

SHADOW REPORT

**EU-MOLDOVA ASSOCIATION AGREEMENT:
7 YEARS OF IMPLEMENTATION
PROGRESS. CONSTRAINTS. PRIORITIES.**

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EXECUTIVE SUMMARY

During the seventh year of implementation of the Association Agreement (1 September 2020 - 1 September 2021), while summarizing the results and constraints identified in this Shadow Report, there is higher qualitative progress in those areas and sectors covered by the EU-Moldova Association Agreement, which have been conditioned on the budget support and macro-financial assistance programs provided by the EU. In 2021, citizens' trust in the European Union has increased. Over 57% of the citizens of the Republic of Moldova opt for the accession of the Republic of Moldova to the European Union.

The European Union remains the main development partner of the Republic of Moldova, offering in 2020 over EUR 360 million under various assistance programs, including regional programs EU4Business, EU4Energy, EU4Environment, EU4Youth, EU4Digital. In 2020 EU provided in the framework of the Team Europe initiative over EUR 127 million to support the management of the COVID-19 pandemic crisis and its effects. During 2021, the European Commission alone offered the Republic of Moldova over EUR 150 million, including over EUR 100 million within the budget support programs and 50 mln. EUR - last tranche of OMNIBUS macro-financial assistance. Moreover, in 2021, the EU launched a special Economic Recovery Plan for the Republic of Moldova for the years 2021-2024 of EUR 600 million, focused on five pillars, namely (1) public finance management and economic governance; (2) competitive economy, trade and SMEs; (3) infrastructure; (4) education and employment in the labor market; and (5) the reform of the rule of law and justice. Moldova continued to benefit from TWINNING, TAIEX, and the expertise of EU High Level Advisers. The mandate of the EUBAM Mission was extended until November 30, 2023. The EU also increased the volume of assistance by EUR 5 million for the fifth stage of the EU Confidence Building Program. On October 28, 2021, the Republic of Moldova joined the EU Research and Innovation Program for 2021-2027 - Horizon Europe.¹

In addition, in the context of the new objectives of the Eastern Partnership post-2020, in the context of the Eastern Partnership Summit of December 2021, the Regional Indicative Plan for 2021-2027 is finalized, which will support the implementation of the EU Economic and Investments Eastern Partnership Regional Plan (with an EU contribution of EUR **2.3 billion**). Within this regional program, the EU will implement in the Republic of Moldova five flagship initiatives (1) in the field of sustainable economy will be assisted over 50,000 SMEs, (2) construction of a freight terminal to stimulate trade with the EU; (3) increase energy efficiency, (4) construction of transport infrastructure for anchoring Moldova to TEN-T and (5) modernization of school infrastructure and implementation of the national strategy in the field of education.

The EU-Moldova political dialogue was influenced by the changes in the internal politics in Chisinau, especially following the election of Maia Sandu as President of the Republic of Moldova and the early parliamentary elections of July 11, 2021, but also by the evolution of the COVID-19 pandemic crisis. Additionally, on the eve of the Eastern Partnership Summit in December 2021, the Republic of Moldova, Georgia and Ukraine formalized the *Associated Trio* initiative. During its sixth meeting of the EU-Moldova Association Council, the European aspirations and the European choice of the Republic of Moldova were recognized, by reaffirming the common commitment to strengthen political association and deepen economic integration in accordance with the Association Agreement. The new Association Agenda is to be finalized by the end of 2021. However, the main constraint by mid-2021 was the political instability that affected the efficiency of national authorities in implementing the provisions of the EU-Moldova Association Agreement. One of the priorities at national level remains the adoption of the new Action Plan on the implementation of the Association Agreement.

In the field of **human rights**, the activity of the National Council for Human Rights was strengthened, which finalized and presented the National report in the context of the third cycle of the United Nations Universal Periodic Review. By far the most important achievement of the year is the ratification of the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence. In 2020, the number of violations of fundamental rights found by the European Court of Human Rights (ECtHR) decreased from 39 to 28. However, the number of convictions for violations of the right to a fair trial, the right to liberty and security, as well as inhuman and degrading treatment continues to remain high. The reform of the Ombudsman's institution has not been completed in accordance with the Paris principles. The draft law no. 301/2016 on combating hate speech was not adopted in the final reading. An outstanding constraint is the limited capacity of the National Council to prevent discrimination and ensure equality (Equality Council).

In the field of **internal affairs**, the Republic of Moldova has capitalized on the EU assistance in the budget support program for police reform. The level of citizens' trust in the Police registered 41%. The overall share of women in the Police and the share of women officers has increased. However, the alternative assessment carried out by Promo-lex shows that by the end of 2020, 1/3 of the planned actions in the field of police reform have not been completed. Police cooperation continued in the framework of strategic and operational cooperation with the

¹ NOTE: Under the previous Horizon 2020 program, Moldovan researchers benefited from more than EUR 7.4 million.

European Police Office (EUROPOL), in particular on combating transnational financial frauds, combating trafficking in human beings and exploiting Moldovan labor migrants in the EU. At the same time, the activity of cross-border organized criminal groups continued to be a major challenge, especially with regard to smuggling cigarettes and counterfeit alcohol. In 2020, the flow of cigarettes shipped to the Transnistrian region increased, with a significant share of these cigarettes being smuggled into the EU.

Starting with 2021, **EU-Moldova cooperation in the field of foreign and security policy** is registering a new qualitative dynamic. The EU-Moldova High Level Political and Security Dialogue has been announced. The first meeting in this format is planned for early 2022. The Presidency of the Republic of Moldova published the Vision of foreign policy priorities for 2021-2022. The Republic of Moldova continues to participate in EU crisis management missions. The interest in participating in the projects of the European Peace Facility was expressed. During the reference period, a reduction in the alignment rate from 80% in 2019 to 68% in 2020 was registered. However, there is a higher alignment rate to the EU declarations targeting the Russian Federation. At the same time, the Republic of Moldova continued to refrain from aligning itself with most EU declarations and decisions targeting China (Hong Kong) and Belarus. The Republic of Moldova is to adopt the National Security Strategy as a result of a comprehensive review process of the security and defense sector.

In the field of **regional stability**, there is an intensification of visits of mediators and observers to the Transnistrian conflict settlement process. The efforts of the participants in the regulatory process focused on activating the negotiation process in the "5 + 2" format. The EU continues to support confidence-building projects, including in the area of COVID-19 crisis management. As of September 1, 2021, a new regime for crossing the Moldovan-Ukrainian border of the means of transport from the Transnistrian region with neutral registration numbers was implemented. The human rights situation in the Transnistrian region of the Republic of Moldova has deteriorated considerably. The free movement of citizens continued to be restricted. No progress on the initiation of the procedures for the destruction of ammunition from the military depot in Cobasna was registered. The respective subject is to be reactivated within the bilateral dialogue between the Republic of Moldova and the Russian Federation, but also during the negotiations in the "5+2" format.

The area of freedom, security and justice has made some progress on the adoption of policy documents, including amendments to the Constitution in the area of strengthening the independence of the judiciary. In October 2021, the EU announced the interest in initiating a structured dialogue in the field of justice.

Seven years after the **liberalization of the visa regime**, 2.4 million citizens traveled to the EU using their biometric passports, with over 9.1 million border crossings when leaving the country. Thus, over 70% of the citizens of the Republic of Moldova have traveled almost four times in the EU in the last seven years. However, the pandemic affected the movement of citizens in the Schengen area. To facilitate border crossing, the National Emergency Commission for Public Health approved the electronic format of filling in the template. It is also possible to electronically download the vaccination certificate, test certificate or recovery certificate as of October 15, 2021. Since November 2021, the European Commission decided the recognition of Moldovan vaccination certificates.

The EU mechanism for monitoring the implementation of the visa-free regime continues to be effectively respected. However, the European Commission emphasized in its fourth report the need for further efforts to manage the issue of unfounded asylum applications in some EU countries (i.e. Germany, the Netherlands and France). Attention was also drawn to the insufficient progress in investigating banking fraud, combating money laundering, preventing and combating corruption and organized crime.

The field of personal data protection has not made significant progress. The adoption of regulations that would correspond to the provisions of EU Regulation 2016/679 and Directive 2016/680 remain pending.

Regarding the **efforts to fight corruption**, we notice that there is no finality on the cases of resonance. At the same time, criminal investigation in respect of the suspended General Prosecutor Alexandr Stoianoglo was initiated, as he has been accused on several counts, including on dropping charges against Veaceslav Platon. The Supreme Court of Justice decided against its own case law to return Ilan Șor's case to the Chisinau Court of Appeal, which raises big question marks about the independence of judges who decided to return the case, which is in an advanced stage of examination, from Cahul Court of Appeal to Chisinau Court of Appeal. The institutional framework for the fight against corruption continues to be deficient. The investigation of petty corruption cases is still within the competence of the Anticorruption Prosecutor's Office. The large number of cases does not allow the NAC and the Anti-Corruption Prosecutor's Office to focus on high-profile corruption cases.

In the field of **integrity**, as a result of the amendments in October 2021, to law no. 132/2016 regarding NIA and law no. 133/2016 on the shift of wealth and personal interests, the powers of integrity inspectors have been expanded, extended to the field of control of affiliates, and the subjects of the declaration will be required to declare the market price of assets.

At the end of November 2020, the Parliament adopted Law no. 215/2020 generically entitled the **law of de-offshorization**. Through it, trading actions with public authorities are restricted to entities that do not comply with international transparency standards. In addition, in October by the law 150/2021 amendments to Law no. 220/2007 were adopted, excluding the "offshore" secrecy of enterprises. Thus, legal entities and individual entrepreneurs undertake to declare the beneficial owners and their identification data in the process of registering companies or changing their membership. The adoption of the legal framework that would protect essential infrastructure from takeovers through financial resources from money laundering and terrorist financing remains to be carried out. This tool is needed to provide protection for areas essential to the national economy and state security.

In the field of **public administration reform**, the main backlog of the Republic of Moldova is the postponement of the implementation of the territorial administrative reform. The Government Action Plan for 2021-2022 does not provide for this policy measure. In this context, national authorities should be encouraged by the civil society and development partners to initiate local administration reform in the following period until the next local elections in 2023.

In the **field of public finances**, in April 2021, for the first time, the authorities issued 7-year state bonds at an annual fixed interest rate of 6.5%. Until this year, bonds with a duration between 2 and 5 years have been issued. Increasing the duration of state bonds should provide more flexibility for the authorities. At the same time, three localities in the country, Chisinau municipality, Sângera town and Ceadr-Lunga municipality have successfully managed to issue municipal bonds to finance local development projects. In October 2021, **IMF reached a technically agreement with the Government of the Republic of Moldova on a new economic reform program for the Republic of Moldova in the amount of USD 564 million.**

The **information technology sector** is the area with the highest growth, especially in the export of services. Between 2013 and 2019, exports increased by 244% reaching USD 202.3 million. The largest share of exports is directed to the EU market - about 62%. The success of this sector demonstrates the positive impact of effective public policies implemented by the authorities.

In the **energy sector**, in September 2021, NAER approved the certification of the natural gas transmission system operator SRL "Vestmoldtransgaz", and starting with October 2021 the Iasi-Ungheni-Chisinau gas pipeline was operationalized. At the same time, the implementation of the III energy package in the field of natural gas and electricity has not been completed. This exposed a high degree of vulnerability of the Republic of Moldova in the context of the natural gas crisis in October 2021.

In the **agriculture and rural development sector**, the implementation of public policies related to the subsidization of agriculture producers was promoted. Thus, AIPA capitalized MDL 828.95 million from the National Fund for the Development of Agriculture and Rural Environment (NFDARD). During 2020, MDL 29 million was offered to 32 new agriculture enterprises. At the end of 2020, the Government approved amendments to Government Decision no. 507/2018, which allowed the release of funds in advance from NFDARD for "start-up" enterprises in agriculture.

In the **field of transport**, there are delays in the process of transposing and implementing the EU acquis in accordance with the Association Agreement. In 2018, the Government approved the gradual transition from GOST standards to European standards for products introduced on the market, including for materials used in the production of asphalt. Although a transition period was foreseen, it was not possible to fully implement the new standards and certify them by the laboratories.

In the **field of regional development**, at the end of 2020 the Government approved the National Program for the development of cities-growth poles in the Republic of Moldova for the years 2021-2027. According to the program, six cities with growth poles were identified - Edineț, Soroca, Ungheni, Orhei, Cahul, Comrat. Thus, the new concept of regional development, approved in 2020 by the National Council for the Coordination of Regional Development is being implemented.

In the **public health field**, the Government developed the draft National Health Strategy 2030. The management of the pandemic crisis and implementation of the vaccination program was the main concern of the government during the reference period. The immunization process against COVID-19 began on March 2, 2021. The EU provided the Republic of Moldova with over 1 million vaccine doses. On November 19, 2021, approximately 914.777 citizens were fully vaccinated (approximately 35% of the population of the Republic of Moldova). Thus, the degree of coverage is very low. Increasing the vaccination rate is currently the main priority of the authorities to reach the minimum target of 70% of the vaccinated population.

Regarding the objectives in the **environment field**, although at the legislative level effort is made to integrate the measures and principles of the green economy in the production processes of the branches of the national economy in order to protect, preserve and restore the environmental components. However, no significant

progress has been made in eliminating sources of water pollution, reducing greenhouse gas emissions, and implementing climate change adaptation measures. The main constraint is the lack of progress in implementing waste management policies.

The **civil society environment continued to be affected**, especially in 2020, by attacks from political actors, mostly during election campaigns. Following the approval of the draft Law on non-profit organizations by the Parliament of the Republic of Moldova, the Government developed the draft Framework Regulation on the mechanism of direct non-reimbursable financing of projects of non-profit organizations. In August 2021, several civil society organizations called on the Parliament to ensure that genuine and inclusive public consultations on draft laws are organized in a timely manner while respecting decision-making transparency procedures.

In the **media** field, Moldova ranked 89th (in 2020 - 91st) out of 180 countries evaluated according to the World Press Freedom Index. The low and limited independence of the Audiovisual Coordination Council has been one of the main problems identified by international experts. The Republic of Moldova continues to be a fertile ground for misinformation. In December 2020, the Parliament amended the Audio-visual Media Services Code by annulling the "anti-propaganda" provisions. Consequently, the informative-analytical programs from the Russian Federation were reactivated, which increased the degree of exposure of the citizens to the Russian propaganda. The provisions of the Code are currently being revised. The Parliament also undertook to adopt the National Program on the Development of the Media in the Republic of Moldova.

The **European Union continues to be the main economic trading partner of the Republic of Moldova**, capitalizing on the Deep and Comprehensive Free Trade Area with the EU. About 65% of exports are oriented to the EU market, while about half of the imported products and services of the Republic of Moldova are from EU countries. Romania, Germany and Italy are the main EU countries of destination for Moldovan exports. Although there is a transposition rate of approximately 65-70% of the EU acquis under the Association Agreement (approximately 500 of the more than 680 EU directives and regulations are fully or partially transposed) into the national legislation. The main challenge still remains to implement the transposed legislation in particular in the field of transport, environment, implementation of sanitary and phytosanitary measures. One of the priorities for the next period remains the conclusion of an Agreement with the EU on conformity assessment and acceptance of industrial products (ACAA). One of the main achievements is the adoption of the Customs Code, which will entry into force on January 1, 2023. However, given the commitment set out in Article 341 of the AA/DCFTA, the Republic of Moldova is to ensure the alignment of state aid schemes established for Free Economic Zones until 2024. Currently, the new Customs Code extends the deadline until 2033.

At the same time, an initiative to merge NAER and the Competition Council were voiced in October 2021. This initiative is insufficiently reasoned and inappropriate, as long as there are no objective arguments, supported by independent evaluations, including with the involvement of experts from relevant international organizations (ie the Secretariat of the Energy Community) and the European Commission.

The EU-Moldova cooperation in the **anti-fraud field** continued based on cooperation agreements between NAC, Customs Service and the Court of Accounts with the European Anti-Fraud Office (OLAF). The Republic of Moldova needs to expand its strategic and operational cooperation in the field of anti-fraud and anti-corruption with the European Public Prosecutor's Office (EPPO). NIA's activity was strengthened compared to the previous year. The Parliament has extended the powers of integrity inspectors, extended the scope of control to affiliates in the event of justified suspicion, and those subject to declaration will be required to declare the market value of assets. CARA's work needs to be further improved, including through the adoption of a Criminal Assets Recovery Strategy.

Although a new Mechanism for the recovery of financial means stolen from the banking system was approved, during the reference period **no major progress was made in the criminal investigation, sanctioning of all persons involved in the fraud and recovery of assets**. Further efforts are needed in the field of international cooperation in criminal matters and the recovery of assets, which are abroad, including the creation of joint investigation teams (JITs), secondment of prosecutors to the EUROJUST Office, creation of a national *task force* in the field of asset recovery. International efforts are also required at the level of the USA, EU and other partner countries of the Republic of Moldova to activate restrictive measures and sanctions against fugitive kleptocrats, and their affiliates involved in financial frauds, money laundering, human rights violations.

METHODOLOGY

This edition of the Shadow Report presents an updated synthesis of the progress, constraints and priorities following 7 years of implementation of the EU-Republic of Moldova Association Agreement (hereinafter the Association Agreement or AA). The report is based on the methodology and structure of the previous Shadow Report, published by the Institute for European Policies and Reforms (IPRE) in October 2020.

The document was developed as a result of a qualitative analysis of the political and sectorial dialogue of the Republic of Moldova with the European Union, as well as policy measures targeting the main areas of reference and multiplier sectors provided by the five Titles of the Association Agreement². The report analyzes the progress made between September 1, 2020 and September 1, 2021, and includes preliminary findings on events up to November 19, 2021.

In the process of finalizing the report, policy documents and reports on the key areas of reference of the Association Agreement published by the authorities of the Republic of Moldova, the EU institutions, international organizations and civil society were analyzed. The authors also collected data and information during interviews and consultation meetings with key actors involved in monitoring and implementing the Association Agreement.

The report was subject to internal and external peer-review, including within a validation meeting with key stakeholders from public authorities and civil society representatives (IPRE, 17 November 2021). The final version of the report was presented during the public event of November 26, 2021 and subsequently published in Romanian and English on the website www.ipre.md.

² **NOTE:** The titles of the Association Agreement assessed within the 7th edition of the IPRE Shadow Report – Title II – Political dialogue and reforms; Title III – Freedom, Security and Justice; Title IV – Economic and sectorial cooperation; Title V – Trade and trade related matters (DCFTA) and Title VI – Financial assistance, antifraud and control provisions.

1. TITLE II – POLITICAL DIALOGUE AND REFORMS, COOPERATION IN THE AREA OF FOREIGN AND SECURITY POLICY

EU-MOLDOVA POLITICAL DIALOGUE

PROGRESS

The EU-Moldova political dialogue was influenced by the changes in the internal politics in Chisinau, especially with the election of Maia Sandu as President of the Republic of Moldova and the early parliamentary elections of July 11, 2021, but also by the evolution of the COVID-19 pandemic crisis. The relationship with the EU has been triggered at the beginning of 2021, by the first official visit of the President of the Republic of Moldova to Brussels in January 2021 and the response visit of the President of the European Council to Chisinau at the end of February 2021. And, following the early parliamentary elections with the inauguration of a new pro-European and pro-reform government on August 6, 2021, official contacts with the EU institutions and EU Member States have increased significantly at all levels of interaction.

Operational meetings were held within the established formats for evaluating the implementation of the Association Agreement. The sixth meeting of the EU-Moldova Association Council took place in Brussels on October 28, 2021. The parties welcomed the resumption of the EU-Moldova high-level political dialogue and acknowledged the European aspirations and the European choice of the Republic of Moldova, reaffirming the common commitment to strengthen political association and deepen economic integration in accordance with the Association Agreement. The new Association Agenda is most likely to be finalized by the end of 2021. During the reference period, the seventh sitting of the EU-Moldova Association Committee in Trade Configuration (October 20-21, 2020) also took place. Meetings of the Association Sub-Committees on Trade and Sustainable Development (TSD), Geographical Indications (GI), and Customs were organized. Recently, the 7th meeting of the Sub-committee on Justice and Home Affairs (October 12, 2021) and the EU-Moldova Human Rights Dialogue (October 13, 2021) took place. The inter-parliamentary dialogue was maintained in particular through the meetings of the EU-Moldova Parliamentary Association Committee held online on October 8, 2020 and March 22, 2021. On October 20, 2020, the European Parliament adopted the Report on the implementation of the Association Agreement. In May 2021, the European Parliament delegation and the EURONEST parliamentary assembly visited Chisinau. In addition, the meetings of the EU-Moldova Internal Consultative Group on Trade and Sustainable Development (October 15, 2020) and of the EU-Moldova Civil Society Platform (March 30-31, 2021) were organized online.

In the context of the Eastern Partnership Summit planned for December 2021, the enhanced cooperation initiatives of the Republic of Moldova, Georgia and Ukraine with the EU were activated by signing in Kiev the Memorandum of Understanding on advanced cooperation on European integration of the three countries and thus the "Associated Trio" format was officially established. On July 19, 2021, the Presidents of the three EU Associated Countries signed, in the presence of the President of the European Council, the Batumi Declaration outlining new priorities for enhanced cooperation between the three countries and the European Union in the context of future Eastern Partnership objectives.

CONSTRAINTS

The existence of an interim government with a limited mandate in the first half of 2021, Parliament's failed attempts to vote for a minority government and political confrontations over the organization of early parliamentary elections, were among the main constraints that affected the efficiency of national authorities in implementing the provisions of the EU-Moldova Association Agreement.

The legislative activity of the parliamentary majority of PSRM and the Șor Party between December 2020 and April 2021 registered several initiatives inconsistent with the international commitments of the Republic of Moldova and conditionalities of the European Union for the capitalization of macro-financial assistance. The role of the Constitutional Court was decisive in ensuring the constitutionality of the decrees of the President and the laws adopted by the Parliament. In this regard, one of the main challenges, also noted with concern by the High Representative of the European Union for Foreign Affairs and Security Policy, were the unconstitutional actions of the parliamentary majority to dismiss three judges of the Supreme Court.

PRIORITIES

1. Conclusion of negotiations and adoption of the EU-Moldova Association Agenda for 2021-2027.
2. Drafting and adoption of the new Action Plan on the implementation of the Association Agreement, which should also reflect the priorities of the new EU-Moldova Association Agenda.
3. Strengthening the institutional and operational framework for coordinating and monitoring the implementation of the Association Agreement, including clarifying the roles of key institutions MFAEI, the State Chancellery, the Center for Harmonization of Legislation, the Ministry of Economy and the Ministry of Finance.

HUMAN RIGHTS

PROGRESS

The National Council for Human Rights (NCHR) established in 2019 and operational since February 2020, ensured during the reference period the functions of monitoring the implementation of the National Plan for Human Rights - PNADO III (2018-2022). 20 Municipal and District Commissions for the Protection of Human Rights (CRDO) have been established. In April 2021, the first Annual activity Report of the CRDO was developed and published. Thus, on March 26, 2021, NCHR approved the Report on the implementation of PNADO III during 2018-2020. Additionally, the NCHR finalized and presented the National report in the framework of the third cycle of the United Nations Universal Periodic Review (UPR). Several non-governmental organizations from the Republic of Moldova, including LRCM, Promo-Lex, La Strada, IPRE, CAPC, Freedom House Moldova and others have submitted their own contributions to the UPR.

In order to transparently monitor the progress made by the Republic of Moldova in implementing international recommendations in the field of human rights, the online platform www.monitor.drepturi.md was launched on the Government's website. By far the most important achievement of the year in the field of human rights is the ratification by the Parliament of the Republic of Moldova on October 14, 2021 the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention). The Government also approved and submitted for adoption to the Parliament the draft law ratifying the Optional Protocol to the UN Convention on the Rights of Persons with Disabilities signed in 2018. The new Council of Europe Action Plan for the Republic of Moldova (2021-2024) was adopted in November 2020 and officially launched in April 2021. The plan sets out the strategic framework for cooperation in support of key reforms in the rule of law and human rights and includes 18 areas of intervention.

The 12th annual meeting of the EU-Moldova Human Rights Dialogue took place on October 13, 2021. During the meeting, special attention was paid to the development of the media sector, improving the legal framework and implementing access to information, ensuring the right to a fair trial for all, the rapid amendment of the legislation on the status of aliens, in order to provide effective procedural guarantees against expulsion.

CONSTRAINTS

Although compared to 2019, the number of violations of fundamental rights found by the European Court of Human Rights (ECtHR) in 2020 has decreased from 39 to 28, the number of convictions for violation of the right to a fair trial, the right to liberty and security, and inhuman and degrading treatment remains high. In 2020, 32 ECtHR judgements were issued, compared to 54 judgments in 2019. The Ombudsman did not find positive changes regarding the observance of human rights in 2020. The main constraints were identified on the right of access to healthcare, access to information of public interest, the right to work and a decent life, freedom of movement and freedom of expression. The reform of the Ombudsman's institution has not been completed in accordance with the Paris principles. The draft law no. 301/2016 on combating hate speech was not adopted in the final reading. An outstanding constraint refers to the need of strengthening the capacity of the National Council to prevent discrimination and ensure equality (Equality Council). The Council continues to face staff shortages.

During the monitored period, no progress was found in the ratification process of Optional Protocol no. 12 to the ECHR. Additionally, the Government refused to ratify the UN Convention on the Protection of the Rights of All Migrant Workers and Members of their Families, justifying that Moldova has already signed and ratified 44 labor conventions whose implementation ensures respect for the social, health and labor rights of foreigners arriving in the Republic of Moldova for work purposes. The draft Programme for strengthening interethnic relations for the years 2022-2025 has been developed and is to be adopted by the end of 2021.

PRIORITIES

1. Adoption in the final reading of the draft law 301/2016 on combating hate speech.
2. Strengthening the functional capacities of the Equality Council.
3. Ratification of Optional Protocol no. 12 to the European Convention on Human Rights.
4. Adoption of the Program for the Protection of the Rights of the Child for the years 2022 – 2026.
5. Adoption of the Programme for strengthening interethnic relations for the years 2022-2025.
6. Completion of the reform of the People's Advocate (Ombudsman) institution according to the Paris Principles.

HOME AFFAIRS

PROGRESS

At the end of 2020, the signing of Annex 2 to the Financing Agreement between the Government of the Republic of Moldova and the European Commission on the Budget Support Program for Police Reform in the Republic of Moldova was approved. Promo-Lex Association with EU support implements the project "Civic Monitoring of Police Reform in the Republic of Moldova" initiated at the end of 2019. During the reference period, two Monitoring Reports and alternative evaluation of the implementation of the Police Development Strategy for 2016-2020 (Report no. 4 and Report no. 5) were published. In March 2021, the Twinning Project "Reform of the initial and continuous training of the police system in the Republic of Moldova", supported by the EU was completed.

Following some developments in the implementation of the National Strategy for public order and security for 2017-2020 and the Strategy for police development for 2016-2020, the European Commission transferred to the Government of the Republic of Moldova at the end of 2020 - EUR 5 million, and on September 28, 2021, the last tranche of EUR 21.4 million within the budget support program for police reform. During the reference period, the level of public confidence in the Police was 41%, the minimum indicator set in the Financing Agreement with the EU for the budget support program for police reform. The overall share of women in the Police and the share of women officers has increased. However, the alternative assessment carried out by Promo-Lex shows that by the end of 2020, 1/3 of the planned actions in the field of police reform have not been completed. During 2021, the process of revising the Strategies in order to draft a new policy document in the field of public order and security for the years 2021-2027 was initiated. In addition, a new development program of the General Police Inspectorate is to be adopted.

Police cooperation has continued in the framework of strategic and operational cooperation with the European Police Office (EUROPOL), in particular on combating transnational financial frauds, combating trafficking in human beings and exploiting Moldovan labor migrants in the EU. At the same time, the implementation of the EU project implemented by EUROPOL to improve the capacities of the Eastern Partnership countries, including the Republic of Moldova, in the field of combating organized crime continues. During the reference period, the Republic of Moldova continued to benefit from EU support in the management of the COVID-19 pandemic crisis through the European Civil Protection Mechanism.

The Republic of Moldova participates in the European Multidisciplinary Platform against Criminal Threats, implemented by EUROPOL (EU Policy Cycle - EMPACT) and has continued cooperation with the EU Agency for Law Enforcement Training (CEPOL). Moldova participates in the EU4Monitoring Drugs program.

CONSTRAINTS

Despite exemplary cooperation between national and EU authorities, the activity of cross-border organized criminal groups continued to be a constraint, in particular with regard to smuggling of counterfeit cigarettes and alcohol. In 2020, the flow of cigarettes shipped to the Transnistrian region increased, with a significant share of these cigarettes being smuggled into the EU. Although the national authorities are making several efforts, Moldova remains a source of trafficking in human beings for the purpose of sexual exploitation and labor.

Although several efforts are being made by the national authorities, the Republic of Moldova remains a source of trafficking in human beings for the purpose of sexual and labor exploitation. The annual assessment of the US State Department does not indicate significant changes compared to previous years (indicator: Tier 2). A new action plan for the implementation of the National Strategy for preventing and combating trafficking in human beings for the years 2022-2023 was adopted by the government in November 2021. The government is to adopt in 2022 an updated policy planning document in the field of anti-drug.

PRIORITIES

1. Adoption of the new policy document in the field of public order and security for the years 2022-2024.
2. Adoption of the development program of the General Police Inspectorate for the years 2021-2027.
3. Adoption of the Development Program of the General Carabineers Inspectorate for the years 2022-2024
4. Adoption of an updated policy planning document in the field of anti-drug

FOREIGN AND SECURITY POLICY

PROGRESS

Starting with 2021, the EU-Moldova cooperation in the field of foreign and security policy is registering a qualitatively new dynamic. The EU-Moldova high-level meetings were intensified with the participation of the President of the Republic of Moldova, the Prime Minister of the Republic of Moldova, the President of the European Council, the President of the European Commission and the EU High Representative for Foreign Affairs and Security Policy. On the occasion of the EU-Moldova Association Council on October 28, 2021, the EU-Moldova high level dialogue in foreign and security policy was announced. Furthermore, it was agreed to resume political consultations on security and defense. Additionally, starting with January 1, 2021, the implementation of the EU-Moldova Agreement on security procedures for the exchange of classified information was operationalized. The Republic of Moldova continues to contribute, through participation, to EU crisis management missions. A representative of the National Army is seconded to the EU Military Training Mission in Mali (EUTM Mali). Moreover, the Republic of Moldova expressed its interest in participating in the projects of the European Peace Facilities, a new EU funding instrument for the years 2021-2027 aimed at supporting security and defense cooperation in accordance with the EU Common Security and Defense Policy.

The President of the Republic of Moldova presented the Vision on the foreign policy for 2021-2022 which sets out five priority directions aimed at (a) overcoming the COVID-19 pandemic crisis, (b) supporting economic recovery, (c) combating corruption and promoting the rule of law, (d) supporting regional security and a non-conflict environment by promoting bilateral strategic cooperation and strengthening security and defense institutions, and last but not least (e) undertaking by the Republic of Moldova of an active global role in actively involving the country in identifying solutions to environmental, security and sustainable development issues.

CONSTRAINTS

The Republic of Moldova is in line with most EU declarations and EU Council Decisions on international restrictive measures. However, there is evidence of a reduction in the alignment rate from 80% in 2019 to 68% in 2020, an index similar to that recorded in 2018. However, there is a higher rate of alignment with EU statements targeting the Russian Federation. At the same time, the Republic of Moldova continued to refrain from aligning itself with most EU declarations and decisions targeting China (Hong Kong) and Belarus.

The Republic of Moldova and the region as a whole continued to be exposed to hybrid challenges and threats to the security environment. National authorities have cooperated with the EU institutions, including the European Center of Excellence for Countering Hybrid Threats. No progress has been made on the adoption of a new National Security Strategy. However, during 2021, reflections were initiated on the status of the security and defense sector, and the activity program of the Government invested in August 2021 provides among key priorities the reform and modernization of the defense and security sector deriving from the national interests of the Republic of Moldova and the new challenges to national, regional and global security. A platform of the civil society has been launched in the security sector of the Republic of Moldova.

The information space remains severely affected by misinformation actions identified and uncovered mostly by non-governmental initiatives such as the StopFals.md platform, which also cooperates with the StratComEast unit within the European External Action Service. There is a low dynamic in the implementation of the National Strategy on Information Security and the Action Plan for 2019-2024 is delayed. The process of creating the Coordinating Council to ensure information security was not established yet. At the same time, the adoption of the National Strategy Paper on the Non-Proliferation of Weapons of Mass Destruction and the Reduction of Risks from Chemical, Biological, Radiological and Nuclear Threats (CBRN) is late. The National Program for 2022-2028 and the Action Plan for 2022-2025 are planned for adoption in 2022.

PRIORITIES

1. Strengthen EU-Moldova strategic and operational cooperation in combating hybrid threats, cyber security, critical infrastructure protection and strategic communication through the High-Level Dialogue on Foreign and Security Policy to be launched in 2022.
2. Promoting the participation of the Republic of Moldova in the European Peace Facility 2021-2027.
3. Drafting the National Security Strategy taking into account the cooperation objectives with the EU and NATO, but also with the strategic regional partners of the Republic of Moldova.
4. Ex-post intermediary assessment of the implementation of the Strategy on information security 2019-2024.
5. Adoption of the National Risk Reduction Program CBRN 2022-2028.

REGIONAL STABILITY**PROGRESS**

The efforts of the participants in the Transnistrian conflict settlement process focused on the implementation of confidence-building measures, the management of the COVID-19 pandemic crisis and the activation of the negotiation process in the "5 + 2" format in accordance with the agenda of the „Berlin-plus“ Package. In 2021, there is an intensification of the visits to the Republic of Moldova of the mediators and observers of the Transnistrian conflict settlement process. Several visits were made by the Special Representative of the Swedish OSCE Chairperson-in-Office (January, May and September 2021), two visits by the President-in-Office of the OSCE (February and October 2021). Moreover, in June 2021, the visit of the representatives of mediators and observers took place. Additionally, the dialogue between Chisinau and Tiraspol at the level of political representatives (in 2020 - 5 meetings, January-October 2021 - 6 meetings) was maintained and the interaction in the sectorial working groups continued (in 2020 - 26 meetings).

In 2020, the Government of the Republic of Moldova supported the implementation of 42 projects from the Program of activities for the country's reintegration. According to the program for 2021, another 41 projects are planned to be implemented. The European Union continues to support projects to strengthen confidence-building measures, including in the area of COVID-19 crisis management, through the CBM (V) program implemented by UNDP Moldova. In addition, the implementation of the vaccination program throughout the country has been a continuing concern of the Government. Thus, the Transnistrian region is part of the national vaccination program. The mechanism for apostilling neutral model diplomas continued to be implemented during the reference period. By January 1, 2021, more than 400 documents had been apostilled. Although there were some operational constraints, as of September 1, 2021, the new regime for crossing the Moldovan-Ukrainian border for means of transport from the Transnistrian region with neutral registration numbers was implemented. The functioning capacities of the territorial offices of the Public Services Agency in Tiraspol and Rîbnița were increased, which in turn increased the dynamics of registration of means of transport.

CONSTRAINTS

During the reference period, no consultations took place in the format of the permanent conference "5+2". The last sitting in this format took place in October 2019. The Ministerial Declaration on negotiations in the Transnistrian settlement process in the "5 + 2" format, adopted by the OSCE Council of Ministers of Foreign Affairs in Tirana (December 4, 2020), set the goal of resuming negotiations in the "5 + 2" format by the end of 2021.

According to the monitoring reports of Promo-Lex, Freedom House and the Office of the People's Advocate, the human rights situation in the Transnistrian region of the Republic of Moldova has deteriorated considerably. The free movement of citizens continued to be restricted, including through the installation of illegal fixed and mobile checkpoints around localities under the jurisdiction of the constitutional authorities. Even if, starting with June 1, 2021, the Tiraspol authorities lifted the restrictive measures imposed unilaterally under the pretext of the COVID-19 pandemic crisis, the illegal posts installed in the Security Zone were not withdrawn. Moreover, reported cases of illegal detentions and kidnapping were attested. During the reference period, no progress was made on the situation of Latin-script schools in the Transnistrian region, the access of owners of agricultural land after the Râbnița-Tiraspol route continued to be blocked, and the procedure of prior written notifications and lists is still applied. Another constraint remains the lack of progress on the organization of telecommunications interaction between the two banks of the Dniester River. No progress has been made on initiating procedures for the destruction of ammunition at the Cobasna military depot. This topic is to be reactivated in the bilateral dialogue between the Republic of Moldova and the Russian Federation, but also in the consultations in the format of the permanent conference "5 + 2".

PRIORITIES

1. Resumption of negotiations in the "5 + 2" format on all three baskets i.e. (a) socio-economic, (b) humanitarian and human rights, (c) institutional and political. Negotiations on political settlement must be based on the reenforced vision of the Chisinau authorities on the country's reintegration and the established principles of political settlement of the conflict.
2. Promote „the issue-linkage“ principle in the negotiations, where solutions to strengthen confidence-building measures involving non-political costs, including those already agreed, should be implemented in close connection with the progress made in the political settlement of the Transnistrian conflict.
3. Obtain the support of the international community (i.e. UN, OSCE, EU, USA, Russia) and humanitarian (e.g. International Committee of the Red Cross) to initiate the inspection and start the process of using the ammunition from the weapons depot in Cobasna.
4. Strengthen the capacity of the Office for Reintegration Policies to increase efficiency in implementing reintegration policies and promoting human rights in the Transnistrian region.

2. TITLE III – FREEDOM, SECURITY AND JUSTICE

MIGRATION AND ASYLUM

PROGRESS

On January 1, 2021, Law no. 139/2020 entered into force, based on which essential amendments were made to Law no. 274/2011 on the integration of foreigners in the Republic of Moldova. This ensured the partial transposition of the provisions of Directive 2011/95/EU. By Law no. 139/2020, specific amendments were also made to the Law on health protection no. 411/1995, Law no. 1585/1998 on the compulsory medical assistance insurance, Law no. 1593/2002 on the size, manner and terms of payment of compulsory health insurance premiums and Law no. 200/2010 on the regime of aliens in the Republic of Moldova. These changes were operated to ensure a higher degree of integration of aliens in the Republic of Moldova, including by accessing by foreigners the rights to social assistance and health insurance, but also by setting some obligations to the employer to integrate foreigners through offering Romanian language courses.

Seven years after the liberalization of the visa regime, 2.4 million citizens traveled to the EU using biometric passports, with over 9.1 million border crossings when leaving the country. Thus, over 70% of the citizens of the Republic of Moldova have traveled almost four times in the EU in the last seven years. Given the effects of the pandemic, the number of trips to the EU has decreased significantly, being even 3 times lower than in 2019. There has also been an increase in the number of cases of refusal of entry and violation of the residence regime, influenced by the new travel conditions imposed by the authorities in the EU Member States, including limiting travel to essential ones only.

The fourth report of the Commission on the implementation of the visa waiver mechanism was published. The Commission considers that the Republic of Moldova continues to comply with the requirements for the application of the visa waiver mechanism. However, the European Commission emphasized in its fourth report the need for further efforts to manage the issue of unfounded asylum applications in some EU countries (i.e. Germany, the Netherlands and France). Attention was also drawn to the insufficient progress in investigating banking fraud, combating money laundering, preventing and combating corruption and organized crime.

CONSTRAINTS

The capitalization of the benefits of the visa liberalization regime with the EU has been significantly overshadowed by the pandemic. Exit from the territory of the Republic of Moldova was significantly restricted after the establishment of the state of emergency in public health by the EU member states, but also by the Republic of Moldova. During the summer months of 2021, the low incidence rate allowed the inclusion of the Republic of Moldova in the list of states whose citizens can travel without restrictions. Given the worsening of the pandemic situation, the EU Council approved the updated list on September 22, 2021, which excluded the Republic of Moldova from the list of states to whom no restrictions on non-essential travel apply.

Three years after the expulsion of Turkish teachers, the case where the only person investigated, is the former head of SIS Vasile Botnari, is still pending with the Chisinau Court of Appeal. In addition, the case is still secret, and some sources of journalistic investigations note that in fact Vasile Botnari was sentenced to a symbolic fine of MDL 88,000 (approx. 4400 EUR) and did not repair the entire damage of EUR 125,000, as stated publicly by the General Prosecutor Alexandr Stoianoglo.

PRIORITIES

1. Adoption of the Action Plan on the integration of aliens for the year 2022.
2. Evaluating the results of the implementation of the Migration and Asylum Strategy for 2011-2020 and based on it the adoption of a new Migration and Asylum Strategy for the coming years.
3. Promoting communication with countries of destination of asylum seekers in order to simplify the procedures for examining asylum applications, based on the model of cooperation established with the German authorities.
4. Application of additional instruments for the integration of citizens of the Republic of Moldova who mainly submit unfounded asylum applications in EU Member States.
5. Analysis of the benefits provided by the amendments to Law no. 200/2010 on the regime of aliens in the part related to the simplified regime of registration and stay of aliens on the territory of the Republic of Moldova, aimed at facilitating the use of the right to establishment of aliens and enterprises from EU Member States on the territory of the Republic of Moldova.
6. Further promote anti-COVID vaccination measures to exclude the Republic of Moldova from the list of states for which circulation in the Schengen area is not allowed.

PERSONAL DATA PROTECTION

PROGRESS

The Constitutional Court ruled on the balance between the right of access to information and the right to protection of privacy. In the light of Decision no. 3 of 14.01.2021, the Constitutional Court reconfirmed the position according to which, when examining the two competing rights, the public authorities receiving requests regarding access to information must balance the public and private interest, and the answers of refusal to provide access to information on the grounds of the protection of citizens' rights or for other reasons indicated in Article 54 of the Constitution must be reasoned and justified.

The National Center for Personal Data Protection of (NCPDP) continued the activity of examining the requests and petitions received against it. Thus, the number of petitions has increased compared to previous years, but the activities related to the exercise of control have also intensified.

On 11 November 2021, Parliament adopted in final reading the first package of laws for the digitization of the economy, in accordance with the "Roadmap for boosting the process of digitization of the national economy and the development of electronic commerce", prepared by the Economic Council under the Prime Minister, with the support of development partners (EBRD, IFC, USAID, GIZ, UK GGF). One of the important changes was the elimination of notification and authorization as a personal data controller, which was identified as an obstacle for economic agents in the Republic of Moldova, especially in the IT sector. They have also been extended to legal forms of expressing the consent of the citizen to the processing of personal data.

CONSTRAINTS

One of the main arrears in the field of personal data protection is the adoption in the final reading of the draft laws no. 421/2018 regarding the NCPDP and no. 422/2018 on the protection of personal data, which transpose the provisions of EU Regulation 2016/679 and Directive 2016/680. The adoption by the Government and the promotion in Parliament of the draft Law on the regime of video media remains a backlog.

The depersonalization of documents and records made public regarding events (working meetings of public administration bodies) continues to be subject of dispute in the public domain. Thus, the publication of the records of the public meetings without a depersonalization filter was contested by the NCPDP, being considered violation to the right to privacy. In this respect, it is considered imperative that the balancing exercise between two competing rights analyzed by the Constitutional Court be applied in practice in the case of the publication of these records.

Although warned several times about the inopportune nature of the mechanism for anonymizing court decisions, the Superior Council of Magistracy did not review its own decision.

A new planning document in the field of promoting the protection of personal data has not been adopted, after the Strategy in the field expired in 2018. An evaluation of its implementation has not been made.

NCPDP is facing a lack of sufficient human resources. Out of 45 positions, 10 were vacant at the end of 2020. There is also a large number of staff (in 2020 there were 6 resignations and 9 new employments), which deprives the NCPDP of the necessary institutional memory to be able to ensure a higher efficiency of its activity.

PRIORITIES

1. Assessing the impact of the Strategy and Action Plan in the field of personal data protection and approving a new policy document based on its results.
2. Adoption in final reading of the draft laws no. 421/2018 regarding CNPDCP and no. 422/2018 on the protection of personal data, which transposes the provisions of EU Regulation 2016/679 and Directive 2016/680, taking into account the onerous impact and establishing a sufficient transition period for adjustment.
3. Promoting the Law on NCPDP and the Law on the regime of video media, in order to strengthen the institutional position of NCPDP, observing the already existing institutional framework related to the administration of justice and the management of public information resources.
4. Reviewing the publication of judgments in the spirit of the best practices of the Court of Justice of the European Union and the European Court of Human Rights, adjusted to the national context and interest, especially in relation to resonant cases involving persons with public office.
5. Implementation of the regulations that will follow the adoption of the Law on the regime of video media, including clarification of the status of video recordings made public by the authorities.

BORDER MANAGEMENT**PROGRESS**

On October 6, 2021, the Government approved amendments to the National Strategy for Integrated State Border Management for the period 2018-2023, adopting in this regard the Action Plan for the period 2021-2023. The Action Plan provides, inter alia, for the negotiation, signing and implementation of an Information Exchange Agreement in the context of the European Border Surveillance System (EUROSUR) with the Member States of the European Union and/or the European Border and Coast Guard Agency (FRONTEX), negotiation of the border regime agreement between the Republic of Moldova and Ukraine, completion of border demarcation, establishment of border crossing points, reconstruction of border police headquarters, implementation of a mechanism for access to preliminary information on Chisinau international airport passengers etc.

The mandate of the EUBAM mission has been extended until the end of November 2023. The Border Police and FRONTEX have jointly established a draft action plan for the years 2022-2024.

To facilitate border crossing, the National Exceptional Commission for Public Health approved the electronic format of filling in the template. It is also possible to electronically download the vaccination certificate, test certificate or recovery certificate as of October 15, 2021.

CONSTRAINTS

During the reference period, no progress was made in the process of extending full joint control of the Moldovan-Ukrainian border, including on the Transnistrian segment.

It remains a challenge to cross the state border in the context of the pandemic. During 2021, there were several cases related to the falsification of anti-COVID 19 vaccination certificates, negative test results or recovery tests. In September 2021, a criminal investigation was initiated against several employees of the General Inspectorate of the Border Police on corruption cases with the involvement of false vaccination, testing or recovery certificates. In addition, after the launch of the vaccine data entry platform, criminal cases were initiated against persons in the medical system who entered false data about vaccinated people.

State border control remains a challenge from the perspective of smuggling of consumer goods, as well as products that are subject to excise duty (cigarettes, alcohol, etc.). The Moldovan-Ukrainian segment of the border, continues to be a potential source of smuggling, including from the Transnistrian perimeter.

PRIORITIES

1. Implementation of the Action Plan for 2022-2024 on the implementation of the National Strategy for Integrated State Border Management for the period 2018-2024.
2. Capitalizing on the mandate of the EUBAM Mission, extended until the end of November 2023.
3. Finalization of the Cooperation Action Plan between the Border Police and the European Agency FRONTEX for the years 2022-2024, as well as its implementation.
4. Extension of common control at Moldovan-Ukrainian crossing points, including on the Transnistrian segment. Launch of full control at the Cuciurgan-Pervomaisk and Giurgiulesti-Reni border crossing points.
5. Strengthening cooperation between the authorities of the Republic of Moldova and the EU Member States and those associated in combating and investigating cross-border crime (i.e. smuggling of tobacco and alcohol products).
6. Negotiating and concluding international legal aid agreements with the EU and associated Member States on the exchange of information, setting up joint investigation teams, enforcing freezing orders and confiscation orders, in particular on cases involving the crossing of the state border.

RULE OF LAW

PROGRESS

The revised draft Strategy for ensuring the independence and integrity of the justice sector has been finalized by the Ministry of Justice, following requests for adjustment of its content and the Action Plan from the Presidency. The initial draft Strategy and Action Plan was adopted by the Parliament in November 2020. The Presidency returned the Strategy and Action Plan for finalization because two actions were not included - the exclusion of Article 307 of the Criminal Code and the inclusion of the extraordinary evaluation of judges and prosecutors.

In September 2021, the Parliament adopted amendments to the Constitution. The amendments were adopted following an extensive public consultation process and an opinion from the Venice Commission and the Constitutional Court. The amendments to the Constitution provide more independence to the judiciary, excluding the initial term of appointment of judges for 5 years with subsequent confirmation until reaching the age limit, establish the composition and term of office of members of the Superior Council of Magistracy, of which 6 members are judges and another 6 members are among the persons who are not involved in public administration (legislative, executive, judicial) and have extensive experience and reputation in their field of activity. The amendments to the Constitution are to enter into force on April 1, 2022.

In September 2021, the Parliament adopted amendments to Law no. 947/1996 on the Superior Council of Magistracy and Law no. 3/2016 on the prosecutor's office, which provided more details on how to organize and elect among judges and prosecutors the members of the SCM, the SCP and the specialized boards. Among other things, the changes provide the possibility for candidates for SCM and SCP membership positions, as well as in specialized boards to promote their own candidacy and to have meetings with colleagues in this regard. During 2021, the tools for the administration of remote justice were further expanded, including equipping all courts with videoconferencing tools.

CONSTRAINTS

During the reference period, no progress was made on resonant cases from the Republic of Moldova. On the contrary, on some of them the justice system acted contrary to its own jurisprudence. Thus, the Supreme Court of Justice decided to relocate the criminal case filed in 2015 against Ilan Șor from the Cahul Court of Appeal to the Chisinau Court of Appeal. In 2018, it was the Supreme Court of Justice, which ruled that the Chisinau Court of Appeal cannot examine the case on appeal because there would be conflicts of interest of all judges.

The SCM and the SCP failed to organize the general assemblies of judges and prosecutors, respectively, given the constraints generated by the pandemic. At the same time, the term of office of SCM and SCP members expires for the most part by mid-November 2021 - mid-January 2022. The current state of public health could further delay the organization of elections in the two self-governing authorities, although the laws amended in September 2021 include the option of organizing general assemblies by teleconference.

PRIORITIES

1. Approval of the Strategy for ensuring the independence and integrity of the justice sector for the years 2022-2025.
2. Adoptarea cadrului normativ de punere în aplicare a modificărilor Constituționale.
3. Drafting and implementation of the mechanism for extraordinary evaluation of judges and prosecutors.
4. Finalizing criminal cases against persons involved in the "Russian laundromat" and bank fraud.
5. Assessing the potential impact on the number of judges and prosecutors in respect of the initiation of the extraordinary evaluation and the corresponding increase in the number of candidates at the National Institute of Justice to fill vacancies.
6. Applying the integrity checks of the candidates for positions of judge and prosecutor at the stage of access to the position and subsequently at all stages of the career.
7. Organizing general assemblies of judges and prosecutors and ex-ante integrity control of candidates.

PREVENTION AND FIGHT AGAINST CORRUPTION

PROGRESS

The National Integrity and Anticorruption Strategy (NIAS) for the years 2017-2020 was implemented up to 52%. Thus, out of a total of 127 actions, 66 were carried out (52%), 49 were partially carried out (39%), and 9 actions were not accomplished (7%). Three actions or 2% of the total number were considered obsolete. An assessment of the implementation of the NIAS and of the sectoral plans adopted by the public authorities through anticorruption initiatives shows the score for 8 out of 9 ministries as good (between 60 and 90% according to the qualification criteria).

During 2020, NAC prepared 825 expert reports and issued 626 opinions on draft laws. In addition, during the same period, NAC retained 943 criminal cases in the procedure, out of which 644 were initiated by the criminal investigation officers within the NAC. Of these, 546 were corruption offenses. During 2020, NAC officers completed 517 criminal cases. Of these, 170 criminal cases were brought to justice. However, Transparency International's corruption perception index for the Republic of Moldova has slightly improved, reaching level 34, compared to 32 in 2019. The Republic of Moldova ranks 115th, along with the Philippines and Egypt. Nevertheless, in order to increase efficiency in the fight against corruption and to substantially improve the corruption perception index by the society in the following years, and to reach at least the group of countries such as Georgia (45) or Montenegro (63), the Republic of Moldova needs pro-active corruption policies and innovative reforms to attract investors to generate jobs, develop infrastructure, promote digital tools and implement environmentally sustainable projects.

The Anticorruption Prosecutor's Office initiated 97 criminal cases in 2020 out of 252 complaints received, compared to 252 criminal cases started in 2019 following the receipt of 525 complaints. During 2021, some additional measures were taken to bring to justice the people involved in cases of resonance. Thus, the Prosecutor's Office sent to court 8 cases per episodes of the bank fraud, two of which in October 2021. The case regarding the illegal wire tapping of civil society representatives, the opposition and journalists was sent to court on October 15, 2021.

As a result of the amendments in October 2021, to law no. 132/2016 regarding NIA and law no. 133/2016 on the shift of wealth and personal interests, the powers of integrity inspectors have been expanded, extended to the field of control of affiliates, and the subjects of the declaration will be required to declare the market price of assets.

CONSTRAINTS

During 2021, the General Prosecutor's Office carried out some actions that were classified as illegal. Thus, contrary to the provisions of the criminal procedure law, the Prosecutor's Office stopped the criminal investigation against Veaceslav Platon, although the re-examination process within the Supreme Court of Justice was not completed. The dropping of charges led to his final release, and on other criminal case on which he is concerned, no insurance actions were taken, at least in the form of a ban on leaving the Republic of Moldova. In July 2021, Veaceslav Platon left the Republic of Moldova and did not appear in court later, although he was summoned. Only after this failure to appear in court did the Prosecutor's Office request the arrest and placed him in international search. Veaceslav Platon is currently in the UK, and his extradition proceedings are subject to several risks of failure, given the onerous requirements that UK courts apply for extradition cases.

The leadership of the General Prosecutor's Office was suspected of violating the law on several counts. Under these conditions, the Superior Council of Prosecutors appointed a prosecutor on the case. Audio recordings have been leaked in the press that the prosecutor in the case was summoned by the former interim Head of the Anticorruption Prosecutor's Office to explain the conflict of interest that the prosecutor in the case had in the context of administering the criminal case against Alexandr Stoianoglo. During the criminal investigation, some procedural violations were found, such as Alexandr Stoianoglo's access to his lawyer. The institutional framework for the fight against corruption continues to be deficient. The activity of the Anticorruption Prosecutor's Office in 2020 was a modest one, being initiated 97 criminal cases and the activity of NAC showed a smaller number of criminal cases referred to justice. The investigation of petty corruption cases is still within the competence of the Anticorruption Prosecutor's Office. The large number of cases does not allow the NAC and the Anti-Corruption Prosecutor's Office to focus on high-profile corruption cases.

PRIORITIES

1. The investigation of Alexandr Stoianoglo's case is to take place in compliance with all the requirements provided by law, and the society is to be informed about the progress of the investigations.
2. The competencies of the Anticorruption Prosecutor's Office and NAC are to be reviewed by providing the Anticorruption Prosecutor's Office with the necessary tools to investigate cases of major corruption.
3. Extending the NIAS for the next years and implementing the remaining activities.
4. Excluding the human factor from managing public funds by substituting it with information technologies.
5. Negotiation and implementation of international data exchange agreements, joint investigation groups, identification and recognition of orders to freeze and enforce decisions abroad.

FIGHT AGAINST MONEY LAUNDERING AND FINANCING OF TERRORISM**PROGRESS**

At the end of 2020, the Strategy on preventing and combating money laundering and terrorist financing for the years 2020-2025 and the Action Plan for its implementation were adopted.

At the end of November 2020, the Parliament adopted Law no. 215/2020 generically entitled the de-offshorization law. Through it, trading actions with public authorities that do not comply with international transparency standards are restricted. In addition, amendments to Law no. 220/2007, which excludes the "offshore" secrecy of enterprises were voted. Thus, legal entities and individual entrepreneurs undertake to declare the beneficial owners and their identification data in the process of registering companies or changing their membership.

During 2020, the Financial Investigation Unit (FIU) carried out 99 supervisions, presented 285 analytical notes and prepared 267 financial investigations. As a result, 175 notifications were sent to the competent authorities, including law enforcement. The number of notifications of suspicious transactions received from financial institutions continued to decrease, with 420 notifications being received from banks and 280 notifications from non-banking financial institutions. This decrease provided the FIU with an opportunity to focus on important cases and to devote analysis efforts to transactions that would present increased risks. FIU also seized MDL 22.3 million, EUR 1 million and USD 4 million, deriving from money laundering and terrorist financing activities.

CONSTRAINTS

The adoption of the legal framework that would protect essential infrastructure from takeovers through financial resources deriving from money laundering and terrorist financing remains unaccomplished. This tool is needed to provide protection for areas essential to the national economy and state security.

It is noted that several recommendations of the MONEYVAL report are not further implemented. Among the findings is the fact that the mechanism for preventing money laundering through offshore jurisdictions is mainly carried out by commercial banks. On the other hand, the instruments provided by Law no. 75/2020 on the procedure for ascertaining infringements in the field of money laundering and terrorist financing prevention and the application of sanctions requires additional implementing tools, including actions by reporting entities.

PRIORITIES

1. Implementing the Strategy for preventing and combating money laundering for the years 2020-2025, including by mobilizing additional resources for the actors involved in the activities set out in the Action Plan.
2. Adoption of the normative framework related to the protection of essential infrastructure, including in terms of preventing the use of financial resources resulting from money laundering activity in various areas of the national economy.
3. Adoption of the secondary normative framework to implement Law no. 215/2020, including on the part related to the verification of the quality of the participants in the fields of public procurement, privatization, public-private partnership and concessions.
4. Strengthening the cooperation between FIU and the Anticorruption Prosecutor's Office on money laundering cases, including emblematic cases related to bank fraud, Chisinau International Airport, Metalferos SA, but also the most recent journalistic investigations related to MDL 300 million transfers from Moldovan insurance companies, which took place in 2018.
5. Cooperating with CARA on areas of identification of financial resources that could be the product of money laundering, corruption crimes, including outstanding cases such as episodes of the bank fraud and the "Russian laundromat".

3. TITLE IV – ECONOMIC AND SECTORIAL COOPERATION**PUBLIC ADMINISTRATION REFORM****PROGRESS**

The government created a working group on territorial-administrative reform of the Republic of Moldova. The working group was based on three reports prepared in 2010, 2015 and 2018 on administrative-territorial reform options. In April 2021, the working group adjusted its positions on the optimal solution for public administration reform based on consultations with representatives of local public authorities.

Following the elections of July 11, 2021, the Parliament approved a new composition of the Government, which includes 13 ministries. In this regard, the Government adopted the Regulations for organization and functioning of the Ministry of Environment, Ministry of Economy, Ministry of Culture, Ministry of Education and Research, Ministry of Health, Ministry of Labor and Social Protection, as well as amendments to the Regulation for organization and functioning of the Ministry of Infrastructure and Regional Development, Ministry of Agriculture and Food Industry.

The Public Services Agency revised some tariffs for the services provided to the population, reducing the costs, and some services were established as being offered free of charge (issuance of marriage certificate, declaration of loss of identity document, etc.).

The Government Action Plan for 2021-2022 encapsulates actions related to the reform of the central public administration, including measuring the performance of the authorities and managing a human resources information system.

CONSTRAINTS

Public administration reform actions are no longer covered by a strategic planning document. The public administration reform strategy expired at the end of 2020. An action plan did not exist for 2019-2020.

The prospects for promoting the administrative-territorial reform are currently low. The Government Action Plan for 2021-2022 does not provide for this policy measure. In this context, national authorities should be encouraged by civil society partners and development partners to initiate local government reform in the next future until the next local elections in 2023.

The management of integrated natural resources remains outstanding. The institutional framework for natural resource management needs to be revised in the context of climate challenges. Similarly, the efficiency of the activity of the authorities responsible for monitoring meteorological phenomena were not reassessed.

The Government has not promoted the Framework Methodology for setting tariffs for paid public administrative services.

PRIORITIES

1. Adoption of a strategic planning document on the central and local public administration reform for the next five to seven years.
2. Implementation and improvement of the mechanism for planning, drafting, approval, implementation, monitoring and evaluation of public policies, including through the implementation of the commitments of the Republic of Moldova in the Association Agreement and the future Association Agenda.
3. Reviewing the reorganization process of the authorities and institutions subordinated to the newly created ministries, including to increase the efficiency of their activity.
4. Promoting the territorial-administrative reform of the Republic of Moldova in order to strengthen the efficiency of self-administration of local public authorities, following a broad consultation process and by setting the advantages of voluntary amalgamation and the criteria for conducting amalgamation.
5. Further promoting public administration digitization solutions, by ensuring the interoperability of databases and ensuring efficient remote work for public sector employees.

MANAGEMENT OF PUBLIC FINANCES: BUDGETARY POLICY, INTERNAL CONTROL, FINANCIAL INSPECTION AND EXTERNAL AUDIT

PROGRESS

In April 2021, for the first time, the authorities issued 7-year state bonds at an annual fixed interest rate of 6.5%. Until this year, bonds with a duration between 2 and 5 years have been issued. Increasing the duration of state bonds should provide more flexibility for the authorities. At the same time, three localities in the country, Chisinau municipality, Sângera town and Ceadîr-Lunga municipality have successfully managed to issue municipal bonds to finance local development projects. We can also note the fact that individuals have shown an increased interest in this type of financial instruments. This is also a good signal for other local public authorities that plan to use this tool to improve and increase the quality of life of citizens.

In March 2021, the Ministry of Finance organized for the first time a series of events during the International Financial Education Week (Global Money Week). The purpose of the events was to increase the level of financial education among citizens, with a focus on young people. Thus, a national campaign was launched with the motto: *The public budget is your budget*. Given that the participation of citizens in the drafting of the budget is still quite low, information actions on the components of a budget, the structure of revenues and expenditures are welcome and even necessary.

CONSTRAINTS

The draft Law on budget was approved by the Parliament of the Republic of Moldova on December 16, 2020 (the deadline according to the law is December 1). This time as well, the parliamentary majority used the practice of allocating budgetary sources on political criteria. The political affiliation of the mayor determined the volume of transfers for capital expenditures. Such practices are bad, because they affect the economic development of localities and worsen the quality of life of citizens.

In the context of public discussions on fiscal and customs policy, there were also some shortcomings in communication and dialogue with citizens and civil society. The Ministry of Finance did not present exhaustive arguments regarding the acceptance or non-acceptance of some proposals coming from the non-governmental sector. Thus, some of the initial proposals included in the fiscal and customs policy (e.g. changing the current toll mechanism by canceling the payment of the road tax after passing the periodic technical inspection and including it in the cost of fuel) were excluded without conclusive justification. In order to boost the dialogue between citizens and authorities and to create the premises for a genuine participation of citizens in all budgetary processes, better and more substantiated communication is needed.

Some of the actions planned in the Strategy for the Development of Public Finance Management 2013-2020 have not been implemented. Under these conditions, the Government decided to extend the document for a two years period (2013-2022). Failure to carry out actions or their partial implementation is not an isolated case and could reflect certain shortcomings in the institutional capacity of the authorities in managing public finances. For example, even during this reference period, the authorities failed to determine the role and functions of the Financial Inspection. That action had to be completed in 2017.

PRIORITIES

1. Increasing the share of local government revenues from taxes and fees in the total local government revenues, including by popularizing and encouraging the use of new financial instruments (e.g. municipal bonds) to support local investments.
2. Ensuring coherence and predictability in state fiscal policies. For example, in the period 2018-2021, the VAT for the HORECA sector was changed 6 times. Frequent policy changes and instability render difficult the activity of economic operators.
1. Implementation of the remaining actions from the Strategy for the Development of Public Finance Management and finalizing the institutional reform of the Financial Inspection initiated in 2017.
2. Ensuring a clear link between budgetary resources and public policy documents approved by the Government. Most often, the weak correlation between the budget and planning documents is the main reason for poor implementation of priority actions.

COOPERATION IN THE ENERGY SECTOR

PROGRESS

The Republic of Moldova has fully transposed the third acquis of the Energy Package into primary legislation. At the same time, the National Agency for Energy Regulation of the Republic of Moldova approved the secondary legislation conditioned by the provisions of the energy package regarding the functioning of the electricity and natural gas market.

In September 2021, NAER approved the certification of the natural gas transmission system operator LLC "Vestmoldtransgaz". And starting with October 2021, the Iași-Ungheni-Chisinau gas pipeline was operationalized. Following the approval in 2019, by the Parliament of the Republic of Moldova of the Financing agreements with the International Development Association on the development of the power system for the extension of the Vulcanesti station and the construction of the 400 kV Vulcanesti - Chisinau OHL (overhead power line), the Government created the Preliminary Research Commission to declare public work utilities of national interest for the construction of the overhead power line. But since March 2021, no significant progress has been made in implementing this project.

In November 2021, the Consolidated Unit for Implementation and Monitoring of Energy Projects (UCIPE) and signed the contract for the construction of the Vulcanesti - Chisinau power line with the Indian company KEC International, designated winner of the international tender. The deadline for the execution of the works necessary for the implementation of the project is until August 31, 2024.

Also in November 2021, negotiations were launched with the EIB and the EBRD for the implementation of the project "Energy Efficiency in the Republic of Moldova".

CONSTRAINTS

Although the process of separating the natural gas transmission operator "MoldovaGaz" and "Moldovatrangaz" was to be finalized by September 2021, in accordance with the law on natural gas which transposes the energy package 3, this process has not been carried out to the end so far. The separation process has not been completed in the electricity sector either. All these exposed a high degree of vulnerability of the Republic of Moldova in the context of the natural gas crisis of October 2021.

On October 29, 2021, NAER revised the decision 283/2020 and respectively postponed the application of the electricity market rules until January 1, 2022.

During the reference period, the new methodology for calculating and applying oil prices was approved. This area provokes heated debates in the society and the authorities face great difficulties in identifying solutions and policies that are accepted by most actors: citizens, politicians and business representatives, especially small companies that own gas stations. Even the law passed by the Parliament in August 2021 to amend the Law on the petroleum products market was presented only as a temporary solution, which will require further improvements and discussions to identify the right solutions.

In previous reports, we referred to the inefficient activity of the Competition Council regarding the correctness of pricing petroleum products. In July 2021, the media published several conclusions from the Competition Council's report on the oil market stating that some companies participated during 2019-2021 in a concerted practice of setting sale prices. However, the full report has not been made public so far, and the Competition Council has dissociated itself from any information on this case in the public domain.

PRIORITIES

1. The investigation of price-fixing cartels must go beyond the closely monitoring developments in the petroleum products market. The AA/DCFTA emphasizes the need to establish competitive markets in all areas, but especially on the petroleum products market.
2. Implement the unbundling condition in accordance with the Energy Package 3 in the natural gas sector in strict coordination with the Energy Community Secretariat.
3. Approval of laws by the Parliament of the Republic of Moldova to ensure the separation of property in the field of electricity. The laws should be approved by the end of 2021.

AGRICULTURE AND RURAL DEVELOPMENT

PROGRESS

The public policy sector in the field of agriculture and rural development has not made significant progress. However, some documents related to the implementation of the existing legal framework were approved. Thus, by Government Decision no. 836 of 18.11.2020 on the approval of the Regulation on granting direct payments per head of animal, the provisions of Law no. 276/2016 on subsidy principles in agriculture development and rural environment have been implemented. In addition, by Government Decision no. 963/2020 the Regulation on the manner of keeping the State Register created the Information System "Records of grants applicants and beneficiaries" was approved.

In December 2020, the Government approved the decision on increasing the compensation for transport services for people with special needs. The document provides for the gradual increase of the allowance until 2023, so that all persons with special needs benefit from the same allowance, without this being determined by the person's place of residence.

At the same time, the implementation of public policies in agriculture was promoted, including related to the subsidization of agricultural producers. Thus, AIPA capitalized MDL 828.95 million from the National Fund for the Development of Agriculture and Rural Environment (NFDARE). During 2020, MDL 29 million were offered for 32 new agricultural enterprises. At the end of 2020, the Government approved amendments to Government Decision no. 507/2018, which allowed the advance release of funds from NFDARE for "start-up" enterprises in the agricultural sector. In order to prevent and counteract the cases of fraud, AIPA initiated 102 risk assessments and in 25 cases irregularities were detected, including 5 cases which were redirected to the General Prosecutor's Office. Another 74 files were sent to NAC, NIA, ARO, SIS and GPI following their requests to be verified based on competencies.

Following the adoption of Law no. 183/2020 on subsidized insurance in agriculture, the Ministry of Agriculture, Regional Development and Environment adopted the methodology for evaluating growing animals and the subsidy rate of insurance premiums in agriculture, for 2021 being set at 70% of the cost of the insurance premium paid by farmers.

The agricultural sector has managed to fully recover from the drought of 2019 and the effects of the pandemic of 2020 and 2021. Statistics show that the return of the agricultural sector exceeded the performance of 2019. Compared to 2019, in 2020 the total agricultural production decreased from MDL 34.6 billion to MDL 30 billion. At the same time for the first 9 months of 2021 agricultural production reached MDL 27 billion compared to MDL 20.8 billion in the same period of the last year. Given the favorable climatic conditions of 2021, the general agricultural production for the first 9 months of 2021 managed to exceed that of 2019 by MDL 3 billion, reaching MDL 27 billion.

CONSTRAINTS

An ex-post assessment of the National Strategy for Agricultural and Rural Development for 2014-2020 (NSARD) has been done. But the report was not published. At the same time, the impact of the adoption in 2016 and later in 2018 of the changes regarding the mode of operation of NFDARE was not assessed.

No other planning policy document in the field of agricultural and rural development has been developed for the next 6-7 years. The policy document is in the process of being drafted. The adoption of important laws that would ensure the adjustment of the national framework to EU legislation, such as the Law on animal husbandry, fall behind. This normative act is planned to be adopted since 2016. A draft law in this regard was prepared in 2019 and provides for the transposition of over 20 EU legislative documents.

PRIORITIES

1. Strengthening the position of producers in the Republic of Moldova through investments in innovation and start-ups, as well as further encouraging the insurance of the future harvest, by applying subsidies available in NFDARE.
2. Strengthen the capacity of domestic producers to associate, standardize production, research markets for more profitable products, and support the promotion of these products in the EU.
3. Facilitating investments in agriculture, including with the participation of investments from outside the Republic of Moldova, with a focus on products with high profitability.
4. Adoption of a new Law on organic agriculture, according to the EU regulations in this field.

TRANSPORT

PROGRESS

Also in December 2020, the deadline for transport operators for the comfort categories classification of buses/coaches for their admission to national transport expired. So far, 741 certificates on the classification by comfort categories have been issued (24 - category I and 717 - category II). The objective of the classification is to increase road safety and the comfort of citizens.

Also in December 2020, the deadline for transport operators to classify bus / coach comfort categories for their admission to national transport expired. So far, 741 certificates on classification by comfort categories have been issued (24 - category I and 717 - category II). The objective of the classification is to increase road safety and the comfort of citizens.

The Government has approved the draft law on investigating transport accidents and incidents. Following the adoption of the law by the Parliament, an Investigation Bureau will be created. In the context of the growing number of accidents, the creation of a clear mechanism for determining the causes of accidents and drawing up recommendations for reducing them is welcome.

In September 2021, the draft Railway Code transposing more than 8 EU acts was adopted in the first reading.

CONSTRAINTS

In the field of transport, there are delays in the process of transposition and implementation of the EU acquis in accordance with the Association Agreement.

In 2018, the Government approved the gradual transition from GOST standards to European standards for products introduced on the market, including materials used in the production of asphalt. Although a transition period was foreseen, it was not possible to fully implement the new standards and certify them by the laboratories. Thus, there were certain delays in rehabilitating the road infrastructure with hot asphalt, especially in Chisinau. In these circumstances, it is important for the authorities to take into account the fact that the transition to the new standards involves significant investments in both machinery and human resources, and this must be reflected in the approved transition periods to exclude possible disruptions in the economic activity. In this context, it is important to mention the fact that in 2021, the means of the road fund for public roads decreased by 12% compared to 2020, reaching MDL 1,5 billion.

The pandemic has negatively affected the transport industry in the Republic of Moldova. Until 2019, the transport services represented the largest export branch, and in 2020, this field registered the strongest decrease in history, the exports decreasing by 38% compared to the previous year.

S.E. „Moldovan Railway” (MR) continues to record unpaid debts and salaries for the company's employees. Although the modernization of the company has been discussed in the public domain for many years, consecutive governments have not found solutions to solve historical problems and lay a solid foundation for the further development of the company. The total debts of MR reach approximately half a billion lei. In order to settle the salary situation, the management of the company approved a mechanism for liquidating the arrears by offering facilities for contracting a consumer loan in which MR pays the interest and the administration fee.

In the first six months of 2021, the number of accidents on national routes increased by 31% compared to 2020. Over 55% of all accidents are caused by speeding (unsuitable for road conditions).

PRIORITIES

1. Transposition and implementation of the EU transport acquis, including the adoption of the new Railway Code.
2. Creating a mechanism based on clear criteria and performance indicators for the rehabilitation of road infrastructure
3. Creating the National Road Authority for more efficient coordination and better management of road infrastructure
4. Approval of the new Regulation on periodic technical inspection - the authorities have postponed the adoption of this document, the initial deadline being exceeded by three years. The 1999 Government Decision is outdated and does not adequately address transport issues: environmental protection and traffic safety.
5. Drawing increased attention to road safety in the construction and rehabilitation of national roads and the implementation of the intelligent transport system to reduce the number of casualties and accidents. Developing investment plans for safer roads, conducting road safety audits and constantly evaluating national routes in order to reduce the number of accidents and casualties.
6. Negotiating new projects with development partners in the field of infrastructure.

ENVIRONMENT

PROGRESS

In December 2020, the Government approved the new Land Code. One of the measures included in the draft law concerns the obligation of landowners to prevent and reduce soil degradation. The deterioration of the quality of the soil cover, the deterioration of the soil and the decrease of its fertility represent a major challenge for agriculture and the environment in the Republic of Moldova.

In March 2021, the draft law on atmospheric air was adopted in the first reading.

The European Bank for Reconstruction and Development has granted the M.E. "Self-sanitation" a loan of EUR 9 million and a grant of EUR 5 million for the implementation of the project "Solid waste Chisinau". At the same time, EUR 9 million will be granted on the basis of the Financing Agreement with the European Investment Bank for the implementation of the project "Solid waste in the Republic of Moldova". The local authorities from Chisinau municipality planned ambitious actions to be implemented within this project: modernizing the polygon in Țânțăreni bringing it up to EU standards, procuring special vehicles and modernizing waste transport infrastructure and installing a recyclable waste sorting line.

CONSTRAINTS

Although legislative efforts are being made to integrate green economy measures and principles into production processes of the national economy in order to protect, preserve and restore environmental components, significant progress in eliminating water pollution and reducing greenhouse gas emissions with greenhouse effect, implementation of climate change adaptation measures, waste reduction measures still do not exist.

Ukraine continues construction work on the Novodnestrovsk hydropower plant, which will adversely affect the situation on the Nistru River. It is recommended to return to dialogue to identify acceptable solutions for both countries, so as not to jeopardize access to drinking water for the Republic of Moldova.

There is a need to complete institutional reform in the sector in order to develop an effective governance structure for environmental management. Periodic changes in environmental governance, without comprehensive analysis, negatively affect both the process of developing public policies and the process of implementing them. Both the Paris Climate Change Agreement and the Association Agreement contain very ambitious actions, which require strong capacity to achieve them.

Although the involvement of public authorities is a vital ingredient in implementing the green agenda, the reduced involvement and participation of citizens and local communities in solving environmental problems is also a major obstacle. Identifying the best, but also the most acceptable solutions require efforts for the full involvement of citizens in public debates on environmental protection. For example, although last year the coordination mechanism for activities in climate change was created, throughout the reference period no progress or results arising from the work of this council could have been identified.

PRIORITIES

1. Adoption of the law on atmospheric air.
2. Implementation of actions outlined in national strategic planning documents. Developing and approving a large number of narrow-domain strategies and programs does not always lead to change and problem-solving in a particular field.
3. Land afforestation, sustainable management of use categories, reducing the level of soil degradation, improving the quality and quantity of water resources.
4. Transparent management of financial sources obtained from development partners and clear communication of the results obtained in the implementation of the project "Solid waste in the Republic of Moldova".
5. Separate waste collection and recycling, including by promoting public-private partnerships - waste management remains a challenge for the authorities.
6. Integrating environmental policies into other sectoral policies, especially transport.
7. Increasing citizen participation, including local business and the pro-active involvement of civil society in environmental protection policies.

REGIONAL DEVELOPMENT

PROGRESS

At the end of 2020, the Government approved the National Program for the development of cities-growth poles in the Republic of Moldova for the years 2021-2027. According to the program, six cities with growth poles were identified - Edineț, Soroca, Ungheni, Orhei, Cahul, Comrat. The program involves a consolidated investment in these cities, which have the capacity to become growth poles for the adjacent regions. Thus, the new concept of regional development is implemented, approved in 2020 by the National Council for Coordination of Regional Development (NCCRD).

During 2020 and 2021, several infrastructure investment projects continued to be implemented, supported by the EU, UNDP, GIZ, USAID, the Swiss Confederation and Austria (ADA), which aim to revitalize urban and rural areas, connecting localities to aqueduct and sewerage networks, promoting the sustainable development of the cities of Ungheni and Cahul.

The report on the implementation of NSRD for 2020 was made public. Thus, out of 46 projects initiated on the basis of the SNDR 2016-2020, 26 were completed. Another 20 projects are in the process of implementation.

CONSTRAINTS

It was not possible to promote and adopt amendments to Law no. 438/2006 on regional development, which would ensure the implementation of the new Concept on regional development. The draft law registered in the Parliament in October 2020 but was not put to vote in the Plenum of the Parliament.

There is no strategic planning document for the next 6-7 years in the field of regional development. A draft of the new strategy for 2022-2028 was developed in 2021. There is also no ex-post impact assessment of the National Strategy for Regional Development for 2016-2020.

Out of the total of MDL 203.28 million planned for 2020, MDL 169.5 million were capitalized, which represents a rate of about 83% of planned funds capitalization.

The issue of managing the NFRD by a separate agency persists, and initiatives to jointly manage NFRD and the National Ecological Fund (NEF) were not accepted. In the last instance MADRM returned to the idea of their separate management, once the separate NEF Regulation was promoted.

PRIORITIES

1. Adoption of the new National Strategy for Regional Development for the years 2022-2028.
2. Transfer of NFRD management from MIDR to an Agency specialized in fund management with the implementation of new criteria for capitalization of funds for regional development.
3. Promoting the administrative-territorial reform considering the aspect of regional development, to ensure the implementation of the new concept of regional development, focused on increasing competitiveness and sustainable development.
4. The practical implementation of the National Program for the development of the cities - growth poles, including through the focused capitalization of NFRD funds with the involvement of development partners, to ensure economic growth and capitalization of the amplification effect for the localities around the identified cities-growth poles.

INFORMATION SOCIETY

PROGRESS

The information technology sector is the area with the highest growth, especially in the export of services. In 2019, exports of IT services exceeded for the first time the exports of alcoholic beverages. Between 2013 and 2019³, exports increased by 244% to USD 202.3 million. The largest share of exports is directed to the EU market - about 62%. It is important to mention that the IT branch is a new industry for the Republic of Moldova and was created in a relatively short period of time. The success of this sector demonstrates the positive impact of effective public policies implemented by the authorities.

In October 2020, the Government Portal of the Citizen MCabinet was launched. The portal has simplified the access of all citizens with mobile and electronic signature to electronic services and data held by authorities in state registers. The portal will continue to be populated with other services.

The Tekwill Center of Excellence in ICT has completed four years of activity. Tekwill has contributed to the development of sustainable and effective partnerships between various actors, such as authorities (both central and local), universities, civil society and the business community. During the reference period, the actions to expand the Center of Excellence started in other localities of the Republic of Moldova, such as Balti and Cahul. During the reference period, the companies that obtained the status of resident of Moldova IT Park reached 658 (an increase of 25% compared to 2019). The forecast revenue from sales for 2020 was MDL 4,076.1 million. At the same time, progress has been made in eliminating roaming charges with EU countries. The first step in this regard will be the cancellation of roaming costs with Romania, and later with other EU countries. In addition, Regional Agreements on Eastern Roaming and Spectrum (PAE) countries are currently being finalized and are to be signed at the EaP Summit in December 2021. These agreements are key priorities of the EU4Digital initiative.

The Republic of Moldova has implemented in cooperation with Ukraine the e-Signature pilot initiative to achieve mutual cross-border recognition of electronic signatures and to prepare for alignment with the EU eIDAS Regulation.

CONSTRAINTS

Although the IT sector has continued to grow over the last ten years, a number of constraints have been recently identified that could slow down the development of the sector. The biggest obstacle to the development of the industry is the lack of skilled labor. In these conditions, it is necessary to intervene in the education system by modernizing the curriculum in the IT field in order to be able to prepare as many young people as possible to be ready to meet the needs of companies in the sector. The development of competitive human capital in the IT field will be the key element in maintaining the growth rate of the sector.

At the same time, start-ups continue to face difficulties in accessing financial sources that allow the development and growth of companies. In this regard, the implementation of alternative financing mechanisms to support technology start-ups could be a necessary step, including for the diversification of the IT sector.

Regional and international cooperation in the field of digital infrastructure security should be boosted. Strengthening cyber resilience, especially in the context of COVID-19, has returned to the public agenda and more and more countries are significantly investing in this area. Thus, it is important for the Republic of Moldova to continue the process of harmonizing the national legislation with EU legislation in the field of electronic communications. More effort is needed, including by developing and implementing public policies that continue the process of digitizing the national economy and developing e-commerce, in particular by encouraging small and medium-sized enterprises to implement more and more digital solutions in business.

PRIORITIES

1. Developing alternative financing mechanisms for IT companies, such as the fund to support digital innovations and innovation start-ups.
2. Digitization of the national economy and the development of electronic commerce.
3. Approval of the draft law on electronic identification and reliable electronic services.
4. Boosting regional and international cooperation in the field of digital infrastructure security and improve resilience to cyber attacks.

³ Data obtained from NBM

PUBLIC HEALTH

PROGRESS

In September 2020, the Republic of Moldova obtained observer membership in the EU Committee for Health Safety.

The Government developed the draft National Health Strategy 2030, to replace the National Public Health Strategy, which expired at the end of 2020. A series of public consultations were held in December 2020. The new planning document details the strategic vision of the authorities for the development of the health system in the Republic of Moldova.

The immunization process against COVID-19 began on March 2, 2021. The first vaccines were available from donations offered by Romania, including via the EU Civil Protection Mechanism. In total over 200,000 doses of AstraZeneca. At the same time, the Republic of Moldova benefited from donations through the COVAX Platform, through which doses of AstraZeneca and doses of Pfizer were brought. In the spring of 2021, the authorities bought 100,000 doses of vaccine produced in China, and later the Ministry of Health purchased 700,000 doses of Pfizer. Sputnik-V vaccines were also made available by donation lots provided by Russia. Thus, at the moment all citizens of the Republic of Moldova have access to vaccination.

As of January 1, 2021, the salaries of medical workers have been increased by 30%. At the same time, the Parliament of the Republic of Moldova voted in the first reading a draft law that provided for an increase of another 40% of the salary. But since the Parliament was dissolved, the draft was not voted in the second reading.

CONSTRAINTS

On November 19, 2021, approximately 914,777 citizens were fully vaccinated (approximately 35% of the population of the Republic of Moldova). Thus, the degree of coverage is very low. Increasing the vaccination rate is currently the main priority of the authorities to reach the minimum target of 70% of the vaccinated population.

In several countries around the world, networks that sell fake vaccination certificates have been uncovered (e.g. Romania, Italy, United States of America). Given that more and more governments are forcing citizens to get vaccinated, counterfeiting vaccination certificates will be a growing phenomenon. Thus, it is extremely important to take measures at national level to reduce this phenomenon. False vaccination certificates will make it difficult to get out of the pandemic (given that it is not known exactly who is vaccinated and who is not), and as a result could affect the degree of recognition of certificates issued by Moldovan authorities by other states.

On August 23, the National Extraordinary Commission on Public Health decided that all education workers should present negative tests for COVID-19 every 14 days if they are not fully vaccinated. The decision provoked heated debates in the society, and various political forces tried to exploit this issue for their own interest. The communication from the National Commission, but also from the Ministry of Health was quite confusing, and the decision was not reasoned and justified by data and detailed analysis. At the same time, there was no dialogue and consultation process with stakeholders. Citizen participation is important in all decision-making processes, especially in cases when debating such sensitive issues that affect most families in the country.

PRIORITIES

1. Implement the COVID vaccination program to reach the minimum target of 70% vaccinated population.
2. Decision-making transparency and social dialogue - poor communication from politicians, but also from high-ranking officials responsible for Covid-19 crisis management has helped to disseminate confusing messages about the spread of the disease and the management of the situation. All decisions that affect the lives of citizens should only be taken as a result of a public consultation process. Decisions made behind closed doors and without arguments substantiated by data, will not contribute to achieving the expected result by the authorities.
3. Ensuring the integrity of vaccination certificates and working with public institutions to investigate cases of corruption in issuing certificates.
4. Increasing access to medical services and improving the quality of provided services, especially in rural areas.
5. Modernization of hospitals in the country - the pandemic has shown that hospitals in the regions are not properly equipped and cannot provide quality services to citizens. The approach by which financial sources are used for cosmetic renovations of healthcare institutions is not a sustainable one. Thus, a new program is needed to provide for the modernization of hospitals in the country.

AUDIO-VIZUAL AND MEDIA

PROGRESS

The new parliamentary majority established after the early parliamentary elections of July 11, 2021, has engaged to finalize, in cooperation with media organizations, civil society and development partners and to adopt by the end of 2021, the Media Development Strategy of the Republic of Moldova. The new strategy is to review and develop the intervention measures in the media field, outlined in the [National concept of media development from 2018](#).

It is gratifying that the media is receiving a lot of attention and support from the international community. For example, in the resolution on the implementation of the Association Agreement with the Republic of Moldova, [Members of the European Parliament](#) called on national authorities to strengthen the resilience to misinformation and information manipulation by internal and external actors, both online and offline.

CONSTRAINTS

During the reference period, the Republic of Moldova made little progress in terms of press freedom, obtaining the 89th place (in 2020 - the 91st place) out of 180 countries evaluated according to the [World Press Freedom Index](#). The low and limited independence of the Audiovisual Coordinating Council has been one of the main problems identified by international experts. In general, however, no progress has been made in this area. The actions of the political factor were limited only to rhetoric, without proposing or implementing actions that would move media in the Republic of Moldova in a positive direction.

The Republic of Moldova continues to be a fertile ground for misinformation. Fake news is generated both by local actors and by foreign actors. The Audiovisual Coordinating Council is not exercising its regulatory function in combating false information and propaganda. The national regulatory framework for preventing and combating misinformation generally respects the principle of freedom of expression and freedom of the press, as provided in the Code of Audiovisual Media Services of the Republic of Moldova. However, the term misinformation is not clearly defined in the national legal framework. In December 2020, the Parliament of the Republic of Moldova amended the [Code of Audiovisual Media Service](#). Those changes were not consulted with media experts or civil society representatives. The main changes concerned the reduction of local audiovisual broadcasting quotas and bringing back news and analytical programs from countries that have not ratified the European Convention on Transfrontier Television. Consequently, the informative-analytical programs from the Russian Federation were reactivated, which increased the degree of exposure of citizens to the Russian propaganda.

In January 2021, the Audiovisual Council finalized the procedure for selecting the members of the Supervisory Board of the "Teleradio-Moldova" Company. Since March 2020, the Supervisory Board has been active with only six out of nine members. [A part of the media in Chişinău](#) mentioned that the selected people are part of the entourage of the Party of Socialists of the Republic of Moldova. At the end of July 2021, the Audiovisual Council launched a new competition to fill a vacant position in the Supervisory Board following the expiry of a term. In April 2021, the term of office of three members of the Audiovisual Council expired. In these circumstances, the Parliament should start the process of selecting new members as soon as possible.

PRIORITIES

1. Creation of working groups on the Parliament's platform for reviewing the legal framework, developing the media and combating misinformation in the info-media space of the Republic of Moldova.
2. Adoption of the National Program on media development in the Republic of Moldova.
3. Reform of the Audiovisual Coordinating Council and the public broadcasters' boards of observers, including through applying criteria for appointing members based on professionalism, and not just political representation. Currently, the impact of these institutions is extremely small, and the problems in the media continue to be perpetuated without any action being taken to resolve them.
4. Ensuring a fair, transparent and objective competition for the Supervisory Board of the "Teleradio-Moldova" Company.
5. Approval of the law on advertising to exclude anticompetitive practices on the advertising market - the independent press cannot develop itself if fair access to the advertising market is not ensured.
6. [Create a Coordinating council for ensuring information security](#).
7. Establish a framework for cooperation and private-public partnerships between public authorities, national and international companies in the field of IT and artificial intelligence (AI), as well as social networking platforms in combating misinformation activities in the online space.
8. The Government of the Republic of Moldova is to strengthen its policy and institutional framework in the field of strategic communication at the national level.

COOPERATION WITH CIVIL SOCIETY

PROGRESS

The year 2021 was the fifth consecutive year in which citizens had the right to redirect 2% of income to a non-profit organization or a religious entity. During this period, there was an increase in both the number of taxpayers and the amount redirected to the associative sector. In 2021, the targeted amount increased significantly compared to 2020. Thus, 36.592 people requested the targeting of 9.45 million lei to non-commercial organizations, including 1.3 million MDL to religious entities. The figures are increasing by 8.046 people and 3.080.000 MDL, respectively, compared to the previous year. At the same time, we mention that a large part of the 2% amount goes to NCOs that are politically affiliated, or are affiliated to state institutions - MoIA, Fiscal Inspectorate, APS (approx. 35-40%).

Following the approval of the draft Law on non-profit organizations by the Parliament of the Republic of Moldova, the Government developed the draft Framework Regulation on the mechanism of direct non-reimbursable financing of projects of non-profit organizations. The participatory exercise of co-creation of this funding mechanism applied by the authorities was a good step in restoring trust between civil society and public institutions.

In 2020, the State Chancellery launched a new version of the national portal for public consultations *particip.gov.md*. The search module has been improved, the file concept has been introduced for each consulted draft, statistical data on documents posted for public consultation have been added, the possibility to receive notifications or the possibility to identify yourself with the help of electronic signature has been included.

CONSTRAINTS

December 2020 was the deadline for the implementation of the Civil Society Development Strategy 2018-2020. According to the monitoring report drafted by the State Chancellery, the degree of accomplishment of the actions constituted 72.2% of which: 50% - accomplished actions; 20.2% - partially accomplished and 29.8% - not accomplished actions.

In the previous report, it was mentioned that the Parliament had set up a consultation mechanism with the civil society. No progress or actions implemented as a result of the creation of this mechanism were identified during the reference period. In August 2021, several civil society organizations called on Parliament to ensure that genuine and inclusive public consultations on draft laws are organized in a timely manner while respecting decision-making transparency procedures. At the same time, the Government Action Plan for 2021-2022 does not include activities on cooperation with civil society. In order to be able to build good communication, it is important that the new parliamentary majority respects exactly the principles of transparency and good governance in the decision-making process.

Especially in 2020, the civil society domain continued to be affected by attacks from political actors, especially during election campaigns. The Office for Prevention and Fight against Money Laundering and the Security and Information Service conducted an assessment of the non-governmental sector in 2020, in the context of the implementation of the Strategy on Combating Money Laundering and Terrorist Financing. The report was finalized at the end of 2020 but was not made public. It is not clear what recommendations this report contains and how they will affect the civil society space.

We reiterate that the percentage designation mechanism has reached a ceiling. In this regard, actions are needed to increase the visibility of this mechanism, including by highlighting the positive results obtained by the beneficiary organizations as a result of receiving financial resources from citizens.

PRIORITIES

1. Complying with the principles of transparency and good governance in the decision-making process - Genuine involvement of citizens and civil society in the decision-making process; increase transparency in policy formulation and decision-making, including through the broad involvement of citizens in the budgeting process, starting with the identification and setting of spending priorities; the use of multiple channels to ask for the opinions of civil society organizations; keeping promises and establishing a permanent dialogue and exchange of information between authorities and civil society.
2. Evaluating the percentage designation mechanism and, where appropriate, simplify procedures - to increase the number of taxpayers, but also to increase the number of organizations that can benefit from this support.
3. Increasing the capacity and supporting the efforts of NCOs in promoting campaigns to popularize the percentage designation mechanism, including for the presentation of the results obtained by the beneficiary associations.
4. Approval of the Framework Regulation on the mechanism of direct non-reimbursable financing of projects of non-profit organizations - this will allow the unification of all procedures and conditions for financing from the state budget.

4. TITLE V – TRADE AND TRADE RELATED MATTERS (DCFTA)**TRADE WITH THE EUROPEAN UNION****PROGRESS**

Exports of goods from the Republic of Moldova to EU member states decreased by USD 190.1 million in 2020 compared to 2019 and amounted to **USD 1.64 billion**, which represents about **66.5%** of the country's total exports for last year. The decline in exports is due to both the effects of the pandemic and Britain's withdrawal from the EU. Percentage wise, the share of exports to the EU in total exports remained at about the same level as in 2019.

Exports of goods for the first eight months of 2021 amounted to **USD 1.13 billion**, which means about **62.5%** of the total exports of the Republic of Moldova, with **USD 140.5 million** more than in the same period of 2020. At the same time, trade with other regions of the world increased in the first eight months of 2021, reaching **USD 677 million**, compared to **USD 534 million** for the same period of 2020. The trade deficit between the EU and the Republic of Moldova also increased - from **USD -530.1 million** in the first eight months of 2020 to **USD -918.4 million** in 2021.

At the same time, despite the pandemic, food exports increased from USD 154.5 million in 2019 to **USD 177.6 million** in 2020. The main items of export growth are vegetables, fruits, nuts or other parts of plants (USD +9.8 million) and beverages, liquids and vinegar (USD +11, 8 million). Oil products also grew by almost USD 20 million in 2020, reaching **USD 84.4 million**.

In 2020, the tariff quotas for plums were fulfilled in proportion of 100% (15 thousand tons), but also for table grapes in proportion of 69% (13.8 thousand tons out of 20 thousand available). For other products, the tariff quotas were used only in a negligible proportion (cherries - 13%, apples - 4%, grape juice - 3%).

During the same period, the quotas under the mechanism to prevent circumvention in trade with the EU for processed cereals in the volume of 18.26 thousand tones representing 365% of the total of 5 thousand tones were significantly exceeded. Quotas for corn, including flour and agglomerates were capitalized at 89% of the total of 250 thousand tones.

CONSTRAINTS

On the main export positions, there was a decrease in exports of machinery, equipment and their parts with **USD 93.8 million** in 2020, compared to 2019, reaching **USD 482.6 million**. The downward trend continued with the exports of textiles, reaching **USD 201 million**, compared to **USD 268 million** in 2019.

Tariff quotas for products with a higher degree of profitability continue to be unused.

The main categories of goods intended for export are of vegetable or animal origin, with a low degree of profitability compared to human resources, land, etc. The non-valorization of tariff quotas, but also the structure of exports mainly related to unprocessed or low-profitability degree products, shows that local producers have not adapted to and have not transposed the quality standards recommended by the EU.

PRIORITIES

1. Completion of the certification processes with the participation of the EU and ANSA and authorization of the export of chicken and eggs to the EU.
2. Facilitating exports of products with a higher degree of profitability, including for sectors where insufficient capacity is found to adjust to EU quality standards in the main chapters - association, standardization, increasing production volumes and negotiating exports.
3. Undertaking support actions for sectors of the economy that have suffered from the pandemic (e.g. textiles).

STANDARDISATION, METROLOGY, ACCREDITATION AND CONFORMITY EVALUATION**PROGRESS**

The Moldovan Standardization Institute of (MSI) has annulled 1132 national standards that conflict with those of the EU. The MSI activity report confirms that 100% of the harmonized EU standards, set out in Annex no. XVI of the Association Agreement and also, another 49 international standards were taken over by the Republic of Moldova.

Actions were implemented to promote the electronic access of the standards through the MSI electronic store - shop.standard.md.

MSI approved the activity plan for 2021 but also the Activity Strategy for 2021-2023. The activity plan for 2021 provides for a series of actions, including the cancellation of 500 conflicting standards and 100 obsolete standards.

During 2020 and 2021, the MOLDAC National Accreditation Center updated the list of test laboratories, which reached 108. In total in 2021, they were 40 test laboratories, certified or expanded. Given the international recognition of MOLDAC within EA BLA, starting with 2018, the documents issued by laboratories and inspection bodies accredited by MOLDAC are recognized in EU Member States, without the need for conclusions of EU laboratories for products exported from Moldova.

CONSTRAINTS

MSI failed to carry out all the activities planned for 2021. The large number of standards planned for approval, but also regular verification activities of the already approved standards, as well as the examination of new draft standards are a challenge both for laboratories and for accredited inspection bodies.

The adoption of standards by national entrepreneurs involves an additional effort to align with the new regulations, but also the use of imported products in the technological process in the Republic of Moldova, such as the construction or processing sector. The large number of standards that entrepreneurs have to transpose in the production process is a challenge, especially in the context in which they want to enter EU markets. It is also a challenge to transpose the standards into two priority areas - construction and agriculture.

In 2016, negotiations were launched on the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA), however, the agreement has not been negotiated and signed.

PRIORITIES

1. Negotiations and concluding the Agreement on conformity assessment and acceptance of industrial products (ACAA), as well as implementation of its provisions in the product quality assurance infrastructure (MSI, INM, MOLDAC, testing laboratories and inspection bodies).
2. Assessment of needs and financial burden and technological adjustment for quality standards set as a priority, especially in the construction and food sector.
3. Communicating with the business community to establish a tool for the gradual implementation of national quality standards taken from harmonized EU standards in priority sectors of the economy.
4. Continue to exclude conflicting or outdated standards from the existing set of national standards, including the exclusion of standards conflicting those of the EU to be harmonized and adopted within the Moldovan standards.
5. Preparing MOLDAC for the next pre-evaluation cycle, which is planned for February 2023.
6. Providing financing instruments for enterprises in the process of transposing quality standards, focusing on branches of the economy and on products with a higher rate of profitability.

SANITARY AND PHYTOSANITARY MEASURES

PROGRESS

The fairly rapid recovery of exports from the Republic of Moldova to the EU which were significantly affected due to COVID-19 is notable. Between January and June 2021, exports increased by USD 161 million. More than 70% of the recorded increase is due to the recovery of exports to the EU.

During the reference period, the European Commission approved the plan of the Republic of Moldova for the monitoring of residues for cow milk. Thus, the conditions for the export to the EU market of dairy products made from raw milk products subject to high heat treatment have been met. The right to export and transit of dairy products will be possible if the raw material used comes from the countries listed by the Commission for imports of dairy products into the EU.

In April 2021, the Republic of Moldova met the conditions required in the first audit by the European Commission for the approval of exports of meat and poultry eggs. During 2021, two more audit missions will be carried out based on which the final decision on the possibility to export will be taken.

In July 2021, the Government approved the new organizational structure of the National Agency for Food Safety. The main change concerns the employment of 202 doctors and vets who will be responsible for the implementation of veterinary measures. Increasing the number of employees should also improve citizens' access to veterinary services.

CONSTRAINTS

A backlog mentioned in the previous report is the failure to adopt the draft law on animal husbandry. According to the action plan for the implementation of the Association Agreement, the document was to be approved by the end of 2017.

Authorities continue to face difficulties in modernizing the national laboratories responsible for meeting all sanitary and phytosanitary requirements. The laboratories do not have all the necessary tests and do not have all the appropriate diagnostic equipment. Thus, the limited human resources, but also the significant investments necessary to increase the accredited tests for the implementation of the legislation in the field of animal health and food safety represent the main obstacles to obtaining the export right for the products of animal origin. To achieve this goal, it is important that the authorities increase the speed of adoption/implementation of European Union standards and regulations and provide support to producers wishing to export their products to the EU market.

PRIORITIES

1. Approval of the draft law on animal husbandry - the document transposes 20 directives of the European Union.
2. Ensuring a high level of transparency and communication on the conduct and results of audit missions carried out by DG HEALTH.
3. Training inspectors and specialists from national laboratories to ensure the proper implementation of legal provisions in the field of phytosanitary and food safety.
4. Strengthening the network of national laboratories - including the technical equipment of laboratories and the improvement of the capacities of officials responsible for the phytosanitary field.
5. Implementation of the National Plan for the monitoring of residues in products of animal origin in order to obtain the right to export eggs, poultry meat and other products of animal origin.
6. Ensuring a high degree of public health protection.

CUSTOMS AND TRADE FACILITATION

PROGRESS

Parliament approved the Customs Code in its third and final reading on August 24, 2021. It will enter into force on January 1, 2023. The provisions of the Customs Code introduce several important changes for the customs field, including the implementation of the Republic of Moldova's commitments under the Association Agreement, but also in the context of the OMNIBUS macro-financial assistance agreement for EUR 100 million.

Among the innovations are the exclusion of the customs broker as the sole representative of the economic operator, the clarification of the types of documents that can be issued by customs bodies, but also the establishment of detailed procedures for authorized economic operators and other detailed rules.

During 2020, the Customs Service received a total of MDL 22.5 billion, of which MDL 14.9 billion represents VAT, MDL 5.9 billion - excise duties and MDL 1.19 billion - import customs duties. In the first 10 months of 2021, the Customs Service collected MDL 22.8 billion, which is an increase of 27% compared to the same period of 2020. For 2021 the Customs Service has established the drafting and transmission to the Government of the draft Government Decision on the implementation of the new computerized transit system (*new computerised tranzit system* - NCTS), as well as the elaboration of the specifications for it, until the end of 2021.

CONSTRAINTS

The Government Decision on the implementation of the computerized transit system (NCTS) was not adopted within the set terms. This instrument has been introduced in several action plans, including sectoral ones of the Ministry of Finance, Customs Service but also in the Government Action Plan for the years 2020-2023. The system is also mentioned in the new Customs Code of the Republic of Moldova, which will enter into force on January 1, 2023. No progress has been made on implementing the concept of Authorized Economic Agent (AEA) through mutual recognition with EU Member States. Although a Roadmap was adopted with a deadline for the end of 2020, these actions were mainly limited to setting up directions and communicating with colleagues in the EU and within the EU delegation in Moldova.

The management of the eastern border of the Republic of Moldova and the ensuring the control over the movement of goods arriving through this region continue to be a major challenge. Efficient implementation of customs legislation is possible by applying joint control at the eastern border of the Republic of Moldova on the Transnistrian segment, with the involvement of the Ukrainian authorities.

In December 2020, the Parliament adopted amendments to the Law on domestic trade. Contrary to the commitments of the Republic of Moldova provided by DCFTA and those assumed within the World Trade Organization (WTO), the amendments to the law provide an obligation for retailers to have at least 50% of food products manufactured in Moldova on their shelves. In July 2021, the Interim Government adopted an extensive list of products subject to the 50% rule, in implementing amendments to the internal trade law. The implementing rules entered into force on August 23, 2021, thus being contrary to the provisions of the DCFTA and WTO commitments.

PRIORITIES

1. Adoption of the secondary normative framework, including at the level of Government Decisions and acts of the Customs Service to ensure the implementation of the new provisions of the Customs Code.
2. Negotiation, signing and implementation of the Agreement on Mutual Recognition of Certificates of Economic Agent (AEA) between the Republic of Moldova and EU Member States.
3. Adoption of the necessary framework and implementing the new computerized transit mechanism (NCTS).
4. Adoption and implementation of the electronic management system when crossing the state border (Go Swift).
5. Cooperation with the Ukrainian authorities in order to expand the number of common customs control posts on the territory of Ukraine in order to effectively monitor and manage imports and collect data on the export of goods to / from the Eastern districts of the Republic of Moldova.
6. Coordination with the Ukrainian authorities of the reporting instruments for goods exported from Ukraine on the territory of the Republic of Moldova, including the status of exported goods, the list of goods that qualify as personal use goods but also the change of reporting requirements based on units of goods and not based on their value.
7. Revision of Law on domestic trade to ensure compliance with AA / DCFTA and WTO commitments.

FINANCIAL SERVICES

PROGRESS

In November 2020, the Moldovan Parliament adopted the Law of the facultative pension funds. The development of a private pension system will help to improve the financial system, including by providing capital for the national economy.

In October 2021, the representatives of the International Monetary Fund, on a mission to Chisinau, technically agreed with the Government of the Republic of Moldova on a new economic reform program for the Republic of Moldova worth USD 564 million.

During the reference period, the banking sector maintained its level of profitability, and this fact confirms a positive dynamic in the real sector. Despite the crisis caused by the pandemic, legal entities and individuals, have managed to meet their financial obligations. The share of non-performant loans did not change significantly (non-performant loans increased as absolute value, but not as a share in total loans). This indicates a resilience of the real sector.

Also, during this period, the National Bank of Moldova, in cooperation with other institutions, initiated the dialogue on the accession of the Republic of Moldova to the Single Euro Payments Area (SEPA). Participation in SEPA would eliminate the differences between cross-border and domestic payments, significantly increasing their efficiency.

CONSTRAINTS

In the previous report, we mentioned about the transfer of the regulation of the non-banking sector from the National Commission of the Financial Market to the National Bank. However, during the reference period, no preparatory actions were taken for the timely and successful implementation of this reform negotiated and agreed with the International Monetary Fund. In order to ensure predictability for the sector, but also a high level of transparency and participation of stakeholders in the decision-making process, the authorities should start implementing the previously undertaken reform.

The National Bank of Moldova does not have full administration. Out of four deputy governors, only two have a valid mandate. This greatly hinders the activity of the National Bank and the ability of the administration to manage all the complex processes that are under the responsibility of the institution. Thus, in the next period, the Parliament should appoint the deputy governors, in order to ensure and strengthen the independence of the National Bank.

Although the previous government promised to reach a new agreement with the International Monetary Fund by the end of 2020, this has not happened. Thus, the authorities failed to capitalize over USD 93 million, money that was initially included in the state budget for 2020. Among the most important measures included in the agreement with the IMF were: strengthening the independence of the National Bank of Moldova, reform of the non-banking financial sector.

Liquidity in the banking sector remains high. According to the latest report prepared by the NBM, the current liquidity is 50%, while the legal limit is 20%. Thus, short-term loans continue to dominate the banking system. This affects both the sustainability of the budget deficit and the financing of real sector companies.

The fees charged by banks for online transactions remain high and non-transparent. Moreover, this does not help to encourage the use of electronic payments by citizens. The government, together with the NBM, could make more efforts to improve the situation in the field.

PRIORITIES

1. Accession of Moldova to the Single Euro Payments Area (SEPA).
2. Implementation of the new economic program with the IMF 2021-2024.
3. The takeover by the NBM including the supervision of the capital market, together with the takeover of the supervision of non-bank loans and insurance from NCFM.
4. Immediate appointment of competent vice-governors to lead the NBM - the lack of a functional management affects the day-to-day activity and does not ensure an effective independence of the institution.
5. Maintaining a differentiated level of supervision of the two sectors: banking and non-banking (non-banking credit organizations). Surveillance mechanisms must be linked to the risks specific to each sector.
6. Transparency and reduction of fees for the use of electronic payments. Currently, they remain high and do not contribute to the increased use of financial services.

PUBLIC PROCUREMENT

PROGRESS

During the reference period, an updated version of the mtender.gov.md portal was developed and launched. New modules have been added that provide more information and transparency for citizens and civil society representatives. The continuous modernization of this portal underlines the effort of the authorities to render the way of spending public money transparent.

The [Regulation on the organizing and functioning of the central procurement authorities](#). One of the objectives of the authorities is to reduce the number of contracting authorities in order to reduce excessive fragmentation and achieve economies of scale, including to reduce errors made by public procurement authorities.

The [Regulation of the organization of public procurements of low public value](#) has been drafted. According to the draft, the document was to enter into force in June 2021, but so far has not been approved by the Government. The regulation provides that all purchases over MDL 30,000 are to be made exclusively through the MTender platform. The main objective is to provide data on low value purchases. There are currently no statistics or reports that provide relevant information on this type of public procurement. This is important, given that local public authorities mainly use this type of procurement in the procurement of goods and services. However, the approval of this Regulation will increase the burden on civil servants in local authorities responsible for public procurement.

The [Law](#) of "de-offshorization" was voted by the Parliament in the final reading. The law prohibits the participation in public procurement of offshore companies. Following the adoption of the law, the Government approved the [Methodology](#) for establishing jurisdictions that do not implement international transparency standards as well as the list of those jurisdictions.

CONSTRAINTS

Although several regulations in the field of public procurement were approved during the reference period, the mechanism for including citizens or civil society representatives in the work of public procurement working groups was not simplified. Excessive bureaucracy makes it difficult for citizens to access the work of these working groups. Reducing barriers will contribute to better transparency and increased confidence in the correct organization of public procurement and the efficient use of the state budget.

The lowest price criterion for the award of public contracts continues to be the most commonly used. In this regard, it is recommended to diversify them for the use of other criteria such as the lowest cost. The services and goods with the lowest price could possibly generate higher costs over the entire life cycle of the product. At the same time, the practice of EU states in the field of public procurement recommends taking into account the environmental, maintenance, use, scrapping and recycling aspects. Reducing the share of the lowest price in public procurement contracts should increase the efficiency of public money and the sustainability of public procurement.

PRIORITIES

1. Use of criteria other than the lowest price in public procurement contracts - including consideration towards environmental, maintenance, use, scrapping and recycling aspects.
2. Increasing the capacity to monitor public procurement and improve the information included in the reports presented to the public.
3. Simplifying the mechanism for including citizens and civil society representatives in public procurement working groups.

COMPETITION

PROGRESS

The Parliament adopted amendments to several legislative acts, including the Competition Law no. 183/2012, which established a mechanism for evaluating the performance of the Competition Council. In this respect, based on an objective assessment, the Parliament will be able to find the improper exercise of the attributions by the members of the Competition Council. The legal norm comes to balance between the two important objectives related to the activity of regulators - their independence and responsibility in the exercise of the mandate.

In 2021, the Competition Council analyzed the process of releasing a large batch of wheat reserves from the state reserves. The findings of the Competition Council are that the Material Reserves Agency has restricted competition in the relevant market by favoring operators in the wheat products market.

In 2021, the Competition Council conducted investigations into the petroleum products market, including taking action to determine whether anticompetitive actions were allowed on the petroleum products market. Currently, the case is at the stage where the investigated companies present their defense position.

The Competition Council presented the Report on the implementation of the National Program in the field of competition and state aid for the years 2017-2020. Achievements include 19 investigations to determine the relevant market, the establishment of entities with exclusive rights with recommendations to transfer these rights to the private sector, the formulation of proposals to implement the new regulations related to public procurement (Directive 2014/24 / EU and 2014/25 / EU) etc. Out of a total of 37 actions in the Program, 17 were carried out, 14 actions were partially carried out, 5 actions were initiated and one action was not initiated.

CONSTRAINTS

The activity of the Competition Council was overshadowed by suspicions of conflict of interest in initiating and finalizing investigations on the fertilizer market. In particular, it was found that the former President of the Competition Council was in a situation of conflict of interest, being also a participant in this market. The Decision of the Competition Council targeted four companies that were fined with a total of MDL 91 million for anti-competitive activity in the form of practicing hardcore horizontal cartels.

There is no planning document for the coming years in the field of Competition and State Aid for the years 2017-2020, similar to the National Program. It is also noted that more than half of the actions under the Program have not been implemented.

The Competition Council is not funded in the same way as other regulators in the Republic of Moldova, which decreases the attractiveness and efficiency of the operation of the institution. In addition, from August 2021, the Council remained without leadership, following the resignation of the President of the Competition Council.

The new Customs Code extended the implementation of the state aid schemes in Free Economic Zones until 2033. This provision is contrary to the commitment of the Republic of Moldova to align all state aid schemes until 2024 as provided by art. 341 to AA / DCFTA.

Initiatives have been voiced in the public space, proposing to merge NAER and the Competition Council. This initiative is insufficiently reasoned and inappropriate, as long as there are no objective arguments, supported by independent evaluations, including with the involvement of experts from relevant international organizations (ie the Secretariat of the Energy Community) and the European Commission.

PRIORITIES

1. Adopting a new public policy document on competition and state aid planning.
2. Promoting with care and reasoning the law on regulatory and competition authority.
3. Identifying potential risks in the process of transition from the current authorities to the new authority and establishing actions to mitigate these risks, including the adoption of departmental acts, the legal value of decisions issued by the current authorities and their legal power after the creation of a new authority.
4. Carrying out analyzes on markets with a strengthened impact on consumers, including in the energy, transport, telecommunications, banking services, focusing in particular on aspects of abuse of a dominant position in those markets.
5. Gradual transposition of the provisions of Directive 2019/1 of the European Parliament and of the Council on the provision of means to competition authorities in the Member States so that they are more effective in enforcing the law and ensuring the proper functioning of the internal market.
6. Reviewing the transitional provisions of the new Customs Code regarding the activity of Free Economic Zones and setting a transition plan to regulated economic activity in general conditions until 2024, in accordance with the provisions of art. 341 to AA / DCFTA.

5. TITLE VI – FINANCIAL ASSISTANCE, ANTIFRAUD AND CONTROL PROVISIONS

FINANCIAL ASSISTANCE

PROGRESS

The European Union continued to provide financial assistance to the Republic of Moldova in support of the internal reforms provided for in the Association Agreement, including through the EU4Moldova Facility and the EU4Moldova Key-regions program. Additionally, in response to the COVID-19 crisis, the EU supported the Republic of Moldova in managing the pandemic crisis and reducing its negative impact within the „Team Europe” program. In 2021, a significant part of EU support was directed towards the implementation of the vaccination program, with over one million doses of vaccine being offered.

According to the Report on external assistance provided to the Republic of Moldova in 2020, published by the Ministry of Finance in 2021, the Republic of Moldova benefited from a total of EUR 692.6 million, which covered 27% of the expenditures of the National Public Budget for 2020, of which the EU provided the Republic of Moldova with over **EUR 360 million**, including the European Commission - EUR 140 million, EBRD - EUR 120.6 million, EIB - EUR 85.1 million. In addition, EU Member States provided a significant share of assistance in bilateral development programs, including Sweden (EUR 11.3 million), Germany (EUR 4.8 million) and the Czech Republic (EUR 2.4 million). At the same time, according to the European Commission, in 2020, the EU mobilized for the Republic of Moldova over **EUR 127 million** as bilateral non-reimbursable aid for pandemic crisis management. This volume of assistance also includes allocations within the Annual Action Program for 2020, estimated at EUR 59 million in three areas of intervention, namely (1) economic development and market opportunities (EUR 4.1 million); (2) good governance and institution building (EUR 4 million) and (3) sectoral areas including health (EUR 14 million).

Additionally, during the last year (i.e. October 2020-October 2021), the EU offered the Republic of Moldova **EUR 100 million** under the Macro-Financial Assistance Program (OMNIBUS), provided that all the conditions set out in the Memorandum of Understanding signed in July 2020 have been met. The EU also provided the Republic of Moldova with over **EUR 100 million** in direct budget support programs. Thus, after signing Annex no. 2 to the Program "Support for Police Reform", in addition to the EUR 26.6 million allocated in 2020, in 2021 were transferred to the Government of the Republic of Moldova **EUR 21.4 million**. In addition, the Republic of Moldova benefited from a direct budget support program in the amount of **EUR 15 million** within the Financing Agreement for the COVID-19 Resilience Contract meant to help the Republic of Moldova cope with the COVID-19 epidemic, reduce its socio-economic impact, by increasing the resilience of the health system and supporting SMEs. These disbursements are part of the EU Economic Recovery Plan for the Republic of Moldova for the years 2021-2023 of **EUR 600 million** announced in June 2021. In addition, in response to a request from the Republic of Moldova, the EU provided new direct emergency budget support amounting to **EUR 60 million** intended for managing the impact of the natural gas crisis in autumn 2021.

CONSTRAINTS

The main challenge in early 2020 was the low level of capitalization of external assistance provided to the Republic of Moldova, largely due to failure to meet the disbursement preconditions provided in the contracts of financing agreements, the long process of implementation of activities from projects, delays and the repeated organization of public procurement procedures, as well as the stagnation of some processes of implementation of activities due to the effects caused by the COVID-19 pandemic.

At the same time, given the openness of the development partners to support the reform agenda and economic recovery of the Republic of Moldova, it is necessary to have a strategic document for the development of the Republic of Moldova related to the objectives of the Association Agreement and sustainable development objectives. The **National Development Strategy "Moldova 2030" was not yet adopted**. At the same time, **there is a growing need for a National Economic Recovery and Resilience Building Plan** that includes priority reforms and strategic development and investment projects for the next 5-6 years. The EU Economic Recovery Plan, as well as the EU Economic and Investment Plan for the Eastern Partnership, already provide sufficient prerequisites for this. Furthermore, the recent experience of EU Member States in accessing the Recovery and Resilience Facility is also relevant.

PRIORITIES

1. Adoption of the National Development Strategy "Moldova 2030"
2. Drafting of a National Plan for Economic Recovery and Resilience for the years 2021-2027
3. Updating the Medium Term Budgetary Framework (MTBF) to reflect the updated objectives of reforms, investments and development of the Republic of Moldova in accordance with the Government Activity Plan for 2021-2022, strategic planning documents to be adopted, economic recovery and resilience plan and medium-term priorities agreed with key development partners.

ANTIFRAUD AND CONTROL PROVISIONS

PROGRESS

In 2020, NAC issued 12 strategic analyzes and 416 operational analyzes on the phenomenon of corruption in the investigated cases and in the socio-economic fields. In this context, in 2021, a criminal case against some functionaries and managers of the Agency for Intervention and Payments for Agriculture (AIPA), who are being investigated for misappropriation of external assistance funds and collection of millions of commissions from agricultural companies was initiated.

At the same time, the National Integrity Authority (NIA) issued 210 finding documents in 2021 and 112 documents in 2020 (compared to 94 in 2019). Most of the findings concern cases of conflicts of interest and incompatibilities. As a result, in 2020, 241 cases were initiated, and 199 contravention reports were issued. At the same time, in the first quarter of 2021, 63 cases were investigated, and 54 minutes were issued. It should be noted that the number of findings of breaches of the legal regime in respect of senior officials has significantly increased, including 10 cases involving MPs (5 in 2020 and 5 in 2021). In 2021, NIA requested confiscation of assets regarding 7 subjects, including 3 MPs.

During 2020, the Asset Recovery Office (ARO) was involved in the enforcement of 173 delegations on 306 subjects, ordered in 142 criminal cases. As a result of ARO's parallel financial investigations, by the end of 2020, assets totaling over MDL 1 billion (MDL 2.5 billion in 2019) were made unavailable, by applying seizure on approximate 1963 goods, being recovered only approximately MDL 41 million. Additionally, in the first half of 2021, MDA 47.7 million were recovered in the state budget following the capitalization of the assets of the 3 banks in the liquidation process as follows: Banca de Economii SA - MDL 24.2 million, BC „Banca Socială” SA – MDL 23.0 million, BC "Unibank" SA – MDL 0.5 million.

CONSTRAINTS

The number of integrity inspectors within NIA remains insufficient. In 2021, 20 integrity inspectors are active within NIA (19 in 2020), out of the 43 planned. Another challenge in NIA's activity is the efficient control of the assets and interests of the subjects of the declaration outside the Republic of Moldova. NIA is to ensure the integration of the information system with the data registers in the information systems owned by other national authorities. In addition, the current mechanism for ex-ante verification of the integrity of persons who are appointed to management positions by Parliament does not imply an ex-ante control of declarations of assets and interests. NIA also needs to cooperate more effectively with integrity authorities and institutions that hold data registers on assets and interests in other countries.

Although a new Mechanism for recovering financial means stolen from the banking system was approved, during the reference period, no major progress was made in the criminal investigation, sanctioning of all persons involved in fraud and recovery of assets. The General Prosecutor's Office, NAC (ARO), FIU and the State Tax Service need to cooperate more actively with the competent authorities of the EU Member States, Switzerland, the United Kingdom, Israel, Turkey and the USA. Cooperation and exchange of data must aim at investigating frauds, identification, but also the recovery of assets located outside the Republic of Moldova. The framework for cooperation with EUROJUST and EUROPOL needs to be used more effectively. The government must play a proactive role in supporting this effort.

PRIORITIES

1. Establishing the framework for strategic and operational cooperation with the European Public Prosecutor's Office (EPPO) in the field of transnational fraud and investigation of corruption.
2. Establishing of Joint Investigation Teams (JITs) in the field of financial fraud investigation, in particular with the EU Member States, Switzerland, the United Kingdom, Israel, Turkey and the USA.
3. Detachment for a specified period of time of the representatives of the General Prosecutor's Office to the EUROJUST office.
4. The Government of the Republic of Moldova must facilitate the international cooperation of the competent national authorities in the process of fraud investigation, identification and recovery of fraudulent assets. Creating a national *task force* in the field of asset recovery.
5. International efforts are needed at the level of the USA, EU and other partner countries of the Republic of Moldova in order to apply restrictive measures and sanctions to financial fugitives and their affiliates involved in financial fraud, money laundering, human rights violations.



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