some 2 129 000 hectares with the vast majority of farm holdings (71%) owning less than 1 hectare and over 85% producing for own consumption only. The country has favourable soil resources and ideal weather conditions for agricultural production. Moldova's black fertile soil is ideal for growing fruit and vegetables with more than one million tonnes produced annually of which 90% is exported. Growth in this sector is volatile due to the vulnerability of agriculture to climate change.

Concerning **horizontal issues**, Moldova has developed a national Strategy for Agricultural and Rural Development 2023-2027, which aims to align with the common agricultural policy. The Ministry of Agriculture and Food Industry is the competent national authority with 15 subordinate institutions. The Agency for Intervention and Payments for Agriculture is in charge of financial management. The creation of an EU-like paying agency and developing elements of an integrated administration and control system will need to be addressed. Data quality requires improvement and efficiency of processes needs to be increased. A Farm Accountancy Data Network system will need to be developed.

Regarding **common market organisation (CMO)**, Moldova's legal framework is the Law on the organisation and functioning of the markets for agricultural and agro-food products. This framework addresses measures to regulate the market and propose financial support mechanisms under the guidance of product councils. The framework policy document governing **rural development** is the national strategy for agricultural and rural development. The National Fund for the Development of Agriculture and Rural Areas provides the means to support rural development. Support is also provided following the LEADER approach.

As regards **quality policy**, Moldova has adopted legislation regulating protected geographical indication, protected designation of origin, and traditional specialities guaranteed. Rules of procedure are established and certification bodies must be accredited according to the standard ISO 17065.

With regard to **organic farming**, Moldova has put in place legislation which will need to be updated in line with the EU *acquis*. Control and certification tasks are carried out by nationally accredited bodies.

Summary

Moldova is at an **early stage of preparation** on agriculture and rural development. It will need to fully align with the EU *acquis* and establish the structures, systems, and the administrative capacity to be able to implement and enforce it effectively.

Chapter 12: Food safety, veterinary and phytosanitary policy

EU hygiene rules governing foodstuff production ensure a high level of food safety. Animal health and welfare and the safety of food of animal origin are safeguarded together with quality of seeds, plant protection material, protection against harmful organisms and animal nutrition.

Food safety, veterinary and phytosanitary policy is covered in the AA/DCFTA under Chapter 4 on sanitary and phytosanitary measures of Title V on Trade and trade-related matters.

On sanitary and phytosanitary measures, the AA/DCFTA provides 235 EU acts to be approximated by Moldova. Of these, Moldova has fully aligned with 153, partially aligned with 7, not aligned with 68 and another 7 are no longer in force.

The authorities responsible for this policy area are the Ministry of Agriculture and Food Industry and the National Food Safety Agency. Successful implementation of sanitary and phytosanitary measures has opened EU markets to a number of Moldovan products in the veterinary and plant health area. Monitoring/surveillance and enforcement in areas such as animal health and welfare, biosecurity, food safety and product traceability require improvement.

Moldova's legislation and organisation of its monitoring system are generally in line with EU *acquis*. National legislation and implementing rules for export to the EU are generally in line with EU requirements, although due to ineffectiveness of the surveillance system and lack of diagnostic resources the competent authorities have not proven ready to deliver the necessary level of assurances for all animal products.

In the area of **general food safety, food safety rules and specific rules for feed**, Moldova has worked on strengthening its administrative capacities. The EU has authorised Moldova to export honey and caviar and, since 2021, dairy products having undergone health treatment, egg products, certain fishery products, snails, gelatine and collagen derived from poultry. Moldova has a limited number of plants producing animal by-products not meant for food or feed purposes, listed by the EU. Moldova has applied for further authorisation decisions for fresh poultry meat and table eggs.

The regulatory framework governing **veterinary policy** consists of the law on sanitary and veterinary activity (2007), the law on the profession of veterinarian (2020) and the government decision on the National Food Safety Agency (2018). Veterinary certification is carried out in accordance with the law on veterinary health activity (2007). Animal welfare is regulated partly through the law on sanitary and veterinary activity and through government decisions such as on animals kept for farming purposes, on poultry, pigs and calves. There are government decisions on the protection of animals in transport and at slaughter.

Moldova carries out activities to monitor, prevent and eradicate communicable animal diseases. Moldova awards compensation to owners in the event of the rapid eradication of outbreaks of diseases (such as bovine tuberculosis, foot-and-mouth disease, rabies and classical swine fever), which involves slaughtering or killing animals. It seeks to prevent the spread of communicable diseases through the movement of live animals, germinal products and by-products of animal origin through veterinary health rules approved by the government.

Internal movement, import, transit, export, placing on the market and trade in live animals is based on the sanitary-veterinary certificate and regional subdivisions. The Republican Centre for Veterinary Diagnosis is the national reference laboratory in the field of veterinary and food and feed safety. It is accredited to ISO IEC 17025 for its wide areas of competence, except for the control of veterinary medical products, and collaborates internationally. It has six subdivisions to cover all regions of the country. A residue monitoring plan is in place and being implemented. The requirements for ensuring the safety of foodstuffs are set by the Sanitary and Phytosanitary Measures Agreement of the World Trade Organization, to which Moldova is party. Moldova has a national contact point of communication with the European Union's Rapid Alert System for Food and Feed (RASFF) team and a procedure to pursue notifications forwarded by the RASFF system.

For the **placing on the market of food, feed and animal by-products**, Moldova has put in place a legislative framework, including the law on food safety (2018), the law on official controls (2013) and the law on animal by-products (2019). Legislation aims to align with the EU *acquis*. The aim of the food safety strategy for 2018-2022 is to achieve a high level of food safety and consumer protection. Official monitoring plans are developed for the state to monitor entrepreneurial activity and verify compliance with feed and food law and animal health and animal welfare rules. While the official checks follow a risk-based approach, the frequency of checks is not in line with the level of identified risk. Moldova is kept informed through the Animal Disease Information System about animal disease outbreaks in the EU and subsequent regionalisation measures and follows these reports in terms of imports of animal products from affected EU Member States. It likewise informs the EU in a timely manner about animal disease outbreaks on its territory, even for species for which it does not have authorisation to access the EU market. Moldova is also an active participant in the EU's Trade Control and Expert System TRACES (NT), and the EU and Moldova have agreed on a series of harmonised certificates that may be used by EU Member States when exporting animal products to Moldova.

The legal framework regulating **phytosanitary policy** consists of the law on plant protection products and fertilisers (2004) and the law on plant protection and phytosanitary quarantine (2010). Moldova has put in place implementing legislation for phytosanitary emergency measures. The EU has recognised the equivalence of field inspections carried out in Moldova on seed-producing crops and on the equivalence of seed produced in Moldova for cereal seeds, vegetable seeds and seed of oil and fibre plants. Companies operating in the field of plant health are registered in the Automated Information System 'State Phytosanitary Register', which also includes a phytosanitary certificate module. This sets out provisions on the preparation and issuance of phytosanitary certificates and the "Plant Passport" module for drafting and issuing the plant passport. Exporters of plant products who supply EU Member States' markets must also be registered with the Agency and in the TRACES (NT) system.

At national level, Moldova has set maximum levels of residues in plants and in food products and specifies the actions to be taken in the event of non-compliance.

As regards **genetically modified organisms** (GMOs), the 2001 law on biosafety covers all types of GMO uses, including cross-border movement, contained use, obtaining, multiplying, handling, deliberate and unintended release into the environment and marketing GMO products. It requires authorisation to use GMO products including for food, feed and processing, and requires companies to meet the requirements regarding risk assessment for human health and environment and to follow clear labelling rules. A new law on the

regulation and control of genetically modified organisms to align with the Directive on the deliberate release into the environment of genetically modified organisms⁶⁴ is pending approval by Parliament. The Ministry of Environment is the national authority responsible for biosafety and the Environment Agency is the executive body responsible for implementing the law on biosafety. A national biosafety commission has been set up to provide scientific and technical advice to the Ministry of Environment and contribute to the decision-making process.

Summary

Moldova has achieved **some level of preparation** in the area of food safety, veterinary and phytosanitary policy. Substantial work remains to be done in terms of approximation of legislation and implementing rules. It is necessary to strengthen administrative capacity and the agencies responsible for implementation and monitoring action in this policy area.

Chapter 13: Fisheries

The common fisheries policy lays down rules on fisheries management, protects living resources of the sea and limits the environmental impact of fisheries. This includes setting catch quotas, managing fleet capacity, control rules, rules on markets and aquaculture and support for fisheries and coastal communities. Further, it promotes a sustainable aquaculture.

Fisheries cooperation is set out in Chapter 13 of the AA/DCFTA and takes place within the framework of the Common Maritime Agenda for the Black Sea, the General Fisheries Commission for the Mediterranean, and the EU-Moldova cooperation dialogue in the fight against illegal, unreported and unregulated fishing.

Moldova does not have a **fishing fleet**, but has put in place the legal basis to manage inland fishery and aquaculture products in line with the principles of the common fisheries policy. Moldova has developed a national programme on consolidation and development of the aquaculture sector which is pending adoption. Moldova needs measures in place for safe introduction of alien and locally absent species in aquaculture.

Fisheries policy development is shared between the Ministry of Environment and the Ministry of Agriculture and Food Industry. The former is responsible for monitoring fishing policy and the conservation of aquatic biological resources while the latter develops and implements the fish farming strategy. The Environmental Protection Inspectorate is responsible for protecting fish resources in fresh water.

Concerning **resource management**, industrial fishing is not authorised in order to protect fish stocks, and there are specific rules for recreational/leisure fisheries. Moldova does not systematically collect biological and socioeconomic data on fisheries and aquaculture.

Inspection and control activities are limited. The Environmental Protection Inspectorate draws up annual fisheries inspection plans. The Inspectorate has human resources, basic equipment and a limited budget to inspect and monitor recreational fisheries. Imports of fishery products are insufficiently controlled, and are allowed solely based on sanitary-veterinary certificates issued by the competent authorities of the exporting country and the quality certificate issued by the producer. A control system to prevent importation of fishery products from IUU fishing is needed. Moldova has no specific **structural actions** for fisheries. **State aid** measures were recently introduced to support the development of aquaculture.

⁶⁴ Directive 2001/18/EC

Concerning **market policy**, Moldova sets general standards for food of animal origin on veterinary requirements, hygiene and consumer information to align with the EU *acquis*. There is no legal framework on producer organisations and market requirements specific to fishery and aquaculture products (consumer information, marketing standards, market intelligence).

Summary

Moldova is at an **early stage of preparation** on fisheries policy and needs to further harmonise the national legal framework with the EU *acquis*. Moldova is encouraged to adopt a multiannual national strategy dedicated to aquaculture, and to take into consideration the “Strategic guidelines for a more sustainable and competitive EU aquaculture for the period 2021 to 2030” in that process. The planned quality standards for fish and fish products need to be aligned with the marketing standards under the EU common market organisation. Controls to prevent importation of products from IUU fishing have to be established in line with EU requirements. Moldova needs to improve the administrative structures, including setting up a managing authority and building institutional capacity.

Chapter 22: Regional policy and coordination of structural instruments

Regional policy is the EU's main tool for reducing regional disparities and investing in sustainable and inclusive socio-economic growth. It is operating through “shared management” between the Commission and EU Member States. The implementation of cohesion policy programmes requires appropriate administrative capacity on programme and project level, the establishment of systems of sound financial management and control and also, the fulfilment of other EU acquis elements such as environmental and public procurement legislation.

Regional policy is covered by the AA/DCFTA Chapter 20 on regional development, cross-border and regional level cooperation and Chapter 1 on public administration reform as regards local governance. Current EU-Moldova cooperation is focused on I) adjusting the normative and strategic framework of regional development policy, II) strengthening the institutional and operational capacity of national and regional institutions in regional development and spatial planning, and III) transnational and cross-border and regional cooperation (especially under the EU strategy for the Danube Region).

There are significant urban and rural disparities in the provision of basic services, education and the job market, as resources are concentrated in the capital and a few medium-sized cities. Low levels of urbanisation and high emigration rates affect the development of the country. Governmental instruments and programmes to finance local and regional projects are fragmented, without consistent prioritisation of investment, and the government's capacity to implement, monitor and evaluate projects varies. In 2021, it created the Local and Regional Development Fund. Regional development and cohesion are hampered by the need for administrative-territorial reform: 844 rural local public authorities (86%) have a population of fewer than 5 000 inhabitants.

Moldova has not completed the process to align its **legal framework** with EU cohesion policy. It has a national development strategy in force and has adopted a national regional development strategy. Moldova's smart specialisation strategy is the national programme for the development of cities as growth poles.

The National Fund for Regional and Local Development is the main source of funding for regional and local development projects and programmes. It operates through regional

operational programmes that transpose the national regional development strategies. Moldova does not have a social fund similar to the European Social Fund Plus.

The Ministry of Infrastructure and Regional Development is responsible for regional policy. The **institutional framework** includes the National Coordination Council for Regional and Local Development, the National Regional Development Policy Authority, Regional Development Councils and Regional Development Agencies. Other ministries have a coordination function in relevant areas.

A government decision establishes a common classification of territorial units for statistics. The Nomenclature of Territorial Units for Statistics of the Republic of Moldova partially corresponds to the functional development regions on its territory.

At central level the National Coordination Council for Regional and Local Development coordinates the regional development policy objectives. Regional Development Councils monitor the regional development strategies.

Moldova has identified six development regions (North, Centre, South, Autonomous Territorial Unit of Gagauzia, Chisinau Municipality, Transnistria) as territorial units that represent the framework for planning, evaluating and implementing regional development policy. Development regions are not administrative-territorial units and do not have legal personality.

Regional administrations are financed by the state budget. A degree of budget flexibility is allowed, in particular for co-financing externally funded projects. Financial management is highly centralised.

For the implementation of the European Neighbourhood Instrument cross-border cooperation programmes and Interreg NEXT programmes, the Ministry of Finance have established the necessary administrative structures in accordance with the Cohesion policy requirements.

Multiannual **programming** takes place via the government-approved Medium-Term Budget Framework, which sets the financial resources for three years both for the National Fund for Regional and Local Development, and for contributions to projects financed by external sources and run by central public authorities. The ceilings are indicative and adjusted each year based on the resources available.

The National Fund for Regional and Local Development can co-finance projects from external assistance sources (including the EU). The list of projects financed by external sources is part of the mandatory documentation for the draft budget submitted annually for approval by local executives to local councils.

The Court of Accounts, established by Article 133 of the Constitution, monitors the planning, management and use of public financial resources. The results of its activity are reported annually to Parliament. The Central Harmonisation Unit in the Ministry of Finance is responsible for the design and modelling of public internal financial control.

Moldova has yet to complete countrywide institutional and administrative structures, and legislative acts for the management and implementation of future EU funds.

Moldova has some experience in shared management through active participation on an equal footing with EU Member States in European regional cooperation programmes. It has put in place multiannual programming, national management and control systems and appropriate audit structures for the joint management of cross-border and transnational cooperation programmes.

Moldova lacks monitoring and evaluation of public investment programmes, as disposed in the Common Provisions Regulation. There is no **financial management and control system** for EU funds in place, except for Moldova's regulation on the implementation of EU-funded cross-border and transnational cooperation programmes.

Summary

Moldova is at an **early stage of preparation** in the area of regional policy. The legislative framework needs to be aligned to the EU *acquis*. Moldova's administrative capacity and experience is insufficient to meet the requirements of EU regional policy in terms of large-scale funds implementation. Specific expertise on planning, implementation, and monitoring under shared management (beyond regional cooperation) is scarce. Moldova does not have a systematic plan to prepare its administrative capacity in order to implement cohesion policy, including capacity-building needs assessment or training measures.

Single project pipelines based on a clear identification and prioritisation methodology for sectors are not in place. Regional development and cohesion are hampered by the lack of needed administrative-territorial reform. The country still needs to strengthen its administrative capacity for programming, implementing, monitoring, and evaluating EU funds.

Chapter 33: Financial and budgetary provisions

This chapter covers the rules governing the funding of the EU budget ('own resources'). These resources mainly consist of: (i) contributions based on the gross national income of each Member State; (ii) customs duties; (iii) the non-recycled plastic resource and (iv) a resource based on value-added tax. EU Member States must have the appropriate administrative capacity to coordinate and ensure the correct calculation, collection, payment and control of own resources.

This Chapter is not directly covered by the AA/DCFTA. Certain elements are noted in aspects on economic dialogue and in Chapter 8 on taxation.

There is no EU *acquis* with which candidate countries and potential candidates should align in terms of their national budgetary systems. In addition to the correct application of the own resources rules and their conditions, particular consideration should be given to the links between this chapter and the chapters that have indirect effects on the correct application of the EU own resources system. Correct application of the own resources rules is to a large degree dependent on progress/alignment under other chapters such as *customs* (29), *taxation* (16), *statistics* (18) and *financial control* (32). Moldova's national VAT system is partly aligned with the EU system .

On traditional own resources, Moldova levies customs duties on imports and enforces them when necessary. As regards GNI, it compiles national accounts and calculates gross national income, including an estimation of the non-observed economy. It also makes some estimates on plastic waste generation and the quantity of plastic waste recycled at national level which is based on reports provided by authorised operators in waste management.

However, there is no alignment with the EU *acquis* in the underlying policy especially as regards the compilation of the **national accounts** and **Gross National Income** currently based on the definitions and accounting rules of the United Nations System of National Accounts 2008 and not on the European ESA 2010 standards. There has been no work on the changeover to ESA 2010, on national data collection or the calculation of non-recyclable plastic.

As regards its **administrative infrastructure**, Moldova currently lacks institutions to manage the own resources system. Working arrangements and procedures are not in place and there is no coordination body or implementing rules. It does not organise any training on implementation of the **own resources system**.

Summary

Moldova is at an **early stage of preparation** in the area of own resources. It has put in place the basic principles and institutions for the underlying policy areas and they are functioning but need further alignment with the EU *acquis*. A twinning light project on own resources whereby Moldova can benefit from the expertise of Member States would be most useful. Moldova needs to align with ESA 2010 accounting standards and set up a coordinating body to implement the administrative conditions of the own resources system.

CLUSTER 6: EXTERNAL RELATIONS

There are two chapters in this cluster: external relations (Chapter 30); foreign, security and defence policy (Chapter 31).

Chapter 30: External relations

The EU has a common trade and commercial policy towards third countries, based on multilateral and bilateral agreements and autonomous measures. There are also EU rules in the field of humanitarian aid and development policy.

The AA/DCFTA requires Moldova to align its commercial policy with the EU *acquis*. The Ministry of Economy is responsible for international economic cooperation and trade policy. Moldova has been a member of the World Trade Organization (WTO) since 2001 and accepted the WTO Trade Facilitation Agreement and the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights. The country follows the main multilateral trade agreements of which the EU is also part, as well as a number of joint initiatives. Moldova benefits from the Generalised System of Preferences tariff system from Canada, Norway, Switzerland and the US.

Upon accession to the EU, Moldova will be bound by the **common commercial policy** and will have to apply the customs union's arrangements, a common external customs tariff and all the free trade agreements (FTAs) and autonomous (preferential and non-preferential) trade regimes that the EU grants to certain non-EU countries; this includes the Generalised System of Preferences (GSP). Moldova will also have to terminate all its current preferential trade agreements with third countries and bring all other agreements, including non-preferential trade agreements, in line with the obligations imposed by EU membership. Moreover, Moldova will become a party to the European Economic Area (EEA) and will have to apply all the EU's international trade agreements.

Moldova has a legal framework on the export control of **dual-use items** but needs to align it with the Dual Use Regulation⁶⁵ that came into force in September 2021. It is not a member of multilateral export control regimes such as the Australia Group, the Wassenaar arrangement, the Nuclear Suppliers Group, and the Missile Technology Control Regime but takes into account the outcomes of these international regimes.

⁶⁵ 2021/821

Regarding trade defence instruments, Moldova has legislation in place on anti-dumping, countervailing and safeguard measures. In relation to **export credits**, Moldova does not grant export subsidies, export credit or export insurance programmes.

As regards **agreements with third countries**, Moldova is a party to 16 free trade agreements, including the Central European Free Trade Area (CEFTA), and with the Commonwealth of Independent States, the Russian Federation, Georgia, Ukraine, the United Kingdom and Türkiye, as well as 20 agreements on trade and economic cooperation. Moldova has a preferential agreement with some countries with whom the EU does not have preferential agreements, namely Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

Moldova also has 39 bilateral investment treaties, including with 21 Member States⁶⁶.

Moldova has established a legislative framework for the screening of **foreign direct investment** to protect investments in areas of importance for state security.

Moldova does not have legislation in place regulating the export control on goods that could be used for **capital punishment, torture** or other cruel, inhuman or degrading treatment.

Moldova is not a member of the Kimberley process and does not control trade in rough diamonds.

In terms of enforcement, institutional capacity has been reinforced and modified in accordance with the country's regulatory approximation commitments under the DCFTA. However, human and financial resources for enforcement are limited.

As regards **development policy and humanitarian aid**, Moldova is a recipient of aid programmes rather than a humanitarian aid donor. The country has no legislation in place on humanitarian aid and no dedicated budget line for this area. Dedicated administrative structures are not in place. Moldova has legislation in place on development policy, but has not carried out any assistance in other countries.

Summary

Moldova is **moderately prepared** in the area of external relations. As a WTO Member, Moldova is already following many of the main multilateral trade agreements that the EU also follows. More remains to be done on dual use export controls, export credits and administrative capacity.

Chapter 31: Foreign, security and defence policy

EU Member States must be able to conduct political dialogue under the EU foreign, security and defence policy, align with EU statements, take part in EU actions, and apply agreed sanctions and restrictive measures.

The EU *acquis* consists of Council decisions, political declarations, joint actions, common positions and agreements, and is covered by the AA/DCFTA. Applicant countries are required to progressively align with EU statements and apply restrictive measures when and where required.

Moldova has committed to promote gradual convergence in the area of foreign and security policy. The EU and Moldova engage in **policy dialogue** on foreign and security policy in the

⁶⁶ Austria, Belgium, Luxembourg, Bulgaria, Czechia, Croatia, Cyprus, Greece, France, Finland, Germany, Latvia, Lithuania, Netherlands, Poland, Romania, Spain, Slovakia, Slovenia, Hungary,

framework of the EU-Moldova Association Council. An EU-Moldova high-level political and security dialogue was launched in March 2022 and annual consultations on security and defence resumed in 2021.

Moldova's alignment rate with **common foreign and security policy** (CFSP) declarations and restrictive measures has fluctuated between 50 and 80% over recent years. It has not aligned with decisions on Russia and Belarus sanctions or with decisions under the EU Global Human Rights Sanctions regime. More work is needed to align with EU *restrictive measures* (sanctions). Security and defence cooperation has substantially increased over the past year, mainly in the framework of the European Peace Facility, addressing hybrid threats and cybersecurity, countering disinformation and strengthening strategic communication. European Peace Facility cooperation aims to modernise medical, explosive ordnance disposal, and other military capacities with which Moldova intends to contribute to international security operations under the *aegis* of the UN, NATO and EU. Capacity-building remains an issue.

As regards **common security and defence policy** (CSDP), Moldova has participated in CSDP missions since 2014, contributing to the EU Advisory Mission in Central African Republic, and the EU Military Training Mission in Mali, with two military staff representatives currently seconded to the latter.

Moldova cooperates constructively in international fora and is a member of multiple *international organisations*, including the United Nations, the Council of Europe, the Organisation for Security and Cooperation in Europe, and the Organisation of the Black Sea Economic Cooperation. Moldova has also taken part in the South-East European Cooperation Process. Moldova has ratified the Rome Statute of the International Criminal Court. It takes part in NATO's Partnership for Peace and participates in the Euro-Atlantic Partnership Council. Moldova has actively contributed to UN missions, and currently deploys 41 servicemen to the NATO mission in Kosovo.

The EU-Moldova Agreement on *security procedures* for exchanging and protecting classified information was operationalised in January 2021.

Moldova ratified a series of international instruments that aim to counter the use and proliferation of weapons of mass destruction and is actively engaged in non-proliferation activities at regional level. Moldova aligned itself with several initiatives and statements, and it has supported decisions on non-proliferation promoted by the EU and the US. Moldova has also committed to implement the Western Balkans roadmap against illicit arms trafficking, a priority of the EU Firearms and SALW Strategy.

Moldova complies with common rules governing the control of exports of military technology and equipment contained in the Arms Trade Treaty. It streamlined its policies to combat the spread of illicit trafficking in small arms and light weapons when it started close cooperation with the South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons.

Summary

Moldova is **moderately prepared** in this area. It has committed to promoting gradual convergence in the area of foreign and security policy. The High Level Political and Security Dialogue between Moldova and the EU monitors progress in this policy area.