



Association agreement between the EU and the Republic of Moldova

European
Implementation
Assessment
(update)

STUDY

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In November 2019, the European Parliament's Committee on Foreign Affairs (AFET) requested to draw up an own-initiative report on the implementation of the EU association agreement with Moldova (2019/2201(INI)).

Dragoş Tudorache (Renew Europe, Romania) was appointed rapporteur.

This European implementation assessment (EIA) is an update to the EIA on the association agreements between EU and Moldova, Georgia and Ukraine prepared in July 2018 to assist the AFET committee in its scrutiny work. After AFET drafted three implementation reports, one for each of the three countries, the European Parliament adopted resolutions on the EU's association agreements with Georgia (2017/2282(INI)) and Moldova (2017/2281(INI)) in November 2018, and with Ukraine (2017/2283(INI)) in December 2018.

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Executive summary

This European Implementation Assessment (EIA) was prepared by the Ex-Post Evaluation Unit (EVAL) within the European Parliamentary Research Service (EPRS), to accompany the Committee on Foreign Affairs (AFET) in their scrutiny work in the form of an own-initiative report on the implementation of the EU's association agreement with Moldova ([2019/2201\(INI\)](#)).

Furthermore, this EIA is an update to the June 2018 EPRS report on [Association agreements between the EU and Moldova, Georgia and Ukraine. European Implementation Assessment](#). It presents the progress in the implementation of the association agreements from the time covered by the previous report to the present moment.

This EIA consists of two parts:

- Part I, in-house opening analysis, written by **Dr Anna Zygierewicz** from the Ex-Post Evaluation Unit (EVAL) of the EPRS;
- Part II, an externally prepared briefing paper, written by **Kamil Calus** from the Centre for Eastern Studies (OSW), Warsaw, Poland.

Part I was prepared on the basis of desk research and it presents the main findings and recommendations deriving from the high-level EU meetings and documents on the implementation of the association agreement (AA) between the EU and Moldova. The analysis also presents the progress in Moldovans' perception of the EU and their country's participation in selected EU programmes. The analysis has been enriched with information on: joint actions undertaken by Moldova, Georgia and Ukraine; and comparative statistics for the three countries.

Part II investigates the overall outcome of the implementation of the EU-Moldova association agreement. It focuses on a quantitative and qualitative analysis of the reforms that have been implemented in Moldova as part of the agreement. It also examines whether and how the implementation of reforms has influenced the current situation in the country in the following fields: rule of law, democracy, good governance, freedoms and the economic situation (including trade relations). Part II furthermore analyses the influence that the AA's implementation has had in the Transnistria region. Last but not least, it makes recommendations on how to improve the AA's implementation.

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The author would like to thank them for their valuable feedback and recommendations.

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List of frequently used abbreviations and acronyms

(EU) AA	(EU) association agreement
CDSA	comprehensive democracy support approach
Commission	European Commission
CSP	civil society platform
DCFTA	deep and comprehensive free trade area
DG	Directorate-General
EC	European Commission
EEAS	European External Action Service
EaP	Eastern Partnership
EHEA	European higher education area
EIB	European Investment Bank
ENP	European Neighbourhood Policy
EP	European Parliament
EU	European Union
HE	higher education
HEI	higher education institution
HR/VP	High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission
IEA	International Energy Agency
IMF	International Monetary Fund
JMD	Jean Monnet Dialogue for Peace and Democracy
MFA	macro-financial assistance
MFF	multiannual financial framework
Moldova	Republic of Moldova
OECD	Organisation for Economic Cooperation and Development
OSCE/ODIHR	Office for Democratic Institutions and Human Rights of the Organisation for Security and Co-operation in Europe
PAC	parliamentary association committee
Parliament	European Parliament
Q (1 2019)	quarter of the year (first quarter of 2019)
SDG	sustainable development goal
SME	small and medium-sized enterprise
UNDP	United Nations Development Programme

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PART I. IN-HOUSE OPENING ANALYSIS

1. Introduction

Figure 1: Map of Moldova



Source: [United Nations](#).

Moldova lies in the north-eastern corner of the Balkan Peninsula. Its capital city is [Chişinău](#), located in the south-central part of the country. The country declared independence in August 1991 (upon the collapse of the Soviet Union) and became a member of the United Nations in 1992.¹ Moldova shares borders with Romania and Ukraine.

Cooperation between the EU and Moldova was formalised in 2009 under the Eastern Partnership Agreement (EaP). The EaP is part of the European Neighbourhood Policy and covers Moldova, Armenia, Azerbaijan, Belarus, Georgia and Ukraine. In response to the desire for closer cooperation and sectorial integration expressed by Georgia, Moldova and Ukraine, the EU has offered association agreements to all three countries.

The association agreement (AA) between the EU and Moldova was signed on 27 June 2014 and entered into force on 1 September 2014. The deep and comprehensive free trade (DCFTA) agreement, forming part of the association agreement, entered into force two years later, on 1 July 2016.

In 2019, 55 % of Moldovans participating in an EU [survey](#) expressed a positive attitude toward the EU, against 10% expressing a negative attitude and 33 % expressing a neutral one. At the same time, 65 % of Moldovans expressed trust in the EU. The EU values Moldovans appreciated the most were: economic prosperity (82 %), human rights (79 %) and freedom of speech (78 %). Young Moldovans in particular, pointed out the benefits of their country's cooperation with the EU. In their [opinion](#), the EaP makes the EU

¹ Encyclopaedia Britannica [website](#).

more accessible, enables individuals to travel visa-free to the Schengen area, to spend time at the EU universities, while also boosting people to people contacts among EaP countries.

Moldova, Georgia and Ukraine have expressed their EU aspirations, among others in their joint statement on the future of the Eastern Partnership, where they said that they would make a great effort 'to gain the prospect of the EU membership and they will consider applying for the EU membership in accordance with the article 49 of the Treaty on European Union'.

Trade between the EU and Moldova is developing. In 2018, the EU was Moldova's biggest trade partner, with around 70 % of Moldovan export going to the EU, according to European Commission [data](#). The total turnover of Moldova's trade with the EU amounted to €4.6 billion (an increase of about 40 % since 2015).

The World Bank, in its 2019 [analysis](#) on Moldova, described it as being 'among the poorest countries in Europe', but one that 'has made significant progress in reducing poverty and promoting inclusive growth since the early 2000s', with an average annual growth of 5 %. Moreover, the International Monetary Fund (IMF) pointed out in 2020 that growth in Moldova remained solid, with GDP growth being around 5 % in the first three quarters of 2019. However, it should be noted that both analyses were prepared prior to the outbreak of the coronavirus pandemic and the ensuing harm suffered by the world economy as a result of lockdown. The EU has recently granted [assistance](#) to all EaP countries, including Moldova, for covering both immediate as well as short- and medium-term needs.




Despite the fact of the economic growth, Moldova's [democracy](#) score, according to the Economist Intelligence Unit (EIU), fell gradually from 6.5 in 2008 and in 2010 to 5.75 in 2019 (on a 0-10 scale, with 10 being the highest), and varies from 4.38 for 'political culture' and 4.64 for 'functioning of government' to 6.58 for 'electoral process and pluralism' and 7.06 for 'civil liberties'. According to Transparency International, [corruption](#) in Moldova is higher than the average for the region of eastern Europe and central Asia, with Moldova scoring 32 (on a scale 0-100, with 0 meaning 'highly corrupt' and 100 meaning 'very clean') and the region scoring 35. Freedom of press has also deteriorated: in 2018 Moldova ranked 91th in the world (out of 180 countries), while in 2013 it ranked 55th.

In its July 2018 [resolution](#) on the political crisis in Moldova, the European Parliament expressed its concerns over the situation in the country, including with regard to: the concentration of economic and political power in the hands of a small group of people; the deterioration of the rule of law, democratic standards, and respect for human rights; the lack of independence of the judiciary; the excessive politicisation of state institutions; systemic corruption; the fact that the 2014 banking fraud had not been investigated thoroughly enough; and limited media pluralism. At the same time, in its November 2018 [resolution](#) on the implementation of the EU AA with Moldova, the Parliament expressed its satisfaction with the progress made in areas such as public administration, trade, energy, public financial management and banking system reform.

The situation in Moldova should be monitored and the presidential elections scheduled for October 2020 may be a test for democracy and the rule of law in the country.

2. Moldova in selected regional comparative statistics

Table 1: Selected data on Georgia, Moldova and Ukraine

	Georgia	Moldova	Ukraine
Flag			
Capital	Tbilisi	Chisinau	Kyiv
Area (sq. km, rounded)	69 700	33 800	603 000 ³⁾
<u>Population:</u>			
1/1/2018 (millions)	3.7	3.5	42.2
1/1/2008 (millions)	4.4	3.6	46.2
<u>GDP growth, 2018 (%)</u>	4.8	3.4	3.3
GDP in current prices:			
€ billion (2017)	13.4	8.5	99.4*
€/per capita (2017)	3 603	2 391	2 340*
<u>Gini coefficient, 2017 (estimate)</u>	41.7	30.8	23.2
<u>Employment rate, ages 15-64, 2017</u>	61.2	44.9	60.3*
<u>Tertiary education attainment, 2017</u>	44.6	37.1	63.0*
<u>Households that have internet at home</u>	71	51	60*
<u>Unemployment rate, 2017 (%):</u>			
general, ages 15-74	13.9	4.1	9.5
youth, ages 15-24	28.9	11.8	18.9
<u>Doing business 2019 (rank out of 190)</u>	6	47	71
<u>Democracy Index 2018 (rank out of 167)</u>	89	79	84
<u>Democracy Index 2019 (rank out of 167)</u>	89	83	78
<u>Democracy level 2018</u> (1 – most democratic and 7 – least democratic)	4.68	4.93	4.64
<u>Corruption perception 2018 (rank out of 180)</u>	41	117	120
<u>Corruption perception 2019 (rank out of 180)</u>	44	120	126
<u>Global Gender Gap Index 2017 (rank out of 144)</u>	94	30	61
<u>Global Gender Gap Index 2020 (rank out of 144)</u>	74	23	59
<u>World Press Freedom Index 2018 (rank out of 180)</u>	61	81	101
<u>World Press Freedom Index 2019 (rank out of 180)</u>	60	91	102

Source: A. Zygierewicz: [Association agreement between the EU and Georgia. European Implementation Assessment \(update\)](#), Study, EPRS, April 2020.

* Excluding the territories that are outside the effective control of the Ukrainian government and the illegally annexed Autonomous Republic of Crimea and city of Sevastopol.

3. Monitoring and evaluation of the implementation of the EU association agreement with Moldova

Table 2: The EU association agreement with Moldova

	Republic of Moldova
Title	Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Moldova, of the other part
Signing	27 June 2014
Publication in the EU Official Journal	OJ L 260 of 30.8.2014
Provisional application since	1 September 2014
Entry into force	1 July 2016

Source: EPRS, based on A. Zygierewicz: [Association agreements between the EU and Moldova, Georgia and Ukraine, European Implementation Assessment](#), Study, EPRS, 2018.

3.1. Introduction to monitoring and evaluation

The EU monitors and evaluates the application and implementation of the AA with Moldova through structures set up in accordance with the provisions of the AA. The institutional framework chapter of the AA specifies the establishment and functioning of four bodies: an association council, an association committee, a parliamentary association committee and a civil-society platform (Articles 433-443 of the AA with Moldova):²

- *The association council's main role is to supervise and monitor the application and implementation of the AA and to periodically review the functioning of the AA in light of its objectives. The association council meets at the ministerial level, regularly, at least once a year. Additionally, the association council examines any major issues arising within the framework of the AA and any other bilateral or international issues of mutual interest.*
- *The association committee's role is to assist the association council in the performance of its duties. In principle, it should be composed of senior civil servants from the EU and Moldova.*
- *The parliamentary association committee (PAC) consists of representatives of the European Parliament and the parliament of Moldova. The PAC is a forum for the members of parliaments to meet and to exchange views. The PAC establishes its own rules of procedure.*
- *The civil-society platform (CSP) has been established to promote regular meetings of representatives of the civil societies from both sides of the AAs. The CSP consists of civil-society representatives from the EU, including members of the European Economic and Social Committee and representatives of the civil community of, respectively, Moldova. The CSP establishes its own rules of procedure.*³

The findings of the EU as a result of monitoring and evaluating the application and implementation of the AA are also reflected in the EU Foreign Affairs Council conclusions on EU cooperation with Moldova and in

² Prepared on the basis of A. Zygierewicz, [Association agreements between the EU and Moldova, Georgia and Ukraine, European Implementation Assessment](#), Study, EPRS, 2018.

³ What is more, the CSPs are informed of the decisions and recommendations of the association councils and may make recommendations to them. The association committees and PACs organise regular contacts with representatives of the CSPs 'in order to obtain their views on the attainment of the objectives of this AAs'.

association implementation reports jointly prepared by the Commission and the High Representative of the Union for Foreign Affairs and Security Policy/Vice-President of the European Commission (HR/VP). Monitoring and evaluation are also carried out by the association committee in its trade configuration, and by its subcommittees.

In the end (Q4) of 2019, the European Commission's Directorate-General for European Neighbourhood Policy and Enlargement Negotiations (DG NEAR) launched an evaluation of the EU's cooperation with Republic of Moldova (2014-2020), to be published in the end (Q4) of 2020. According to the evaluation [roadmap](#), the main objectives of the evaluation are to identify key lessons from the current cooperation and to prepare recommendations on EU-Moldova cooperation for the next multiannual financial framework (MFF). The evaluation should 'assess overall contribution of EU cooperation to the achievement of the 13 priorities of the revised Association Agenda, and, in particular, the cooperation objectives set in the Single Support Frameworks (2014-2017; 2017-2020)'.

The latest documents published so far by the above-mentioned monitoring and evaluation bodies are presented below.

3.2. Implementation of the EU-Moldova AA according to the latest EU documents

The latest [association implementation report on Moldova](#) (SWD(2019)325) was published by the Commission and the HR/VP in September 2019, ahead of the EU-Moldova Association Council meeting, to serve as a basis for a review of the association agenda.

With regard to good governance and the rule of law, the report highlighted the following issues: the manner in which the June 2018 mayoral elections in Chişinău had been invalidated (see detailed description in Part II), considered non-transparent both by the EU and other international players; the insufficient progress in reforming the justice sector; and the use of a mixed proportional-uninominal electoral system for the 2019 parliamentary elections, despite concerns expressed by the EU. Consequently, the EU refocused its assistance to projects with 'a direct impact' on Moldovan citizens, while also putting on hold macro-financial assistance (MFA)⁴ and EU budget support programmes for the rest of 2018. The report stressed, however, that with the change of the government in June 2019, Moldova moved forward in implementing key reforms in terms of democratic standards and the rule of law. The report also acknowledged that 'some progress was made ... on the implementation of the measures agreed during the Austrian and Italian Chairmanships of the OSCE relating to the Transnistrian conflict'.

With regard to the economic and the financial situation, the report underlined that Moldova had made progress 'on implementing reforms in line with the AA/DCFTA'. It also pointed to the country's economic growth, noting that 'in 2018, the gross domestic product (GDP) increased by 4.0 % in real terms, slightly down on the 4.7 % expansion recorded in 2017' and of 4.4 % in Q1 of 2019. The inflection was slowing down till 0.9 % at the end of 2018,' well below the target corridor of 5 % +/-1.5 percentage points'. The report furthermore noted that 'remittances increased by 12 % year on year in 2018', with most of the increase related to remittances sourced from EU countries. At the same time, the report stressed that '[c]orruption, lack of trust in the judiciary and incoherent policies affected the overall business environment and investment climate. In 2018, Moldova fell three positions in the World Bank Doing Business Report, ranking 47th out of 190 countries'. The report also noted that progress in implementation reforms on connectivity, energy efficiency, climate action environment and civil protection had been quite limited.

The report noted that 'tangible improvements in people's daily lives' had been achieved with EU assistance and underlined that Moldova had contributed to the implementation of the EaP '20 Deliverables for 2020',

⁴ More detailed information on the macro-financial assistance to Moldova can be found in point 2.5.7 of Part II.

which remained 'a key guidance document identifying concrete tangible results to be delivered for citizens' and one of the 'strong drivers of reforms'.

The [EU-Moldova Association Council](#) held its latest meeting on 30 September 2019. In its joint press [statement](#), it 'reaffirmed the commitment of the EU and Moldova to strengthen political association and economic integration ...' and proposed working together to set 'new, updated and appropriate priorities to direct the AA/DCFTA implementation process in the coming years'.

The Association Council welcomed the reforms 'aiming at ensuring macroeconomic, financial and fiscal stability and restoring credibility with international donors', 'the intensified efforts to combat corruption and money laundering and the efforts 'to guarantee the independence of the judiciary and prosecution services'. It also expressed satisfaction at the 'legislative changes to the electoral system cancelling the mixed electoral system that was introduced in 2017 in spite of negative international expertise and EU concerns'. The Association Council further welcomed 'the effective implementation of the visa-free regime' as well as the 'continuous increase in trade volumes, in particular of Moldovan exports to the EU market'. The Association Council expressed its appreciation for the 'broad cooperation between Moldova and the EU in the sphere of foreign and security policy'. Last but not least, the Association Council 'reconfirmed its support for Moldova's sovereignty and territorial integrity and a special status for Transnistria within Moldova's internationally recognized borders'.

With regard to the Eastern Partnership, the Association Council commended 'Moldova's active and constructive participation in the multilateral dimension of the Eastern Partnership and encouraged Moldova to continue contributing to the achievement of deliverables for 2020'. It furthermore pointed out Moldova's active participation 'in setting new deliverables for the Eastern Partnership in the post 2020 period'.

The EU Foreign Affairs Council's [conclusions](#) of 20 June 2019, in their section dealing with Moldova, welcomed 'the peaceful transfer of power in the Republic of Moldova' and invited the Commission and the HR/VP 'to work on a set of concrete measures to support the Republic of Moldova, based on its sustained implementation of reforms under the Association Agreement / DCFTA.'

In May 2019, the Commission published the [EU Annual Report on Human Rights and Democracy in the World 2018](#), together with the [country report](#) on Moldova. According to the report, the overall human rights situation in Moldova is positive. However, the report highlighted that 'several observers noted a deterioration of the democratic standards and the rule of law' in Moldova in 2018, one such example being the invalidation of the June 2018 Chişinău mayoral elections. Concerns were also expressed over the funding of certain political parties. The report stressed that the 'investigation of the major bank fraud from 2014 has not advanced': neither had the culprits been brought to justice nor had the lost assets been recovered. Furthermore, 'the reform of the justice sector did not advance significantly' and 'cases of prosecution against judges and lawyers involved in high profile cases continued throughout the year'. A new Audiovisual Code was adopted to transpose the EU Audiovisual Media Services Directive, but its implementation had not started yet and the media landscape 'remained characterised by the concentration of media ownership and the monopolisation of the advertising market'.

The report also noted that the EU and Moldova continued talks on human rights and democracy, in which civil society also participated. The topics discussed, according to the report, included: 'the electoral framework; freedom and pluralism of the media; fighting against impunity and ill-treatment and human rights protection in the justice system; the rights of the child; fight against discrimination and protection of vulnerable groups'.

In December 2019, following its 7th meeting, the [EU-Moldova parliamentary association committee](#) (PAC) published a [statement and recommendations](#) in which it underlined, among other things, the need to press on with ambitious reforms to effectively implement the EU AA (including the DCFTA); to strengthen the independence of the state institutions; to ensure the separation of the state power and the

independence of the judiciary and prosecution systems; to fight against corruption; to improve the living conditions of citizens; and to advance media pluralism.

At the same time, the PAC welcomed the growth both in terms of the country's national economy and its volume of trade with the EU. In relation to civil society, the PAC encouraged the Moldovan government and parliament to continue their cooperation with the EU-Moldova Civil Society Platform.

The PAC also called on the government to further reform the energy sector in order to increase its resilience, independence and efficiency. The PAC also encouraged Moldova to participate actively in setting new Eastern Partnership deliverables for the post-2020 period.

In February 2020, the [6th meeting](#) of the EU-Moldova Civil Society Platform (CSP) took place in Moldova. The participants assessed the state of play of the implementation of the AA, paying attention to its social aspects, and discussed Moldova's initiatives in the justice sector and in fighting corruption. The CSP's [joint declaration](#) focused on trade, pointing out that almost 70% of exports were directed towards the EU market thanks to the AA/DCFTA. It furthermore highlighted the positive effects of visa-free travel, as evidenced by the fact that over the past 5.5 years, 'more than 2.1 million Moldovan nationals have travelled to the EU, with an average rate of approximately 420 000 people per year'. At the same time, the CSP welcomed the 'numerous initiatives aimed at fighting the brain drain in Moldova'.

Nevertheless, the joint statement urged the Moldovan authorities 'to step up their efforts to deliver on the fight against high-level corruption' and 'to encourage a wider integration of Transnistrian civil society in the economic and social life of the country'. It also expressed 'concern at the lack of progress with regard to ensuring free and fair media and continuous concentration of media and advertising markets in the hands of political actors'.

Deep and comprehensive free trade agreement (DCFTA)

In the beginning (Q1) of 2020, the European Commission launched an [evaluation](#) of the implementation of the DCFTA with Moldova and Georgia. The results of the public consultation should be available in the end (Q4) of 2020, while the full evaluation report is planned to be published in the first half (Q2) of 2021. According to the roadmap, the evaluation of the implementation of the DCFTA five years since it came into effect should, among others, feed into the discussions regarding the upgrade of the DCFTAs, a wish that both countries have already expressed. The geographical scope of the evaluation in Moldova will include the territory of Transnistria, where Moldova has been implementing the DCFTA fully.

Trade between the EU and Moldova is developing; according to the 2018 [Investing in SMEs in the Eastern Partnership. Republic of Moldova country report](#), 'Moldova as a country benefits most from EU exports compared to the other EaP countries, with an impact on GDP of 8% and an impact of 9% on employment'.

In 2018, according to Commission [data](#), the EU was Moldova's biggest trade partner, with around 70% of Moldovan export going to the EU. In comparison, Moldova's next biggest trade partner – Russia – accounted for 8% of Moldavian export and the third one – Belarus – for 3%. The total turnover of Moldovan trade with the EU amounted to €4.6 billion in 2018 (a roughly 40% increase since 2015). Moldovan export to the EU amounted to €2.8 billion in 2018 (an increase of 13% from 2017) and the EU's import from Moldova amounted to €1.9 billion in 2018 (an increase of 16% from 2017). The exports to Moldova mainly machinery and appliances, mineral products, chemical products and transport equipment, while imports from Moldova mainly machinery and appliances, vegetable products, textiles and textile articles and base metals.

The 6th meeting of the EU-Moldova association committee in its trade configuration took place in October 2019. In April 2020, the joint report was not available. The 5th meeting of the committee took place in October 2018; in the [joint report](#) following the meeting, the EU welcomed the 20% increase in trade in 2017 and Moldova's legislative efforts to implement the DCFTA in different areas.

4. Situation in Moldova according to selected reports

The EIU's report on [Democracy Index 2019. A year of democratic setbacks and popular protest](#) classified Moldova (as well as Georgia and Ukraine) as a 'hybrid regime'.⁵ The report further noted that Moldova was experiencing a gradual drop in its democracy score, from 6.5 in 2008 and in 2010 to 5.75 in 2019 (in a 0-10 scale, with 10 being the highest). Moreover, the score varied from 4.38 for 'political culture' and 4.64 for 'functioning of government' to 6.58 for 'electoral process and pluralism' and 7.06 for 'civil liberties'.

The [Corruption Perception Index 2019](#), drawn up by Transparency International, ranked Moldova 120th out of 180 countries worldwide, with a score of 32 on a scale of 0-100, with 0 meaning 'highly corrupt' and 100 meaning 'very clean'. Moldova's score was lower than 35, the average for the region of eastern Europe and central Asia.

Reporters Without Borders' [World Press Freedom Index 2019](#) ranked Moldova 91st out of 180 countries worldwide, and pointed to a significant drop in the country's ranking in comparison to 2018 (81st place). From a longer-term perspective, the gradual and significant drop since 2013, when Moldova ranked 55th, is also visible. The report further described the situation in Moldova as follows:

Moldova's media is diverse but extremely polarised, like the country itself, which is characterised by chronic instability and the excessive influence of its oligarchs. The editorial line of the leading media outlets correlates closely with the political and business interests of their owners – a problem that was particularly visible during the campaign for the 2019 parliamentary elections. Journalistic independence and quality, and the concentration of media ownership are major challenges. As media outlets battle with each other in a climate exacerbated by the society's polarisation, the broadcasting regulatory authority's lack of independence continues to be a source of concern.

In its 2019 [analysis](#) of Moldova, the World Bank described the country as 'a small lower-middle-income economy', which is 'among the poorest countries in Europe', but which 'has made significant progress in reducing poverty and promoting inclusive growth since the early 2000s', with an average annual growth of 5 %. Yet, among other things, the analysis points out that the implementation of the government's policy reform agenda was not progressing sufficiently. It also stresses that 'a vulnerable political system, polarized society, adverse external environment, and skills mismatch in the labour market, along with climate-related shocks, are Moldova's biggest economic challenges.' The analysis also points out that Moldova's large-scale out-migration, decreasing fertility rates and increasing share of elderly people put 'pressure on the pension system and limits the country's long-term competitiveness'. Still, the analysis expresses hope that:

In the near term, the formation of a new government supported by a parliamentary majority established in June 2019 is an opportunity to regain trust among citizens and international partners, strengthen the political system, de-polarize society, combat corruption, and speed up the reforms.

Published in June 2018, the [Investing in SMEs in the Eastern Partnership. Republic of Moldova country report](#), pointed out that despite being 'the poorest country in Europe', Moldova made 'significant progress in reducing poverty and promoting inclusive growth since the early 2000s', with an average GDP per capita annual growth at the level of 4.5 % over the past five years. The report also underlines that 'Moldova as a country benefits most from EU exports compared to the other EaP countries, with an impact on GDP of 8 % and an impact of 9 % on employment'.

⁵ 'Hybrid regimes' are defined methodologically by the EIU as those where 'Elections have substantial irregularities that often prevent them from being both free and fair. Government pressure on opposition parties and candidates may be common. Serious weaknesses are more prevalent than in flawed democracies—in political culture, functioning of government and political participation. Corruption tends to be widespread and the rule of law is weak. Civil society is weak. Typically, there is harassment of and pressure on journalists, and the judiciary is not independent', [Democracy Index 2019. A year of democratic setbacks and popular protest](#), the Economist Intelligence Unit, 2019.

The World Bank Group's [Doing Business report 2020](#) ranked Moldova 48th out of 190 countries worldwide, with a score of 74.4 (100 being the highest). The general ranking is divided into categories. For instance, Moldova scored highest (13th place) in relation to 'starting a business' (the procedure for starting a business included three steps and lasted only four days) and 'registering property' (22nd place). However, Moldova did poorly in the category of 'dealing with construction permits', (it ranked 156th), as obtaining a construction permit involved 12 procedures on average and lasted 278 days. However, the report also underlined that apart from official costs, no bribes are needed to complete the construction permit procedure.

In March 2020, the IMF Executive Board published [press release No 20/90](#) and a [staff report](#), in which it pointed out that:

Growth remained solid. GDP grew nearly 5 percent in the first three quarters of 2019, supported by strong domestic demand and public and private investment, in particular. External demand remained favourable and export growth outstripped imports, but net trade continued to be a drag on growth. After improving significantly in 2018, the labour market worsened somewhat, but the unemployment rate remained low by historical standards, at around 4 percent. Moldova is on track to fulfil important Sustainable Development Goals (SDGs), including on poverty reduction, but additional efforts are needed in several areas, notably justice, institutions, and education.

At the same time, the staff report pointed out that:

Moldova's population is shrinking. Large emigration of discouraged young workers accentuates negative demographic trends from aging. The share of Moldovans living abroad is among the highest in the world, with a correspondingly large inflow of remittances. These weigh on medium-term growth not only by reducing the working age population, but also by lowering labour force participation, as remittances increase the reservation wages of those who stay at home.

5. Latest parliamentary initiatives

5.1. Latest resolutions of the European Parliament

On 5 July 2018, the European Parliament adopted a resolution on the political crisis in Moldova, following the invalidation of the mayoral elections in Chişinău ([2018/2783\(RSP\)](#)) (detailed information on the case is presented in Part II of this report). The EP expressed its concern 'at the decision to invalidate the results of the elections for Mayor of Chişinău by the Supreme Court of Moldova' and 'over the further deterioration of democratic standards in Moldova'. The EP also urged the Commission 'to suspend any foreseen disbursements of MFA to Moldova' due to the situation. At the same time, the EP called the Moldovan authorities 'to address the recommendations of the OSCE/ODIHR and the Venice Commission on electoral reform'.

The EP also reiterated its concern 'over the concentration of economic and political power in the hands of a narrow group of people, the deterioration of the rule of law, of democratic standards, and of respect for human rights, the excessive politicisation of state institutions, systemic corruption, insufficient investigation of the 2014 banking fraud, and limited media pluralism'. It furthermore voiced concern at the lack of independence of the judiciary, and particularly at the cases of selective justice being used as a tool to exert pressure on political opponents.

Finally, the EP called on the Moldovan authorities 'to reform the judicial system, including nominating new judges, so as to prevent the judiciary from intervening in the electoral and political process or in any other way undermining the democratically expressed will of the people of Moldova', to strengthen efforts to recover the fund stolen during the 2014 banking fraud and 'to respect international principles and best practices and guarantee an enabling environment for civil society'.

On 14 November 2018, the EP adopted a resolution on the implementation of the EU association agreement with Moldova ([2017/2281\(INI\)](#), [press release](#)), in which it acknowledged Moldova's progress in many fields, such as public administration, trade, energy, and public financial management and banking system reforms. Nevertheless, the Parliament pointed out that efforts to fight corruption and money-laundering had been insufficient, that the country was backsliding in terms of its democratic standards and the rule of law, and lacked an independent judiciary and fair and transparent elections. The EP urged Moldova to continue reforming its banking sector following the 2014 bank fraud involving US\$1 billion (Part II contains more detailed information on progress regarding the case). The Parliament also stressed the need to de-monopolise the media and the advertising market, and to ensure a stronger involvement of civil society in the process. More efforts should also be made to defend human rights and fundamental freedoms as well as to ensure 'effective compliance with trade and sustainable development clauses and international commitments'.

On 11 March 2019, the European Commission sent a response ([SP\(2019\)43](#)) to EP resolution (2017/2281(INI)), declaring it would 'continue to apply strict conditionality to its financial assistance to Moldova, and monitor and assess Moldova's implementation of DCFTA/AA through both bilateral and Eastern Partnership regional channels'. The Commission also informed that, together with the EEAS, it monitors Moldova's progress in implementing its DCFTA and the AA with the EU in all sectoral areas and discusses progress in this regard with Moldovan representatives through different channels (for instance, the Association Council). The Commission also monitors Moldova's and the other EaP countries' progress on the '20 Deliverables for 2020'. The Commission will also 'continue to provide technical and financial support through bilateral funding, Twinning and TAIEX (Technical Assistance and Information Exchange instrument) missions and use ex-ante consultation mechanisms for regulatory approximation with European Union acquis as set in the AA (paragraphs 34 and 39)'. The EEAS and the Commission will continue to liaise regularly with the European Parliament.

5.2. The Euronest Parliamentary Assembly

The [Euronest](#) Parliamentary Assembly was constituted on 3 May 2011 in Brussels. It serves as a parliamentary forum to promote political association and further economic integration between the EU and the Eastern Partnership countries. It consists of a delegation from the European Parliament and delegations from the EaP countries. The EP delegation has 60 members, while each EaP country delegation has 10 members. For political reasons, for the time being, Belarus does not take part in the Assembly's activities.

On 9 December 2019, the Euronest Parliamentary Assembly published a [resolution](#) on 'Parliamentary oversight as a tool to strengthen democracy, accountability and effectiveness of state institutions in the Eastern Partner countries', in which the Parliamentary Assembly, among others, called on the Commission 'for a dedicated program aiming at strengthening parliamentary oversight in Eastern Neighbourhood countries by: improving coordination and collaboration between state agencies, parliament and Civil Society Organizations, proposing a tailored training module for the staff of the parliaments, or by supporting administrative reforms'. Euronest also stressed the importance of the elections and called on 'the authorities to implement OSCE/ODHIR election observation recommendations well before future election'.

The Euronest resolution also encouraged a further exchange of good practices amongst the European Parliament, the parliaments of the EU Member States and the parliaments of the EaP countries. Furthermore, the resolution welcomed the Interparliamentary Assembly set up on 5 October 2018 by Georgia, Moldova and Ukraine with the aim to achieve more effective parliamentary oversight of the implementation of the EU AA/DCFTA in the three EaP countries, as well as the EaP policy as a whole (see also point 5.4).

5.3. Jean Monnet Dialogue of the European Parliament

The [Jean Monnet Dialogue for Peace and Democracy](#) (JMD) is an instrument developed by the European Parliament as a soft power tool in the area of parliamentary mediation and dialogue. According to a European Parliament [resolution](#) of 12 March 2019, it also serves for building EU capacity on conflict prevention and mediation. The JMD is [organised](#) in the form of 'a cycle of preparatory consultations with political leaders leading to an in camera meeting with concrete outcomes and a follow-up on the commitments made during the dialogues'.

The EP has already established cooperation with the Verkhovna Rada of Ukraine and proposed cooperation to both the Moldovan and the Georgian parliaments.

In June 2019, during an EP delegation visit to the Moldovan parliament, Heidi Hautala MEP (Greens/EFA, Finland) [proposed](#) to facilitate 'cross-party engagement in the Moldovan parliament through the Jean Monnet Dialogue'. She underlined that the European Parliament was 'always willing to support [its] closest partners in building cross-party consensus on the reform agenda, based on the implementation of the association agreement, and in strengthening their democratic institutions'.

5.4. Georgia, Moldova and Ukraine Inter-Parliamentary Assembly

The Georgia, Moldova and Ukraine Interparliamentary Assembly held its [inaugural plenary session](#) on 5-6 October 2018, in Tbilisi (Georgia). The aim of establishing the Inter-Parliamentary Assembly was to enhance cooperation and dialogue on, and consideration of, the common issues shared by the three countries, as well as to better coordinate their positions in the international arena. During the inaugural sessions, the participants sought 'to jointly achieve transformation of EUAA into the EU membership perspective' and with this in view, they decided to share their experience of reforms aimed at integration with the EU.

The European Parliament and the Baltic Parliamentary Assembly welcomed the new forum, voicing their support for it and their hope that it would work to strengthen cooperation among the three participating countries. Parliament reiterated its support for the new forum within the Informal Working Group on Disinformation ([IWG-D](#)) and again in its February 2019 [report on building EU capacity on conflict prevention and mediation](#) (2018/2159(INI), where it expressed its hope that the new parliamentary body would become 'an important platform for regional dialogue on strategic issues including the implementation of Association Agreements and for responding to key security challenges including hybrid war and disinformation'.⁶ The new parliamentary assembly was also welcomed by Euronest (see point 5.2 above).

⁶ For further information, see A. Zygierewicz, [Association agreement between the EU and Georgia. European Implementation Assessment \(update\)](#), Study, EPRS, European Parliament, April 2020.

6. The Eastern Partnership and the 20 Deliverables for 2020

6.1. Introduction to the Eastern Partnership

In 2008, Poland and Sweden, together with some other EU Member States, proposed setting up a special partnership with six countries: Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. In May 2009, during the EaP Prague Summit, the proposal served as the basis for launching a joint initiative of the EU and its Member States – the Eastern Partnership (EaP) – which became one of the specific dimensions of the European Neighbourhood Policy. The EaP focuses on four priority areas ([JOIN\(2017\) 18](#) and [JOIN\(2015\) 50](#)):⁷ good governance, democracy, rule of law and human rights; economic development for stabilisation; security; and migration and mobility.

The European Neighbourhood Policy was reviewed in November 2015. The Commission and the HR/VP, in their joint communication ([JOIN\(2015\) 50](#)), underlined that 'where a partner wishes to pursue deeper relations with the EU based on shared values, work will develop on the existing basis. Georgia, Moldova, and Ukraine have chosen the path of political association and economic integration with the EU through new generation Association Agreements/Deep and Comprehensive Free Trade Areas (AA/DCFTA) ...'. The reviewed policy offered sectoral cooperation and integration, e.g. 'to increase the opportunities for investment and trade, the EU will enhance full energy market integration with Moldova, Ukraine, and Georgia through the Energy Community'. The promotion of a common aviation area was also foreseen through implementing agreements that have already been signed with Georgia and Moldova and are soon to be finalised with Ukraine.

Two years later, during the November 2017 EaP summit, a new approach with a common reform agenda – '20 Deliverables for 2020' – was adopted. It proposed a set of 20 tangible results to be achieved by 2020, all focused on improving people's lives. The 20 deliverables were grouped in four policy areas: economy; governance; connectivity; and society; as well as cross-cutting issues related to gender, civil society, media and strategic communication (see Box 1).

6.2. Future of the Eastern Partnership

Ten years after the EaP entered into the force, the EU started working on the objectives and tools for future cooperation between the EU and the partner countries. The three EaP partner countries also presented their vision of the EaP post-2020.

On 5 December 2019, Georgia, Moldova and Ukraine [signed](#) a joint statement on the future of the EaP and on deeper sectoral integration with the EU. They proposed to apply more actively the principle of differentiation within the EaP, 'based on the interests and ambitions of individual partners.' They declared their preparedness for deeper sectoral integration with the EU and asked for further liberalisation of trade. They also underlined their ambition to receive full access to the EU single market as well as assurances of their prospects for EU membership. They stated that they would consider applying for EU membership in accordance with Article 49 of the Treaty on European Union.

In their joint statement, the three countries also asked the EU to assume a more visible role in the EaP region and to further increase its engagement for a peaceful conflict resolution there, inter alia, by strengthening its presence in conflict-affected countries. They also called on the EU 'to intensify its efforts to encourage withdrawal of all foreign troops and military assets illegally deployed on the territories of our States'.

⁷ See also: P. Perchoc, [The European Neighbourhood Policy](#), In-Depth Analysis, EPRS, European Parliament, 2016, and [European Neighbourhood Policy \(ENP\)](#), European External Action Service website.

In 2019, the Commission and the HR/VP identified 10 major EaP policy [achievements](#), among them new bilateral agreements with EaP countries; more trade and investment opportunities between both sides of the agreements; economic development in the EaP countries; more energy resilience and efficiency; support to young people, particularly through the Erasmus+ programme and the European School in Tbilisi; more accessible and service-oriented public services for citizens across the region; better transport links and infrastructure under the EU's TEN-T extension; visa free regimes for Georgia, Moldova and Ukraine and facilitation and readmission agreements with Armenia and Azerbaijan, and soon with Belarus; easier access to a high-capacity broadband internet network for 2 million scientists, academics and students at over 700 research and education institutions, and greater awareness of the EU in the six EaP countries.

The Commission and the HR/VP also identified five major [challenges](#) before the EaP policy:

- strengthening the environment for civil society and a free and independent media;
- further protecting the environment and actively tackling climate change;
- increasing societal resilience by countering hybrid threats and disinformation;
- maintaining the rule of law, implementing judicial reforms and fighting against corruption;
- stepping up EU engagement to help improve the lives of citizens affected by the conflicts in the region.

In the same year, the Parliament's Committee on Foreign Affairs (AFET) launched an own initiative report on the recommendations on the Eastern Partnership, in the run-up to its June 2020 summit ([2019/2209\(INI\)](#)). The draft report prepared in February 2020 by MEP [Petras Auštrevičius](#) (Renew Europe, Lithuania), recommended not least to acknowledge that EaP countries that undertake comprehensive reforms and try to meet the criteria of Article 49 TEU 'may be eligible for EU membership, through a process of gradual integration'. The proposed [amendments](#) to the draft report were published on 25 March 2020.

In March 2020, the Commission and the HR/VP published a joint communication on the 'Eastern Partnership policy beyond 2020. Reinforcing Resilience – an Eastern Partnership that delivers for all' ([JOIN\(2020\) 7](#) and SWD(2020)56, part [1](#) and [2](#)). The communication explained how to address common challenges and future sectoral cooperation between the EU and the EaP countries. It also foresaw applying a differentiated approach towards the individual countries based on their interests, ambitions and progress in respect of their EU AA/DCFTAs.

On 27 March 2020, the HR/VP, Josep Borrell, and Commissioner for Neighbourhood and Enlargement, Oliver Varhelyi [stressed](#) the importance of the Eastern Partnership. In Moldova's case, for instance, EU support for the local SMEs has contributed to the creation of around 6 000 jobs, and the number of companies exporting to the EU has increased by 51 %. The EU has also contributed to improving the living conditions of around 200 000 Moldovans by providing assistance to the energy sector and investing in the development of a biomass heating system (see point 7.3). As for the future of the EaP, the HR/VP and the Commissioner proposed that EaP partner countries focus their work on five objectives:

- together for resilient, sustainable and integrated economies;
- together for accountable institutions, the rule of law and security;
- together for environmental and climate resilience;
- together for a resilient digital transformation;
- together for resilient, fair and inclusive societies.

6.3. The 20 deliverables for 2020

As mentioned above, during the EaP summit in Brussels in November 2017, a common agenda for reforms – [20 deliverables for 2020](#) – was adopted, with the aim to improve people's lives in the six EaP countries.

According to the Commission's [Facts and figures about EU-Moldova relations](#), updated in March 2020, Moldova has made progress towards achieving the 20 deliverables for 2020 in several areas. For example, since April 2014, more than 2.5 million Moldovan citizens with a biometric passport have benefitted from the visa-free regime and travelled to the Schengen area. In the area of transport, around 700 kilometres of roads have been or will be rehabilitated with EU support, and public transport in Chişinău and Bălţi has been improved and outfitted with modern trolley buses. With EU support, an €8 million programme on the prevention and fight against corruption was also launched in 2019. More information and examples of EU-funded projects implemented in Moldova can be found in Chapter 7 and on the [EU4Moldova](#) platform.

A 2019 United Nations Development Programme (UNDP) [report](#) identified links between the 20 deliverables for 2020 and the UN sustainable development goals (SDG). The report also evaluated the progress made by the six EaP countries on their way to achieving those goals. For instance, in relation to the national policy framework in Moldova in general, governance-related objectives (SDG 16) were ranked as the country's top priority and reduced inequalities (SDG 10) were ranked higher than the average for all EaP countries, but infrastructure (SDG 9) was a lower priority. In Moldova, compared to the other EaP countries, more importance was also given to climate change issues (SDG 13).

Box 1: EaP 20 Deliverables for 2020

Cross-cutting deliverables

1. Structured engagement with civil society
2. Gender equality and non-discrimination
3. Strategic communication and plurality and independence of media

Economic development and market opportunities

4. Regulatory environment and SMEs development
5. Gaps in access to finance and financial infrastructure
6. New job opportunities at local and regional level
7. Harmonisation of digital markets
8. Trade and DCFTA implementation

Strengthening institutions and good governance

9. Rule of law and anti-corruption mechanisms
10. Implementation of key judicial reforms
11. Implementation of public administration reform
12. Security

Connectivity, energy efficiency, environment

13. Extension of the TEN-T core networks
14. Energy supply
15. Energy efficiency, renewable energy and reduction of Greenhouse Gas emissions
16. Environment and adaptation to climate change

Mobility and people-to-people contacts

17. Visa liberalisation and mobility partnerships
18. Youth, education, skills development and culture
19. Eastern Partnership European School
20. Research and innovation

Source: [Eastern Partnership - 20 Deliverables for 2020](#), European Commission, 2017.

7. Moldova's participation in selected EU programmes and initiatives

7.1. Erasmus+ programme for higher education

Participation in the Erasmus+ programme falls under the EaP '20 deliverables for 2020', namely 'Youth, education, skills development and culture' (deliverable 18). Moldova's participation in Erasmus+ is increasing. According to data held by the European Commission and the National Erasmus+ Office Moldova, between 2014 and 2019, 24 out of 29 higher education institutions (HEI) were involved in Erasmus+ projects for higher education. What is more, between 2014 and 2019, 2 445 mobilities of students and staff were financed through Erasmus+, whereby 1 658 persons moved to Europe and 787 persons moved to Moldova. Between 2014 and 2018, 27 Moldovans also won Erasmus Mundus joint master degree scholarships (see Table 3 below).

Table 3: Erasmus+ for Higher Education in Moldova (selected data)

	Moldova
International Credit Mobility (ICM), 2015-2019	There were: <ul style="list-style-type: none"> – 229 projects involving Moldova financed (2015-2018) – 2 445 moves financed, of which: <ul style="list-style-type: none"> – 1 658 students and staff moving to Europe – 787 students and staff moving to Moldova
Erasmus Mundus Joint Master Degrees, 2014-2018	<ul style="list-style-type: none"> – 27 scholarship winners from Moldova were financed
Capacity-Building in Higher Education (CBHE), 2015-2019	<ul style="list-style-type: none"> – 17 projects involving Moldova were financed – 4 projects coordinated by Moldova were financed – 86 participations of Moldovan institutions were financed
Jean Monnet projects 2014-2019	<ul style="list-style-type: none"> – 17 projects from Moldova were financed – 1 network involving partners from Moldova were financed (2014-2018)
Number of Moldovan higher education institutions involved in Erasmus+ projects	<ul style="list-style-type: none"> – 24 of 29

Source: [Erasmus+ for higher education in Moldova](#), [EU-Eastern Partnership cooperation through Erasmus+](#), European Commission, [Higher education projects 2014-2019](#), [Erasmus+ Programme in the Republic of Moldova](#), National Erasmus+ Office Moldova.

The report [Erasmus+ Programme in the Republic of Moldova](#), prepared by the National Erasmus+ Office Moldova, showed an increase in Moldova's participation in some areas of the Erasmus+ programme, e.g. the number of moves had risen from 298 in 2015 to 655 in 2019. At the same time, other elements remained at a generally stable level; for instance, the number of financed projects on capacity-building in higher education were as follows: 3 in 2015, 4 in 2016, 4 in 2017, 2 in 2018 and 4 in 2019, and the number of financed Jean Monnet projects were as follows: 3 in 2015, 4 in 2016, 1 in 2017, 1 in 2018 and 4 in 2019.

Example of a capacity-building project implemented in Moldova

'Towards European University Lifelong Learning Model in Moldova' ([COMPASS](#)) is a capacity-building project accepted for financing in 2018 with a total budget of €891 479. The main objective of the project is to contribute to Moldova's deeper integration into the European higher education area (EHEA) through

the integration of a university lifelong learning (ULLL) model in the country. The project is coordinated by the Academy of Economic Studies of Moldova. On the Moldovan side, there are seven partners, among whom the National Council of Rectors of Moldova, the Ministry of Education, Culture and Research, the Academy of Music, Theatre and Fine Arts, and the State Pedagogical University 'Ion Creanga'. On the EU side, there are eight partners from seven countries, including the European University Continuing Education Network from Belgium, the Danube University of Krems and the University of Graz from Austria, and the IL3 at the University of Barcelona from Spain. Implementation of the project is ongoing.

Examples of other projects can be found in the 2019 [report](#) of the National Erasmus+ Office Moldova: Higher Education ERASMUS+ projects, Republic of Moldova International Credit Mobility, Capacity-Building in Higher Education, Jean Monnet, 2015-2019.

7.2. EU4Business

Co-funded by the EU and implemented by partner organisations (including the EIB, the OECD, the World Bank Group and the UNDP), [EU4Business](#) is an umbrella initiative that was established in 2009 with the aim to provide support to SMEs from the six Eastern Partnership countries, with a view to improving SMEs' access to finance, strengthening SME-related policy and regulatory frameworks, and improving SMEs' knowledge base, business skills and market access.

According to the EU4Business reports ([Investing in SMEs in the Eastern Partnership: EU4Business Annual Report 2019](#) and [Investing in SMEs in the Eastern Partnership. Republic of Moldova. Country report 2018](#)): 95 % of all businesses in Moldova are SMEs. In 2016, there were 51 600 registered SMEs, of which 20 300 (almost 40 %) were active in the wholesale and retail trade. In terms of income, in the same year, SMEs generated almost €2.5 billion, with the main contributing sectors being wholesale and retail trade (around 49 %) and the manufacturing industry (around 11 %).

According to a 2020 [SME Policy Index on Eastern Partnership countries](#) on SMEs in the Eastern Partnership countries, there were 55 705 SMEs in Moldova in 2018 (87.8 % of all enterprises in the country). Micro enterprises accounted for 85.1 % of all enterprises and small enterprises for 11.3 %; the least represented where large SMEs – 1.3 %.

Thus far, according to the 2019 annual [report](#), Moldova has had 16 ongoing and 7 closed projects implemented through the EU4Business programme. The EU contribution to 16 ongoing projects amounts to €47.1 million. Among the ongoing projects there are, inter alia, 11 projects focused on improving access to finance and 3 projects focused on improving access to markets. The biggest of the ongoing projects are: a) the DCFTA Initiative East, with an EU contribution of €9.37 million, and b) the EU Local Currency Partnership Initiative, with an allocation of €9.59 million from the European Fund for Southeast Europe (EFSE).

As for the long-term effects of the implementation of the EU4Business programme in Moldova, according to the 2018 country [report](#), between 2009 and 2017, 367 SMEs received advisory services, 4 214 SMEs received a total of €194.4 million in loans, 2 595 new jobs were created and almost 20 000 jobs were supported or sustained within advisory or financial projects. Yet, more efforts should be made to enhance awareness of the programme in Moldova, as according to the survey made among the programme beneficiaries, 80 % of respondents were not aware that the support they had received originated from the EU and the EU4Business programme.

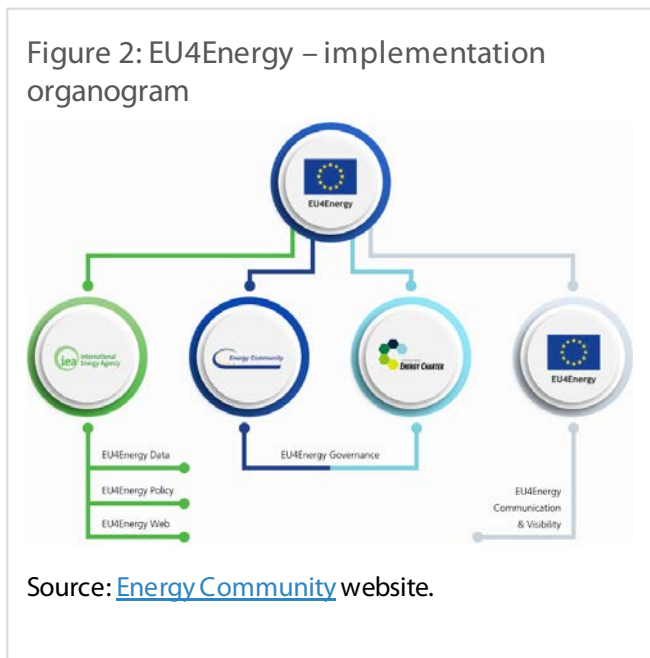
7.3. EU4Energy

[EU4Energy](#) 'aims to improve the quality of energy data and statistics, shape regional policy-making discussions, strengthen legislative and regulatory frameworks and improve access to information in the partner countries'. It is also [designed](#) to support the goals and aspirations of the EaP countries to

implement sustainable energy policies and foster co-operative energy sector development at the regional level.

Moldova's participation in the initiative contributes to achieving the EaP '20 deliverables for 2020'.

EU4Energy is implemented by the EU in cooperation with three partners: a) the International Energy Agency; b) the Energy Charter Secretariat and c) the [Energy Community Secretariat](#) (see Figure 2).



The EU4Energy programme 2016-2020, with a budget of €21 million (€20 million from the EU), is a key component of the initiative. The other elements of the initiative include the EU4Energy Governance project aimed at improving the legislative and regulatory environment for the energy sector in the EaP countries.

Moldova has been a member of the Energy Community since 2010. According to the [IEA report](#), it took Moldova 'until December 2017 to make its legislation conform to the EU *acquis communautaire*, which is the core EU energy legislation related to electricity, oil, gas, the environment, competition, renewables, efficiency and statistics. Moldova also plans to fully synchronise its electricity network with the European Network of Transmission System Operators for Electricity (ENTSO-E) to connect to the European electricity market'.

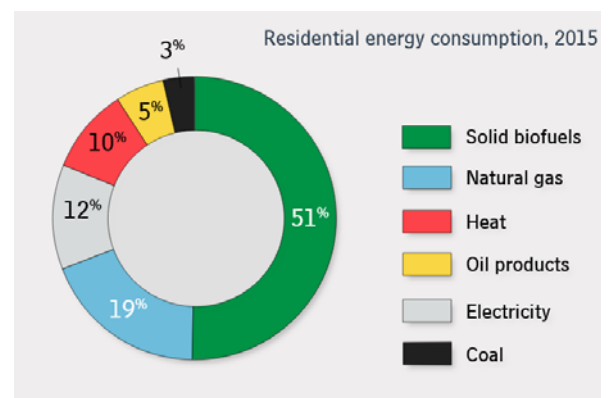
In July 2019, the Energy Community Secretariat prepared a policy brief on [Moldova's electricity market reform](#). The brief analyses the existing electricity market, underlining the country's electricity dependence: only 20 % of Moldova's electricity consumption is covered by domestic production. Another 20 % originates from Ukraine and the remaining 60 % 'is covered by the Kuchurgan power plant (Moldavskaya GRES, MGRES), located in the disputed Moldovan region of Transdnistria'. The brief also stresses that 'the lack of transparency and market mechanisms that allow fair competition in Moldova's electricity market have led to prices perceived as uncertain and high'.

In light of those findings, the policy brief recommended three directions of necessary actions:

- further integration of the Moldova-Ukraine electricity market;
- increased harmonisation of electricity market legislation in line with the EU energy acquis;
- cross-border interconnection with Romania to increase Moldova's energy security and provide consumers with electricity prices correlated with regional markets.

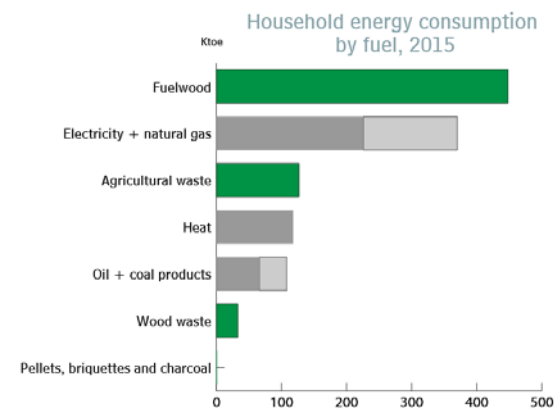
In the context of EU4Energy, a new [procurement](#) procedure is also being drawn up. Experts from the Energy Community Secretariat, Moldova's National Agency for Energy Regulation (ANRE) and other stakeholders (Moldelectrica, distribution system

Figure 3: Residential energy consumption in Moldova in 2015



Source: www.eu4energy.iea.org

Figure 4: Household energy consumption by fuel in Moldova in 2015



Source: www.eu4energy.iea.org

operators and suppliers) are reviewing the regulatory framework and drafting new procurement procedures and framework contracts. They will also carry out an assessment of, and draft specifications for, an efficient electronic process for electricity procurement. The new procurement process should ensure transparency and a level playing field between potential electricity suppliers. The first stakeholder meeting was organised in September 2019.

The European Commission's 2019 [association implementation report on Moldova](#) lists several projects that were implemented in Moldova with EU assistance, including in the area of energy efficiency. They all had a direct impact on improving the quality of life of Moldovans. One of the EU4Energy initiative projects was dedicated to energy and biomass. Biofuels (produced from biomass) were

the main source of household energy in Moldova in 2015, with fuelwood being the dominant biofuel (see Figures 3 and 4).

Biomass was found to be the most viable and available source of renewable energy in Moldova. A €23 million [biomass project](#) was implemented from 2011 to 2018 by the UNDP. It allowed:

- around 199 000 of Moldovan citizens to have access to renewable energy;
- some 265 schools, kindergartens, public buildings and hospitals to switch from coal and gas to biomass energy for their heating needs, with 70 of these institutions now having water supplied with the use of solar energy;
- the EU to invest in new biomass heating systems at a total of over €13 million, to contribute to the development of 186 beneficiary villages and towns, boosting the creation of new jobs and the development of new businesses, and to increase local energy security;
- over 1 000 families to heat their homes with energy from biomass, thanks to the subsidies offered for purchasing biomass boilers;
- to increase the number of businesses engaged in the production of briquettes and pellets in response to the growing number of biomass energy users; there are now 70 such producers in Moldova, some of which founded their businesses with EU support;
- the country's renewable energy to increase from 8 % of the total energy mix in 2011 to 14.5 % in 2018, with 98 % of renewable energy coming from gas.

7.4. EaP transport panel and TEN-T indicative action plan

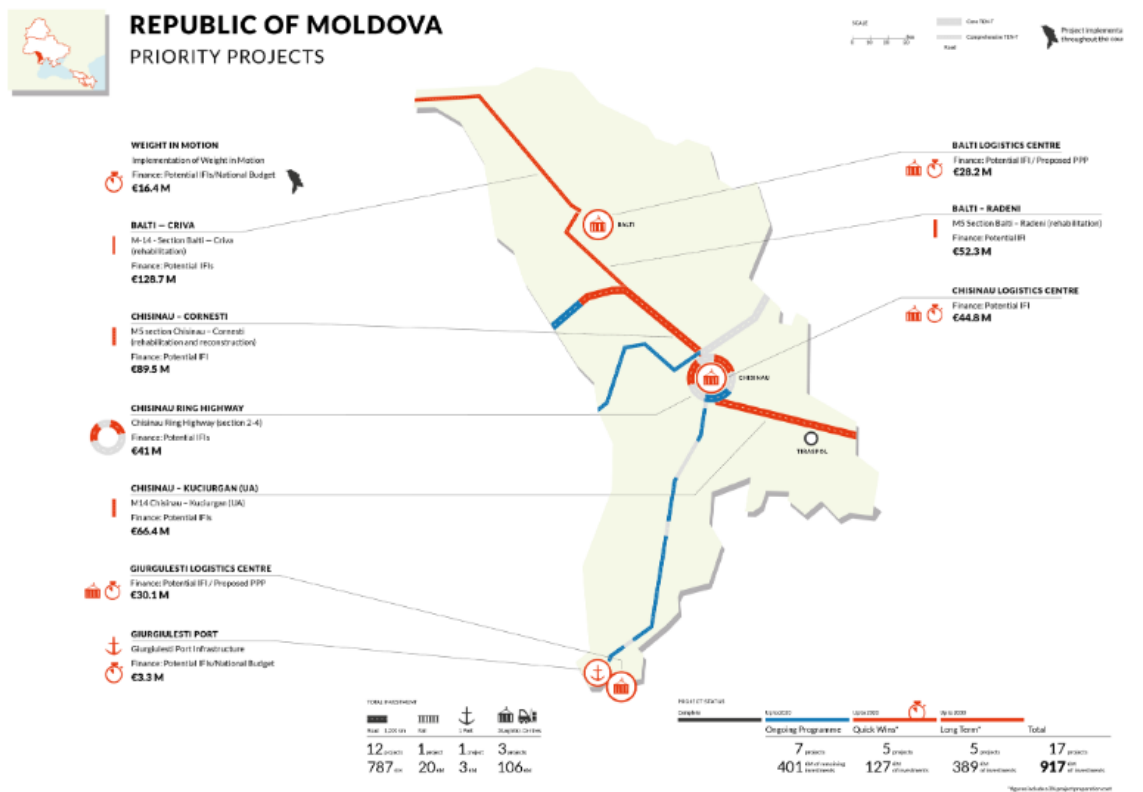
Moldova's participation in the trans-European transport network (TEN-T) programme contributes to achieving deliverable 13, 'Extension of the TEN-T core networks', of the EaP '20 deliverables for 2020'.

In September 2011, the [Eastern Partnership Transport Panel](#) was established as a framework for exchange of information and best practice between the EU and the EaP partner countries and among EaP partner countries themselves. The panel 'addresses reforms underpinning regulatory convergence across transport modes'. During the 12th meeting of the panel, which took place in 2017, [projects](#) connecting Georgia, Moldova and Ukraine to the TEN-T were presented, one such example being the Balti-Criva M14 road rehabilitation project.

Based on Commission Delegated Regulation (EU) [2019/254](#) of 9 November 2018, Annex III to Regulation (EU) No [1315/2013](#) on guidelines for the development of the trans-European transport network was amended to add Eastern Partnership projects to the TEN-T programme. Two projects in Moldova ([maps](#)) were added to the TEN-T, one on railways and the other on roads.

The regulation was accompanied by a [TEN-T indicative investment action plan](#) for the EaP, co-authored by the Commission and the World Bank. This 12.8 billion plan should allow [investment](#) in a total of 4 800 kilometres of road and rail, 6 ports, and 11 logistics centres up to 2030 ([maps](#)).

Figure 5: TENT-T priority projects in Moldova, 2018

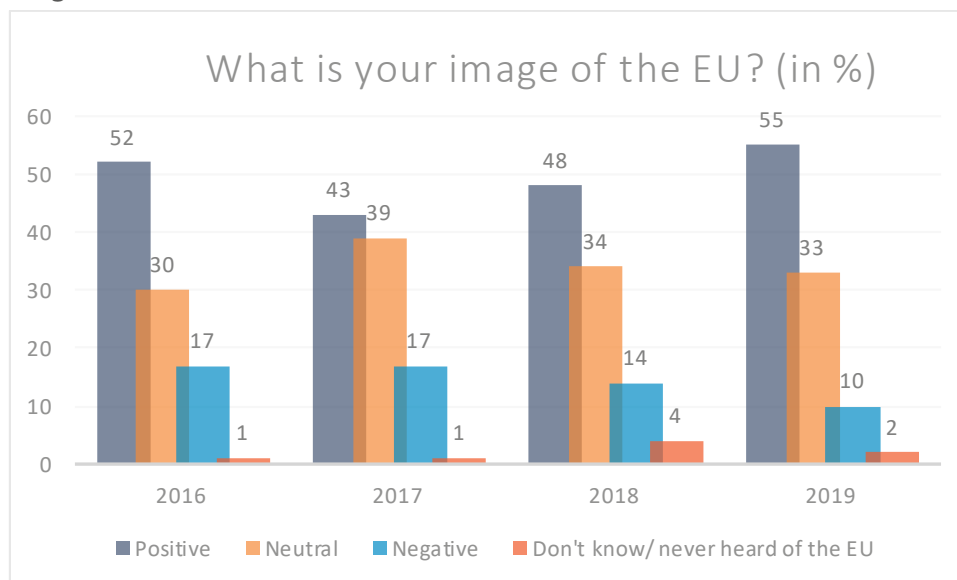


Source: TEN-T, European Neighbourhood policy and enlargement negotiations, European Commission [website](#).

8. Progress in the perception of the EU in Moldova

According to the 2019 (latest) EU regional [survey](#), 55 % of Moldovan respondents held a positive image of the EU, 33 % a neutral image, while 10 % a negative one. The percentage of those with a positive attitude in 2019 was the highest in the past four years, while the percentage of those with a negative attitude – the lowest (see Figure 6).

Figure 6: Evolution of Moldovans' attitudes toward the EU, 2016-2019



Source: [Opinion Survey 2019: Regional Overview. 4th Wave \(Spring 2019\)](#), [Opinion Survey 2018: Regional Overview \(July 2018\)](#), [Annual Survey Report: Regional Overview. 2nd Wave \(Spring 2017\)](#) and [Annual Survey Report: Regional Overview. 1st Wave \(Spring 2016\)](#), EU Neighbours East.

Among the respondents to the above-mentioned 2019 regional survey, Georgians registered the highest level of trust in the EU (71 %), followed by Moldovans (65 %), Ukrainians (63 %) and Armenians (61 %). In 2019, Moldovans' [trust](#) in the EU was higher than their trust in the United Nations (42 %), the Eurasian Economic Union (35 %) and NATO (30 %).

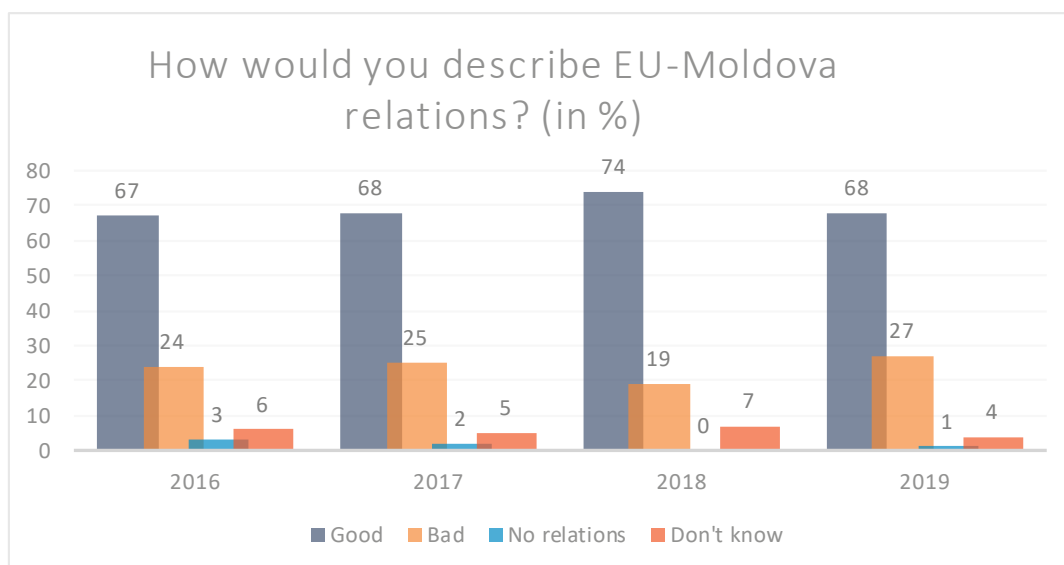
The regional survey also showed that 68 % of Moldovan respondents had a positive view of relations between Moldova and the EU, although positive opinions had declined by 6 percentage points in comparison to 2018 (see Figure 7).

Moldovan respondents were also aware of the EU's financial assistance to their country (85 % in 2019 and 87 % in 2018). In 2019, 59 % were also aware of specific programmes financed by the EU, among them EU programmes in the fields of infrastructure development, education, health and medicine.

Opinions regarding the effectiveness of EU programmes were divided, with 53 % seeing them as effective and 46 % as not effective. However, there had been an increase in positive opinions. In 2018, opinions were similar to those in 2019 – 55 % positive and 43 % negative ones – whereas in 2017, positive opinions accounted for 37 % and negative ones for 58 %.

The EU remains the main source of [financial support](#) to Moldova. In comparative terms, only the IMF was seen by respondents as a similarly important source of financial assistance; 8 % thought that the IMF provided more assistance than the EU, 30 % thought that their assistance was of equal size, while 29 % thought the EU provided less assistance than the IMF.

Figure 7: Evolution of Moldovans' opinions on relations with the EU, 2016-2019



Source: [Opinion Survey 2019: Regional Overview. 4th Wave \(Spring 2019\)](#), [Opinion Survey 2018: Regional Overview \(July 2018\)](#), [Annual Survey Report: Regional Overview. 2nd Wave \(Spring 2017\)](#) and [Annual Survey Report: Regional Overview. 1st Wave \(Spring 2016\)](#), EU Neighbours East.

9. Conclusions

An increasing number of Moldovans have a positive attitude towards the EU, and the same is true for their trust in the EU. In 2019, 55 % of Moldovans had a positive opinion of the EU and 65 % trusted the EU. Trust in the positive effect of EU assistance to the country (expressed by 53 % of Moldovans) has also increased.

Moldova, Georgia and Ukraine have expressed their EU aspirations, declaring they would make a great effort 'to gain the prospect of the EU membership and they will consider applying for the EU membership in accordance with the article 49 of the Treaty on European Union'.

Moldova's implementation of its AA/DCFTA with the EU is progressing and is influencing the country's development positively. Despite Moldova being 'the poorest country in Europe', various reports underline that it enjoys economic growth of around 5 % a year and 'has made significant progress in reducing poverty and promoting inclusive growth since the early 2000s'.

However, Moldova's rate of implementation of its AA/DCFTA is quite uneven, there being areas where it is quite successful and areas where more efforts should be made. One of the areas where progress is most visible is trade with the EU. According to Commission data, in 2018 the EU was Moldova's biggest trade partner, with around 70 % of Moldovan exports going to the EU. Furthermore, the country benefited the most from EU exports compared to the other Eastern Partnership countries, with an impact of 8 % on GDP and 9 % on employment.

Moldova is making progress in reforms in other areas, such as energy, public financial management and the banking system. Moldova is also participating actively in EU programmes and initiatives, such as Erasmus+, EU4Business or EU4Energy. Yet, more efforts should be made to raise the awareness of Moldovan citizens regarding EU assistance to Moldova, as according to a survey quoted above, 80 % of EU4Business beneficiaries were not aware that the assistance they had received was from the EU.

However, Moldova is less successful in some other areas, as described in the latest reports drawn up by the EU and international organisations. Issues that need to be addressed include the deterioration of the rule of law and democratic standards, the lack of independence of the judiciary, the excessive politicisation of state institutions, systemic corruption, and the country's depopulation.

The recent change of government and the undertaken reforms should improve the current situation, but it needs to be monitored closely, as should the upcoming presidential elections. Monitoring is also necessary because the deterioration of the economic situation as a consequence of the coronavirus pandemic may cause a deterioration of the political situation and a slowdown in the pace of reforms in the country.

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PART II: EXTERNALLY PREPARED BRIEFING PAPER

Report on the implementation of the association agreement between the EU and the Republic of Moldova

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Executive summary

In recent months, the reform process in Moldova has clearly accelerated due to the political changes that have occurred there. **The new government of Maia Sandu, which was formed in June 2019, instantly introduced an ambitious reform programme in the spirit of deoligarchisation and the implementation of the Association Agreement.** Over the following months, many of the controversial laws adopted in previous years (including the mixed electoral system) were annulled. The new authorities also managed to remove people associated with the oligarch from key high-level judicial positions. Major changes in the justice system were also initiated, and measures were taken to de-politicise it. Significant progress (in comparison to previous years) has been also made in the investigation of the theft of US\$1 billion from Moldovan banks in 2014. **However, in November 2019 Maia Sandu's government collapsed and power in the country was *de facto* taken over by the Socialist Party (PSRM).** A few months later, in March 2020 the PSRM created a coalition government with the post-oligarchic Democratic party. **Although the current government and President Igor Dodon (who is effectively the leader of the ruling camp) have declared their willingness to continue integration with the EU, the future of reforms remains uncertain. The final success of the changes to the justice and anti-corruption systems will depend on the political will of the current authorities.**

From the perspective of the last two years, however, the implementation of reforms related to free trade between Moldova and the EU (i.e. the DCFTA) can be considered a success. While in 2014 exports to EU member states amounted to US\$1.246 billion (which accounted for 53% of total exports), in 2019 the figure rose by 61% to US\$1.831 billion (66% of total exports). The DCFTA is responsible for up to 40% of this increase. Importantly, the rapid development of trade with the EU has been able to promptly compensate the Moldovan economy for the losses resulting from Moscow's political decisions and the international situation. The agricultural and food sector has particularly benefited from the implementation of the DCFTA, despite fears that it would be exposed to the biggest losses after the trade agreement with the EU was implemented. The DCFTA's implementation enabled the reorientation of Moldovan trade, and clearly reduced the dependence of the Moldovan economy on Russia, which in turn has limited Moscow's ability to put pressure on Chişinău.

The reforms related to border protection and security should also be assessed positively. In recent years, Moldova's control over its borders (especially the eastern border) has clearly increased. Defence cooperation with EU and NATO countries has also developed. The agreements with Transnistria developed in 2017 are also being successfully implemented. **Public administration reform is progressing.** However, the decentralisation reform, which in fact has not yet been implemented, remains a serious problem.

When it comes to **recommendations**, in the current situation Moldova's western partners should pay very close attention to the developments in the justice sector of this country. The takeover of power by the Socialist Party (which in previous years *de facto* cooperated closely with the Democratic Party of the former oligarch Vlad Plahotniuc) calls the reforms initiated by the Sandu government into question. At the same time, the formation of the PSRM and Democratic Party coalition in March 2020 only increases such a threat. The risk of the re-politicisation of important state institutions and the judiciary (in particular prosecutors and courts) is high. At the same time, however, the mere fact of a change of government in November 2019 should not be a reason to suspend macro-financial assistance to Moldova. Nevertheless this assistance must be accompanied by a strong monitoring mechanism.

At the same time, it should be emphasised that Moldova does not have a current National Action Plan for the Implementation of the Association Agreement (NAPIAA). The schedule included in the last plan (the so-called NAPIA II) covered the period between 2017 and 2019. In September 2019, the Sandu government adopted the [Government Action Plan for 2019-2020](#) which included the implementation of some of the delayed activities foreseen in NAPIAA II. However, this document was replaced in December 2019 (after the formation of the Ion Chicu government) by the new [Government Action Plan for 2020-2023](#). This document refers to the provisions of the AA, but it seems that the development of a new, comprehensive plan (NAPIAA III) will be necessary.

List of abbreviations

AA	Association Agreement
ANI	National Integrity Authority (rom. <i>Autoritatea Națională de Integritate</i>)
ANRE	National Agency for Energy Regulation (rom. <i>Agenția Națională pentru Reglementare în Energetică</i>)
ANSA	National Food Safety Agency (rom. <i>Agenția Națională pentru Siguranța Alimentelor</i>)
ARBI	Agency for the Recovery of Criminal Assets (rom. <i>Agenția de Recuperare a Bunurilor Infractionale</i>)
ATP	Autonomous Trade Preferences
CC	Constitutional Court
CEC	Central Election Commission (rom. <i>Comisia Electorală Centrală</i>)
CNA	National Anticorruption Centre (rom. <i>Centrul Național Anticorupție</i>)
DCFTA	Deep and Comprehensive Free Trade Area
EBRD	European Bank for Reconstruction and Development
ECtHR	European Court of Human Rights
EIB	European Investment Bank
ELARD	European LEADER Association for Rural Development
EUBAM	EU Border Assistance Mission to Moldova and Ukraine
GANHRI	The Global Alliance for National Human Rights Institutions
GPA	Gagauzian People's Assembly
IJC	Independent Journalism Center
IMF	International Monetary Fund
IPAP	Individual Partnership Action Plan
LAG	Local Action Group
MFA	Macro-Financial Assistance
NAPIAA	National Action Plan for the Implementation of the Association Agreement
NBM	National Bank of Moldova
NCCTIP	National Committee for Combating Trafficking in Persons
NGO	Non-government organization
ODA	Official Development Assistance
OLAF	European Anti-Fraud Office (fr. <i>L'Office européen de lutte antifraud</i>)

OSCE	Organization for Security and Co-operation in Europe
PCCOCS	Prosecutor's Office and the Prosecutor's Office for Combating Organised Crime and Special Cases (rom. <i>Procuratura pentru Combaterea Criminalității Organizate și Cauze Speciale</i>)
PDM	Democratic Party of Moldova (rom. <i>Partidul Democrat din Moldova</i>)
PSRM	Party of Socialists of the Republic of Moldova (rom. <i>Partidul Socialiștilor din Republica Moldova</i>)
SCM	Supreme Council of Magistracy
SIS	Information and Security Service (rom. <i>Serviciul de Informații și Securitate</i>)
SNPCTFU	National Strategy for Preventing and Combating Trafficking in Human Beings (rom. <i>Strategia națională de prevenire și combatere a traficului de ființe umane</i>)
SOE	State-owned Enterprise
TSO	Transmission system operator
UNDP	United Nations Development Programme

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1. Methodology

The investigation of the overall outcome of the AA's implementation included in this report is based on the qualitative and quantitative analysis of information and data acquired from primary and secondary sources, such as official governmental reports, statistical offices (in both Moldova and abroad), interviews with government representatives in Chişinău (and additionally with the separatist authorities in Tiraspol, in the case of Transnistria), international organisations and representatives of the EU, among others.

With regard to the sectorial analysis (for example, the situation of civil society or human rights), the authors of this report also collected relevant data and opinions through interviews with representatives of the given circles. Valuable reports and analyses prepared by independent local (Moldovan) and international organisations (including think-tanks and other civil-society organisations) also served as important sources of information. All the data collected was carefully verified and analysed in a critical manner.

Each chapter of this report begins with a short analysis and assessment of the key changes regarding the legislation in the given field which has taken place since 2014 (i.e. from the year when the AA was signed). This part is followed by an evaluation of the practical situation on the ground, with best practices and severe problems highlighted and described in a more detailed way, and underpinned by case studies.

2. The outcome of the implementation of key reforms

2.1. Rule of law, democratic standards and good governance

2.1.1. The justice system

(In reference to Title II: Art. 4 and Title III: Art. 12 of the AA)

The reshuffle of the Moldovan political scene in June 2019 enabled actual reform of the justice system, which had previously been blocked by the oligarchic governments, to begin in earnest.

Earlier, in 2018, several changes had been made to improve the functioning of the judiciary. The amendments improving disciplinary procedures for judges and strengthening the role of the judicial inspectorate came into force in September 2018. One month later, in October 2018, amendments to the Law on judicial organisation and the Law on the status of judges were published. However, the implementation of new regulations has now been delayed. Thanks to these amendments, the procedure for selecting and promoting judges should improve, and functional autonomy for judicial inspection will increase. The transparency of the Supreme Council of Magistracy will benefit from it as Members of the Superior Council of Magistracy will not be eligible for promotion.

In June 2019, the Plahotniuc-controlled government of Prime Minister Pavel Filip collapsed, and the oligarch himself fled the country. **The new, pro-reform government of Maia Sandu (one of the ACUM bloc's leaders) which took power the same month immediately initiated an ambitious and extensive programme to reform the justice system.** One of the reform's key aims was to depoliticise courts and the prosecutor's office. The judiciary in this country is commonly used for political purposes. **In recent years politically motivated investigations were initiated on a regular basis against not only politicians and businessmen, but also against civil-society activists and even human rights advocates.** One of the most spectacular examples of the political use of the judiciary in recent years took place on 19 June 2018, when the Chişinău District Court invalidated the results of the early elections for the mayor of Chişinău. The outcome of the vote – which had been won by the representative of the pro-European opposition, Andrei Năstase – was not convenient for Plahotniuc. Năstase's appeal was rejected by both the Court of Appeal and the Supreme Court. The political nature of the court's decisions was demonstrated by the fact that the Court of Appeal finally recognised Năstase's victory on 8 October 2019 – after Plahotniuc's regime had already fallen ([Батанова А., 2019](#)).

In September 2019, the Parliament of Moldova adopted amendments to the [Law on the Prosecutor's Office \(Law No. 128, 2019\)](#) which changed the procedure for selecting a prosecutor general. According to the new regulations, candidates for this position are to be selected by a commission including the Minister of Justice, an international expert and a representative of civil society. The list of candidates drawn up by the commission should then be sent to the Supreme Council of Prosecutors, which makes the final selection and submits its proposal to the President. **However, the new procedure proved susceptible to manipulation.** On 6 November, PM Sandu and the Justice Minister Olesea Stamate stated that two out of the six members of the election committee had given very biased scores to the Socialists' favourite candidate and lowered the scores of independent competitors. Stamate then scrapped the contest on suspicion that it was being rigged. PM Sandu tried to change the prosecutor's election procedure, but in the end this led to the collapse of the government. Almost immediately after the Sandu government collapsed, the PSRM (with the support of the post-Plahotniuc PDM) formed a new

government headed by Ion Chicu, a politician linked to both the Socialists and the Democratic Party. Finally, after the formation of the Chicu government, Alexandr Stoianoglo became the head of the Prosecutor General's Office (December 2019). Although Stoianoglo enjoys a good reputation, the independence and integrity of the people elected as his deputies, including Ruslan Popov, have raised serious doubts.

Immediately after taking over power in November 2019, the Chicu government began to take actions which were meant to demonstrate the PSRM's sincere interest in judicial reform that had begun in June 2019. In January 2020 the Ministry of Justice presented the draft of a [Strategy for Ensuring the Independence and Integrity of Justice Sector for 2020-23](#). In the same month, President Igor Dodon visited the Venice Commission and declared that reform of the justice system was a priority for the Moldovan government ([Moldpres.md, 2020](#)). On 31 January 2020 a new law on the Supreme Council of Magistracy came into force. According to these new legislative changes, the SCM will be supplemented by two permanent members from among the professors of law, who will be elected by the parliamentary Commission of Law, as well as one member from among the judges, who will be elected by the General Assembly of Judges. Thus, the number of members of the SCM will rise from 12 to 15. The new law is meant to eliminate blockages to the Council's activity related to the lack of a quorum. A new procedure has also been established for the General Assembly of Judges to select the members of the SCM among juries. Four members of the structure will be chosen from the first-instance judges, two from the Chambers of Appeal, and one from the Supreme Court of Justice. The new law also regulates the requirements which a candidate must meet in order to be elected as a member of the SCM. Judges of the Council must have at least three years' experience of direct work as a judge, have a rating of 'very good', and not have been subject to any disciplinary procedure during the last three years. **The amendment adopted was evaluated positively by the Venice Commission.** However, it is too early to assess how it will affect the Moldovan justice system, or whether it will actually improve the SCM's functioning and increase the transparency of the selection of its members. **Also in January 2020, the Moldovan government proposed a series of amendments to the constitution that were intended to contribute to an increase in judiciary independence.** Among other matters, the proposed regulations stipulate that judges of courts of law will be appointed by the President at the suggestion of the Supreme Council of the Magistracy (CSM), and will hold office until retirement. The president will be able to reject a candidature proposed by the CSM only once. Currently, judges are initially appointed for a probation period of five years. Other changes state that fewer than half of the SCM members should be elected from among the judges, and their term of office should be six years, without the right to be elected for a second term. At the same time, neither the Minister of Justice, the Attorney General nor the President of the Supreme Court of Justice should be members of the SCM. **However, as of now (February 2020) these amendments have not yet been introduced.**

On a negative note, the new Justice System Development Strategy 2018-22 has not been adopted, and its fate remains unclear. In the meantime, in 2018 the Ministry of Justice approved a transitional document, the so-called 'small justice reform', but this also ended in failure. The results of the quantitative monitoring showed that only 18% of the measures were implemented fully, 36% partially, and about 46% of the measures were not implemented or their achievements have not been revealed ([Kalughin M., 2019](#)). **Also, the selection and promotion of judges (and therefore their independence) still raise serious concerns.** Procedures are regularly disregarded, the candidates' integrity has been questioned, and a selective approach is practiced.

Despite numerous positive developments, there are many alarming signals that may call the political independence of the prosecutor's office into question. On 9 December 2019, the Prosecutor General Alexandr Stoianoglo signed an order to conduct inspections at the Anti-Corruption Prosecutor's Office and the Prosecutor's Office for Combating Organised Crime and

Special Cases (PCCOCS). **It turned out, however, that most of the 21 public prosecutors selected by Stoianoglo to inspect the anti-corruption prosecution efforts over the past four years have themselves had problems with questions of integrity.** Some of the officials assigned to this task have clear conflict of interests, or have direct relations with the cases being investigated ([Savitchi J., 2020](#)).

On Friday, 10 January 2020, Viorel Morari, Moldova's Anti-Corruption Prosecutor, was detained. According to the investigation, Morari “protected Plahotniuc and his people from being charged in the case of the US\$1 billion theft, which prevented a swift, complete and objective investigation.” Although the allegations against Morari may be justified, it seems that the decision to initiate proceedings against him has political overtones. Shortly before his arrest, Morari decided to reopen the case against the Socialists regarding the illegal financing of their party ([Tonu T., 2020](#)). It is symptomatic of the situation that after his arrest on 6 March, the anti-corruption prosecutor's office abandoned the investigation into the illegal financing of the PSRM, and declared that the evidence gathered by journalists and others ([Сандуца Ю., 2016](#)) was insufficient ([Копту Н., 2020](#)).

Serious changes also took place in the Constitutional Court (which remained a political instrument in the hands of the ruling elite until mid-2019). On 26 June 2019 (due to the change in government), all the Constitutional Court's judges resigned ([Eurasia Daily, 2019](#)), and in August a new panel of judges was formed. On 19 August Vladimir Țurcan (a member of the PSRM and a former ambassador to Russia) was elected president of the Constitutional Court. The selection procedure was conducted in a non-transparent way and drew criticism from some politicians, including one of the ACUM block leaders and then Prime Minister Maia Sandu ([Копту Н., Пахольницкий Н., 2019](#)). As a result, the Constitutional Court found itself under the strong influence of President Igor Dodon and the PSRM. However, despite the pressure it turned out that the CC managed to defend its independence. A manifestation of this are recent judgments issued by CC that are against the interests of the authorities. On 13 April this year Court ruled that the anti-crisis package adopted earlier by the government did not comply with the country's Basic Law. Ten days later the CC temporarily suspended the controversial credit agreement for €200 mln signed with Russia and ratified on 23 April 2020 (read more: [Cațus K., 2020](#)). Earlier that day the judges voted a no-confidence motion in Țurcan and removed him from the position of CC's president. On the same day Domnica Manole was elected as his successor; in 2016, contrary to Plahotniuc's interests, she decided to issue a verdict favourable for the opposition at that time, for which she lost her position.

Despite those positive developments there are still serious and justified concerns that authorities may try to take control of the Constitutional Court in order to use it for political purposes, as Vlad Plahotniuc had done previously. During recent times a number of decisions taken by this body have proven to be politically motivated. For example, the Constitutional Court tried to block the overthrow of the Plahotniuc-controlled government under Pavel Filip in June 2019. In previous years, the government used this institution as an instrument enabling the introduction of legislative changes without the involvement of a parliament or head of state. One example of this is the decision of the Constitutional Court published in October 2017, which permitted the suspension of the President should he twice refuse to sign laws which have been adopted by parliament. In such a situation, the powers of the President are temporarily transferred to the prime minister or the speaker of parliament ([Cațus, 2018](#)). **In addition, Moldovan experts have drawn attention to the fact that the former president of the Constitutional Court, Mihai Poalelungi – who was co-responsible for several bizarre verdicts by the CC (issued in the interests of the oligarchic elite) and resigned last year – still continues to evaluate prosecutors and judges** as chairman of the evaluation committee during the graduation exams within the National Institute of Justice.

The initiation of criminal proceedings against Vlad Plahotniuc, which started in September 2019, could have proved to be an important and ground-breaking event thanks to the change in government. Back in October 2019, Plahotniuc had been arrested in absentia (Moldovan prosecutors accused him of large-scale money laundering, among other crimes) and at the end of October 2019 the prosecutor's office seized his enterprises and accounts in Moldova. On 29 October, the Anti-Corruption Prosecutor's Office filed a further criminal case against Plahotniuc, for illegally obtaining a second passport of the Republic of Moldova with a second identity. The criminal prosecution was started based on accusations of 'abuse of service, committed in the interest of an organised criminal group or a criminal organisation', according to a report from the Anti-Corruption Prosecutor's Office ([Dulgher M., 2019](#)). However, a successful conviction against the former oligarch seems very unlikely. Plahotniuc is currently in the United States, with which Moldova does not have an extradition agreement. Moreover, it also seems that the ruling political forces are not interested in bringing Plahotniuc back to Moldova. Some politicians in the PSRM or the PDM may be afraid of the compromising materials which the PDM's former leader has gathered in recent years, and which he could use to blackmail the current political class.

The level of the Moldovan public's disapproval of their judiciary remains high, which shows the failure of the reforms carried out between 2014 and 2019. According to the latest public opinion polls (December 2019), at present only about 25% of Moldovan citizens declare trust in the judiciary and prosecutor's office ([IRI, 2019](#)). At the same time, according to the [National Integrity and Anti-Corruption Strategy Impact Monitoring Survey](#) conducted at the request of UNDP in 2019, as many as 75% of Moldovans and 83% of business representatives currently believe that justice in the Republic of Moldova is influenced by political interests. It is worth noting, however, that these indicators have improved somewhat compared to the survey conducted by UNDP in 2017. At that time, 83% and 87% of respondents respectively claimed that the courts were influenced by political groups.

The situation in the Moldovan justice system should be closely monitored, as the **fall of the Sandu government and the subsequent appointment of Chicu's government (backed by the PSRM and the ex-oligarchic PDM) has called the initiated reforms of the justice system into question.** It appears that neither the PSRM, the PDM or Dodon himself are interested in creating an independent judiciary which would launch a genuine fight against corruption. They are aware that this would pose a threat to their members' personal freedom and assets. In recent years, prominent representatives of the PSRM (*de facto* led by President Dodon) and the PDM have been involved in a series of corruption schemes (including the embezzlement of US\$1 billion from the Moldovan banking sector in 2014). This was the reason why the PDM, despite being formally opposed to the PSRM, decided to support the Chicu government. **However, it should be expected that the new cabinet will continue to implement some moderate reforms and imitate deeper changes in order to retain (as far as possible) at least a portion of the Western financial aid which Moldova had received during the Sandu government's rule.**

2.1.2. Anti-corruption

(In reference to Title II: Art. 4 and Title IV: Chapter 7: Art. 50, Title VI: Chapter 2: Art. 422, 424, 425, 426 of the AA)

In the last few years Moldova has managed to improve its legal and institutional base in the area of anti-corruption. Among other things, on 22 December 2017 a law on the prevention and combating of money laundering and financing of terrorism ([Law No. 308, 2017](#)) was adopted. Also in 2017 the Agency for the Recovery of Criminal Assets (ARBI) was created as an autonomous subdivision within the CNA. The Agency's tasks are to conduct parallel financial investigations, accumulate evidence, and cooperate with international partners in order to recover funds obtained

through criminal activity. Earlier, in 2016 the Anti-Corruption Prosecution Office ([Law No.159, 2016](#)) to fight high-level corruption and the National Integrity Authority (ANI) – the organisation whose functions include verifying the assets acquired during the exercise of a public office ([Law No. 132, 2016](#)) – were created. In January 2018 the ANI established a mandatory mechanism for recording civil servants' assets and conflict-of-interest statements, as well as an e-declaration system. Secondary legislation for the law on preventing and combating money laundering and terrorism financing was adopted in September 2018, and in November 2018 the long-awaited Law on Whistle-Blowers came into force. The new law guarantees legal protection for whistle-blowers and regulates the procedure for reporting abuse and irregularities. Unfortunately, the functioning of this mechanism has been criticised by internal observers and requires refinement.

Recently **in July 2019, after the overthrow of Pavel Filip's cabinet, the Moldovan authorities imposed a moratorium on the 'citizenship for investment' programme [introduced in October 2017](#) under which anyone who invested a minimum of €250,000 in the Moldovan economy could obtain Moldovan citizenship.** This programme was widely criticised by both internal experts and foreign partners (including the EU). Together with the previously adopted [Act on Capital Amnesty, 'citizenship for investment'](#) made Moldova a convenient place for [people who wanted to launder funds obtained through criminal proceedings](#). The moratorium was extended [in December 2019](#), and then again [in February this year \(until January 2021\)](#). At the same time, [the authorities announced the cancellation of the Capital Amnesty Act](#) in 2020. Although freezing the 'citizenship for investment' concept should be seen as a step in the right direction, from a security perspective, the Moldovan authorities should consider abandoning the programme completely.

Unfortunately, despite implemented changes, the political independence of anti-corruption institutions remains uncertain, which negatively influences their ability to containing high-level abuses. Until June 2019 this institution was under Plahotniuc's strong influence, as he had direct control over the prosecutor general. The leadership of this institution was afraid to initiate investigations against representatives of the ruling elite (including Plahotniuc himself). In the past, both the CNA and the Anti-Corruption Prosecutor's Office were also used by authorities to intimidate their opponents.

In seems that, the change of government in Moldova did not significantly improve the situation. There is a risk that the PSRM, which formed the government in November 2019, will attempt to take control of this institution. In January 2020 Viorel Morari (head of the anti-corruption prosecutor's office until December 2019) was charged with falsification of documents and the abuse of his office, and arrested. Although some of the accusations against Morari may be justified, it seems that the decision to arrest him had political grounds. Morari had conducted an investigation on the PSRM's illegal financing and is considered by the Socialists as being associated with Plahotniuc. **The independence of the CNA also raises serious doubts.** In July 2019, the institution was taken over by Ruslan Flocea, a secretary of President Igor Dodon's office. Currently only 25.1% of the population considers the CNA to be independent ([BOP, December 2019](#)).

An additional problem limiting the effectiveness of the fight against corruption in Moldova is the fact that the burden of conducting the anti-corruption investigations lies almost exclusively with the CNA and the Anti-Corruption Prosecutor's Office. These institutions are reluctant to cooperate with local prosecutors and the police, as they are largely afraid of the impact of corruption in these **institutions on the ongoing investigations.**

After the Sandu government took power some progress has been made in the investigation of the US\$1 billion fraud that took place at the end of 2014. In July 2019 the [full version of the second Kroll report on the fraudulent schemes](#) was finally published. In October 2019 a parliamentary inquiry commission set up to deal with the fraud published a [report](#) in which the main

beneficiaries of the theft were named (these included Vlad Plahotniuc, Ilan Șor and Vlad Filat). Also, two criminal cases were initiated against Plahotniuc. In October 2019 national and international arrest warrants for the fugitive oligarch were issued. In the same month, prosecutors seized assets of the PDM's former leader worth 55 million lei (about €2.8 million) ([Necutu M., 2019a](#)). Additionally, in July 2019 an arrest warrant was issued for Ilan Șor (the politician and businessman considered to be the main architect of the scheme), who fled the country after the fall of Pavel Filip's government ([Antoceanu A., 2019](#)). Earlier he had been deprived of his parliamentary immunity. Șor, who was sentenced to 7½ years in 2017, was never imprisoned. There is a widespread belief that he has received special treatment due to his cooperation with Plahotniuc. Specifically, Șor's testimonies were crucial to the conviction of Vlad Filat, Veaceslav Platon and other opponents of Plahotniuc. On the other hand, up to June 2019, the **authorities have managed to recover only 2.3 billion of the 13.34 billion lei stolen as a result of the fraud**. However, over half of this amount comes from the liquidation of three of the banks involved and their property ([Ceban V., 2019](#)). **Unfortunately, it should be expected that due to the takeover of power by the PSRM with the support of the PDM, the investigation of the fraud will slow down and will become more selective (i.e. it will not apply to people associated with these groups).**

In this context it is worth mentioning that the draft law on the procedure for identifying violations in the area of money laundering and terrorism financing and for the imposition of fines has still not been fully adopted. The [bill was approved by the government and submitted to parliament](#) in February 2020 and in the end of the same month [the law was adopted at first reading](#).

The insufficient progress in the fight against corruption has been reflected in recent public opinion polls. According to the most recent surveys available ([IRI, December 2019](#)), 30% of Moldovans have admitted that they have given a bribe in the last 12 months, mainly to doctors & hospital employees (74%), teachers & academic lecturers (27%) and the police (26%). The level of perception of corruption according to [Transparency International's Index](#) has deteriorated in the five-year period of the AA's implementation. Moldova's score fell from 35 points (in 2014) to 32 points (in 2019), which placed this country 120th in the rankings (out of 180). Only 8.9% of Moldovans ([BOP, December 2019](#)) are satisfied with the way the authorities are fighting corruption (i.e. they consider this fight effective). At the same time 34% of the population has stated that corruption is the thing they worry the most (only the 'future of their children', 'high prices' and 'poverty' are higher in this ranking). In 2019, Moldovans paid bribes totalling 516 million lei. On average, each citizen pays bribes at least five times a year, and each entrepreneur at least three times ([Anticoruptie.md, 2020](#)). According to the [National Integrity and Anti-corruption Strategy Impact Monitoring Survey](#) in 2019 activity of all institutions with anticorruption powers were rated lower than 2017. CNA and ANI were rated negatively by 43% and 40% of respondents (against 33% and 30% in 2017), the Anti-Corruption Prosecutor's Office by 46% (against 35%) and courts by 48% (against 40%).

2.1.3. Party financing

(In reference to Art. 1c, Title II: Art. 4, Title IV: Chapter 7 of the AA)

Between 2015 and 2019 a number of amendments were introduced to the Law on Political Parties, the Electoral Code, and other regulations related to the functioning and financing of political parties in the Republic of Moldova. Recently, in January 2019 a new mechanism regulating the distribution of budget funds directed to political parties came into force in Moldova, which is intended to stimulate the more active involvement of women and youth in politics. According to the new regulations, parties in which women represent at least 40% of electoral candidates will receive additional money from the state budget. A further bonus is provided to the party if their female candidate is actually elected. Additional funding will also be granted for parties

which promote people younger than 30 years old ([Parlament.md, 2018](#)). The new regulations also increase the transparency of donations made to political parties. During the fiscal year, an individual can make donations in cash to one or more political parties in the amount of up to 3 average salaries. Donations which exceed this amount can be made exclusively through bank transfer. Finally, in August 2019, the Moldovan parliament introduced a number of [amendments to electoral legislation \(Law No. 113, 2019\)](#), which (among other things) allowed the Moldovan diaspora to finance political parties in their native country.

Also, in July 2019 new leadership of the Central Election Commission was appointed. Its new chairman declared that he would prioritise an examination of the political parties' financial reports ([EuropaLibera, 2019](#)). The independence of this institution under its previous composition was widely questioned, and numerous cases of selective application of the law by the CEC were reported in recent years. Unfortunately, this institution still suffers from underfunding and staff shortages; also, many posts at the CEC remain vacant (due to the unsatisfying working conditions offered by this institution).

At the same time, however, as in the case of all ongoing reforms in Moldova, the legal changes need to be complemented with the political will to enable their practical implementation. **Unfortunately, there appears to be a profound lack of any such will.**

In recent years, a wide range of civic activists in Moldova have regularly highlighted the lack of transparency regarding the funding of some political groups in the country ([Moldstreet.md, 2019](#)). Unfortunately, despite these reports, doubts about the financing of political groups have never been reliably explained. **In 2019, footage appeared in the Moldovan media (probably recorded on a hidden camera) during which Igor Dodon seems to admit during a meeting with Vlad Plahotniuc that his party was receiving between US\$700,000 and US\$1 million per month from Moscow** to support the PSRM's operating costs ([Necsutu M, 2019b](#)). In June 2019 prosecutors initiated a criminal investigation on this issue, but the Socialists' coming to office in November 2019 could severely limit the independence of law enforcement in this case and affect the final judgment (see Viorel Morari case in subchapter on anti-corruption). Allegations regarding the transparency of the PSRM's funding are not new. **In 2016, investigative journalists from the RISE.MD group published a report showing that this party had obtained up to about 30 million lei (about €1,350,000) from obscure offshore companies associated with Russia.** Despite the information and evidence gathered by journalists, the prosecutor's office did not decide to start an investigation into the matter.

Despite the reforms introduced in the last five years the party system in Moldova remains strongly instrumentalized and does not enjoy trust among the broader public. Confidence in political parties is the lowest among all key public institutions (including police, banks or parliament), running at 20% ([BOP, 2019](#)). The vast majority of Moldovan political parties (including the ruling PSRM) are chieftain-style groupings which tend to serve as instruments representing the political and business interests of their leaders and sponsors. As access to funding for different political actors remains unequal these types of groupings (despite the introduced reforms regarding the financing of political parties) are generally dependent on financial support from their sponsors (for example, business tycoons) rather than public funding or membership fees.

2.1.4. Local administration (decentralisation)

(In reference to Art. 1, Title I: Art. 2, Title IV: Chapter 1: Art. 21, 22, 23, Chapter 12: Art. 68, Chapter 20: Art. 107, 108 of the AA)

Although in recent years the Moldovan authorities have adopted a number of significant regulations which include increasing the financial independence of local administration units, the key structural reforms which would allow the emergence of true self-government have still not been implemented. The fundamental problem that negatively affects the independence of local authorities is primarily the fragmentation of local government units and their small size. As many as 898 local councils operate in Moldova (a country of less than 3 million people). This means that statistically one council covers a total of just over 3000 people. In practice, however, this number is much smaller, and amounts to about 2000 people on average as most councils are located in rural areas (the population of the countryside makes up two-thirds of the population of Moldova) ([Zygierewicz A. \(eds.\), 2018, p.65](#)). Such small units are unable to collect (through taxes) the resources necessary for effective operation and are extremely costly to maintain, and as a result they remain dependent on the central authorities. At the same time, for political reasons, the Moldovan authorities are traditionally not interested in strengthening self-governments. The local authorities which remains loyal (and subordinate) to the ruling groups represent a very convenient instrument that facilitates the conduct of election campaigns in various regions of the country. This control also allows for electoral machinations. That is why the phenomenon of the mass political migration of local authorities' representatives upon changes of government in the country is quite typical for Moldova. It is estimated that most of the approximately 12,000 people employed in local administration are politically connected. The implementation of a decentralisation reform would reduce their number by as much as three-quarters, which would hinder the central authorities' ability to maintain their political influence over local administration ([Zygierewicz A. \(eds.\), 2018, p.65](#)). These problems are compounded by the lack of a developed framework for bilateral dialogue between the local authorities and Chişinău. **Unfortunately, public pressure for decentralisation reform remains low, which demotivates the central government.** According to the available polls in December 2019, only about 2% of Moldovans considered the extension of the local authorities' competences to be a priority ([BOP, 2019, p.29](#)).

Representatives of local authorities regularly complain that they are subjected to strong political pressure and even harassment by the central authorities or people associated with the ruling groups⁸. This phenomenon intensified in 2018 and 2019 (largely due to the parliamentary elections in February 2019). 20% of local authority representatives complained of being subjected to physical or mental intimidation ([Promo-LEX, 2018a, p. 61](#)). The low salaries which local administration employees earn also make them very susceptible to corruption. Representatives of local authorities who are loyal to the governing party or coalition can count on access to larger funds and investments in their regions⁹. The quality of staff and the lack of new people flowing into the system also remains a problem. This is to a great extent related not only to the mass migration which plagues the whole of Moldovan society, but also to the fact that the low salaries deter young and qualified people from starting a career in local politics.

On a positive note, although the NGOs which monitor the situation still complain about insufficient transparency in the activities of local administration units, certain positive trends in the field can be observed over recent times. For example, local authorities are more inclined to make different documents (such as draft decisions) available to the wider public. Additionally, the rate of organisation and conduct of public hearings and debates has increased. Websites of local authorities also increasingly meet the legislation requirements regarding transparent decision-making. An increase in reporting on the implementation of the institutional integrity plan and the

registration of persons responsible for the anti-corruption module has also been observed ([Promo-LEX, 2019](#)).

2.1.5. Reform of the public administration

(In reference to Art. 1, Title I: Art. 2, Title IV: Chapter 1: Art. 21, 22, 23 of the AA)

The general reform of the central administration which started in June 2017 with the approval of the new Law on the Government ([Law on the Government, 2017](#)) is ongoing and should be assessed positively. The reform reorganised the government structure and the institutions subordinated to it, which has increased the efficiency and stability of the state apparatus and reduced the risk of abuse. The number of ministries has been reduced by almost half (from 16 to 9), and deputy ministers have been replaced with state secretaries, who as civil servants will remain at their posts even in case of political changes or change of government. To improve the quality and motivation of staff (especially those people who are starting their career in administration), the reform also introduced a unified pay system for all categories of public sector workers. According to the new law, specialised agencies are now responsible for implementing the policies developed by any given ministry. Supervisory functions have been delegated to inspections. Also, all state property has been subordinated to the Public Property Agency ([Decision nr. 902, 2017](#)). The creation of this institution have limited the risk of malpractices, as ministries are no longer allowed to create or manage state enterprises themselves. **In July 2018, after a long process of consultations, the Moldovan parliament approved a new [Administrative Code \(Parlament.md, 2018b\)](#)**, which aims to systematise all legal regulations regarding administrative procedure into a single legislative act in order to ensure clarity, coherence and accessibility. Among other things, the Code (which came into force on 1 April 2019) enumerates the competences of administrative bodies and courts to settle administrative disputes, as well as the rights and obligations of parties involved in the administrative process.

Progress has been made in implementing IT solutions in administration. On 8 May 2018, the E-Government Centre was renamed to the Agency of Electronic Government as a result of the consolidation of data centres in the public sector and the rationalisation of the administration of information systems by the government. **In July 2018 the Parliament adopted [a law on data exchange and interoperability](#)** which facilitates and streamlines data exchange within the public sector, as well as between the public and private sectors, in order to increase the quality of public services provided, create new electronic public services, and ensure information security. **In accordance with this law, the interoperability platform (MConnect) was created in April 2019** in order to ensure the exchange of data between the information systems.

2.1.6. The electoral system

In recent months, the new Moldovan government has made important positive amendments to electoral legislation aimed to undo the controversial reforms introduced earlier by Pavel Filip's government.¹⁰ The most important change was made in August 2019 when the ACUM-PSRM coalition scrapped the 'mixed' voting system (for parliamentary elections) adopted in 2017 ([DW, 2019](#)) and restored the proportional system ([Law No. 113, 2019](#)). The change of the electoral law three years ago was widely seen as favouring the PDM ahead of the parliamentary elections (which took place in February 2019), and met with harsh criticism from political opposition, civil society and the country's Western partners. As a result of the August amendment, single-mandate constituencies were also liquidated (from which 51 out of 101 deputies had been elected).

Also in August 2019, the Moldovan Parliament restored the day of 'election silence' on the last day before polling day. Earlier on 23 November 2018 the Democratic Party and their supporters abolished the ban on campaigning during the election day. The change from 2018 was widely assessed by experts as a move aimed at increasing PDM's electoral chances. With its then enormous financial resources and media support, this party could also run a massive information campaign on election day.

The August 2019 amendment also makes it easier for Moldovan citizens to participate in the elections. Its provisions include permission for the use of expired passports to vote, something which is important for some Moldovans in the country (especially older people) who do not have modern IDs, as well as those who are abroad. The new regulations extended the voting procedures in the diaspora to two days, to allow more people to get to polling stations and cast ballots. Both the use of expired passports and the extension of voting for the diaspora have had a great impact on the elections in Moldova due to the huge scale of labour migration. The new law also regulates the financing of Moldovan political parties by citizens working outside its borders.

Additionally, this amendment reduces the electoral threshold for parties from 6% to 5%, for electoral blocs from 8% to 7%, and sets the electoral threshold for independent candidates at 2%. It also cuts the maximum amount of donations that political parties can receive during an election campaign.

On a positive note, in February 2020, the Moldovan constitutional court declared unconstitutional the so-called quantitative and territorial requirements for establishing political parties contained in the Act on Political Parties. To date, the registration of a political party in Moldova has required at least 4000 members registered in at least half of the country's second-tier administrative units, with at least 120 members living in each of these units. **In practice, such provisions prevented the creation of regional parties, which could represent the minorities living in a specific region (such as the Gagauz or the ethnic Bulgarian communities).** From 1 July 2020, such groups will be allowed to form ([Infotag.md, 2020](http://infotag.md)). Changing the law in this area increases the rights of the minorities in Moldova.

Despite these improvements at the regulatory level, compliance with legislation should be closely monitored, particularly in the context of the forthcoming presidential elections scheduled for the end of 2020. **Attempts to manipulate the electoral process and influence the voting results are not uncommon in Moldova, as evidenced by both the conduct of local elections for the mayor of Chişinău in 2018 and the parliamentary elections of 2019.** It is also likely that attempts will be made to change legislation to favour the ruling Socialist Party. **Given the uncertainty of the presidential elections scheduled for the end of 2020, it is possible that Dodon (who will probably compete against Maia Sandu, the former Prime Minister) will try to bring back the system in which the president is elected by the parliament (by a three-fifths majority of all deputies), and not by popular vote.** This model operated in Moldova in the years 2000-16, but in March 2016 the Constitutional Court ruled unconstitutional the amendment which introduced indirect elections in 2000. This decision was criticised by the Venice Commission and it is possible that Dodon citing the opinion of international institutions, will be able to orchestrate a withdrawal from the 2016 decision. However at the moment Dodon has denied considering such plans, it seems that this scenario still seems possible.

2.1.7. Freedom of media

(In reference to Art. 1, Title I; Art. 2, Title IV; Chapter 25; Art. 131 of the AA)

In June 2018, the parliament adopted the National Concept of Media Development in the Republic of Moldova (2018-2025). The document establishes the reference points for public

policies, and is intended to reinforce the role of the media system in ensuring the citizens' constitutional right to information and the strengthening of a democratic society.

In October 2018, after a long consultation process (in which both experts from Moldovan civil society and abroad were included) the Moldovan parliament finally adopted [a new Audio-visual Code](#) at the final reading. The document, which was drafted with the assistance of the Joint EU-CoE Project 'Promoting media freedom and pluralism in the Republic of Moldova', came into force in January 2019. The new Code introduced several important changes: the obligation to provide accurate and clear information about media owners, the political independence of editors, protection for journalists, and gender equality in the media, among other things. The Law also clearly defines terms such as 'propaganda in the media', 'misinformation' and 'incitement to hatred' ([Media Forward, 2019](#)). **Additionally, the new code transposes the regulations adopted in December 2017 which prohibit local broadcasters from transmitting any programme of an informational, analytical, military or political character which was not produced in the EU, the US, Canada, or in general any country which has not ratified the European Convention on Trans-Frontier Television (including Russia).** Although the regulation was officially intended to limit the scale of Russian media propaganda in Moldova, some commentators and international actors considered that it was actually introduced to limit anti-government propaganda (the Russian media presented opposition towards the Filip government), and strengthen the pro-European and anti-Russian image of Vlad Plahotniuc ([Zygierewicz A. \(eds.\), 2018, p.69](#)). At the same time, the new code alleviates the controversial provisions introduced in March 2017 ([Law No. 50, 2017](#)) according to which all TV and radio stations were obliged to broadcast no less than 8 hours of local content (produced by Moldovan companies) daily (between 6.00 am and midnight). The authorities presented this change in the law as a way of limiting the scale of foreign (i.e. Russian) propaganda in the Moldovan media space. According to the local experts amendment adopted in 2017 limited the media's freedom in Moldova. They pointed out the fact that smaller broadcasters often lack the financial resources to produce domestic content in the quantities required by the amended law. As a result they are either forced to buy content from local, bigger producers (i.e. from the media group belonging to Plahotniuc) or to provide their viewers with non-competitive, lower-quality content. ([Zygierewicz A. \(eds.\), 2018, p.69](#))

Despite the recent changes on the Moldovan political scene and the reduction of the number of broadcasting licenses allowed per person (from five to two), Moldova's media scene still remains largely monopolised and subordinated to a small number of major political and business groups. Vlad Plahotniuc still controls (directly or indirectly) four of the five nationwide television stations (Prime, Canal 2, Canal 3 and Publika TV) as well as several radio stations and internet portals. Until June 2019, he also had a huge influence on public television ([Горчак О., 2019](#)). It is estimated that the media outlets subordinated to him represent up to 70% of the whole media market in Moldova ([Mold-street.com, 2015](#)). After the change of government, the influence of Plahotniuc's media group (although still enormous) began to weaken. In October 2019, the socialist-controlled Accent TV channel took over the right to retransmit the Russian television station Pervii Kanal from the Prime channel (belonging to the Plahotniuc group) ([Пахольницкий Н., 2019](#)). As this Russian TV station is very popular in Moldova, the advertising revenue generated by its retransmission will thus pass from Plahotniuc to the Socialist party. Other channels from Plahotniuc's group have also cut their expenses (for example, Canal 2 has ceased analogue broadcasting). The second media group remains concentrated in the hands of Dodon and the PSRM. This group controls at least three TV stations: Primul in Moldova (formerly Accent TV), NTV Moldova and Exclusive TV. The third, smallest, media group is controlled by Ilan Șor (who, like Plahotniuc, is a fugitive from the country); it includes two TV stations (Alt TV and Televiziunea Centrala).

The advertising market in Moldova remains strongly monopolised and linked to politics. As much as 70% of this industry is concentrated in the hands of the two largest groups mentioned above. As a result, if a television company wishes to remain independent or is reluctant to adopt a political position, it will have a serious problem in earning revenue from broadcasting commercials. In this context, **it is worth emphasising that an amendment to the code of audio-visual media services (promoted by the Socialists) that could prevent cable TV networks from re-broadcasting international TV channels containing advertising or teleshopping commercials came into force in February 2020.** The American Chamber of Commerce of Moldova, the National Association of ICT Companies and the Association of Foreign Investors, representing the foreign business community, have jointly condemned this new media regulation as damaging and incompatible with the country's stated commitments. As their press release said, "The new provisions impose on cable TV operators the obligation to exclude advertising from re-transmitted foreign stations, a task incompatible with their status as a media service provider, as defined in the code of audio-visual media services and the European Convention on cross-border television." ([Necsutu M., 2020a](#)).

In general (despite certain improvement at the legislative level) the situation of the media in Moldova has deteriorated over the course of the entire period considered as evidence by the World Press Freedom Index, according to which Moldova dropped from 56th place in 2014 to 80th in 2017 and 91st in 2019 (35 positions lower than in 2014).

Public confidence in the media has drastically decreased since Moldova signed the Association Agreement with the EU. Whereas in April 2014 61% of Moldovans declared that they trust the mass media, in January 2019 only 32% of the country's population claimed that ([BOP, 2014-2019](#)). At the same time, according to the [latest poll from December 2019](#), this number had risen to 50%, which is probably related to the change of the political situation in Moldova and the change of power. Also, the [2019 Moldovan Press Status Index \(MPSI\)](#) published by the Independent Journalism Center (IJC) on 26 February 2020 states that media in the Republic of Moldova is still in a severe state. During the past year also, the journalists encountered threats from politicians or civil servants, and the ineffective enforcement of the law played its part in encouraging this phenomenon. The assessors found the press in a similar condition as in previous years, that is to say, difficult, assigning a score of 24.14 out of a total of 60 points. The Report concludes that, on most occasions the threats to the security of media outlets and the safety of their employees comes from the state bodies, politicians and civil servants. At the same time, the ineffective or even absent enforcement of the law are the main causes of journalists' insecurity, and as a result the phenomenon is becoming more and more frequent ([Media-azi.md, 2020](#)).

Pressure on journalists remains serious problem in Moldova. Cases of stalking, intimidation or persecution are not uncommon ([Newsmaker, 2018](#)). Recently several journalists from a range of media, including Agora.md, Anticoruptie.md, *Ziarul de Garda*, Pro TV, and TV 8, were targeted with physical and verbal intimidation while covering the demonstrations and public actions that took place in Chişinău between 7-9 June 2019 ([Media Azi, 2019](#)). In October 2018 the investigative journalism news portal RISE.md reported that law enforcement agents followed one of its journalists, Liuba Sevciuc, after she published an article on September 5 about vacation properties owned by Democratic Party leader Vlad Plahotniuc ([Country Reports on Human Rights Practices for 2019](#)). **There are also repeated cases of refusing admission of foreign journalists to Moldova.** On 19 February 2019, authorities prohibited the entry into the country of crews from Russia's NTV and Rossiya-1 television channels. Also, the Moldovan authorities have been trying to limit journalistic access to official sources.

Another alarming phenomenon was the Moldovan authorities' mass eavesdropping of journalists between 2017 and 2019. This fact was revealed in June 2019 by the RISE Moldova

investigative journalism group ([RISE.MD, 2019](#)). **On a positive note, in March 2020 the Prosecutor General Office opened five criminal cases on the illegal wiretapping and surveillance of politicians, journalists and other public persons conducted by law enforcement agencies ([Diez.md, 2020](#)).**

2.1.8. Civil society

(In reference to Title IV: Chapter 4: Art. 33, Chapter 20: Art. 107, Chapter 23: Art. 125, Chapter 25: Art. 130, Chapter 26: 134, 135, 136, Title V: Chapter 13: Art. 377, Title VII: Chapter 1: Art. 442, 443)

On 23 March 2018 the Moldovan Parliament adopted the new [Strategy for Civil Society Development \(2018-2020\)](#) and a corresponding Action Plan, but insufficient funding is slowing down its implementation. Also, since 2017, Moldovan citizens (natural persons) have been able to donate 2% of their income taxes to selected NGOs ([Interlic.md, 2016](#)). This mechanism represents an important step towards the financial independence of that sector, and is becoming more and more popular with Moldovan society every year. In 2019, 35,937 citizens exercised their right to transfer 2% of their tax to NGOs ([Serviciul Fiscal de Stat, 2020](#)), in comparison to 28,388 in 2018 and 21,204 in 2017. Third-sector organisations received 7,691,666 million lei in 2019, 5,631,042 in 2018 and 2,821,243 in 2017.

However, other important changes to the legislation have still not been finalised. On 3 May 2018, the Moldovan parliament adopted a new Law on non-commercial organisations at the first reading. Work on the act took a long time but proceeded with relative transparency. The draft was widely consulted with representatives of civil society and other actors. The version of the new law adopted by parliament met with positive feedback from NGOs, although it should be noted that the authorities had previously made efforts to introduce provisions into the act which worsened the situation in the third sector ([Zygierewicz A. \(eds.\), 2018, p.70](#)).¹¹ **Considering this experience, close attention should be paid to what shape the Law on non-commercial organisations will finally take.**

Non-governmental organisations in Moldova are traditionally treated by the authorities with distrust or open hostility. In July 2019, it was revealed that during the Democratic Party's rule, the Moldovan secret services eavesdropped and recorded conversations *en masse* of not only opposition politicians, but also representatives of civil society ([Rise.md, 2019](#)). It turned out that since 2014, the number of tapped phones in Moldova has doubled, and that Moldova is a European leader in terms of the number of permits granted to wiretap (Moldovan judges agree to at least 97% of such requests from prosecutors). **There are also cases in which representatives of the third sector who are involved in monitoring the authorities' activities have been threatened.** An example of this is the case of Dumitru Alaiba, a programme director at CPR Moldova. There are many indications that in 2018 the Moldovan authorities arrested his father and uncle to put pressure on him and force him to stop criticising Plahotniuc ([Unimedia, 2019](#)). A few days before his arrest, Alaiba had published an English-language [analysis on this oligarch](#) on the GMF website.

In recent years the Moldovan government regularly criticised NGOs, which negatively affected their perception among the public. In 2018 and 2019 representatives of official state institutions openly accused civil society (particularly organisations which have been monitoring and criticising certain activities of the government) of having specific political affiliations. This criticism coincided with a media campaign against the NGOs initiated by media outlets considered to be close to the authorities. Representatives of the now ruling Socialist Party have also been critical of the third

sector's activity, especially Western-funded organisations ([eho.md, 2019](#)) **but the political changes that took place in Moldova in 2019 have in general reduced the political pressure on NGOs.**

The total number of NGOs operating in Moldova is not small, but the vast majority of them are concentrated in Chişinău. Civic activity in smaller towns and villages is very low or non-existent. Moreover, emerging organisations (especially those located outside the capital) are struggling with a permanent lack of financial resources. At the same time, most funds go to those organisations which have been operating for many years and have managed to gain both appropriate recognition and experience in fund-raising. As a result, these organisations are increasingly overburdened as they take on more projects than they are able to effectively implement.

2.1.9. Freedom of movement (visa-free regime)

(In reference to Art.15, Title III of the AA)

Reforms related to the introduction of a visa-free regime with the EU should be considered as one of the best in terms of implementation and effectiveness. These reforms led, among others, to the creation of a Border Police, the implementation of integrated border management and modernisation, and the creation of the Migration and Asylum Bureau, which now possesses the staffing and equipment necessary to document and ensure the integration of foreign citizens. The time required to process applications for asylum has also been reduced significantly. A readmission mechanism is in place, and functions efficiently. **The visa-free regime is used by Moldovans on a mass scale and without obstacles.** Between 2014 and 2019, more than two million Moldovan citizens entered the Schengen area thanks to the visa-free regime, with very low rates of refusal (0.3%) and illegal stay (0.5%)¹².

The Moldovan government's introduction of a moratorium on the 'citizenship for investment' programme is a positive development in the context of the stability of the visa-free regime. This programme had been criticised by EU representatives, who warned Chişinău that such measures could jeopardise visa liberalisation or even lead to the suspension of visa-free travel.

2.2. Human rights and fundamental freedoms

(In reference to Art.1, Title I: Art. 2, Title II: Art. 3,411, Title III: Art. 12)

In the last five years, legislation on the protection of human rights in Moldova has improved significantly. At the same time, as in the case of many other areas, implementation of the adopted regulations turned out to be problematic. A number of strategies and action plans were developed and approved by the authorities. In 2016 Strategy for Inter-Ethnic Relations for 2017-2027 and an Action Plan for supporting the Roma population of the Republic of Moldova for 2016-2020 were adopted. In the same year the Government approved the Action Plan for 2016-20 on the Implementation of the Strategy for Child Protection (2014-20). In August 2017, the government approved a national programme for the social inclusion of persons with disabilities for 2017-22, and in September 2018 an Optional Protocol to the UN Convention on the Rights of Persons with Disabilities was signed (but is still awaiting ratification).

In July 2018 a new, third Human Rights National Action Plan (2018-22) was finally approved by the government. The previous plan expired in 2014, but in large part it has remained unimplemented. In February 2019 a National Human Rights Council (within the State Chancellery) was set up. In

March 2018 the new National Strategy for Preventing and Combating Trafficking in Human Beings (SNPCTFU) for 2018-2023 was approved. The strategy provides number of activities, such as training border guards and including in secondary school curriculum classes on trafficking in human beings. It should be noted that the previous document covering this area - National Action Plan on Preventing and Combating Trafficking of Human Beings for 2014-16 - has been generally implemented. In 2017 the position and independence of the People's Advocate was reinforced by the newly established Art. 59 of the Constitution, which provided specific constitutional guarantees for the election, status, mandate and powers of the ombudsman ([IOI, 2017](#)). As a result in 2018, the Office of the People's Advocate was accredited with an "A" Status by The Global Alliance for National Human Rights Institutions (GANHRI) which means that this Moldovan institution corresponds with the Paris Principles.

As for legal shortcomings, the European Charter for Regional Minority Languages (although signed by the Republic of Moldova in 2002) is still pending ratification. Draft amendments to the criminal code (related to the fight against hate crimes) developed in 2017 still awaits to be adopted by the parliament. Also, amendments to the legislation on the integration of foreigners (which transpose Directive 2011/95 /EU of the European Parliament and of the Council of 13 December 2011) have not yet been introduced and currently are at the consultation stage. Action Plan for the years 2019-2020 regarding the integration of foreigners in the Republic of Moldova has not yet been adopted and still remains at the consultation stage. However, it should be noted that adoption of this document is included in the current government's programme.

Unfortunately, despite the adopted legislation and a good institutional base substantial shortcomings with regard to human rights still persist. Same as in previous years inadequate conditions in prisons, ill treatment, people trafficking, hate speech, and the harassment of LGBT people remain substantial problems. At the same time, widespread corruption represents one of the most important problems and clearly impedes the improvement of the situation in the human rights sector.

2.2.1. Freedom of assembly

Freedom of assembly in Moldova is guaranteed by the constitution and the legislation. In general, the authorities do not oppose the organisation of public demonstrations and manifestations (including anti-government protests). In recent years a number of such events have taken place in Moldova. In the second half of 2018, demonstrations caused by the invalidation of election for the mayor of Chişinău (*see Chapter 2.1.1.*) were held without major disturbances. Also, the authorities have not blocked any meetings or rallies organised by representatives of the so-called Unionist movement (supporters of Moldova's unification with Romania). The last such event took place in March 2019.

Still, some negative trends can be seen in this area. Organisers of anti-government demonstrations (leaders and members of the Moldovan opposition during the rule of Plahotniuc) often declared that they were intimidated and persecuted in order to discourage them from political activity. Alexandru Machedon, the owner of the StarNet telecommunication company and a supporter of civil society organisations (and also a sponsor of the preformist 'Dignity and Truth' Platform) stated on 23 February 2019 that he, his children, wife and relatives, had been 'poisoned with a mixture of toxic metals, including mercury'. The state authorities have repeatedly tried to deprive StarNet of its license, accusing the company of violating the rules of retransmission. Maia

Sandu (Party of Action and Solidarity) and Andrei Năstase (Dignity and Truth Platform Party) also stated on 22 February 2019 that attempts had been made to poison them ([Newsmaker.md, 2019](#))¹³.

The authorities also regularly take measures to reduce the scale of protests. It happened that on the days when demonstrations were to take place (these take place almost exclusively in Chişinău), some bus and rail connections to the capital were suspended. Nor is it uncommon that some municipalities and smaller towns close down public spaces for official ceremonies. It should also be added that negative trends (cases of obstruction from state and non-state actors) intensified in the run-up to the parliamentary elections of February 2019. Protest organizers also regularly reports cases of intimidation of people willing to participate in the manifestation especially those employed in the public sector (as they can be threatened with the sack by the authorities).

2.2.2. Situation of the LGBT community

At the legislative level, the rights of sexual minorities are protected, but in practice this group regularly falls victim to hate speech. Hate crimes are still generally unreported. The LGBT community also enjoys a formal right to assembly, but their parades always face aggressive counter-demonstrations. However, it should be emphasised that the police do stand up for participants in such marches and try to ensure their safety (aggressive participants of the counter-demonstration are detained). The march organised by the LGBT community in May 2019, while not very numerous, went off without any major incidents. About 1,500 police were deployed to ensure the safety of the 200 to 300 participants who marched about 2 km through central Chişinău. However, on the same day, President Dodon and the Moldovan Orthodox Church organized a festival to celebrate traditional family values. Negative statements about the LGBT community come not only from representatives of the Orthodox Church but also from certain influential political parties and politicians (such as President Igor Dodon and members of the ruling PSRM). **On 31 May 2018, after the LGBT march that took place in the capital, Vlad Batrîncea (a PSRM deputy), [read an appeal to parliamentarians](#) from Moldova's clergy demanding that such marches be banned.** President Dodon also spoke very critically about the march. With the support of the Orthodox church of Moldova representatives of this political group in 2016 and 2017 urged the passage of legislation prohibiting 'propaganda of homosexuality'. The parliament refused to adopt the amendments in both cases, but **as this party took full power in the country in November 2019, we should expect such attempts to ultimately succeed.**

The negative attitude of the country's political and spiritual elites towards the LGBT environment is supported by a significant part of society. According to a [poll published in February 2020](#) by Centrul de Informații „GENDERDOC-M”, only 7% of the inhabitants of Chişinău (the most cosmopolitan and liberal city in the country) support LGBT people, while 37% have a neutral attitude towards them. At the same time, up to 55% of the city's population hold a negative attitude towards the LGBT community. The same poll reveals, that 71% of the residents considers discrimination based on sexual orientation to be widespread.

2.2.3. Right to fair trial

Unfair trials have been one of Moldova's major issues for many years. This problem particularly affects those who openly oppose the authorities. Politically motivated lawsuits (usually very poorly grounded) are frequently filed against politicians, human right defenders or judges in order to punish them, intimidate them or remove them from the political scene. This phenomenon became

particularly intense in recent years. **In 2019 alone the ECtHR issued 54 rulings against Moldova¹⁴. The country thus ranked 5th highest of the Council of Europe's 47 member countries in terms of convictions by the ECtHR.** In total, 441 rulings were issued against the Republic of Moldova. Most often the ECtHR condemned Moldova for the way judges or prosecutors applied the law. As of 31 December 2019, 1056 Moldovan applications were still waiting to be examined, of which over 95% have high chances of success ([CRJM, 2020](#)). This number exceeds the total number of claims on the basis of which Moldova has been convicted in the last 22 years (i.e. the period during which Moldovan citizens have had the right to complain to the ECtHR against the government).

However it's required by law judges often fails to assign cases randomly. Also, selective justice continued to be a problem. Lawyers regularly reports cases of violations of defendants' rights to a fair public trial. In recent years, on numerous occasions the public and the journalists did not have access to court proceedings in several high-profile cases involving current and former government and bank officials ([Country Reports on Human Rights Practices for 2019, 2020](#)).

On a positive note, **after the change of government in Moldova in June 2019, the Moldovan law enforcement authorities withdrew from some proceedings against persons who had hitherto been prosecuted on questionable grounds.** For example in June 2019, the Moldovan prosecutor's office lifted two arrest warrants against politician Renato Usatii ([Esp.md, 2019](#)) imposed on him in 2016 ([Mediafax, 2016](#))¹⁵. The first warrant was issued because of Usatii's alleged involvement in an attempt to assassinate German Gorbuntsov, a former Russian refugee banker living in London. The second warrant concerned alleged money smuggling from Russia to Moldova in 2016. There are serious doubts as to the legitimacy of this accusation (it seems that it may have had a political context). However, the investigation is still ongoing. Another revised case concerns the activist Pavel Grigorciuc, and the former deputy Iurie Bolboceanu. The latter, a former member of the Democratic Party, was sentenced to 14 years in prison in March 2018 (allegedly for espionage). It is highly likely, however, that the sentence was a penalty for his disobedience to the party (IPN, 2019). In February 2020 the **Prosecutor General's Office declared that it would review an additional 38 cases which had most likely been opened for political reasons** ([Agora, 2020](#)).

2.2.4. Torture and ill-treatment

Despite the fact that Moldovan legislation prohibits torture, there have been repeated reports of violations of the right to life and physical integrity, including cases involving the deaths of prisoners and detainees. Furthermore, torture and ill-treatment in prisons are sometimes used as a method of pressure on imprisoned or detained political opponents or as a more general political instrument. One of the most striking example of such politically motivated human rights violation was the case of seven teachers (Turkish citizens) working in the Orizont school network (linked to Fethullah Gülen) in Moldova. On 6 September 2018 the teachers were detained by the Moldovan Secret Services (SIS) and deported to Turkey where they were arrested. The deportation happened despite the fact that the teachers had asked for asylum in Moldova in April 2018 (pointing to the risk of an unfair trial and torture in Turkey). There is no doubt that the arrests were made at the request of Ankara, which considers Gülen and his movement a terrorist group. The deportations appear to have been a kind of 'welcome present' ahead of Erdoğan's visit to Moldova. In June 2019 Moldova was declared guilty by the ECtHR of human rights violation in this case.

In 2018, the number of reported cases of torture and other forms of ill-treatment reached 687, more than the average for 2014-18 (649 cases) ([Procuratura.md, 2019](#)). During the first six months of 2019, the anti-torture division of the Prosecutor General's Office received as much as 456 allegations of torture and mistreatment. Despite such a large number (significantly higher than in the same period of 2018) prosecutors initiated only 45 criminal cases (less than 10% of reported cases) ([Necsutu M., 2020b](#)). In October 2018 an anti-torture network of regional NGOs (including a Transnistrian organisation) was created in Moldova ([ipn.md, 2018](#)). As the project director Andrei Bursevski, stated in November 2019, in just half a year of activity, the centres had received about 400 complaints from potential victims of torture, almost half of which had been confirmed ([ipn.md, 2019](#)). Further data is being processed, but preliminary calculations show that the number of complaints is on the rise. The overwhelming majority of cases of ill-treatment are attributed to the police during arrest and the preliminary investigation period, and some are related to criminal investigators.

Conditions in Moldovan prisons (despite minor renovation works carried out in recent years) remain very bad. Penitentiary No. 13 in Chişinău is particularly notorious and has been repeatedly criticized by the ECHR in its rulings. Over 800 complaints about the poor detention conditions, insufficient or inappropriate medical services in places of detention were recorded in 2017, and over 400 complains in the first half of 2018¹⁶. However, this increase seems to stem from the citizens growing awareness of their rights, and not from an actual deterioration of the situation (which appears to be bad, but is not worsening). In this context it should be noted that on 1, January 2019, amendments to the Code of Criminal Procedure came into force in Moldova, which allows prisoners who are not satisfied with the conditions in prisons to appeal to a local court and demand a reduction of their term of imprisonment, compensation for moral and material damage, or to apply for an improvement of their conditions. The ECHR considers this mechanism 'effective, in principle' and indicates that applicants should use resort to it before applying to the European authorities. Also, after the change of power in June 2019, Moldovan attorneys have easier access to their detained clients (this applies primarily to investigation of political nature).

However as a rule police officers responsible for acts of violence are not punished situation in this field is changing. Two police officers involved in the case of Andrei Braguţa (who was beaten to death by his inmates in 2017) were sentenced in July 2019 to 4-year imprisonment and a 4-year suspended sentence respectively. At the same time however, the situation looks worse when it comes to cases with a political background. The key perpetrators of the 7 April 2009 assaults (anti-government demonstrations which ended in massive arrests, numerous cases of torture and the deaths of four people) are still not convicted. About 30 police officers have been prosecuted and some of them convicted in connection with the 2009 events, although practically all of whom were only junior officers. The senior commanding police officers, politicians and state officials responsible for the operational and political decisions have not been punished ([Amnesty International, 2019](#)). It seems certain that the lack of an effective investigation is related to the political nature of the case and proximity of the perpetrators to the ruling elites.

Moldova is also struggling with the problem of detaining people with disabilities in psychiatric hospitals against their will. Cases in which people who do not have any disabilities are detained in psychiatric hospitals also occur. Only in 2018 approximately 7,000 patients were placed at the Psychiatric Hospital in Chişinău against their will, which resulted in 50 court rulings on involuntary confinement in this situation ([Country Reports on Human Rights Practices for 2019, 2020](#)).

2.2.5. Human trafficking

Over the past two years the government has made certain progress in fighting human trafficking. In June 2017, after being on “Tier 2” for six years Moldova has dropped to the “Tier 2 Watchlist” level in the [Trafficking in Persons Report](#) prepared by the US State Department (2017). In 2018, however, it returned to Tier 2 and maintained this score in [2019](#) as well. As the report stated, the government has demonstrated an overall increase in its efforts compared to the previous reporting period. These efforts included 'identifying significantly more victims, establishing a case allocation system to route trafficking cases to judges with specialised training, holding some complicit officials accountable, and simplifying the process of obtaining citizenship.' **The legal framework has also improved in recent years.** Among others, in May 2018 the government of Moldova approved the [National Strategy for the Prevention and Control of Trafficking in Human Beings for the years 2018-2023](#) and the respective [Action Plan for the years 2018-2020](#). Also in June 2018, the Moldovan parliament adopted the [law regarding the promotion of employment and unemployment insurance](#) which guarantees special protection of a state to those unemployed who were victims of human trafficking. On the other hand, in September 2018 national anti-trafficking committee (NCCTIP) was subordinated to the secretariat under a new Permanent Secretariat, which led to the effective reduction of staff dealing with human trafficking and reduction of funds from the State Chancellery. The authorities also cut funds for victim protection from over 12 million lei in 2017 to only nine million lei in 2018.

In general, although the situation is improving, the pace of change is slow. Corruption (particularly in law enforcement and the judiciary) still impedes the prosecutions of human trafficking cases. Given the high politicization of the judiciary, conducting proceedings involving officials causes a particularly serious problem. Intimidation of victims is still frequent, and the government often fails to protect persons participating in investigations and prosecutions. The law enforcement authorities seldom inform victims of their rights. Shelters have little security, and the protection provided by the police is often very unreliable due to corruption. Existing regulations also expose victims to retraumatisation, as in order to begin an investigation adult victims are required to confront their alleged traffickers in person at a police station. However, judges can allow victims to provide testimony without the alleged trafficker being physically present in the room, although they often disregard this law, which allows traffickers to intimidate victims in the courtroom and pressure them to change their testimony ([Trafficking in Persons Report, 2019](#)). The poor and inefficient quality of the services offered to victims resulting from the weak capacity of social workers outside the capital is another problem. Also, assistance available to child victims is limited, despite the increasing number of children identified.

2.3. Situation of ethnic and language minorities

(In reference to Title II: Art. 3, Title IV: Chapter 1: Art. 21, 22, 23, Chapter 12: Art. 68, Chapter 20: Art. 107, 108 of the AA)

National and ethnic minorities constitute about 25% of the population of Moldova. Chişinău has been struggling with the problem of guaranteeing equal rights for representatives of those groups for many years. **Unfortunately, the Moldovan authorities' effectiveness in guaranteeing equal access to public services, providing classes in minority languages or taking actions to promote the integration of minorities with the titular population is limited.**

The administrative conflict between the central government in Chişinău and the authorities of the Gagauz Autonomy remains a serious problem. Existing legal frameworks (both at the

national level and at the local level, i.e. in the Autonomy) often conflict with each other, which generates disputes of competence between Chişinău and Comrat. As a result, the Gagauz argue that their rights are limited, and the 1994 compromise (under which Gagauzia was officially recognised as an autonomous region of Moldova) is not respected. **Unfortunately the negotiations on this issue, which have been conducted for five years, have not brought about any measurable results.** On 20 November 2015, a special joint committee consisting of representatives of the Moldovan parliament and members of the Gagauzian People's Assembly (GPA) was formed in order to harmonise the legal frameworks. In 2016 the committee prepared three bills and submitted them to the parliament. The new regulations include a proposal to create a special administrative-territorial category for Gagauzia, which currently functions as a second-degree unit (the same as 'raions' in Moldova). This would prevent the competences of the central administration and the Autonomy's authorities from overlapping. The proposed amendments would also prevent parliament from modifying the law on the special legal status of Gagauz Yeri without the consent of Comrat. In June 2017, the parliamentary legal committee rejected the amendments in the proposed form and modified them. Subsequently, the Parliament adopted new laws, but President Dodon refused to promulgate them and referred them back to parliament, and since then they have remained in suspension. Although President Dodon promised in October 2019 to resolve the problem of the three acts mentioned by 23 December 2019 (the 25th anniversary of the creation of the Gagauz Autonomy), the situation remains unchanged. **In a protest in December 2019, deputies from the GPA suspended the work of the Moldovan Parliament's GPA committee established in 2015 (Гапчы П., 2019).** However, after discussions with President Dodon at the end of January 2020, the GPA deputies decided to resume the meetings of joint committee.

On a positive note (with regard to the legal regulations), in February 2020, the Moldovan constitutional court declared unconstitutional the so-called quantitative and territorial requirements for establishing political parties contained in the Act on Political Parties. To date, registering a political party in Moldova has required signatures from at least 4000 members registered in at least half of the country's second-tier administration units, with at least 120 members living in each of these units. **In practice, such provisions have prevented the creation of regional parties which could represent the minorities living in a specific region (such as the Gagauz or the ethnic Bulgarians).** From 1 July 2020, such groups will be allowed to form ([Infotag.md, 2020](http://infotag.md)). The change in the law in this area will increase the rights of minorities in Moldova.

Access to public services for people who do not speak the Romanian language is limited. This problem is particularly important in the case of court proceedings. It happens that the courts do not accept documents submitted in Russian. In 2019 there were also cases in which traffic police officers refused to answer a Gagauzian driver in Russian during a roadside check. Linguistic discrimination is the third most common manifestation of discrimination in Moldova after discrimination on grounds of disability and gender. **Additionally, in June 2018, the Moldovan constitutional court found the Act on the Status of Languages in the Moldavian SSR adopted in 1989 to be obsolete.** This act constituted the legal basis regulating the functioning of non-state languages on the territory of Moldova. Although many of its provisions have in the meantime been transposed into other legal acts, the abolition of the said law raised concerns, on the part of the OSCE among others ([OSCE, 2020](http://osce.org)).

Another problem is the fact that the media in Moldova do not pay enough attention to topics related to minorities and diversity. Ethnic minorities are rarely the subject of media reports. As a rule, topics that are tangential to these themes are reported in the news without the in-depth, detailed and multifaceted analysis that would allow the majority to be informed and learn more about minority groups. Even more problematic, people suspected of committing crimes are labelled

by their ethnicities, which can contribute to strengthening prejudices and can lead to discrimination. Some media outlets do not moderate their comments, and as a result they can perpetuate prejudices and stereotyping and incite hatred. The groups most vulnerable to hate speech in online media in Moldova are Russians, Jews, and the LGBT community. Negative attitudes appear in press reports about conflicts involving representatives of these groups or when the information presented is linked with politics ([IJC, 2019](#)). In addition to these groups, Roma people also continue to be one of the most vulnerable minority groups in the country, and face a higher risk of marginalisation, under-representation in political decision-making, illiteracy, and social prejudice. Roma have lower levels of education, more limited access to health care, and higher rates of unemployment than the general population. Approximately 60 percent of Roma families lived in rural areas. According to the most recent statistics, only 21 percent of Roma were actively employed ([US Department of State, 2019](#)). Throughout the year, Roma groups reported being denied service at restaurants in Soroca and Riscani.

The quality of education in ethnic-minority schools represents one of the foremost problems voiced by minority representatives. The problem lies not only in the quality of classes conducted in the minority language, but also in the level of Romanian-language teaching. Regions inhabited by minorities are struggling with the shortage of teaching staff (resulting from mass migration, among other factors) and the general underfunding of education. In principle, representatives of minorities cannot complete the entire education cycle in their language. This applies primarily to Gagauz and Bulgarians. The local authorities in Taraclia (which represents the 'capital' of Moldova's Bulgarian community) have appealed at various times to the Ministry of Education with a request to financially support the introduction of bilingual education in the region, but they were met with refusal. As a result both state-language and Bulgarian-language classes are financed by the local budget. In the rural kindergartens of the Taraclia region, these classes cannot be conducted due to a lack of money. In this context it is worth mentioning that, although Moldova signed the European Charter for Regional and Minority Languages in 2002, Chişinău has still not ratified it. Lack of proper language skills (especially when it comes to the official language) not only limits access to public services, but also hinders or even prevents employment in public institutions. This in turn negatively affects the number of representatives of minorities in state administration.

2.4. Foreign and security policy

(In reference to Title II: Art. 5, 7, 8 of the AA)

Moldova continues to effectively develop its defence cooperation with NATO. Clear progress has been made in recent years in the field of border security (especially regarding the eastern border). Relations between Chişinău and Tiraspol have recently become more constructive which made it possible to achieve progress and implement a number of confidence building solutions positively affecting functioning of the Transnistrian economy and the quality of life of inhabitants of this region. The change of government in Moldova, however, has led to a worsening of the climate between Chişinău and the Western partners, and an increase in pressure on relations with Moscow. However, the Moldovan authorities are not interested in seriously undermining or breaking ties with the EU.

On 19 July 2018, the government of the Republic of Moldova approved [the National Defence Strategy and the Action Plan for its implementation in 2018-22](#). The strategy identifies the main threats to Moldova (including the military forces of Transnistria and the Russian forces in this region). Among Moldova's main partners in the field of defence and security, the new bill lists NATO, the United States and Romania. The documents also enumerate foreign propaganda distributed through the media and social networks; cyberattacks; illegal migration; illegal weapons sales, etc. as

important threats to the country. Among Moldova's main partners in the field of defence and security, the new bill lists NATO, the United States and Romania. **The strategy also envisages a gradual increase in defence spending, from 625 million lei (about €31 million) in 2018 to 1.465 million lei (about €74 million) in 2025.** Moreover, the government has declared that Moldova is ready to take part in UN, EU and OSCE peacekeeping missions. **In October 2018 the [Military Strategy and the Action Plan on its implementation for the years 2018-2022](#) was passed.** This document is consistent with the above-mentioned defence strategy and constitutes an operational extension of it. The commitment to higher expenditure and participation in peacekeeping missions has also been included in the Individual Partnership Action Plan for the Republic of Moldova – NATO (IPAP). **In February 2020 Gheorghe Leucă, the Ministry of Foreign Affairs and European Integration's state secretary, confirmed the intention of the authorities to continue political dialogue with the North Atlantic Alliance and [IPAP for 2020-22](#).** A previous document of this kind was signed on 13 September 2017 ([Decision 736, 2017](#)) and covered the years 2017-19. At this point, cooperation with NATO has assumed a permanent and institutionalised form, a fact underscored by the adoption of the aforesaid plan and the opening of a NATO liaison office in Chişinău ([NATO, 2017](#)). It should be also mentioned that, an **agreement between the Republic of Moldova and the EU on security procedures for the exchange of classified information was signed** on 31 March 2017 (and ratified by the parliament in November 2017). **Moldova alongside Georgia and Ukraine regularly participates in joint military exercises with its partners from the EU and NATO since 2015.** Recently such exercises ([codenamed Fire Shield 2019](#)) were held on Moldovan territory in September 2019. Such activities strengthen the effectiveness of the Moldovan armed forces by and improves its combat abilities, which is part of AA's implementation (Art. 5.1; Art. 7).

In 2017, the authorities in Chişinău and Tiraspol managed to sign a number of landmark agreements on transport, communications and education. These agreements make life easier for the inhabitants of the separatist region and help build confidence between both banks of the Dniester river. On 18 November 2017 a bridge on the Dniester river, (part of the economically important IX Pan-European Transport Corridor Brest-Chişinău-Odessa) has been opened to traffic. The bridge between the villages of Gura Bîcului (under the control of Chişinău) and Bîcioc (under the administration of Transnistria) was destroyed during the war. Although it was rebuilt at the beginning of the 21st century, it remained closed for political reasons. **On 27-28 November 2017 another set of important agreements was signed as a result of the 5+2 format talks.** Both sides decided to resume direct telephone communications between the banks of the Dniester river and agreed on the rules governing the functioning of Romanian-language schools in separatist region. Additionally Moldova has agreed to recognize diplomas issued by the University of Transnistria. Moldovan farmers were also provided with an access to their land located on the territory controlled by Transnistria. The parties also managed to agree on the creation of new, "neutral" licence plates (without state markings) for cars registered in Transnistria, which would enable Transnistrian drivers to travel abroad ([Zygierewicz A. \(eds.\), 2018, p.76](#)). **As of now, almost all of those agreements (except the one regarding telephone communications, allegedly for technical reasons) have been implemented.** By the end of 2019, about 3,000 cars were registered (using neutral plates), 340 diplomas were legalized and farmers gained access to 90% of the disputed land.

In September 2018, the process of issuing neutral registration numbers to car owners from Transnistria began. In the same month, 4000 people expressed interest in obtaining such registration numbers ([Point.md, 2018](#)). In January 2020, the list of persons authorised to obtain international registration was expanded to include Tiraspol-controlled locations on the west bank of the Dniester ([MVDPMR, 2020](#)). On 10 January 2020, (albeit in test mode) Ukraine stopped admitting cars from Transnistria which did not have neutral registration onto its territory. Ten days

later, these restrictions were lifted, but the Ukrainian side has declared that they will be reintroduced permanently as of 1 April 2020.

When it comes to Transnistria it should also be noted that **on 22 June 2018 the General Assembly of the UN adopted the resolution which urged the Russian Federation to unconditionally withdraw its troops and armaments** without delay from the territory of the Republic of Moldova. This event should be considered the success of Chişinău.

There has been a clear improvement in the protection and management of the border in recent years (in reference to Art. 3 and Art. 8 of the AA). In July 2017, Moldova and Ukraine launched the first joint control checkpoint on the Transnistrian section of the common border (exclusively on the Ukrainian side). Joint control, which allows Moldovan customs officers to control freight traffic, is carried out at the Kuchurgan-Pervomaysk border crossing (it is the most important checkpoint between Odessa, Tiraspol and Chişinău, as about 70% of Transnistrian foreign trade passes through it). Six more such points are to be launched in the future, but this process is dragging on, mainly due to Ukrainian resistance. In December 2017, Moldovan and Ukrainian border guards began joint patrols of the Transnistrian section of the common border. **Since November 2018 similar patrols comprised of Moldovan and Romanian border guards have been patrolling the western borders of Moldova.** Thanks to the neutral license plates, Moldova gained access to information concerning a significant proportion of the vehicles registered in the separatist region. Joint (Moldovan-Transnistrian) registration points for vehicles began to operate on 1 September 2018. On 28 December 2018 the most modern Jointly Operated Border Crossing Point on the Moldovan-Ukrainian border (in Palanca) began its operation and in February 2019 it was opened for cargo traffic. On the legislative level, **the Republic of Moldova's National Strategy for Integrated Border Management for 2018-23 was approved by the Moldovan government in November 2018 (this document replaced the previous plans for 2011-13 and 2015-17).**

In the context of border protection, it is worth mentioning that, **the mandate of the EUBAM mission, which has been operational since 2005, is being regularly extended (last time from 1 December 2017 until 30 November 2020).** Cooperation with FRONTEX is also developing successfully. In March 2018 the agency signed a **new cooperation plan with Moldova for 2018-2020**, which includes the possibility for Frontex to set up training programmes for Moldovan border guards on subjects that include return operations, detection of false documents, and the fight against human trafficking.

The positive dynamics of the relationship between Chişinău and Tiraspol is also evidenced by the fact that a series of meetings between President Dodon and the leaders of the separatist region were held in 2018. Several meetings of joint working groups were also organised. **However, despite the development of cooperation between Tiraspol and Chişinău observed in recent years, a final settlement to the Transnistrian issue seems to be very distant. The lack of a clear vision (on the Moldovan side) and the resistance of Russia, which is willing to accept only a solution politically beneficial for Moscow, remain a key obstacles for resolving the Transnistrian issue.**

Moldovan-Russian relations improved after the overthrow of Pavel Filip's government in June 2019, and became even better more after the formation of the *de facto* Socialist (and pro-Russian) government of Ion Chicu in November 2019. The improvement in the quality of bilateral relations is demonstrated, for example, by the Russian government's decision in January 2019 to amnesty 170,000 Moldovan labour migrants who had previously been banned from entering the territory of the Russian Federation ([Вятчанин Н, 2020](#)). Russia has also decided to remove most of the sanctions on Moldovan products introduced in connection with Chişinău's adoption of the Association Agreement. Another important symbol of the improving relationship is the increasing intensity of the visits to Moscow by Moldovan leaders (including President Dodon and Prime

Minister Chicu). The US\$500 million loan promised to Moldova by Moscow is further proof of Russia's positive attitude towards the new authorities ([Stiri.md, 2019](#)). **Russia sees the current authorities in Moldova as representing its interests.** It is worth adding that President Dodon's efforts led to Russia granting Moldova observer status in the Eurasian Economic Union in May 2018.

However, the change of government in Moldova in November 2019 led to a worsening of relations with the EU ([BalkanInsight, 2020](#)) and Romania. On 14 February President Dodon, accused several ambassadors representing EU countries in Chişinău (without mentioning any names) of blocking the new authorities' dialogue with Brussels and misinforming European capitals as to the actual situation in the country ([Unimedia, 2020](#)). Despite President Dodon's conciliatory rhetoric, Bucharest does not trust the new authorities, and has communicated this on both the local ([Digi24.ro, 2020](#)) and international levels ([Realitatea.md, 2020](#)). Romania has also declared that it will re-evaluate (and impose strict conditionality on) the conditions under which Bucharest has been offering Chişinău financial assistance ([MAE, 2019](#)). Relations with Ukraine are also not going well, which is largely related to President Dodon's declaration of 2016, when he said that Crimea belongs to Russia.

On a positive note, in July 2019, the Moldovan government froze the 'citizenship for investment' programme. This law ([introduced in October 2017](#)) was criticised by Chişinău's Western partners (including the EU) as representing a serious threat to national security. According to the programme's regulations, anyone who invested a minimum of €250,000 in the Moldovan economy could obtain the citizenship of this country. The moratorium was extended [in December 2019](#) and then again [in February \(until January 2021\)](#). Although freezing the 'citizenship for investment' concept should be seen as a step in the right direction, from a security perspective, the Moldovan authorities should consider abandoning the programme completely.

2.5. Economic aspects of the AA's implementation

(In reference to Title IV, Chapter 2, annexes 2 and 3, Chapter 7, art. 47–51, Chapter 8, art. 52–57, Chapter 10, art. 62–64, Title V, Chapter 1, art. 143, Chapter 5, art. 194, Chapter 8, articles 268–276 of the AA)

2.5.1. Trade and trade-related matters (DCFTA)

(In reference to Title IV, Chapter 2, standards and norms included in annexes 2 and 3, Title V, Chapter 4, art. 186–189, Chapter 5, art. 194, art. 201, Chapter 6, art. 202, art. 210, annexes XXVII-B and XXVII-F of the AA)

The implementation of the DCFTA has had a very positive and stimulating effect on Moldovan trade with the EU countries. While in 2014 exports to EU member states amounted to US\$1.246 billion (which accounted for 53% of total exports), in 2019 it rose by 61% to US\$1.831 billion (66% of total exports). Imports from the EU to Moldova also increased, though not as radically as exports. While the value of goods imported from the EU in 2014 equalled US\$2.568 billion (48.3% of total imports), in 2019 it increased by 12,5% to as much as US\$2.890 billion (49.5% of total imports). According to the [report prepared by the Moldovan think tank Expert Group](#), the **DCFTA is responsible for as much as 40% of the said increase; thus, the net effect of the DCFTA amounts to about US\$600 million.** As a result of the DCFTA's implementation, Moldova's trade balance has also improved. While in 2008–13 imports exceeded exports by an average of 2.5 times, in 2014–19 this indicator dropped to 2.08. The improvement in the ratio of exports to imports is still particularly evident in trade with the EU. In 2008–13 imports from EU exceeded exports by an average of 2.3 times, and in 2014–19 this indicator dropped to only 1.6.

In parallel to the development of trade with the EU, a dramatic decline in trade with CIS countries has taken place. In 2013-2014 Russia, in response to the signature of the Association Agreement and the DCFTA with the EU, imposed an embargo on Moldovan agricultural products (fruit, vegetables and meat) and alcoholic beverages. The deterioration of the political and economic situation in the region (notably in Ukraine), as well as the sharp depreciation of the Russian rouble, only deepened the trade crisis. As a result, in 2015 exports from Moldova to Russia fell by 43% in comparison to 2014, and to the CIS countries in general by as much as 33% (from US\$735.6 million to only US\$492.3 million). Generally, in 2019, exports to Russia amounted to US\$250 million, which represents only 39.5% of the 2014 total; general export to the CIS countries amounted to US\$435 million, which was only 57% of the 2014 total.

However, the increase in trade with the EU has been able to compensate the Moldovan economy quickly for the losses resulting from Moscow's political decisions and the international situation. Back in 2017, Moldovan exports managed to reach the pre-sanctions level (i.e. it was higher than in 2014). Exports of wines and other alcoholic beverages (which constitute a significant part of Moldovan trade) also managed to exceed the 2014 level in 2017. **The agricultural and food sector has particularly benefited from the implementation of the DCFTA, despite fears that it would be exposed to the biggest losses after the trade agreement with the EU was implemented.** For example between 2015-18, exports of agri-food products increased by US\$820 million, 52% more than in 2011-2014 ([Lupușor A., 2019](#)). Over the same period, exports of industrial products rose by US\$761 million or 26%.

The DCFTA's implementation enabled the reorientation of Moldovan trade, and clearly reduced the dependence of the Moldovan economy on Russia, which in turn has limited Moscow's ability to put pressure on Chișinău. Whereas exports to Russia accounted for 26% of total exports in 2013, this figure fell to only 9% in 2019. In 2014 Romania replaced Russia as the principal destination for exports. The share of exports to Romania rose from 17% to 27% between 2014 and 2019.

Major Moldovan politicians are no longer calling to terminate the association agreement (and DCFTA) as they had done a few years ago. Even the Socialist, pro-Russian President Dodon, who during a meeting with Vladimir Putin in 2017 expressed his will to cancel the Association Agreement, now refrains from such declarations. On the contrary, during a meeting in February 2019 with Elmar Brok, a member of the European Parliament, **Dodon emphasised that the**

Which agricultural producers have benefited the most from DCFTA implementation?

According to a report prepared by the Expert Group think tank ([Lupușor A., 2019](#)) the following products from the agricultural sector recorded a largest increase in sales in 2015-2018 (compared to 2011-2014):

- Seeds of Sunflower (2,7 times more)
The main markets of sale: Romania, Bulgaria, United Kingdom
- Wheat and meslin (3,7 times more)
The main markets of sale: Romania, Poland, Czech Republic
- Wine of fresh grapes (1,7 times more)
The main markets of sale: Romania, Poland, Czech Republic
- Corn (1,9 times more)
The main markets of sale: Italy, Greece, Romania
- Sugar (1,2 times more)
The main market of sale: Romania
- Rape (1,8 times more)
The main market of sale: Romania
- Barley (1,8 times more)
The main markets of sale: Italy, Greece, France
- Fresh grapes (6,3 times more)
The main market of sale: Romania
- Honey (2,9 times more)
The main market of sale: Romania
- Ethyl alcohol, undenatured; 80% vol. or higher (30 times more)
The main markets of sale: Spain, Bulgaria, Netherlands

implementation of the Moldovan-EU Association Agreement is an opportunity to advance the country's essential domestic reforms.

Since Transnistria was included in the DCFTA, exports from the Transnistrian region to the EU member states (despite the fluctuation in 2019) have generally trended upward. Whereas exports to EU countries amounted to US\$163 million in 2016, the figure increased to US\$179 million in 2019. In the first three months of 2018, general exports from Transnistria rose by 44%. Exports to Poland increased almost 13 times, and exports to Romania doubled. The explanation for these positive trends is that the region is connected to the opportunities offered by the DCFTA for Moldova, and Transnistria can benefit from it ([Newsmaker.md, 2018](#)).

The introduction of joint control at the Moldovan-Ukrainian border in 2017, as well as new regulations including the modernisation of the legislative framework, methods for surveying trade flows and migration at the border, and co-operation with the EUBAM mission ([EUBAM, 2018](#)), have contributed to reducing the illicit passage of people and goods via the Transnistrian segment of the border in recent years. A positive appreciation of the management of the country's eastern border has also contributed to facilitating import-export operations and increasing predictability for the country's economic sector.

Sanitary and phytosanitary standards

(In reference to Title V, Section 2, art. 176 of the AA)

Moldova has managed to make significant progress in implementing EU regulations on sanitary and phytosanitary standards. Between 2014 and 2019 the ISM (National Standardisation Institute of Moldova) managed to adopt over 5000 European and international standards in the food sector (over 2000 of which are European standards). Moldova is also gradually withdrawing from the Soviet norms which still apply in some sectors. About 700 of these are still in force, but almost 350 were cancelled between 2014 and 2016.

In December 2017 the Moldovan government approved a Food Safety Strategy for 2018-22 which is aimed at ensuring a high level of consumer security. It is the first strategic document describing the national food safety framework, the stakeholders involved, the quality infrastructure and the main obstacles to implementing the required standards. The Action Plan for this Strategy includes 6 priority intervention areas with a clear timetable, as well as a clear designation of roles to

Which sectors of industry have benefited the most from DCFTA implementation?

When it comes to the industrial sectors according to a report prepared by the Expert Group think tank (Lupușor A., 2019) the following products recorded a largest increase in sales in 2015-2018 (compared to 2011-2014):

- Electrical cables, mainly for the automotive industry (64.1% increase)
The main market of sale: Romania
- Chairs, armchairs (60.5% increase)
The main markets of sale: Netherlands, Germany
- Bottles, flasks, jars, vessels, vials, glass containers used for transporting or packing goods etc. (38.2% increase)
The main markets of sale: Romania, Greece
- Women's or girls' clothing, coats, hats, coats, ski jackets, wind jackets, elastic jackets etc. (23.2% increase)
The main market of sale: Italy
- Blouses, shirts and shirt-blouses; women's or girls (42.4% increase)
The main markets of sale: Romania, United Kingdom
- Leather clothing, hats, coats, jackets (including ski jackets), wind jackets, elastic jacket; for men or boys (23.4% increase)
The main market of sale: Italy
- Sweaters, cardigans, vests etc. (10% increase)
The main market of sale: Italy
- Footwear; footwear parts etc. (12.4% increase)
The main market of sale: Romania

implement the proposed actions. The Strategy is a balanced, well-structured document critically describing the main challenges for the sector, but, unfortunately there is inadequate funding to implement all the actions ([Savva T, 2019](#)). Simultaneously the 'e-ANSA' system was implemented in order to ensure an efficient and secure exchange of data between authorities in electronic format.

One of the key achievements of this strategy is the setup of a 'one-stop shop' for the export and import of agricultural products. During 2018, over 60 laws and regulations were amended. Thanks to Law 185, which came into force at the end of 2018, the monitoring functions have been transferred to ANSA (the National Food Safety Agency). Previously, these rights had been divided among the Ministry of Health, ANSA and other state authorities. In October 2018 (Government Decision No. 938), the ANSA became the only institution with the right to carry out sanitary and phytosanitary inspections at the border. Both those decisions secured the effectiveness of the 'one-stop shop' solution and increased ANSA's effectiveness. **Importantly, border control procedures have been significantly simplified.** The number of control stages during border inspections has been reduced to only one (previously, inspections were carried out both at the producer's warehouse, and at the border). The time required to receive a phytosanitary certificate has also been reduced to about 2 hours (the procedure is carried out in parallel with the loading of the goods in the presence of an inspector). Declarations of the Origin of Goods have been introduced. The provisions on laboratory tests have also been changed; currently they are not performed for each carriage of goods, but for the entire group of products intended for export.

Unfortunately, despite the noticeable progress, some areas still require special attention and action. One of the biggest problem concerns the quality infrastructure, which in some sectors is almost non-existent. The financial and institutional efforts needed to improve the situation are insufficient, and do not allow a systemic change in quality control. For example, although some food testing laboratories are operational in the country, there are no reference laboratories for various sectors (such as honey). Also, the costs that producers have to incur in order to adapt to the new requirements are often too high, which slows down the process of change (this concerns almost all animal products). **In general, it seems that an overall national assessment of progress and challenges regarding the SPS strategy is required.** Investment shortages are one of the main reasons why Moldova is still struggling with the problem of exporting products of animal origin (especially chicken meat and eggs). Most manufacturers do not have a technology line that complies with European standards. In this context, it is worth considering that Moldova still has not adopted a law on zootechnics (which is intended to transpose about 20 EU regulations into legislation). However, on a positive note, on 19 September 2019, the Moldovan parliament has finally adopted a law on animal by-products ([Ministry of Agriculture, Regional Development and Environment, 2019](#)) not intended for human consumption (which is intended to prevent the spread of contagious animal diseases, among other matters).

2.5.2. Public procurement

(In reference to Chapter 8 – Public procurements, articles 268-276 of the AA)

Some of the new regulations of the law on public procurement ([Law 131, 2015](#)) which came into force in 2016 are being implemented, but there are still more to be adopted, tested and improved in order to have a functional system in the field and ensure transparency. In December 2016, the National Agency for Settlement of Disputes was established. The Agency has organisational, functional, operational and financial independence and is not subordinate to any other public authority or institution; it is obliged to defend the legitimate rights and interests of all parties involved in disputes submitted for settlement. Also in December 2016, the new [Strategy on the Development of the Public Procurement System 2016-2020](#) was approved by the government. In general, however, the legislative framework is improving and new institutions are being created;

yet corruption and the lack of staffing for entities such as the Public Procurement Agency and the National Agency for Settlement of Disputes hampers the effectiveness of the system.

The online e-procurement system Mtender was officially launched in October 2018, but it is still in the process of implementation. Moldova has not yet adopted the required secondary legislation or a business model that would allow the government to manage the system's administration. As a result, the system still does not ensure full transparency of public procurement. **These delays are largely due to a lack of political will. For example, in March 2019 the government decided to exempt the purchase of medicines from the law on public procurement that mandates the use of MTender (until January 2021).** This decision was widely perceived as an attempt to protect the vested interests of certain business-political groupings. Despite resistance from civil society and patients' associations, President Dodon promoted this change in the legislation. As of today, medicine procurement continues to be carried out via the old system, which publishes only general information about notices and contracts. In general, as expressed by the analysts of IDIS Viitorul: 'Current deficiencies and inconsistencies in the system, as well as the lack of technical functionalities ensuring the electronic execution of the entire process of public procurement, generates a series of constraints for economic operators, who are thus discouraged from participating in public procurement procedures. Due to these malfunctions, the positive effects of implementing electronic procurement cannot be fully enjoyed.' ([Pirvan V., Enachi D., 2019](#))

2.5.3. The financial sector (including banking sector transparency)

(In reference to Title IV, Chapter 7, art. 47 – 51, Chapter 8, art. 50, art. 52 of the AA)

After a large-scale fraud which took place at the end of 2014, the banking sector gradually started to stabilise in the second half of 2015. **Thanks to large support from foreign partners and institutions such as the IMF, both the government in Chişinău and the National Bank of Moldova (NBM) introduced complex and comprehensive reform process in the banking sector.** As a result, significant progress has been made over the last two to three years in reducing the vulnerabilities of the financial sector, and the risks in the banking system in Moldova have decreased considerably. One of the key decisions in this matter was the adoption by the Moldovan Parliament of a [Law on Bank Recovery and Resolution](#) in October 2016. Also, bank deposit guarantee mechanisms have been improved and the level (amount) of guarantees has been increased.

Although the sector is still struggling with distrust and remains threatened by the rent-seeking of political elites, which control bank assets or attempt to increase their shares, the transparency of bank shareholders has increased.

In October 2017 a new bank law, based on Basel III principles and drafted with the assistance of the central banks in the Netherlands and Romania, was adopted by parliament. The new regulations (which replaced most of the provisions of the Law on Financial Institutions) came into force in January 2018, and are aimed at transposing European best practices in banking regulation (including the CRD IV package) into national legislation. The law includes measures to prevent possible fraud in the banking sector by providing regulators with new instruments to license, regulate and monitor commercial banks. It also enhances the ability of banks to absorb shocks and losses through improved risk management. The transition should be completed by the end of 2020. **Unfortunately, the transposition of European law to the Moldovan system does not always go hand in hand with its full and proper implementation.**

The change of government in June 2019 allowed visible progress to be made in the investigation related to the theft of US\$1 billion from the Moldovan banking sector in 2014.

As early as 10 June 2019, a special parliamentary committee was established to investigate the matter. The so-called Kroll-2 report was forwarded to the committee ([Newsmaker, 2019](#)), and on 4 July 2019 it was published in the local media ([Unimedia, 2019](#)). Previously, the authorities had resisted disclosing the full version of this document. In February 2018, the National Bank published only a relatively short synthesis of the Kroll-2 report in Romanian. The document contained 57 pages and showed how the money was stolen, as well as the countries through which it was withdrawn and where it ended up. On 11 October 2019 the parliamentary committee investigating the theft unanimously approved a report clarifying the circumstances of the illegal withdrawal of money from the Moldovan banking system ([TV8, 2019](#)). **The authors of the report concluded that the theft had been organised by the PDM's former head Vlad Plahotniuc, the eponymous leader of the Şor Party Ilan Şor, the ex-prime minister Vlad Filat and the businessman Viaceslav Platon. The document also claims that the leadership of the National Bank (NBM) caused serious damage to the country's banking system, and highlights that some of those involved in the fraudulent scheme (in particular Ion Sturza and Aureliu Cincilei) still hold posts as deputy directors.** The committee report pointed out that the Information and Security Service (SIS) regularly informed the government of the fraudulent schemes which were taking place in the banking system, but the reports from the secret services were ignored. Report says that between 2015 and 2019 the Prosecutor General's Office effectively sabotaged the investigation, by splitting it into separate criminal cases; 70 cases were conducted by 20-25 different prosecutors. Only in the summer of 2019 was it possible to combine all the episodes of 'bank theft' into one criminal proceeding.

In October 2019 Plahotniuc was arrested in absentia (Moldovan prosecutors charged him with large-scale money laundering, among other offences), and at the end of the month the prosecutor's office seized Plahotniuc's enterprises and accounts in Moldova. However, the former oligarch had fled the country in June 2019, and is now in the US. Therefore, it is uncertain whether he can be successfully convicted (if the investigation is completed). Earlier (26 June 2019), the Moldovan prosecutor's office issued a warrant for Şor. Unfortunately, he also managed to escape from the country (and is now probably on the territory of Israel, of which he is a citizen). His punishment will also be problematic. On 10 January 2020 Viorel Morari, Moldova's Anti-Corruption Prosecutor, was detained. According to the investigation, Morari "protected Plahotniuc and his people from being named as suspects in the case of the US\$1 billion theft, which prevented swift, complete and objective investigation."

On 19 February 2020, the Prosecutor General's Office presented Parliament with a progress report on the investigation into the bank theft. A significant part of the current investigation's conclusions coincides with the findings contained in the report by the parliamentary committee. **As of now, according to prosecutors' declarations, a total of about 2 billion Moldovan lei (over US\$100 million) has been recovered. In practice, however, these funds come from the sale of the assets of the liquidated banks involved in the theft, and not from funds transferred abroad.** At the same time, a representative of the Prosecutor's Office stated that in recent years part of the evidence in the case of the theft has been destroyed. **On 5 March 2020 searches were conducted in the NBM. As a result, its former and current leaders, Dorin Drăguţan, Emma Tabirta and Ion Sturza were arrested.** Drăguţan, who held the position of governor of the NBM between 2009 and 2016, was charged with fraud and large-scale money laundering. The prosecutor's office is also cooperating with the countries through which the stolen funds probably passed.

Despite the clear progress and the new arrests, the investigation into the scandal should still be closely monitored by Moldova's western partners. The currently ruling Socialist Party has cooperated in the past with the Democratic Party (which represents Plahotniuc and was controlled by him until June 2019). In March 2020, the Democratic Party (although in a slightly different composition; a group of MPs headed by Andrian Candu left the PDM in February 2020) formed a

coalition with PSRM and is now part of the government. **It is therefore highly likely that the ruling elites will try to influence the investigation in order to protect people associated with the Socialists or Democrats who could have been involved in the crime.**

2.5.4. Competition

(In reference to the Title IV, Chapter 8, Title V, Section 2, art. 161, Chapter 10, Section 2, art. 339 – 342 of the AA)

Positive changes can be observed in the field of competition protection in Moldova.

Competition Issues related to the competition have been regulated in Moldova in 2012 by Law No. 183 on Competition ([Law No. 183, 2012](#)) which prohibits any common actions or associations of undertakings that would distort market competition. The Competition Council (directly responsible to the Parliament) is the main body responsible for ensuring compliance with laws in the field of competition, as well as advertisements and state aid. If the Competition Council finds out that an act of unfair competition has occurred, it can impose a fine of 0.5% of the offending company's annual turnover in the previous financial year. Serious violations of the law like formation of cartels can be punished by a fine of up to 4% of annual turnover.

The Council's activity and effectiveness is increasing every year, which is evidenced by the fact that while no cartel was identified in 2016, as many as eight were disclosed in 2018. In addition, while only 20 competition-related investigations were initiated in 2016, there were 34 of them in 2018. **At the same time, despite the increasing effectiveness of institutions guaranteeing competition rights, it seems that the awareness among entrepreneurs of their right to defend competition remains low.** The average number of complaints received by the responsible authorities on average every year is moderate (about 15 per year). Therefore, the Moldovan government should increase its efforts to disseminate knowledge on this subject among entrepreneurs.

In general, the absolute value of state aid is decreasing. In July 2017, the parliament adopted a national programme in the field of competition and state aid whose overall target (the implementation of which is the Council's responsibility) is to make the economy more open to competition, by means including reducing regulations on the commodity market. In 2015, the amount of state aid accounted for 4.48% of GDP, 1.83% in 2016 and only 0.55% in 2017. Additionally in 2018, as many as 14 state aid schemes were aligned (a further 18 were ongoing in 2019).

Although anti-monopoly policy has been improving, members of influential political and business circles in Moldova are still widely engaged in different non-transparent economic activities. It is not uncommon for Moldovan tycoons to attempt to monopolise economic sectors or take control over the import of certain goods. Additionally, the customs office plays a major role in weakening competition, as many goods are smuggled into Moldova, especially by groups with links to the governing elite. Smuggling is also reported to take place through Transnistria.

2.5.5. Protection of private property

Despite continuing problems with the protection of private property, the situation in this field is improving. The right to private property is guaranteed by the Moldovan constitution and a number of other legal acts (such as the law on property). According to the 2019 Index of Economic Freedom (published by the Wall Street Journal and the Heritage Foundation), Moldova scored 552 points in terms of property rights, which is the country's best result in the history of this ranking. A positive step from the point of view of property rights was the suspension of Law on Capital Amnesty in July 2019. The law was heavily criticised by the opposition, the European Union and the United States. It is widely believed that the new regulations may be used by political and business

elites to legalise fraudulently acquired money and property. However, there are still concerns regarding the enforcement of intellectual property rights in Moldova and the opaque acquisitions of shares that still occur in the Moldovan banking sector.

The business climate for private entrepreneurs in Moldova is improving, due to the implementation of the DCFTA, among other factors. According to *Doing Business 2019* by the World Bank, Moldova scored 73.54 points (in comparison to 72.75 in 2017) and ranked 47th out of 190 countries. According to Moldovan legislation, the state does treat state-owned and private enterprises equally. Nevertheless, despite the general improvement in the situation of private companies, state-owned enterprises still have an advantage over them and tend to use this advantage to restrict private sector competition. As government representatives usually sit on the boards of state-owned enterprises, they are generally better positioned to influence decision-makers. Additionally, some SOEs enjoy additional protection and preferential government treatment, because they serve as illegal sources of income for the political elite.

In general, the on-going privatisation is also improving the position of private companies over state-owned enterprises. Unfortunately, the privatisation process is often not transparent. One of the recent examples was the privatisation of the AirMoldova aviation company, which took place in the second half of 2018, when it sold for just \$71 million (due to the company's debts only \$3 million of this amount was transferred to the state budget). Background information about the new owner remains unclear and there are reasons to believe that company was deliberately indebted in order to lower its price. It seems highly probable, that the main beneficiaries of this privatisation are related to the ruling elite.

2.5.6. Regional and rural development

(In reference to Title IV, Chapter 20, art. 107 – 112, Title V, Chapter 10, art. 333 – 338, Section 2, Art. 339 of the AA)

The institutional and legal framework for creating favourable conditions to stimulate regional development has greatly improved in recent years.

On 7 November 2018, the main strategic planning document for the country, the National Development Strategy 'Moldova 2030', was approved by the government. The strategy sets long-term sectoral development priorities, focusing on improving the quality of citizens' lives. It aims to focus the public policies of the Republic of Moldova on the problems, interests and aspirations of the people. The document will also contribute to the strategic allocation of budgetary and institutional resources, according to the objectives set for four basic pillars: a sustainable and inclusive economy, strong human and social capital; fair and efficient institutions; and a healthy environment.

In 2016 the implementation of the LEADER approach in the Republic of Moldova began. The LEADER approach (from the French acronym *Liaison entre actions de développement de l'économie rurale*, meaning 'Links between actions for the development of the rural economy') is an EU method for supporting locally-driven rural development interventions through inclusive partnerships that recognise local resources and potential. In Moldova the programme is being piloted by the Centre for Local Authorities in collaboration with UNDP and USAID, which supported the creation of the first Moldovan Local Action Groups (LAGs), partnerships of institutions and persons representing local public, private, and social interests who work together with a common vision to develop the area where they live. Moldova currently has 32 LAGs, and 30% of the state's territory is covered by functioning LAG initiatives. In 2016-2018 the EU supported the creation of eight pilot LAGs in Gagauzia and Taraclia within the EU-SARD Programme. 150 rural areas are involved in the project. 160 local development projects were introduced in 2018, while another 250 are currently being

implemented. In December 2018 a National LEADER Network was established by Moldovan LAGs and organisations promoting the LEADER approach in Moldova. In April 2019, the National LEADER Network in partnership with the Ministry of Agriculture, Regional Development and Environment, the National Rural Development Network of Moldova, and the Solidarity Fund in Moldova, supported by the European Union, organised the EU-Moldova LEADER Conference, the main goal of which was to promote the European Union's approach in rural development between 2016 and 2019. From April 2019, the National LEADER Network from the Republic of Moldova became a member of the European LEADER Association for Rural Development (ELARD).

On 20 February 2020 Moldova's parliament adopted the European LEADER approach as the basis of its national rural policy. Moldova is therefore the first non-EU country to implement the LEADER approach as the basis for its rural development policy and programming. The approach will be supported with national funds.

On 27 April 2018, 6 contracts to co-finance 6 pilot projects for urban revitalisation in six Moldovan cities were signed. The projects are from different fields (spatial planning; strengthening housing associations; community interaction; social inclusion, etc.) and were dedicated to all regions of Moldova: north (Balti, Edinet, Ocnita), centre (Ungheni), south (Cimislia) and Gagauzia (Comrat).

In June 2018 the National Network for Rural Development was created in Moldova. The network united organisations operating in agriculture and rural development under an 'institutional umbrella', and was created to ensure the facilitation and consolidation of participation in political dialogue in the national agro-rural context. The creation of the network was supported by the EU Delegation to Moldova. Also, on 131 May 2020 the second edition of the EU-Moldova LEADER Conference 'LEADER across Europe' was held, the main goal of which is (among others) the creation of a platform to exchange EU and non-EU LEADER experience, and to serve as a platform for the non-EU countries' LAGs, in order to build and strengthen sustainable and fruitful collaboration and share valuable experience.

However, despite these successes, there are still visible problems and shortcomings. The gap between urban and rural incomes remains very significant. While 16.5% of the urban population declare that their earnings are insufficient to cover basic needs, the same opinion is expressed by as much as 26/5% of residents in rural areas ([BOP, December 2019](#)). Additionally, the access of residents in non-urban areas to public services (e.g., health care, sanitation and quality education) is limited. Civil society outside Chişinău is very poorly developed. As a result, not many organisations are interested in participating in development activities, although this situation is gradually changing thanks to programmes such as LEADER. The low level of cooperation between local and central authorities is also a problem. Among the legal shortcomings, mention should be made of the fact that the Concept of the National Territory Planning has still not been adopted. This document establishes the rules and regulations regarding spatial planning, and also serves as an example for similar legal solutions in the regions.

In general, a comprehensive approach to drawing upon European practices to the field is needed. Such an approach should consider both governmental reform and the priorities of a decentralisation policy adapted to regional conditions and needs.

2.5.7. Macro-financial assistance

(In reference to Title IV, Chapter 7, art. 50 of the AA)

Following the change of government in June 2019, the European Commission resumed its budget support payments to the Republic of Moldova. For nearly two years such payments had been put on hold due to the deterioration of the rule of law in the country. **Unfortunately, the next**

change of government in November 2019 and the takeover by the socialist camp, has called any further reforms, and thus financial support from the EU, into question.

In July 2019 the European Commission disbursed €14.54 million to support the implementation of the EU-Moldova free trade agreement, to finance vocational education training, and to assist the implementation of the visa liberalisation action plan. Subsequently in October 2019, the European Commission approved the disbursement of another €14.35 million and €24.85 million to support police reforms, the fight against corruption and anti-money laundering, the modernisation of the energy sector, agriculture and rural development, and a more efficient and transparent public finance policy. Also in October 2019 the European Commission approved the disbursement of €30 million in macro-financial assistance to the Republic of Moldova. This is the first of three planned disbursements under the Macro-Financial Assistance (MFA) programme to Moldova that was adopted in September 2017. The programme, worth up to €100 million, is designed to assist Moldova in covering its external financing needs while implementing a wide-ranging and ambitious agenda for structural reform ([European Commission, 2019](#)).

All these decisions were made in connection with the change of government in Chişinău and the associated hopes for an improvement in the rule of law situation. After the disputed mayoral election in Chişinău, in July 2018 the European Union froze a €100 million macro-financial assistance programme, which had been granted to Moldova the year before in order to support its economic stabilisation and reform agenda. Earlier, in October 2017, the European Union announced that it would not transfer the last tranche of funds (€28 million) to support reforms in the justice sector due to the government's lack of commitment to the reforms in 2014 and 2015.

In February 2020, the IMF Mission published a [report](#) on the implementation of the loan programme with Moldova, whose performance was assessed to be strong, with all the performance criteria for the end of December 2019 having been met. Most structural benchmarks were assessed as 'on track to be implemented prior to the completion of the review'. After the approval of the Mission's report at the meeting of the IMF Executive Council (scheduled for mid-March 2020), Moldova will receive a tranche of assistance in the amount of US\$22 million. In this regard, during his visit to Brussels in March 2020 President **Igor Dodon announced the successful completion of the 2016-20 cooperation programme with the IMF** (which expires on 20 March), **and confirmed his readiness to begin negotiations on a new programme of cooperation with the fund** ([EADaily, 2020](#)).

This maintenance of external support is very important for the state budget's stability. The plans presented by Chicu's government for the years 2020-22 show that Moldova should receive around €1 billion from abroad: 71% of this money will come from the World Bank, the European Bank for Reconstruction and Development and the European Investment Bank, while only 14% will come from Russia ([Mold-street.md, 2019](#)).

The European Union should maintain its assistance to Moldova under the current government, but at the same time it must apply very strict conditionality rules and closely monitor the situation in the country, both in terms of the implementation of reforms and the way how the funds obtained are being spent.

2.5.8. Anti-fraud and control over EU assistance

(In reference to Title IV, Chapter 7, art. 50 of the AA)

Generally, over the past five years a clear strengthening of supervision over EU funds in Moldova can be observed. The [law of incorruptibility](#) in Article 44 (adopted in May 2017) clearly penalises fraud involving foreign funds. The National Anti-Corruption Centre and the Anti-

Corruption Prosecutor's Office investigate cases related to the misappropriation of foreign funds. These institutions work closely with the European Anti-Fraud Office (OLAF). The National Integrity Agency (ANI) established in 2016 is also involved in the prevention and prosecution of fraud. Additionally, the Agency for the Recovery of Criminal Assets (ARBI) was created in 2017 as an autonomous subdivision within the CNA. The Agency's tasks are to conduct parallel financial investigations, accumulate evidence and cooperate with international partners in order to recover funds obtained through criminal activity. **Despite the clear improvement of the legal and institutional base, efforts should be made to strengthen the efficiency, operational capacity and independence of these agencies.**

2.6. Energy cooperation and climate change

2.6.1. The Energy Community

(In reference to Title IV, Chapter 10, Article 63, Chapter 14, art. 76 – 79, Title V, Chapter 11, Art. 353, 354 of the AA)

The majority of the provisions from the Third Energy Package have been transposed into primary legislation with the adoption of the Law on Electricity (May 2016), the Law on Natural Gas (May 2016) and the Law on Energy (September 2017). Unfortunately, implementation of the secondary legislation to the Natural Gas and Electricity Laws has encountered problems and the most important acts, which would enable genuine third-party access and open up the market, are still in draft form. **The practical implementation of Package III is dragging on**, largely due to a lack of political will on the part of the Moldovan government, combined with strong pressure from Russia, which does not want to lose its control over the gas distribution system in Moldova. Currently Moldovagaz (the national gas operator) is controlled by Gazprom, which holds 50% plus one share of the company. In general, however, some progress has been observed in this area.

In February 2020 the ANRE approved the Action Plan on ensuring the independence of the transmission system operator (TSO) Moldovatrangaz. The Action Plan divides the implementation phase of the separation process into 12 stages, which includes 23 basic actions and 61 additional actions, all scheduled to be completed by 1 October 2020. Following the implementation of the Separation Plan, Moldovatrangaz will meet the requirements regarding the separation and independence of the TSO according to Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas, and repealing Directive 2003/55/EC, transposed by Law 108/2016 on natural gas.

On the negative side, shortcomings have been observed in the process of the ANRE's setting of tariffs. Electricity procurement procedures still raise serious concerns, as proven by the Energocom case. The ANRE's independence and transparency in the process of selecting its management also raise doubts ([Cotidianul.md, 2020](http://Cotidianul.md)). Although positive developments regarding electrical and gas interconnection with Romania can be observed, no significant successes have been achieved in this fields as of now.

Regarding the diversification of energy supplies to Moldova, the construction of proper infrastructure still remains a problem. Moldova is fully dependent on gas imports from Russia. Construction of the gas pipeline connecting the Ungheni-Iași interconnector with Chișinău (which will enable the supply of Romanian gas to Moldova) has been significantly delayed. Originally, work on the gas pipeline was to be completed in 2019, but in January 2020 the Romanian company Transgaz responsible for the investment postponed the launch of the gas pipeline to 2021 ([Mold-street.md, 2020](http://Mold-street.md)). This delay will probably increase further due to the outbreak of the coronavirus epidemic. **On a positive note, out of concern for the possible suspension of Russian gas**

supplies via Ukraine in December 2019, Moldova, Ukraine and Romania modernised their existing interconnectors and signed appropriate agreements enabling gas transfer to Ukraine and Moldova via the Trans-Balkan pipeline. ([UA Transmission System Operator, 2019](#)). This solution is seen as a safeguard against the possible interruption of Russian supplies. The situation looks slightly better when it comes to electricity. At present, Moldova is able to cover only about 20% of its electricity consumption; the remaining 80% comes mainly from the Moldavskaya GRES power plant located in Transnistria (which is owned by the Russian state-owned company Inter RAO UES), or from Ukrainian sources. **Despite many years of efforts, interconnection between the Romanian and Moldovan power grids has still not been fully established. Recently, however, a positive dynamic can be observed in this area.** Moldova is planning the construction of a 600 MW back-to-back converter substation in Vulcănești, as well as a new 400 kV high-voltage overhead line between Vulcănești and Chișinău. The project also provides for the expansion and upgrade of associated high-voltage substations. The investment has been financed from EBRD and European Investment Bank (EIB) funds (€80 million each in equal parts) as well as the European Union (a €40 million investment grant). **In September 2019, the Moldovan government signed an agreement with the World Bank regarding a loan for the remaining €61 million** ([Ministry of Economy and Infrastructure, 2019](#)). **This loan, together with the previously guaranteed financing, should fully cover the project, whose costs are estimated at €261 million** ([EBRD, 2019](#)). It is expected that all work will be completed by the end of 2024.

The Law on the Promotion of Renewable Energy which aims to harmonise the Moldovan legislation in the field of renewable energy with the EU *acquis* came into force in March 2018 ([InfoMarket, 2018](#)). The new law's provisions include financial support for investors in RES. Investors wishing to produce energy from RES (up to a certain power limit) are now able to use a stable tariff for the electricity they produce for a period of 15 years. **In addition, the Law on Energy Efficiency was adopted in July 2018.** This consolidates the national institutional framework's capacities for implementing energy efficiency policies and developing the relevant financing mechanisms. The law also enables active participation by third parties, as it provides a necessary framework for energy performance contracts (via energy service companies, or ESCOs), and allows private investment in the public sector ([IRENA, 2019](#)).

These legislative changes have gone hand in hand with a rapid rise in renewable energy production. Between 2014 and 2018, energy production from RES increased 16.5 times from 3134.5 thousand kWh to 51,664.6 thousand kWh ([ANRE, 2016](#) & [ANRE, 2018](#)). In 2018 alone, the amount of electricity produced from renewable sources rose by 21.475 million kWh (71.1%), compared to the respective indicator for 2017. In 2018 biogas and wind energy represented the most significant source of electricity produced from RES (97%), while solar and hydroelectric energy remained at almost zero.

The effectiveness of Moldova's energy policy is limited by pressure from Moscow, and the fact that some Moldovan decision makers seem to be working in cooperation (or in the interest) of Russia. For this reason, for the reforms to succeed in this sector, it is necessary to reduce corruption and increase the independence and skills of competent public institutions. To achieve this, however, the political will of the elites is necessary.

2.6.2. Environmental legislation

(In reference to Title IV, Section 2, Chapter 13, Chapter 16, Chapter 17, art. 92 – 95, Title V, Chapter 13, art. 366 – 369, art. 375, Annexe XII of the AA)

The legal framework in the field of environmental and climate policy has improved significantly. In 2014 Moldova adopted the National Environmental Strategy (which includes

actions which are to be applied by 2023). **On 20 June 2017, Moldova ratified the Paris Agreement on Climate Change.** The country's goal is to reduce greenhouse gas emissions to between 64% and 67% below its 1990 level by 2030. **In June 2018, the Inspectorate for Environmental Protection and the Environmental Agency were created ([Ministry of Agriculture, Regional Development and Environment, 2018](#)).** The inspectorate takes over the competences of several previously existing institutions and improves state control in the fields of environmental protection, air, forestry, fish, water, soil resources, subsoil use and natural resources. The Environment Agency is the main administrative authority which enforces the new legislation on environment, as approximated to the European Union's norms and provided for in the Association Agreement. **In February 2019, a set of normative acts on climate were adopted, including a Regulation on the Organisation and Functioning of the National Monitoring and Reporting of Greenhouse Gas Emissions and other Information Relevant to Climate Change, a Government Decision on the Establishment of Mechanisms to Coordinate Activities on Climate Change, and a Government Decision on the Establishment of the National Commission on Climate,** transposing Regulation (EU) 525/2013. Following the adoption of these acts, Moldova now needs to urgently establish an inventory system for greenhouse gas emissions and other information relevant to climate change. The country's limited financial and technical capacity remains a barrier to further progress in the climate sector. **The 'Moldova 2030' National Development Strategy, approved in December 2018, is not consistent with Recommendation 2018/01/MC-EnC, since the integration of energy and climate considerations and objectives has not been fully considered ([Energy Community, 2019](#)).**

Some progress has also been achieved with regard to Ukraine's planned expansion of the Dniester hydroelectric power generation complex. The Ukrainian government plans to build an additional cascade of six hydropower plants on this river by 2026. However, these plans threaten Moldova, as they could cause permanent water scarcity, food security risks and soil degradation, as well as a general environmental disaster on the Middle and Lower Dniester ([Dniester Commission, 2019](#)). In order to find a solution to this problem the Moldovan government organized several meetings with the Ukrainian side (in line with art. 72 of the 2017-2019 AA Implementation Plan). **Finally, at a press conference held on 10 April 2019 by the State Secretary of the Ministry of Agriculture, Regional Development and Environment of Moldova, it was announced that Ukraine would not build six cascade hydropower plants on the Dniester until a study on the impact of this construction on the river's ecosystem and the environment has been prepared.** This conclusion was the main result of the second meeting of the Moldovan-Ukrainian commission on sustainable use and protection of the Dniester basin, which was held in Kyiv in early April 2019 ([Point.md, 2019](#)). **At the same time, representatives of the Moldovan third sector have pointed out that Ukraine does not intend to abandon the project to develop hydropower plants completely, and that this topic must still be monitored (with the participation of civil society) ([Komsomolskaya Pravda, 2019](#)).**

Despite improved environmental protection, waste management remains a serious problem for Moldova. Over 90% of all waste goes into landfills and is not recycled. The main reason for the lack of clear progress in this area is financial shortages. **However, in October 2019 the [government of Moldova signed an agreement with the European Investment Bank \(EIB\)](#) which will lend €100m to the Republic of Moldova to finance improvements to the country's municipal solid waste management services.** The loan will help to implement the 2013-27 Waste Management Strategy of the Republic of Moldova, involving projects aimed at upgrading and developing solid waste management systems and facilities in eight regions across the country. The projects will provide new collection systems, material and bio-waste treatment facilities and new regional

sanitary landfills for all the urban population and part of the rural population, totalling approximately 3 million people.

3. The role and impact of EU institutions in implementing the AA

The European Union remains a key driver for systemic changes in Moldova. Its political and financial support represents a key motivator for the elites, who otherwise show no will to implement reforms which are inconvenient (from the perspective of the government's political and business interests). For example, the prospect of macro-financial support is the main incentive for the authorities to maintain the best possible relations with the EU.

The European Union and European Financial Institutions are the key donors responsible for the majority of Moldova's Official Development Assistance (ODA), which between 2014 and 2018 amounted to US\$300 million annually (on average).

Moldovan-EU cooperation is facilitated via several formats established by the Association Agreement. These include the Association Council (which has held five meetings, the last of which took place in Brussels on 30 September 2019), the EU-Moldova Association Parliamentary Committee (established in 2015, has held seven meetings so far, the latest in Strasbourg on 18-19 December 2019), the Association Committee, and the Association Committee in a trade format. The technical assistance provided to Moldova through the European Union's High Level Policy Advice Mission, and formats such as TAIEX, Twinning, SIGMA, etc., are also of great importance for the implementation of reforms.

The EU (and in particular the Confidence Building Measures [CBM] which it finances) plays a very important role in promoting rapprochement and dialogue between Tiraspol and Chişinău. EU support is one of the main motivators for the government. The general public is not particularly interested in the Transnistrian settlement process, and the political elites themselves seem to be satisfied with the status quo (also because of the opportunities for corruption arising from the existence of Transnistria). The cooperation of the Moldovan and Ukrainian authorities with the EUBAM mission has played a crucial role in securing the Moldovan borders and stabilising the situation in the region. Cooperation with Frontex also helps to improve the qualifications of the Moldovan services. The launch of a joint border control point in Palanca at the turn of 2019 is proof of the effectiveness of the EU's actions in this area.

It should be emphasised that diplomats representing the EU (especially the head of the EU delegation in Chişinău) have an extremely strong position in Moldova. Their statements and comments are widely cited by local media, and almost always meet with reactions from local politicians. It is therefore extremely important that EU representatives react quickly, firmly and publicly to any actions by the Moldovan authorities that violate the key principles promoted by the Association Agreement. This will help not only to put pressure on the political elites to comply with the rule of law, but will also have a positive impact on the image of the EU among Moldovan society. **When the EU supports specific values – and not specific politicians – it will be perceived by society as a guarantor and guardian of principles, and not as an actor defending its own political interests.**

4. Impact of the reforms on the Transnistrian region

The DCFTA represents the key component of the AA for the Transnistrian region. As 2016 began, this region had *de facto* joined the Deep and Comprehensive Free Trade Area as part of the agreement between the European Union and Moldova. Although the content of the agreement between Transnistria, Chişinău and the EU has not been disclosed, it can be concluded from the available leaks that Tiraspol agreed to lift (within two years) trade barriers to EU products, and to respect certain regulations of the World Trade Organisation concerning discrimination of competition, customs, indexation, transparency of entrepreneurship and tax reforms such as the introduction of VAT. Transnistrian exporters were also obliged to obtain certificates of origin for their products. It was also decided that the status of implementation of these obligations would be monitored regularly. In case Tiraspol does not follow the DCFTA assumptions, Chişinău and Brussels have the right to suspend the agreement for the quasi-state. Since Moldova has ensured the implementation and enforcement of the DCFTA throughout its territory, it is up to the Moldovan authorities to monitor and verify Transnistria's fulfilment of the conditions.

Covering Transnistria with the DCFTA regulations allowed the region to avoid the economic crisis that would have been the consequence of the termination of the Autonomous Trade Preferences (ATP), which had been in force since 2008. Thanks to the ATP, Moldova and Transnistria could export certain quotas of their goods to the EU market without paying customs fees. Overall, the inclusion of Transnistria in the DCFTA regulations stimulated regional trade with the EU. In 2019, Transnistria's exports to European Union countries amounted to US\$179 million, which accounted for 27% of total exports (for comparison, the countries of the Eurasian Economic Union were responsible for only 14% of exports at the same time). Romania had the largest share in Transnistrian exports to the EU (US\$86 million, almost half of the parastate's exports to the EU). In reality, however, the volume of Transnistrian production entering the EU markets is much larger. Some of the goods produced by this region first go to Moldova, and are only then re-exported to the West. In 2019, goods worth US\$247.3 million were exported to the right bank of the Dniester, representing 38% of all exports from the separatist republic.

Despite this, it seems today that fulfilling the obligations that the Transnistrian side took on towards Moldova and the EU poses a huge problem for Tiraspol. This is caused not so much by the absence of political will (although this is also a problem), but by the lack of competence and the conflicting economic interests of the political and business group that governs the region.

The need to eliminate import tariffs on trade with the EU represents one of the most problematic issues for Transnistria. For the Transnistrian economy, which suffers from a permanent deficit and requires external funding (primarily from Russia), the loss of c. 5% of its annual revenue (the estimated income from the tariffs) constitutes a serious challenge. **Nonetheless, it appears that Tiraspol is trying to gradually abolish import tariffs.** In 2016, the Transnistrian authorities decided to introduce zero import rates on 83 product categories (mainly raw materials necessary for local producers) for the period 2017-18. At the same time, the authorities also announced a gradual reduction of duties on meat, offal and fish products. At the same time zero import tariffs (but only for legal entities) were introduced for goods such as agricultural machinery, shoes, shoe parts, staples, etc. In 2020 import tariffs were abolished for a total of 700 product categories. However, as experts commented, the trend is towards introducing zero import duty on goods used in technological processes. **While [looking at the categories of products currently \(in 2020\) subject to import tariffs](#), it can be seen that Tiraspol is consistently trying to protect local producers and protect its source of revenue.** Tariffs ranging from 5 to 10% still apply to pork, poultry and fish (10%), dairy products (5%; however, some types of milk are subject to a 0% rate), and certain fruit including apples, plums, strawberries and cherries (10%). It seems certain that

Tiraspol will try to maintain protective tariffs as long as possible. To justify the maintenance of duties, Tiraspol argues that Chişinău has transition periods at its disposal in those sectors which are critical for the Moldovan economy. Local authorities also claim that the conditions which they proposed for EU producers are much more convenient than those offered by the government in Chişinău. ([Zygierewicz A. \(eds.\), 2018, p.90](#)).

For over five years EU experts have been advising Transnistria to introduce VAT in order to compensate for the losses related to the elimination of import duties ([Giucci, Radeke 2015](#)). This solution is not only an effective method of supporting the budget, but is also (as it seems) required from Transnistria under the DCFTA agreement. **However, calls for tax reform (shift from the turnover-tax to the classical taxation system (VAT, income tax, corporate property tax) were already included in the 2017 concept for budget and tax policy, but as of today this reform has still not been introduced. Sheriff Holding, the most powerful political and economic entity in the region, is particularly reluctant to introduce VAT, as such a reform could lower its profits.** This holding *de facto* controls Transnistria's decision makers and the political life of the parastate. It consists of more than a dozen firms and production plants representing various industries. It owns supermarket chains, filling stations, a mobile telephone network operator, and controls approximately 50% of the construction market and around 90% of the fuel market. ([Caţus K., 2013](#)) **The President of Transnistria, Vladimir Krasnosielski, is associated with Sheriff and directly represents its interests. At the same time, the local parliament is dominated by the *Obnovlenie* (Renewal) party, which serves as the company's political arm.** At the same time, the SME sector in Transnistria is very openly interested in reforms that could facilitate trade with the EU. Unfortunately, this environment has no real political or economic influence.

In general, cooperation between Chişinău and Tiraspol in implementing the DCFTA regulation generally seems to have been going smoothly. However, in the middle of February 2020, Moldovan banks stopped accepting payments from Transnistrian companies accounts operated by Transnistrian banks. As a result, Transnistrian economic agents were unable to pay for goods and services to Moldovan residents. It was the first time that had happened in 30 years of interaction between the banking systems of Transnistria and Moldova. The authorities in Tiraspol claimed that Moldova's actions violated the agreements with the European Commission within the framework of the Free Trade Area Agreement (DCFTA), while Chişinău justified its actions in terms of "the fight against money laundering".

In addition to DCFTA, Transnistria is directly affected by Moldova's activities related to the implementation of the provisions of Article 5, 7 and 8 of the Association Agreement. The decision to open the bridge between the villages of Gura Bîcului and Bîcioc, as well as the five agreements signed between Chişinău and Tiraspol in 2017, have been conducive to building confidence between the banks of the Dniester river and stabilising the regional situation. At the same time, ensuring the proper protection of Moldova's eastern frontier by launching joint checkpoints (with Ukraine) on the Transnistrian section of the Moldovan-Ukrainian border is considered a threat by Tiraspol, although seen positively by Chişinău. Transnistria is afraid that the presence of Moldovan border guards on the border with Ukraine could allow Chişinău to collect additional duties from products imported into the separatist republic, or even impose an economic blockade on the region. Tightening up of the border controls also limits smuggling, which is very profitable for certain political and business entities in Transnistria.

5. Bottlenecks implementing reforms

The main factors limiting the pace of reform in Moldova have remained the same for years.

These include: a lack of political will on the part of the elites, combined with a lack of proper internal drivers of reforms; permanent political instability; low civic activity by the general public (and therefore a lack of bottom-up pressure) and underfunded (and sometimes underqualified) administrative apparatus which lacks the technical capacity to implement the reforms.

Members of the Moldovan political elite most often represent specific political and business (or simply oligarchic) groups, and are not interested in implementing reforms that could limit their influence.

For the same reason, they tend to control not only the most 'profitable' institutions of the state apparatus, but also the judiciary or the prosecutor's office. Control over the justice system allows representatives of the Moldovan government to avoid responsibility for acts of corruption and abuses of power, and can at the same time be used as an instrument to fight political and business opponents (e.g. by initiating criminal proceedings against them on the basis of real or fabricated evidence).

The lack of motivation among the elites also overlaps fact that the internal drivers of reforms in Moldova are generally very weak.

Although civil society has been trying to put pressure on the authorities, it has limited effectiveness. The media – which with only a few exceptions is largely dominated by political and business circles related to the authorities – cannot be considered pro-reform factors. In this situation, the most powerful drivers of reform are the country's partners in development, especially the European Union, and to some extent the United States ([Zygierewicz A. \(eds.\), 2018, p.93](#)).

Political instability and frequent government changes are another problem that limits the pace of implementing reforms.

In just six years, between 2013 and 2019, Moldova has had seven different prime ministers. In the years 2010-15, the political crisis was fuelled by the political and business rivalry between Vlad Filat and Vlad Plahotniuc. Although they were allies (formally speaking) in the ruling coalition, in reality they were business and political rivals, engaged in a constant struggle to expand their political influence and control over the state apparatus. However, they were forced to maintain a temporary alliance which ensured them a parliamentary majority and enabled them to remain in power, and consequently to maintain their influence and secure their political and business interests ([Cațus K., 2016](#)). Huge political tensions (which led to the collapse of the Sandu government) also existed during the ACUM-PSRM coalition (June-November 2019). The country's political instability is also exacerbated by frequent changes in legislation which fundamentally change the functioning of the political system.

Moldova is also struggling with a lack of technical capacity to properly implement reforms.

Mass labour migration drains the labour market of young, qualified people. Additionally, the very low salaries in the public sector discourage competent people from a career in public administration. As a result Moldovan institutions have a serious problem not only with employing proficient professionals, but with filling vacancies in general. Nepotism and favouritism, which are rampant in Moldova, constitute an additional problem which not only affects the quality of staff but also leads to their politicisation. **At the same time, interestingly, any reforms that are beneficial to the authorities are implemented very quickly, as exemplified by the swift change of the electoral system in 2017 and the so-called Law on Capital Amnesty adopted in 2018. This demonstrates that it is political will (and not technical capacity) which is crucial for implementing reforms.**

The unresolved problem of Transnistria is also an obstacle to the implementation of reforms.

The existence of this unregulated administrative entity encourages the political and business elite of Moldova to corrupt and even criminal activities (in cooperation with representatives of the Transnistrian authorities). The so-called energy scheme serves as an excellent example of how this corrupt cooperation between Tiraspol and Chişinău can affect reforms in Moldova. Under this scheme, two intermediary companies were established (one in Transnistria and the other in Moldova) in order to facilitate the trade of energy produced by the Moldavskaya GRES power plant in Transnistria. Both of these companies were linked to representatives of the political elites in Tiraspol and Chişinău, and allowed them to reap significant profits from energy trading. More importantly, however, the existence of such a scheme discouraged the authorities in Moldova from achieving independence from importing Transnistrian electricity, or from fighting corruption in the energy sector in general. **Equally important, the fact of Transnistria's existence is often used by Chişinău as a pretext for not implementing reforms, or as an excuse for a lack of progress.**

6. Recommendations

General recommendations:

- Moldova's Western partners – and in particular the EU – should pay very close attention to the developments in the justice sector of this country. The assessment of reforms in the justice sector must have a qualitative (the actual situation in the field) rather than a quantitative dimension (expressed in terms of the number of legal acts adopted). The rise of power by the Socialist Party (which in previous years de facto cooperated closely with the ex-oligarchic Democratic Party) calls the reforms initiated by the Sandu government into question. At the same time, the formation of the PSRM and Democratic Party coalition in March 2020 only increases this threat. It seems that an attempt to re-politicise the important state institutions and the judiciary (in particular prosecutors and courts) is now being made. Particular attention should be paid to the outcome of proceedings brought against persons associated with PSRM (and whether such proceedings will be conducted at all). In order to monitor the state of judicial reform, EU institutions should develop a mechanism similar to the Cooperation and Verification Mechanism which is in use in Romania and Bulgaria.
- The mere fact of the change in government in November 2019 should not be a premise for suspending macro-financial assistance to Moldova. However, this assistance must be accompanied by a strong monitoring mechanism for qualitative results, not just quantitative ones. A double verification mechanism should be encouraged.
- The EU's interest in monitoring and conditioning its external financial assistance needs to increase. The supervisory authorities' administrative capacity needs to be improved in line with EU standards. The exchange of information with EU financial supervisors should be encouraged in a fair manner, without internal political conditionality arising from the particular interests of the various political forces in Chişinău. Independent actors or group of actors from different environments (such as joint consortia of local think tanks, independent thinkers, and European officials) should become involved in macro-financial assistance. Transparency in the decision-making process regarding external financial assistance should be ensured by the government in Chişinău in the form of local interim reports. In order to ensure adequate control over EU funds, Moldova (in the Court of Accounts) should, in cooperation with the proper EU institutions (such as OLAF or the European Commission), audit the use of the external assets.
- The development of a new, comprehensive National Action Plan for the Implementation of the Association Agreement (NAPIAA III) is necessary. Moldova currently does not have a NAPIAA. The schedule included in the last plan (the so-called NAPIA II) covered the period between 2017 and 2019. In September 2019, the Sandu government adopted the Government Action Plan for 2019-20 which included the implementation of some of the delayed activities provided for in NAPIAA II. However, this document was replaced in December 2019 (after the formation of the Chicu government) by the new Government Action Plan for 2020-23, which corresponds partially with the provisions of the AA.
- The quality of public administration (especially the number and capacity of staff) must be gradually improved. Salaries in the sector should encourage young people to take up a career in administration. At the same time, maximum transparency should be ensured when it comes to selection procedures, and strict anti-corruption rules must be applied.

Sectorial recommendations:

- A comprehensive reform of the Constitutional Court, which guarantees its independence and reduces the risk of its politicisation and instrumentalisation, should be carried out as soon as possible.
- There is hope for the de-monopolisation of the Moldovan media, which until now have largely been concentrated in the hands of politicians and businessmen. The EU should support independent media and journalists (especially investigative journalists). At the same time, there is a serious risk that in the near future a significant part of the mass media will become subordinated to Socialist Party-affiliated groupings. The evolution of this sector should therefore be closely monitored.
- Moldova should carry out a comprehensive decentralisation reform as soon as possible. The number of local administration units should be reduced to ensure their greater independence and decrease their operating costs. Broad (horizontal) cooperation between local authorities should be encouraged.
- The new act on non-governmental organizations (adopted at the first reading in 2018) should be finally voted and promulgated.
- Support must be provided for SMEs in Transnistria (both technically and financially) by implementing cooperation programmes with companies on the right bank of the Dniester. This will allow these companies to benefit fully from the DCFTA and increase pressure on the authorities in Tiraspol to implement reforms.
- Moldova should develop a coherent, inclusive and original project (i.e. one which pursues the interests of Chişinău, and not external actors) to resolve the Transnistrian issue. At the same time, Chişinău should create and implement a strategy aimed at building social ties between the inhabitants of both banks of the river. Convincing the people of Transnistria that the Moldovan state is interested in them is (in the long run) crucial for the resolution of the separatism problem.
- The abolition (or at least maintaining the moratorium) of the 'citizenship for investments' programme is crucial with regard to combating corruption and maintaining the visa-free regime with the Schengen area.
- Moldova and the EU should press Transnistria to fulfil its obligations regarding the implementation of the DCFTA, and especially increase pressure regarding the introduction of VAT in the region. At the same time, the EU should also support cooperation between SMEs on both banks of the Dniester river.
- The change of government will give an opportunity to conduct an in-depth investigation into the 2014 theft of US\$1 billion from the banking system. Unfortunately, there is a risk that some of the political class currently ruling may (out to their own interests) try to block or control the course of the investigation. It seems that the involvement of independent investigators (as assistants or advisers) in this case would be helpful.
- The Moldovan government should resolve the legal conflict between the Gagauzian authority and the centre as soon as possible. The legal framework should be revised to ensure that the rights of the Autonomy and the Gagauz minority are respected. At the same time, the dialogue between the government and representatives of Comrat should be continued. In this context, Moldova should also ratify the European Charter for Regional Minority Languages (which the Republic of Moldova signed in 2002), and sign the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights.
- The law on the National Information Service, the law on counterintelligence activity and external information activity, and the amendments to the law on the status of intelligence and security officers should be developed and adopted.

- A law on video surveillance should be adopted, together with further delayed legislation regarding the protection of personal data.

7. ANNEXES

Table 1. Overall assessment of the fulfilment of selected AA provisions

Article of AA	Assessment
<u>Title II</u>	Overall assessment: Moderate progress with noticeable positive developments.
Article 3	<p>Although political dialogue with the EU clearly revived in June 2019, bilateral contacts deteriorated as soon as November (after the fall of the Sandu government). The formation of the Chicu government has particularly worsened Chişinău's relations with Bucharest. For political reasons, relations between Moldova and Ukraine have become more complex in last months, although both countries continue to cooperate (including in the energy sector and border protection). On the other hand, dialogue with Russia has improved significantly.</p> <p>Positive developments have been observed in the field of security and border management. In July 2018, the National Defence Strategy and the Action Plan for its implementation in 2018-22 <u>was approved</u>. The Military Strategy and the Action Plan on its implementation for the years 2018-22 <u>were passed</u> in October 2018. In February 2020 the authorities in Chişinău <u>confirmed their intention to continue political dialogue with NATO</u> and IPAP for 2020-22. Moldova regularly participates in joint military exercises with its partners from the EU and NATO, alongside Georgia and Ukraine. The National Strategy for Integrated Border Management for 2018-23 <u>was approved</u> in November 2018. At the end of 2017, Moldovan and Ukrainian border guards <u>began joint patrols</u> of the Transnistrian section of the common border, and since November 2018 similar patrols comprised of Moldovan and Romanian border guards have been patrolling the western borders of Moldova. Thanks to the neutral license plates, <u>Moldova gained access to information</u> concerning a significant proportion of the vehicles registered in the separatist region. In December 2018 the most modern Jointly Operated Border Crossing Point on the Moldovan-Ukrainian border (in Palanca) <u>began its operation</u>.</p> <p>Although the European Charter for Regional Minority Languages (signed by the Republic of Moldova in 2002) should have been ratified by the end of 2019, in accordance with the Action Plan on the Implementation of the Association Agreement (NAPIAA 2017-2019), the document is <u>still pending ratification</u>. Despite the same deadline, Moldova <u>has not so far signed</u> the Optional Protocol to the International Covenant on Economic, Social and Cultural Rights (which establish complaint and inquiry mechanisms for the International Covenant on Economic, Social and Cultural Rights).</p>
Article 4	<p>Media freedom in Moldova is still at risk, and most of the mass media is concentrated in the hands of political and business groups. Journalists are intimidated, and the authorities often limit media access to information. Another alarming phenomenon was the Moldovan authorities' mass eavesdropping of journalists between 2017 and 2019. On a positive note, a new Audio-Visual Code <u>was adopted</u> in October 2018, after a long consultation process in which both experts from Moldovan civil society and abroad were included. In 2020 the authorities also started an investigation into the wiretapping of journalists.</p> <p>The legal basis and general situation in the field of the protection of human rights continues to improve. In July 2018 a new, third Human Rights National Action Plan (2018-22) was approved by the government. In February 2019 a National Human Rights Council (within the State Chancellery) was set up. In March 2018 the new National</p>

	<p>Strategy for Preventing and Combating Trafficking in Human Beings (SNPCTFU) for 2018-23 was approved. The position and independence of the People's Advocate was reinforced by the newly established Art. 59 of the Constitution, and as a result, the Office of the People's Advocate officially met the terms of the Paris Principles in 2018. Unfortunately, even though the NAPIA II 2017-2019 deadline expired in June 2017, the Criminal Code still has not been amended with regulations regarding hate crimes.</p> <p>On 3 May 2018, the Moldovan parliament adopted a new Law on non-commercial organisations at the first reading. The version of the new law adopted by parliament met with positive feedback from NGOs, although it should be noted that the authorities had previously made efforts to introduce provisions into the act which worsened the situation in the third sector. The new Strategy for Civil Society Development (2018-2020) and the corresponding Action Plan was adopted in March 2018. The mechanism which allows Moldovan citizens to donate 2% of their income taxes to selected NGOs is becoming increasingly popular with each year. In recent years the Moldovan government regularly criticised NGOs, which negatively affected their perception among the public. There are also cases in which representatives of the third sector who are involved in monitoring the authorities' activities have been threatened. In July 2019, it was revealed that during the Democratic Party's rule, the Moldovan secret services eavesdropped and recorded conversations en masse of not only opposition politicians, but also representatives of civil society. The political changes that took place in Moldova in 2019 have reduced the political pressure on NGOs.</p> <p>The general reform of the central administration which started in June 2017 with the approval of the new Law on the Government is ongoing, and should be assessed positively. The reform reorganised the structure of the government and the institutions subordinated to it, which increased the efficiency and stability of the state apparatus and reduced the risk of abuse. In July 2018 a new Administrative Code <u>was approved</u>, and came into force on 1 April 2019.</p> <p>Although in recent years the Moldovan authorities have adopted a number of significant regulations increasing the financial independence of local administration units, among other measures, the key structural reforms which would allow the emergence of a true self-government have still not been implemented.</p> <p>Positive changes have been introduced to electoral law and regulations regarding the functioning and financing of political parties. In January 2019 a new mechanism regulating the distribution of budget funds directed to political parties came into force in Moldova, which is intended to stimulate the more active involvement of women and youth in politics, and in August 2019, a number of amendments to electoral legislation (Law No. 113, 2019), which (among other things) allowed the Moldovan diaspora to finance political parties in their native country, were adopted. Also, in February 2020 the so-called quantitative and territorial requirements for establishing political parties (which have prevented the creation of regional parties which could represent the minorities) were declared unconstitutional. From 1 July 2020, such groups will be allowed to form. The 'mixed' voting system (for parliamentary elections) adopted in 2017 was scrapped in August 2019, and the proportional system was restored. Also in August 2019, the Moldovan Parliament restored the day of 'election silence' on the last day before polling day. The amendment introduced in August 2019 made it easier for Moldovan citizens abroad to participate in the elections.</p>
Article 5	Moldova successfully cooperates with the EU on security issues.
Article 6	On 13 October 2010 Moldova signed the 1998 Rome Statute, and in April 2017 the Moldovan parliament voted in favour of the accession of the Republic of Moldova to the Agreement on the Privileges and Immunities of the International Criminal Court. As a result, <u>in June 2017 Moldova became a full member</u> of this organisation. The draft law to ensure effective cooperation with the International Criminal Court has been

	<p>prepared, but (despite missing the deadline envisaged in NAPIAA II) <u>has still not been adopted</u>.</p>
Article 7	<p>Most of the laws in the fields of conflict prevention and crisis management which were meant to have been adopted in 2017 according to NAPIAA II 2017-2019 <u>have been seriously delayed</u>. This includes the law on the National Information Service, the law on counterintelligence activity and external information activity, and the amendments to the law on the status of intelligence and security officers. On a positive note, in December 2017 the conception of Information Security of the Republic of Moldova <u>was promulgated</u> by the President in February 2018.</p>
Article 8	<p>Relations between Chişinău and Tiraspol have recently become more constructive, which made it possible to achieve progress and implement a number of confidence building solutions positively affecting the functioning of the Transnistrian economy and the quality of life of this region's inhabitants. As a result of the 5+2 format talks in 2017, both sides decided to resume direct telephone communications between the banks of the Dniester river, and agreed on the rules governing the functioning of Romanian-language schools in separatist region. Additionally Moldova has agreed to recognise diplomas issued by the University of Transnistria. Moldovan farmers were also provided with access to their land located on territory controlled by Transnistria. The parties also managed to agree on the creation of new, 'neutral' license plates (without state markings) for cars registered in Transnistria, which would enable Transnistrian drivers to travel abroad. As of now, almost all of those agreements have been implemented (except the one regarding telephone communications, allegedly for technical reasons).</p> <p>In December 2018 the most modern Jointly Operated Border Crossing Point on the Moldovan-Ukrainian border (in Palanca) <u>began its operation</u>, and at the end of 2017 Moldovan and Ukrainian border guards <u>began joint patrols</u> of the Transnistrian section of the common border. The mandate of the EUBAM mission, which has been operational since 2005, is regularly extended (last time from 1 December 2017 until 30 November 2020). Cooperation with FRONTEX is also developing successfully. In March 2018 the agency signed a new cooperation plan with Moldova.</p>
Article 9	<p>No new National Strategy on the Non-Proliferation of Weapons of Mass Destruction and the Mitigation of Chemical, Biological, Radiological and Nuclear Risks <u>has been approved</u>, despite being scheduled in NAPIAA II. The project did not go to public consultations until May 2018. According to the current government's programme, the Strategy and Action Plan are to be adopted by June 2020.</p>
Article 10	<p>A National Commission for monitoring the movement of small arms and light weapons was created in March 2018. In May 2018 the government approved the concept of the automated State Register of Arms information system. At the same time, a national strategy for preventing the illicit manufacture, transfer and movement of small arms and light weapons, which had a deadline for the end of 2018, <u>has not yet been developed</u>.</p>
Article 11	<p>The key legal bases included in NAPIAA II 2017-2019 on international cooperation in the fight against terrorism <u>have been introduced</u>. In general, Moldova is successfully ensuring the exchange of information in the field of preventing and combating terrorism in accordance with international law.</p>
<u>Title III</u>	<p>Overall assessment: Moderate progress with considerable backlogs of judicial reforms.</p>
Article 12	<p>The amendments improving disciplinary procedures for judges and strengthening the role of judicial inspector entered into force in September 2018. One month later, in October 2018, amendments to the law on judicial organisation and the law on the status of judges were published. In September 2019, the Parliament of Moldova</p>

	<p>adopted amendments to the Law on the Prosecutor's Office (Law No. 128, 2019) which changed the procedure for selecting a prosecutor general. In January 2020 the Ministry of Justice presented the draft of a Strategy for Ensuring the Independence and Integrity of Justice Sector for 2020-23. On 31 January 2020 a new law on the Supreme Council of Magistracy came into force. Also in January 2020, the Moldovan government proposed a series of amendments to the constitution that were intended to contribute to an increase in judiciary independence.</p> <p>On a negative note, the new Justice System Development Strategy 2018-22 has not been adopted, and its fate remains unclear. In the meantime, in 2018 the Ministry of Justice approved a transitional document, the so-called 'small justice reform', but it also ended in failure.</p> <p>A new law on the Constitutional Court has been developed, but its implementation stalled, and in the end the initiative was declared null and the promotion procedure was reinitiated. At the moment, the new regulations <u>have not been adopted</u>.</p>
Article 13	<p>A law on video surveillance <u>has not been adopted</u> even though the project for this act had already been developed in 2018. At the same time it turned out that since 2014, the number of phones tapped in Moldova has doubled, and that Moldova is a European leader in terms of the number of permits granted to wiretap (Moldovan judges agree to at least 97% of such requests from prosecutors).</p> <p>Other laws regarding protection of personal data envisaged in NAPIAA II 2017-2019 are either <u>awaiting the adoption of prerequisite laws</u> or have <u>not yet been adopted</u>. In March 2020 the government submitted to parliament the amendments to the law on registers.</p>
Article 14	<p>A new cooperation plan with the European Agency for Border Police and Coast Guard (Frontex) for 2018-20 <u>was signed</u> in March 2018. The legal framework regarding conditions for asylum seekers has been strengthened, and certain amendments strengthening the regulatory framework regarding the documentation of foreigners have been adopted. The National Strategy for Integrated Border Management for 2018-23 was approved by the Moldovan government in November 2018 (this document replaced the previous plans for 2011-13 and 2015-17). Amendments to the legislation on the integration of foreigners (which transpose Directive 2011/95/EU of the European Parliament and of the Council of 13 December 2011) have not yet been introduced, and currently are at the consultation stage. The Action Plan for the years 2019-20 regarding the integration of foreigners in the Republic of Moldova has not yet been adopted and still remains at the consultation stage. However, it has been included in the current government's programme.</p>
Article 15	<p>A readmission mechanism is in place, and functions efficiently. The visa-free regime is used by Moldovans on a mass scale and without obstacles. Between 2014 and 2019, more than two million Moldovan citizens entered the Schengen area thanks to the visa-free regime, with very low rates of refusal (0.3%) and illegal stay (0.5%). The Moldovan government's introduction of a <u>moratorium on the 'citizenship for investment' programme</u> is a positive development in the context of the stability of the visa-free regime.</p>
Article 16	<p>In July 2018 a new, third Human Rights National Action Plan (2018-22) was finally approved. Earlier, in March 2018 the new National Strategy for Preventing and Combating Trafficking in Human Beings (SNPCTFU) for 2018-23 was adopted. Also in June 2018, the Moldovan parliament adopted the law regarding the promotion of employment and unemployment insurance which guarantees special protection of a state to those unemployed who were victims of human trafficking. In January 2018 the ANI established a mandatory mechanism for filing civil servants' assets and conflict-of-interest statements, and an e-declaration system. Secondary legislation for the Law on preventing and combating money laundering and terrorism financing was adopted in</p>

	<p>September 2018 and in November 2018 the long-awaited Law on Whistle-Blowers came into force. In July 2019, after the dismissal of Pavel Filip's cabinet, the Moldovan authorities imposed a moratorium on the 'citizenship for investment' programme introduced in October 2017. This programme was widely criticised by both internal experts and foreign partners (including the EU). Together with the previously adopted Act on Capital Amnesty, 'citizenship for investment' made Moldova a convenient place for people who wanted to launder funds obtained through criminal proceedings. The moratorium was extended in December 2019, and then again in February this year (until January 2021). At the same time, the authorities announced the cancellation of the Capital Amnesty Act in 2020. The independence of the CNA is also open to serious question. There is a risk that the PSRM, which formed the government in November 2019, will attempt to take control of this institution.</p>
Article 17	<p>The Mtender online e-procurement system was officially launched in October 2018, but it is still in the process of implementation and does not ensure full transparency of public procurement. These delays are largely due to a lack of political will. <u>For example, in March 2019 the government decided to exempt the purchase of medicines from the law on public procurement that mandates the use of MTender (until January 2021).</u> This decision was widely perceived as an attempt to protect the vested interests of certain business-political groupings. Despite resistance from civil society and patients' associations, President Dodon promoted this change in the legislation. As of today, medicine procurement continues to be carried out via the old system, which publishes only general information about notices and contracts.</p>
Article 18	<p>Secondary legislation for the law on preventing and combating money laundering and terrorism financing <u>was adopted</u> in September 2018. In this context it is worth mentioning that the draft law on the procedure for identifying violations in the area of money laundering and terrorism financing and for the imposition of fines has still not been fully adopted. The bill was approved by the government and submitted to parliament in February 2020, and at the end of the same month the law was adopted at first reading. Earlier, in December 2017, a law on prevention and combating money laundering and financing of terrorism was adopted by parliament. On 21 September 2017 a law on preventing and combating terrorism was adopted.</p> <p>After the Sandu government took power, some progress was made in the investigation of the US\$1 billion fraud. In July 2019 the full version of the second Kroll report on the fraudulent schemes was finally published. In October 2019 a parliamentary inquiry commission set up to deal with the fraud published a <u>report in which the main beneficiaries of the theft were named</u>. In October 2019 national and international arrest warrants were issued for Vlad Plahotniuc. In the same month, prosecutors seized assets owned by the fugitive oligarch worth 55 million lei (about €2.8 million). In July 2019 an arrest warrant was issued for Ilan Șor; earlier he had been deprived of his parliamentary immunity. As of June 2019, the authorities had only managed to recover 2.3 billion of the 13.34 billion lei stolen as a result of the fraud. However, over half of this amount comes from the liquidation of three of the banks involved and their property. Unfortunately, it should be expected that due to the takeover of power by the PSRM with the support of the PDM, the investigation of the fraud will slow down and become more selective (i.e. it will not apply to people associated with these groups).</p>
<u>Title IV</u>	Overall assessment: Moderate progress with noticeable positive developments.
Chapter 1	<p>In July 2018, a new Administrative Code <u>was approved</u> and came into force on 1 April 2019. Progress has been made in implementing IT solutions in administration. On 8 May 2018, the E-Government Centre was renamed the Agency of Electronic Government as a result of the consolidation of data centres in the public sector and the rationalisation of the administration of information systems by the Government. In July 2018 the Parliament <u>adopted</u> the law on data exchange and interoperability, and in April 2019 in accordance with the above-mentioned law the MConnect interoperability</p>

	<p>platform <u>was created</u>. Although in recent years the Moldovan authorities have adopted a number of significant regulations increasing the financial independence of local administration units, the key structural reforms which would allow the emergence of a true self-government have still not been implemented.</p>
Chapter 2	<p>At the end of 2018 the PARE 1+1 Remittance Attraction Programme, which has operated since 2010, was extended for another three years (2019-21). Despite continuing problems with the protection of private property, the situation in this field is improving.</p> <p>Moldova has managed to make significant progress in implementing EU regulations on sanitary and phytosanitary standards. Between 2014 and 2019 the ISM (National Standardisation Institute of Moldova) managed to adopt over 5000 European and international standards in the food sector (over 2000 of which are European standards). In December 2017 the Moldovan government approved a Food Safety Strategy for 2018-22 which is aimed at ensuring a high level of consumer security. One of the key achievements of this strategy is the setup of a 'one-stop shop' for the export and import of agricultural products. Importantly, border control procedures have been significantly simplified. The number of control stages during border inspections has been reduced to only one (previously, inspections were carried out both at the producer's warehouse, and at the border). Declarations of the Origin of Goods have been introduced. The provisions on laboratory tests have also been changed; currently they are not performed for each carriage of goods, but for the entire group of products intended for export. On 19 September 2019, the Moldovan parliament has finally adopted a law on animal by-products intended for human consumption. However, most manufacturers do not have a technology line that complies with European standards. In this context, it is worth considering that Moldova still has not adopted a law on zootechnics (which is intended to transpose about 20 EU regulations into legislation).</p>
Chapter 3	<p>The Law regarding joint stock companies was adopted by the parliament at the second reading on 20 February 2020. Earlier, a law on companies with limited liability was adopted in June 2017. The law on accounting and the law on the audit of financial statements <u>were adopted</u> by parliament in December 2017. Also in December 2017, the Civil Code was amended in line with the provisions of Article 30.</p>
Chapter 4	<p>In June 2018 the law on the promotion of employment (which includes measures to improve the country's labour market situation) was adopted. In the second half of 2018, the government also presented a plan to modernise the National Agency for Employment. In October 2018 the new regulations on the organisation and functioning of the National Agency for Employment were introduced in order to increase the efficiency of this institution. The position of the labour market observer has been clearly strengthened (this unit now has the rank of a directorate within the National Employment Agency). In May 2018 a plan for the implementation of the National Strategy on employment for the years 2017-2021 <u>was adopted</u>.</p>
Chapter 5	<p>In July 2018, amendments which transposed the provisions of Regulation 2006/2004 Regulation (EC) No 2006/2004 of the European Parliament and of the Council of 27 October 2004 on cooperation between national authorities responsible for the enforcement of consumer protection laws <u>were adopted</u> into the national legislation.</p>
Chapter 6	<p>In September 2018, new regulations on the organisation and functioning of the National Bureau of Statistics and the reorganisation of territorial statistical offices (in line with the provisions of the new Law on the National Bureau of Statistics introduced in 2017) was approved. The draft law on the 2021 Population and Housing Census was not adopted.</p>
Chapter 7	<p>Law no. 147 amending and supplementing the Law on public finances and fiscal responsibility <u>came into force</u> in September 2018.</p>

Chapter 8	<p>In March 2018, the Criminal Procedure Code of the Republic of Moldova was amended in order to expand the powers of the State Fiscal Service. In 2019, a number of minor amendments to tax legislation were also introduced. Also, in January 2018, the single electronic reporting desk was launched. This centralised electronic service for fiscal, financial and statistical reporting allows users to report to the State Tax Service (SFS), the Ministry of Finance, the National House of Social Insurance, the National Insurance Company and the National Bureau of Medicine.</p>
Chapter 9	<p>After the large-scale fraud scandal which took place at the end of 2014, the banking sector gradually started to stabilise in the second half of 2015. Thanks to the large support from foreign partners and institutions such as the IMF, both the government in Chişinău and the National Bank of Moldova (NBM) introduced a complex and comprehensive reform process in the banking sector. Although the sector is still struggling with distrust and remains threatened by the rent-seeking of political elites, which control bank assets or attempt to increase their shares, the transparency of bank shareholders has increased.</p> <p>In October 2017, a new bank law, based on Basel III principles and drafted with the assistance of the central banks in the Netherlands and Romania, was adopted by parliament. The new regulations (which replaced most of the provisions of the Law on Financial Institutions) came into force in January 2018; they aim to transpose European best practices in banking regulation (including the CRD IV package) into national legislation. Among other matters, the law aims to prevent possible fraud in the banking sector by providing regulators with new instruments to license, regulate and monitor commercial banks. It also enhances the ability of banks to absorb shocks and losses through improved risk management. The transition should be completed by 2020. Unfortunately, the transposition of European law into the Moldovan system does not always go hand in hand with its full and proper implementation.</p> <p>On 19 February 2020, the Prosecutor General's Office presented parliament with a progress report on the investigation into the massive bank theft of 2014. On 5 March 2020 searches were conducted in the NBM. As a result, the NBM's former and current leaders, Dorin Drăguţan, Emma Tabirta and Ion Sturza, were arrested. Drăguţan, who held the position of governor of the NBM between 2009 and 2016, was charged with fraud and large-scale money laundering. The prosecutor's office is also cooperating with the countries through which the stolen funds have probably passed.</p>
Chapter 12	<p>On 7 November 2018 the country's main strategic planning document, the Moldova 2030 National Development Strategy, was approved by the Government. In 2016 the implementation of the LEADER approach in the Republic of Moldova began. On 20 February 2020 Moldova's parliament adopted the European LEADER approach as the basis of its national rural policy. Moldova therefore became the first non-EU country to implement the LEADER approach as the basis for its rural development policy and programming. In June 2018 the National Network for Rural Development was created in Moldova. At the same time, a number of national normative acts for transposing EU legislation have been adopted.</p>
Chapter 14	<p>The majority of the provisions from the Third Energy Package have been transposed into primary legislation, with the adoption of the Law on Electricity (May 2016), the Law on Natural Gas (May 2016) and the Law on Energy (September 2017). Unfortunately, the implementation of the secondary legislation to the Natural Gas and Electricity Laws has encountered problems. In February 2020 the ANRE approved the Action Plan on ensuring the independence of the transmission system operator (TSO) Moldovatransgaz. The Action Plan divides the implementation phase of the separation process into 12 stages, which includes 23 basic actions and 61 additional actions, all scheduled to be completed by 1 October 2020. On the negative side, shortcomings have been observed in the process of the ANRE's setting of tariffs. Electricity procurement procedures still raise serious concerns, as proven by the Energocom case.</p>

	<p>The ANRE's independence and transparency in the process of selecting its management also raise doubts. Although positive developments regarding electricity and gas interconnection with Romania can be observed, no significant successes have been achieved in this fields as of now. Regarding the diversification of energy supplies to Moldova, the construction of proper infrastructure still remains a problem. On a positive note, out of concern for the possible suspension of Russian gas supplies via Ukraine in December 2019, Moldova, Ukraine and Romania modernised their existing interconnectors and signed appropriate agreements enabling gas transfer to Ukraine and Moldova via the Trans-Balkan pipeline. Despite many years of efforts, interconnection between the Romanian and Moldovan power grids has still not been fully established. Moldova is planning the construction of a 600 MW back-to-back converter substation in Vulcănești, as well as a new 400 kV high-voltage overhead line between Vulcănești and Chișinău. The project also provides for the expansion and upgrade of associated high-voltage substations. The investment has been financed from EBRD and European Investment Bank (EIB) funds (€80 million each) as well as the European Union (a €40 million investment grant). In September 2019, the Moldovan government signed an agreement with the World Bank regarding a loan for the remaining €61 million (Ministry of Economy and Infrastructure, 2019). The Law on the Promotion of Renewable Energy, which aims to harmonise the Moldovan legislation in the field of renewable energy with the EU acquis, came into force in March 2018. In addition, the Law on Energy Efficiency was adopted in July 2018. The effectiveness of Moldova's energy policy is limited by pressure from Moscow, and the fact that some Moldovan decision-makers seem to be working in cooperation with (or in the interests of) Russia. For this reason, in order for the reforms in this sector to succeed, it is necessary to reduce corruption and increase the independence and skills of competent public institutions. To achieve this, however, the political will of the elites is necessary.</p>
Chapter 17	<p>The Paris Agreement was ratified in May 2017. In December 2018 the National Monitoring and Reporting System (SNMR) for GHG emissions and other information relevant to climate change was created. In December 2019 it was revealed that the SNMR will be revised in order to increase the level of transparency. The Law on the Promotion of Renewable Energy, which aims to harmonise the Moldovan legislation in the field of renewable energy with the EU acquis, came into force in March 2018. In addition, the Law on Energy Efficiency was adopted in July 2018.</p>
<u>Title V</u>	<p>Overall assessment: Moderate progress with noticeable positive developments.</p>
Chapter 1 / Chapter 2	<p>The implementation of the DCFTA has had a very positive and stimulating effect on Moldovan trade with the EU countries. While in 2014 exports to EU member states amounted to US\$1.246 billion (which accounted for 53% of total exports), in 2019 it rose by 61% to US\$1.831 billion (66% of total exports). Imports from the EU to Moldova also increased, though not as radically as exports. While the value of goods imported from the EU in 2014 equalled US\$2.568 billion (48.3% of total imports), in 2019 it rose by 12.5% to as much as US\$2.890 billion (49.5% of total imports). Moldova's trade balance has also improved. While in 2008-13 imports exceeded exports by an average of 2.5 times, in 2014-19 this indicator dropped to 2.08. The improvement in the ratio of exports to imports is still particularly evident in trade with the EU. In 2008-13 imports from EU exceeded exports by an average of 2.3 times, and in 2014-19 this indicator dropped to only 1.6. In parallel to the development of trade with the EU, a dramatic decline in trade with CIS countries has taken place. However, the increase in trade with the EU has been able to compensate the Moldovan economy quickly for the losses resulting from Moscow's political decisions and the international situation. The agricultural and food sector has particularly benefited from the implementation of the DCFTA, despite fears that it would be exposed to the biggest losses after the trade agreement with the EU was implemented. The DCFTA's implementation enabled the</p>

reorientation of Moldovan trade, and clearly reduced the dependence of the Moldovan economy on Russia, which in turn has limited Moscow's ability to put pressure on Chişinău. Whereas exports to Russia accounted for 26% of total exports in 2013, this figure fell to only 9% in 2019. In 2014 Romania replaced Russia as the principal destination for exports. The share of exports to Romania rose from 17% to 27% between 2014 and 2019. Since Transnistria was included in the DCFTA, exports from the Transnistrian region to the EU member states (despite the fluctuation in 2019) have generally trended upward. Whereas exports to EU countries amounted to US\$ 163 million in 2016, the figure increased to US\$ 179 million in 2019. In the first three months of 2018, general exports from Transnistria rose by 44%.

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In November 2019, the European Parliament's Committee on Foreign Affairs (AFET) requested to draw up an own-initiative report on the implementation of the EU association agreement with Moldova (2019/2201(INI)).

Dragoş Tudorache (Renew Europe, Romania) was appointed rapporteur.

This European implementation assessment (EIA) is an update to the EIA on the association agreements between EU and Moldova, Georgia and Ukraine prepared in July 2018 to assist the AFET committee in its scrutiny work. After AFET drafted three implementation reports, one for each of the three countries, the European Parliament adopted resolutions on the EU's association agreements with Georgia (2017/2282(INI)) and Moldova (2017/2281(INI)) in November 2018, and with Ukraine (2017/2283(INI)) in December 2018.

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