

ENP Country Progress Report 2011 – Republic of Moldova

The European Commission and the High Representative of the Union for Foreign Affairs and Security Policy published on 15 May 2012 the annual “neighbourhood package”, consisting of a joint communication (“Delivering on the new European Neighbourhood Policy”) making an assessment of the first year of implementation of the new ENP adopted in 2011, a separate joint communication proposing an “Eastern Partnership Roadmap”, a report on the “Partnership for Democracy and Shared prosperity” with Southern Mediterranean (including a roadmap for future action), an Eastern Partnership progress report, 12 country reports (on developments in 2011 and with a set of recommendations for the future), including one on the Republic of Moldova, and a statistical annex.

Negotiations on a future EU-Republic of Moldova Association Agreement continued at good pace and the EU agreed in December to launch negotiations on the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) as an integral part of the Association Agreement negotiations. Despite some delays in the adoption of important legislation and a considerable number of implementation problems following important law-making activity in 2010, the Republic of Moldova made good progress in almost all areas of the Action Plan.

On the basis of this year’s report, and with a view to sustained implementation of the EU-Republic of Moldova Action Plan in 2012, the Republic of Moldova is invited to:

- Step up efforts to implement the justice and law enforcement reform strategies, with a focus on human rights protection and the urgent need to curb corruption. Finalise the investigations and judicial action in connection with the April 2009 events.
- Engage pro-actively in a pragmatic dialogue with Tiraspol with a view to setting up effective mechanisms to implement confidence building activities and making tangible progress towards a comprehensive settlement of the Transnistrian conflict.
- Step up the reform of public administration, including focusing on the enforcement of the laws on transparency and access to information.
- Accelerate the privatisation process, in particular for remaining large state-owned enterprises in telecommunications, transport, energy and the financial sectors.

- Continue the long term reforms being undertaken in the areas of social assistance, health and education (including vocational and educational training). Further facilitate social dialogue. Strengthen monitoring and enforcement of labour standards and step up harmonisation with ILO standards.
- Continue to advance sector reforms and regulatory approximation to the EU *acquis* in trade and trade related areas, based on the recommendations identified in the preparation for the DCFTA.
- Continue with energy sector reform, including strengthening the Agency for Energy Efficiency and implementing the energy efficiency strategy.
- Reinforce competition and state aid legislation.
- Finalise the remaining steps under the first phase of the EU-Republic of Moldova action plan on visa liberalisation.
- Step up institutional reform of the aviation sector and clearly define the reporting responsibilities of the Civil Aviation Administration.

Political dialogue and reform

- In the area of **deep and sustainable democracy**, the Republic of Moldova continued to make progress towards compliance with democratic principles and the rule of law. The political crisis around the election of a new President continued and threatened the sustainability of the reform process.
- Judicial practice did not catch up with the recent legislative improvements, with rulings continuing to refer to the Civil Code rather than to the new law on **freedom of expression**.
- A comprehensive **justice** sector reform strategy was adopted in October, and the related Action Plan was approved by parliament in February 2012. This set the scene for a large EU technical assistance and budget support (EUR 62 million).
- The legal provisions in force provide a guarantee to the **freedom of association and assembly**.
- Only limited progress can be observed in fighting **corruption**, despite the adoption of the National Security Strategy and the more specific National Anti-corruption strategy in July.
- The Republic of Moldova continued to be committed to, and participated constructively in, the work of the **EU Border Assistance Mission to the Republic of Moldova and Ukraine** (EUBAM). In June, Ukraine and the Republic of Moldova found a negotiated solution to almost all their disagreements over the demarcation of the northern and southern segments of their common border.

Economic and social reform

- In 2011, Moldova's economy **recovered** quickly (**6.4%** GDP growth) and macroeconomic stability was maintained. The economy was supported by a **financing arrangement** with the International Monetary Fund and exceptional donor assistance (including an EU Macro-Financial Assistance grant worth EUR 90 million).

- The average **inflation** rate in 2011 reached **7.6 %** (7.4 % in 2010). The fiscal consolidation process continued in 2011 with a **budget deficit** of **2.4 %** of GDP.
- The **unemployment** rate declined to **6.6 %** (from 7.4 % in 2010) driven by job creation in industry and agriculture. The government approved a National Action Plan on Employment in February. An Action Plan to tackle 'illegal work' was launched in June.
- Monitoring and enforcement of **labour standards** as well as **social dialogue** should be substantially strengthened.

Trade-related issues, market and regulatory reform

- In 2011, the volume of **bilateral trade** between the EU and the Republic of Moldova increased by **27.9%**.
- Moldova continued its preparations for negotiations of a Deep and Comprehensive Free Trade Area (**DCFTA**) with the EU. In December, the EU decided to launch negotiations.
- The Republic of Moldova made significant progress in reducing **technical barriers to trade** and improving the **business environment**. It took steps to move closer to EU **sanitary and phytosanitary** standards including by adopting a food safety strategy.

Cooperation on justice, freedom and security

- Following presentation by the EU to the Republic of Moldova of the **Action Plan on Visa Liberalisation** in January 2011, two Progress Reports on its implementation by the Republic of Moldova were issued respectively in September 2011 and February 2012.
- Implementation of the EU-Republic of Moldova **Visa Facilitation and Readmission Agreements** continued, and was monitored at the meetings of the respective Joint Committees in May.
- Co-operation between the EU and the Republic of Moldova further evolved under the **Mobility Partnership**. A number of new initiatives were launched (strengthening mobility of health professionals, tackling the social consequences of migration).
- The Republic of Moldova adopted a new law on preventing and fighting **money laundering and the financing of terrorism** and launched a National Anti-Drug Strategy for 2011-2018 and an Action Plan for 2011-2013.

Transport, energy, environment, the information society, research and development

- **Transport:** Implementation of the Road Sector Programme Support Project Agreement co-financed by the EU, the European Investment Bank, the European Bank for reconstruction and Development and the World Bank was finalised in 2011.
- **Energy:** The Republic of Moldova successfully held the rotating Energy Community Presidency. It continued approximation with EU internal energy market rules. It adopted an energy efficiency programme until 2020 and

established an Energy Efficiency Agency. The EU launched a budget support programme of EUR 42.6 million to help energy sector reform.

- **Climate change:** The Republic of Moldova is encouraged to engage in the new carbon market mechanism to be developed following the UNFCCC COP 17, as well as to fully implement the Cancun and Durban agreements.
- **Environment:** The Republic of Moldova started preparing an environment strategy for 2012-2022. The EUR 50 million EU-financed sector budget support programme in the field of water continued to be implemented.
- **Research and innovation:** a Memorandum of Understanding for associating the Republic of Moldova to the 7th Framework Programme for Research and Technological Development (FP7) was signed in October and entered into force in January 2012. The Republic of Moldova has continued to increase, albeit at a moderate level, participation in FP7 (27 research organisations participating in 22 projects).

People-to-people contacts, education and health

- **Education:** The Republic of Moldova drew up, following public discussions, a revised Code of Education. The country continued its active participation in the Erasmus Mundus programme (182 scholarships and mobility grants), the Tempus IV programme (one additional project), the Jean Monnet Programme (two additional modules) and the Marie Curie scheme (six institutions and 11 individual researchers).
- **Culture:** The Republic of Moldova prepared or approved regulations concerning the conservation and restoration of historic monuments, the organisation of archaeological excavations and the export/import of cultural goods. The number of young Moldovan citizens and youth workers benefitting from the exchange opportunities under the Youth in Action programme increased from 247 in 2010 to 329 in 2011.
- **Health:** Sector reform continued with EU budget support (EUR 43 million). The country (re)constructed (primary) health care facilities, strengthened its health information system and improved its surveillance of communicable diseases. It continued addressing HIV/AIDS and tuberculosis challenges.

EU–Republic of Moldova – BACKGROUND

THE POLICY

The **European Neighbourhood Policy** governs the relations between the EU and the Republic of Moldova. Since 2009 the EU implements the **Eastern Partnership**, the Eastern dimension of the ENP framework, aiming at substantially upgrading engagement with the six Eastern neighbours via:

- a Bilateral track, whose objectives include the establishing of Association Agreements with Deep and Comprehensive Free Trade Areas, once conditions have been met, as well as progress on visa and mobility issues, and
- a Multilateral track (i.e. intergovernmental platforms and Flagship Initiatives).

This approach allows for gradual political association and deeper economic integration.

FACTS AND FIGURES

1998: Entry into force of the EU- Republic of Moldova Partnership and Cooperation Agreement.

2005: Approval of the EU-Republic of Moldova Action Plan.

2008: Entry into force of the Visa facilitation and readmission agreements. Signature of a pilot Mobility Partnership to strengthen legal migration opportunities and to strengthen capacities for migration management and fighting illegal migration.

2008: The EU Autonomous Trade Preferences were granted.

2008 and 2009: The EU's Civil Protection Mechanism (MIC) was mobilised to support Moldova in assessing the flooding of the Nistru (Dniester) and the Prut rivers, and in alleviating the consequences of the Ukraine/Russia gas crisis.

2007-2010: the ENPI¹ envelope for Republic of Moldova stands at EUR 209.7 million, with an additional allocation of EUR 16.6 million through the Governance Facility.

2008-2010: Neighbourhood Investment Facility committed nearly EUR 35 million to seven projects in Republic of Moldova in the social, transport and private sectors. Republic of Moldova benefited also from four NIF regional projects (total EUR 39 million in support of the energy and the private sectors, including SME's).

2011-2013: The new National Indicative Programme (NIP) 2011-2013 for Republic of Moldova was adopted in May 2010 and has a budget of EUR 273.1 million. The programme is geared towards supporting the achievement of key policy objectives as outlined in the EU-Republic of Moldova Action Plan and pursues 3 priorities: (1) good governance, rule of law and fundamental freedoms; (2) social and human development; and (3) trade and sustainable development.

2011: Launch of the negotiations on the establishment of a deep and comprehensive free trade area (DCFTA).

2011: The Republic of Moldova held the rotating Energy Community Presidency.

¹ the European Neighbourhood Partnership Instrument

More info at:

http://ec.europa.eu/world/enp/documents_en.htm

http://eeas.europa.eu/moldova/index_en.htm

http://eeas.europa.eu/enp/index_en.htm