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Republic of Moldova 2023 Report

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2023 Communication on EU Enlargement policy

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1. INTRODUCTION

1.1. CONTEXT

Following the application of the Republic of Moldova for EU membership in March 2022, the Commission identified nine steps for Moldova to proceed on its accession process in its opinion on the membership application.[1] These steps relate to the EU's values and standards, in particular democracy and the rule of law, including justice reform and public administration reform, as well as fundamental rights. In June 2022, the European Council granted candidate status to Moldova and invited the Commission to report on the implementation of the nine steps.[2] To complement the opinion, in February 2023, the Commission published the analytical reports on the country's alignment with the EU *acquis*.[3]

Since the start of Russia's war of aggression against Ukraine, Moldova has been tackling unprecedented challenges, including large numbers of refugees, inflation, threats to its energy supplies, violations of its airspace, and many hybrid actions such as foreign interference and information and manipulations and cyberattacks. In addressing these challenges, Moldova has shown its resilience and commitment to progress its EU agenda while taking measures to mitigate the impact of Russia's war of aggression. Moldova continues to implement the EU-Moldova Association Agreement, including its Deep and Comprehensive Free Trade Area. Over the past year, Moldova has also taken decisive action on the nine steps. The executive and legislative branches of power have worked together on the country's reform agenda with the support of the Moldovan people. The granting of candidate status for EU membership in June 2022 has accelerated reform efforts.

Moldova has welcomed the highest number of displaced persons fleeing Russia's war of aggression against Ukraine per capita in Europe. By doing so, the country has demonstrated once more that it is a reliable partner. In 2023, Moldova hosted the European Political Community, underlining its readiness to stand together with its European Union partners to address the current challenges.

The EU remains fully committed to support a comprehensive, peaceful and sustainable settlement of the Transnistrian conflict. This should be based on the sovereignty and territorial integrity of Moldova in its internationally recognised borders, with a special status for the Transnistrian region. The DCFTA applies to the entire territory of Moldova.

1.2. SUMMARY OF THE REPORT[4]

On the **political criteria**, Moldova has continued reform efforts to strengthen democracy and the rule of law despite multiple challenges linked to Russia's war of aggression against Ukraine. Good progress was made on electoral legislation over the reporting period in

[1] COM(2022) 406 final
[2] EUCO 24/22
[3] SWD(2023) 32 final
[4] This report covers the period from June 2022 to June 2023. It is based on input from a variety of sources, including contributions from the government of the Republic of Moldova, the EU Member States, European Parliament reports and information from various international and non-governmental organisations. It also includes the results of comparative assessments and indices produced by other stakeholders, in particular in the area of rule of law.
The report uses the following assessment scale to describe the state of play: early stage, some level of preparation, moderately prepared, good level of preparation and well advanced. To describe progress made during the reporting period, it uses the following scale: backsliding, no progress, limited progress, some progress, good progress and very good progress. Where appropriate, interim steps have also been used.

addressing and implementing the remaining recommendations made by the Organisation for Security and Co-operation in Europe's Office for Democratic Institutions and Human Rights (ODIHR) and the Venice Commission, in their opinions issued in December 2021 and October 2022. The electoral legislation has been comprehensively amended to address inconsistencies, and a new Electoral Code was adopted in December 2022. Further amendments to the Electoral Code were adopted in October 2023, which provided for the possibility to ban from running for elected office members of political parties that have been declared unconstitutional by the Constitutional Court. These amendments still need to be consulted with the Venice Commission, to ensure alignment with European standards.

In addition, the authorities need to implement the electoral legislation by strengthening the Central Election Commission with sufficient authority, resources and technical expertise to carry out its work effectively. Moldova needs to ensure the transparency of political party funding and the accountability of campaign finance. To further reduce the risk of malign interference, the country needs to regulate the involvement of third parties in election campaigns, in line with the Group of States against Corruption (GRECO) and ODIHR recommendations.

Over the reporting period, **Parliament** played a major role in the EU accession process, supporting the government's reform efforts. Distrust and an occasional lack of transparency resulted in a low engagement of the opposition in the law-making process. Further efforts should be made to improve transparency by planning oversight activities and public hearings, publishing the parliamentary calendar sufficiently early, and increasing the level of accountability of parliamentarians. The process of amending Parliament's Rules of Procedures should be accelerated and ensure a broader involvement of civil society. A strong parliamentary majority supported the reforms initiated by President Maia Sandu and the government. A government reshuffle took place in February 2023, and the new government has remained focused on Moldova's reform agenda. The government worked actively on the EU reform agenda and on dealing with the consequences of Russia's war of aggression against Ukraine. It took steps to improve the transparency of decision-making and democratic accountability mechanisms. It also ensured a good level of coordination and policy planning. Decisive efforts are needed to ensure that adopted legislation is implemented effectively, and all parts of regulatory policy are applied at all levels of government.

An enabling environment exists for **civil society** organisations (CSOs), with legal and financial frameworks in place. The legislative framework is in line with international standards. Moldova has involved civil society in decision-making. Further efforts should focus on adopting the national strategy on civil society development and improving the quality of public consultation processes to improve transparency and get CSOs more involved in policy dialogue, especially in parliamentary debates and at local level.

Moldova has some level of preparation in the area of **public administration reform**, and some progress has been made. In particular, the new public administration reform strategy for 2023-2030 was adopted in March 2023, and its implementation programme for 2023-2026 was adopted in June 2023. Due to a complex salary grid and the many different job classifications, civil servants' pay varies and is inconsistent across the administration. Moldova started addressing this issue by adopting a new law on salaries. Moldova needs to continue increasing its capacity to implement the reforms and provide good quality public services at all levels.

Moldova has some level of preparation in the area of the **judiciary**. The country made good progress in the reform of the justice sector. Candidates for the Superior Council of Magistracy (SCM) and the Superior Council of Prosecutors (SCP) had to undergo a pre-

vetting based on the corresponding law adopted in line with Venice Commission recommendations. Parliament also adopted a law on Supreme Court of Justice (SCJ) reform and the vetting of its candidates and of its sitting judges has started, in line with Venice Commission recommendations. On 31 July 2023, Parliament adopted a law on the further vetting of judges and prosecutors in high level positions, which was consulted with the European Commission and broadly aligned with Venice Commission recommendations. However, the President then returned the law to Parliament with additional changes, which Parliament adopted on 22 August 2023. The additional revisions were sent to the Venice Commission for review.

The length of proceedings, low clearance rates and the large backlog of cases negatively affect the judicial system's efficiency. There was no significant progress in the prosecution of high-profile corruption cases and long-standing criminal cases. One verdict was passed on two fugitive oligarchs. Due to the lack of a quorum in the SCM, no new judges have been appointed in the past 3 years. However, following the appointments of three non-judge members and four judge members to the SCM in March and April 2023 respectively, the SCM restored its quorum and made new appointments across the judiciary, including to new ranks. The new judicial map, which should reform the court system, needs to be finalised.

Moldova has some level of preparation in the **fight against corruption**. Some progress has been made and needs to be sustained to remove the many remaining blockages that hinder the reform processes. The legislation was amended by the Parliament in July 2023 to clarify the mandates of the National Anticorruption Centre and the Anticorruption Prosecutor's Office. New legislation for trials *in absentia* that entered into force in July 2022 was used to finalise a judgment in the case against two well-known oligarchs. The track record of high-level corruption convictions increased slightly. Amendments to the law on whistle-blowers were adopted by Parliament in June 2023.

Moldova has some level of preparation in implementing the EU *acquis* on the **fight against organised crime**. Some progress was made including the fight against financial crime and the recovery of assets. Assets belonging to three prominent oligarchs were seized. The national asset recovery programme for 2023-2027 and its action plan were adopted in December 2022 and are now being implemented. The good progress on seizure and confiscation of assets linked to organised crime should be sustained. Cooperation with EU Members States, the European Border and Coast Guard Agency (Frontex), Europol and the EU Agency for Law Enforcement Training (CEPOL) has been expanded with steer provided by the EU Moldova Support Hub for Internal Security and Border Management. Moldova has signed a Status Agreement with Frontex. Moldova has made repeated commitments to and progress in the fight against arms trafficking, drugs, trafficking in human beings and migrant smuggling. It adopted a new sectoral development strategy on the prevention and fight against organised crime for 2022-2025 in December 2022 to support the implementation of the integrated home affairs strategy (2022-2030), which was adopted in September 2022, and appointed a national firearms focal point. In March 2023 the country also revised its Law on the regime of arms and ammunition for civilian use, aiming to align it with the EU *acquis*.

Moldova's anti-terrorism legislation is generally aligned with the EU *acquis* and applicable international law. The national programme for the consolidation and realisation of anti-terrorist protection measures for the critical infrastructure objectives for 2022-2026 and the action plan for its implementation were adopted in October 2022. The country adopted legislation to prevent and combat the financing of terrorism in April 2023.

The legislative and institutional framework on **fundamental rights** is largely in place, and the government has made a clear commitment to meet its international obligations on human

rights. Several steps were taken to implement the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence. In particular, the Government strengthened the mandates of the Equality Council and the People's Advocate and adopted programmes on strengthening gender equality and support to the Roma[5]. Persons belonging to minorities, persons with disabilities, lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons and the Roma in particular continue to face discrimination, including in the labour market. Detention conditions in prisons exceed their intended capacity and need to be improved. Issues of overcrowding, inadequate access to medical treatment and lack of reporting or investigations of potential ill treatment and violence remain largely unaddressed.

Moldova has a pluralistic media environment and has some level of preparation in **freedom of expression**. The country made some progress during the reporting period, in particular on the issue of ownership concentration. Legislation contains provisions to prevent concentration of media and ensure transparency of media ownership. The Audiovisual Council needs to boost efforts to implement these rules. To ensure compliance with the European Media Freedom Act, the Audiovisual Media Services Code must address political bias in state media. The government is taking steps to address disinformation in media, which remains a challenge, especially disinformation spread online. In an attempt to limit Russian disinformation, in December 2022, the Commission for Exceptional Situations ordered the suspension of six TV stations that rebroadcast content from Russia; the decision was challenged in court. Several attempts of intimidation and harassment of journalists were reported in 2022, primarily in Găgăuzia.

On **good neighbourly relation and regional cooperation**, Moldova maintains good dialogue and actively participates in various regional cooperation platforms. These include the Central European Initiative (CEI), the Black Sea Economic Cooperation Organization (BSEC), the Organization for Democracy and Economic Development (GUAM), the Southeast European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC). The country also contributes to implementing the Central European Free Trade Agreement (CEFTA). Moldova chaired the GUAM in 2022 and the BSEC in the second half of 2022 and assumed the Presidency of the CEI in January 2023.

On the **economic criteria**, Moldova is in between an early stage and some level of preparation in establishing a functioning market economy. The authorities have remained committed to pursuing macroeconomic stability and economic reforms in a difficult economic and social environment caused by Russia's full-scale invasion of neighbouring Ukraine. During the last decade, Moldova has been able to sustain economic growth of about 3.1% per year on average amid the pandemic and other economic headwinds. Public finances have been stable with a low deficit (at about 1.5% of GDP on average over 2014-2019)) and a comparatively low debt level. The National Bank of Moldova had been generally successful in keeping inflation within the target range set at 5% (+/−1.5 percentage points). After a strong rebound from the COVID-19 crisis, growth contracted sharply in 2022 due to the energy crisis and a severe drought that caused output in agriculture and related industries to plummet. High inflation, caused by soaring energy and food prices, depressed households' disposable incomes and consumption, while war-related uncertainty contributed to weaker investment. On the external side, the already high current account deficit widened further, reflecting the weak export base and low productivity. As a result of the deep recession and

[5] In line with the terminology of European institutions the umbrella term 'Roma' is used here to refer to a number of different groups, without denying the specificities of these groups.

the increase in social spending to alleviate the energy price shock, the budget deficit widened in 2022, and it is set to remain at a comparable level in 2023. Public debt remains low and is largely extended on concessional terms.

The state still has a considerable influence on key economic sectors, including telecommunications, energy, and transport, as well as in price-setting. The authorities are carrying out a comprehensive screening of state-owned enterprises, some of which are loss-making, in order to restructure and privatise them. At the same time, they are working to improve corporate governance and accountability in the sector. Despite the economic recession, the financial sector remains stable, reflecting the impact of previous reforms and prompt regulatory action to curb the rapid increase in household lending. The labour market recovered from the pandemic and was relatively robust in 2022. However, it continues to be characterised by a very low participation rate, which is linked to the high share of people working abroad or only willing to work abroad.

Moldova is in between an early stage and some level of preparation in terms of its capacity to cope with competitive pressure and market forces in the EU. Despite large investments in education, outcomes remain well below those in the EU. This contributes to the persistent mismatch between the skill level of the workforce and what employers require, which is one of the key business environment obstacles for firms. Investment in research and development remains low and has been falling despite the government's strategy to increase it. Moldova's physical infrastructure remains underdeveloped in part due to the lack of government investment. The stock of foreign direct investment is also low, reflecting weaknesses in the business environment and continuing problems with corruption and the protection of property rights. Digitalisation is lagging behind: just over two thirds of households are connected to the internet and about 40% of government services for businesses are available online. The Moldovan economy remains heavily reliant on the agricultural sector, and there is a large productivity gap compared with the EU. Moldova is a relatively open economy and is closely integrated with that of the EU.

On its ability to assume the obligations of EU membership, the country continues its work on alignment with the EU *acquis* in many areas. Moldova is in the early stages of preparation regarding the freedom of movement for workers **in cluster 2 on the internal market.** On company law Moldova is in between early stage to some level of preparation. There has been some level of preparation in the other areas under this cluster: right of establishment and freedom to provide services, free movement of goods, intellectual property law, financial services, competition policy and consumer and health protection. There has been limited to some progress during the reporting period in these areas, good progress was made in financial services, and some progress was made in the free movement of capital.

Moldova has some to moderate level of preparation in areas linked to **cluster 3 on competitiveness and inclusive growth**. It made some progress in economic and monetary policy, enterprise and industrial policy, science and research and education and culture. It has achieved some level of preparation in digital transformation, media and taxation, where it also made good progress. Moldova has some level of preparation in social policy and employment, where some progress has been made. On customs union Moldova is in between some and moderate level of preparation while achieving some progress during the reporting period.

On **cluster 4 on the Green Agenda and sustainable connectivity**, Moldova is at an early stage of preparation in the environment and climate change. It has made some progress during the reporting period by passing cross-cutting environmental legislation and implementing laws on nature protection and industrial emissions. Moldova has some level of

preparation in the areas of transport and trans-European networks, including the association to the Connecting Europe Facility and the observer status in the Transport Community. On energy, Moldova made good progress: it had the highest progress performance rate among contracting parties in the Energy Community Annual Implementation Report 2022.

Moldova is mainly at an early stage of preparation for all chapters of **cluster 5 on resources, agriculture and cohesion**, except food safety, veterinary and phytosanitary policy where it has achieved some level of preparation. Overall, during the reporting period, there was good progress on food safety, veterinary and phytosanitary policy. The remaining chapters achieved some or limited progress. Further efforts are needed in all these areas.

On **cluster 6 on external relations**, Moldova is moderately prepared in the area of external relations where it made some progress during the reporting period. In the area of common, foreign, security and defence policy, the country is in between moderate and good level of preparation. In the latter, good progress was made during the reporting period. Moldova's alignment with declarations by the High Representative on behalf of the EU and Council decisions under the EU's common foreign and security policy (CFSP) was 54% in 2022 and has considerably increased to 78% in 2023. Following Russia's war of aggression against Ukraine, Moldova aligned with EU positions in international fora, including in the UN General Assembly (UNGA), the Human Rights Council, and the Council of Europe. On **migration**, since the outbreak of Russia's war of aggression against Ukraine, Moldova has faced unprecedented inflows of refugees (the highest number of refugees per capita in Europe). As of 31 July 2023 and since the Russia's full scale invasion of Ukraine, out of the 792 605 individuals that entered Moldova across Ukrainian borders, 86 363 Ukrainian citizens and 7 624 third-country nationals remained on its territory. Since 1 March 2023, the government has implemented a decree granting temporary protection to displaced persons from Ukraine, enabling its beneficiaries to obtain an identity document issued free of charge for 1 year. Following the unprecedented influx of people fleeing Ukraine, which put Moldova's already limited capacity under pressure, the country's authorities maintained their efforts and mobilised resources to provide immediate humanitarian assistance as prescribed in the state of emergency.

1.3. ASSESSMENT OF THE IMPLEMENTATION OF THE NINE STEPS SPECIFIED IN THE COMMISSION'S OPINION

Step 1 *– Complete essential steps of the recently launched comprehensive justice system reform across all institutions in the justice and prosecution chains, to ensure their independence, integrity, efficiency, accountability and transparency, including through efficient use of asset verification and effective democratic oversight; in particular, fill all the remaining vacancies of the Supreme Council of Magistracy and in its specialised bodies.*

Moldova has reformed its judicial framework and consulted the Venice Commission on the most important laws including on: reforming the Supreme Court of Justice, external evaluation of judges and candidates to the Supreme Court of Justice, the Prosecutor's Office, the disciplinary liability of judges and the external evaluation of judges and prosecutors. Moldova initiated the vetting of candidates to the Supreme Council of Magistrates, the Supreme Council of Prosecutors as well as to the Supreme Court of Justice. The Supreme Council of Magistrates is now fully operational with 8 out of 12 new members appointed. At the end of October, a competition for the Prosecutor General position was also launched. Judges and prosecutors in training now need to declare their assets when enrolling in the National Judicial Institute.

Moldova should ensure a transparent and merit-based process for appointments to the main judicial and prosecutorial governance bodies, including for the appointment of a new Prosecutor General .

Step 2 - *Across all these areas, address shortcomings identified by OSCE/ODIHR and the Council of Europe/the Venice Commission.*

Moldova adopted the electoral code in 2022 that was drafted in cooperation with OSCE/ODIHR and the Venice Commission. Other nine laws were submitted for review and recommendations are being addressed. **This step is completed**.

Step 3 – *Deliver on the commitment to fight corruption at all levels by taking decisive steps towards proactive and efficient investigations, and a credible track record of prosecutions and convictions; substantially increase the take up of the recommendations of the National Anticorruption Centre.*

Moldova has adopted legislation to reform special investigation activities, to protect whistle-blowers and to delineate the competencies of the anti-corruption institutions. New legislation facilitating investigations *in* absentia was applied in more than 20 corruption cases. The number of investigations, convictions and prison sentences for corruption cases increased in 2022. Additional amendments to the Code of Criminal Procedure have streamlined court proceedings and will reduce their duration. The General Prosecutor's Office and the European Public Prosecutor's Office signed a working arrangement, resulting in joint training and an exchange of information. New heads of the National Integrity Authority and the National Anti-Corruption Centre were appointed.

Moldova should ensure that anti-corruption institutions are functioning within a clear organisational structure and with adequate resources.

Step 4 – *Implement the commitment to "de-oligarchisation" by eliminating the excessive influence of vested interests in economic, political, and public life.*

Moldova has adopted an action plan, pursuing a strategic approach to de-oligarchisation by setting up an inclusive and robust mechanism for coordinating and monitoring, and demonstrating implementation with clear timelines and planning of sectoral interventions. It has addressed the supervision and control of political party financing through amendments to the electoral and criminal codes. It has strengthened the Audiovisual Media Services Code to prevent dominant players on the media market, and it adopted amendments to the competition law. Parliament also adopted amendments to the Law on public-private partnership. The mechanism for conviction in absentia was used to convict a well-known oligarch and in ongoing proceedings against a second oligarch. Both cases are accompanied by substantial asset seizures and measures to combat the electoral influence of the said individuals.

Moldova should continue updating and implementing the de-oligarchisation action plan, including through relevant regulations such as on cash payments and on financial flows. The existing coordination should allow for timely review and to complement the plan whenever needed.

Step 5 - *Strengthen the fight against organised crime, based on detailed threat assessments, increased cooperation with regional, EU and international partners and better coordination of law enforcement agencies; in particular, put in place a legislative package on asset recovery and a comprehensive framework for the fight against financial crime and money laundering, ensuring that anti-money laundering legislation is in compliance with the standards of the Financial Action Task Force (FATF).*

In December 2022, Moldova adopted a new sectoral development strategy on the prevention and fight against organised crime for 2022-2025 to support the implementation of the integrated home affairs strategy (2022-2030), which was adopted in September 2022. The country adopted a mechanism for extended confiscation, amendments to the law on combating money laundering and approved a national asset recovery programme. As a result of these regulations, it is possible to confiscate assets that have been transferred by those convicted to third parties as well as to confiscate assets in the absence of the convicted person. Thanks to these regulations and its enforcement, assets belonging to prominent oligarchs were seized. Moldova works closely with international partners through the EU Support Hub for Internal Security and Border Management. International cooperation has developed significantly at investigative and operational levels with effective use of joint investigation teams. Moldova has also signed a Status Agreement with Frontex. **This step is completed.**

Step 6 - *Increase the capacity to deliver on reforms and provide quality public services including through stepping up implementation of public administration reform; assess and update the public administration reform strategy.*

In March, Moldova adopted a new Public Administration Reform Strategy for 2023-2030. After functional review of the ministries, a significant number of new positions were created to strengthen the capacity of institutions to work on EU accession. Moldova has adopted a law on increasing salaries for certain categories of public servants. The country adopted and started implementation of a law on the voluntary amalgamation of local authorities. It continued improving the accessibility of public services through digital platforms. Cooperation with OECD has been stepped up notably with the Support for Improvement in Governance and Management (SIGMA) initiative and Moldova has undergone a structural review of its public administration. In this context, Moldova established an action plan to implement the ensuing recommendations. **This step is completed**.

Step 7 - *Complete the reform of Public Financial Management including improving public procurement at all levels of government.*

The government adopted a Strategy for the Development of the Public Finance Management for the years 2023 – 2030. Moldova has adopted legislation addressing public capital investment projects and low value public procurements together with a National Programme for the Public Procurement System Development. The country has thus established a unified set of rules for public investment projects financed from the state budget. To implement its Public Finance Management Development Strategy Moldova is putting in place an implementation action plan and shared its core elements this October. **This step is completed**.

Step 8 - *Enhance the involvement of civil society in decision-making processes at all levels.*

Moldova established a Platform for dialogue and civic participation in the Parliament's decision-making process. The country adopted a new programme for the development of the civil society organisations and a law on access to information of public interest. It amended its regulation on the grant financing mechanism to strengthen the financial sustainability of civil society. It will be important to continue systemic involvement of civil society actors in public consultations, maintain transparent and timely agenda setting of Parliament and finalise Parliament’s rules of procedure. **This step is completed**.

Step 9 *- Strengthen the protection of human rights, particularly of vulnerable groups, and sustain its commitments to enhance gender equality and fight violence against women.*

Moldova has transposed the Istanbul Convention into the national legislation, strengthened the Equality Council and improved the institutional capacity of the Ombudsman. The country adopted programmes to promote and ensure gender equality to support the Roma population and to implement strategy for strengthening inter-ethnic relations. **This step is completed.**

2. CLUSTER 1: THE FUNDAMENTALS OF THE ACCESSION PROCESS

FUNCTIONING OF DEMOCRATIC INSTITUTIONS AND PUBLIC ADMINISTRATION REFORM

2.1.1 Democracy

The reporting period was marked by the government's stability amid polarisation of the political scene. A strong parliamentary majority supported the reforms initiated by President Maia Sandu and the government. A government reshuffle, which took place in February 2023, did not affect the political stability or the political drive to continue pro-European reforms. Following the nine steps of the Commission Opinion, Moldova adopted a new Electoral Code in December 2022 and took steps to reduce the influence of vested interests in political life. The government organised comprehensive working groups aiming to align the country's legislation with the EU *acquis.*

Elections

Good progress has been made over the reporting period in addressing and implementing the outstanding recommendations on electoral legislation made by the Organisation for Security and Co-operation in Europe's Office for Democratic Institutions and Human Rights (ODIHR) and the Venice Commission, in their opinions issued in December 2021 and October 2022. The electoral legislation has been comprehensively amended to address inconsistencies, and a new Electoral Code was adopted. Moldova needs to consult with the Venice Commission the latest changes to the Electoral Code, to ensure alignment of the provisions related to the electoral ban with European standards. In addition, the authorities need to implement the electoral legislation by strengthening the Central Election Commission with sufficient authority, resources and technical expertise to carry out its work effectively. The focus should be placed on ensuring the transparency of political party funding and the accountability of campaign finance. To reduce the risk of malign interference, further options could be explored to regulate the involvement of third parties in election campaigns, in line with GRECO and ODIHR recommendations.

Candidate lists for parliamentary and local elections are drawn up in compliance with the 40% minimum representation quota for men and women. The latest round of parliamentary elections in July 2021, according to the ODIHR, were well run and competitive, and fundamental freedoms were largely upheld.

The new Electoral Code was adopted by Parliament in December 2022 and entered into force on 1 January 2023. The new version addressed key recommendations by international and local expert organisations, including from the ODIHR July 2021 Election Observation Mission report and Venice Commission Opinions, issued up until the end of October 2022. Measures have been taken to: (i) strengthen laws on financing initiative groups and electoral campaigns; (ii) clarify the rules on voting abroad; (iii) improve the impartiality of the Central Election Commission (CEC) and (iv) address undue influence on public officials and voters, political bias of news outlets and possible vote-buying.

The CEC's capacity was strengthened by creating a special unit to oversee the financing of political parties and electoral campaigns. The CEC has initiated contravention proceedings for late or a lack of reporting against seven political parties and initiated investigation procedures against 12 political parties for unjustified use of public funds allocated to them. There was also progress in establishing interoperability with and a data exchange through the governmental MConnect platform, which enabled the CEC to carry out checks on political party financing more effectively.

The first round of elections of the Bashkan (Governor) in the autonomous region of Gagauzia was held on 30 April 2023. Anti-corruption prosecutors raided the offices of the Șor political party on 7 and 16 May and started an investigation into vote-buying. The second round of the elections was held on 14 May 2023, and it was won by Evghenia Guțul, a candidate from the Șor party. No international observation mission or official local observation mission was deployed; 75 international observers were registered. The elections were validated by the Appeal Court in Comrat on 22 May 2023.

The new Electoral Code will only apply to the territory of Gagauzia as of 1 January 2024. Further efforts are needed to ensure that the Gagauzian electoral legislation and the Moldovan Electoral Code are consistent and to apply the legislation across the country equally in line with international principles and standards.

In June 2023, the Constitutional Court, in response to a notification from the government, delivered a judgement which declared unconstitutional the Șor Party. The Șor Party was subsequently dissolved. In July 2023, the Electoral Code was amended introducing the possibility to ban certain individuals from running for elected office on the basis of their membership in political parties that have been declared unconstitutional by the Constitutional Court.

After the constitutionality of these amendments was successfully challenged before the Constitutional Court, new legislative amendments to the Electoral Code were adopted on 4 October 2023. The new amendments, which revise the criteria for banning individuals from running for elected office, still have to be consulted with the Venice Commission, to ensure alignment with European standards.

Parliament

Over the reporting period, Parliament played a major role in the EU accession process, supporting the government's reform efforts. Distrust and an occasional lack of transparency resulted in a low engagement of the opposition in the law-making process. Further efforts should be made to improve transparency by planning oversight activities and public hearings, publishing the parliamentary calendar sufficiently early, and increasing the level of accountability of parliamentarians. The process of amending Parliament's Rules of Procedures should be accelerated and ensure a broader involvement of civil society.

The Parliament of the 11th legislature, elected in the early elections of 11 July 2021, has a record number of women Members of Parliament in the history of the Moldovan Parliament: 41 out of 101 MPs (40.6%). A major contribution to this development is the 40% gender quota for cabinet and party lists, which was introduced in 2016. There are no female party leaders. Nevertheless, many women hold other leadership positions in political parties and are chairs of parliamentary committees.

Key legislative initiatives on European integration, such as the national development strategy ''European Moldova 2030'', were voted through by the parliamentary majority. Parliament adopted new legislation and amendments to existing legislation to address the nine steps of

the Commission Opinion in line with European standards and the EU *acquis*. In this process, Moldovan lawmakers requested opinions of the Venice Commission and broadly implemented its recommendations before final adoption of this legislation.

Russia's war of aggression against Ukraine and its aftereffects on Moldova has further divided political and societal attitudes over the foreign policy course of the country. There was limited inter-party dialogue to address reconciliation and key matters of national interest. The opposition does not have a clear position on the strategic choice of the country's leadership to join the EU. Distrust among the political forces remains prevalent and incentives to constructively engage in a political dialogue and consensus building remain weak. Out of 362 legal drafts adopted in 2022, only 13 were submitted by the opposition or together with the opposition. It is important that Parliament follows up the European Parliament's proposal to support dialogue between the majority and the opposition, including by organising a preparatory mission for the first round of the Jean Monnet Dialogue in 2023.

The new Electoral Code strengthens the supervision of party financing. This is an area that has been seen as a source of high-level corruption and attempts to capture state institutions. Investigations were launched into the Șor Party's alleged illegal financing, both in terms of expenses for public events and the financing of party staff[6]. Leaders of major political parties have left the country to avoid corruption trials.

The fugitive oligarch and leader of the Șor Party was found guilty in the ''bank fraud' case and sentenced to 15 years in prison. He has also been sanctioned by the EU, as well as the US and UK, for carrying out actions that undermine or threaten the sovereignty and independence of Moldova; several people affiliated with the party have been arrested on suspicion of illicit financing and preparing mass unrest. On 19 June 2023, the Constitutional Court admitted a notification by the government on the unconstitutionality of the Șor Party, based on an article of the Constitution that states that ''parties that oppose political pluralism, the principles of rule of law, sovereignty and independence and the territorial integrity of Moldova are unconstitutional'. The Șor Party was dissolved with immediate effect and excluded from the political party register.

Parliament's oversight role, control of the government and scrutiny of legislative developments are in place. Annual reports by public institutions are submitted on time, and Parliament is making efforts to organise hearings on the reports during the plenary. However, implementation of some methods and instruments of parliamentary control, including *expost* impact assessments, should be improved, especially for legislation related to EU integration. The working methods of special investigative parliamentary committees should be strengthened as they have so far failed to deliver tangible results.

CSO monitoring in 2022 highlighted several gaps hindering the transparency of decision-making and public participation in Parliament. In 2022, 71 draft normative acts were approved by Parliament under the priority or the urgent procedure (around 20% of the total). A total of 65 draft laws were voted in two readings at the same plenary in 2022, and 124 draft laws were adopted in two readings within 30 days (34% of the total) from the moment the draft was registered.

Laws adopted in shortened procedures or within the minimum timeframes reduced the opportunity for inclusive legislative processes and meaningful debates, thus affecting the

[6] The Șor Party is suspected of illegal financing, both in terms of expenses for public events and the financing of party staff: the party spent EUR 600 000 but reported only 2% of this amount (EUR 12 000); (ii) the monthly salaries paid to party staff amounted to EUR 100 000; and (iii) expenses for transporting protest participants amounted to about EUR 182 000 (MDL 3.5 million). More than 97 locations associated with the Șor Party were searched.

quality of legislation.

There were 44 announcements of public consultations in 2022. Parliament created in June 2023 a Platform for dialogue and civic participation in the decision-making processes of the Parliament, to facilitate participation, improve involvement, and encourage civic initiatives in the future.

Governance

The government worked actively on the EU reform agenda and addressing the consequences of Russia's war of aggression against Ukraine. It took steps to improve the transparency of decision-making and democratic accountability mechanisms. It also ensured a good level of coordination and policy planning. Decisive efforts are needed to ensure that adopted legislation is implemented effectively, and all parts of regulatory policy are applied at all levels of government.

The government should adopt a mechanism for the effective parliamentary scrutiny of decisions issued by the Commission for Emergency Situations, in line with the Siracusa Principles[7].

The government should pursue local government reforms, including creating incentives for local authorities to amalgamate.

The current government has publicly declared its commitment to accelerating the reform process and strengthening good governance. This follows a long period of effective state capture, with vested political interests exerting control over key parts of Moldova's government.

On 10 February 2023, the Prime Minister, Natalia Gavrilița, announced her resignation after 18 months in office. The new Prime Minister, Dorin Recean, was appointed by the President with Parliament's support, and the new government was sworn into office on 16 February 2023. The change of government did not affect the country's political stability. The main priorities of the new government programme are economic development, state security, discipline in state institutions and order in the country. European integration features as one of the key objectives, including fully implementing the nine steps and aligning national legislation with the EU *acquis*. In July 2023, the government underwent a reshuffle, which resulted in the resignation of three ministers (Internal Affairs, Infrastructure and Regional Development as well as Education and Research). Women's representation is lower at local level where they hold 22.2% of mayoral positions and 38.8% of seats in local, district and municipal councils.

The government set out its long-term priorities in the national development strategy. The national development plan for 2023-2025 was adopted in February 2023 to implement the measures of a long-term strategic plan as well as to integrate requirements related to the country's candidate status into the national reform agenda. In February 2023, the government also adopted the action plan for 2023, which contains specific commitments to harmonise national legislation with the EU *acquis*. Sectoral strategies have been adopted to implement the national development plan in several areas, such as education and youth.

In December 2022, the government set up a coordination mechanism for European integration. This brings political and government representatives together and is chaired by

[7] Siracusa Principles on the Limitation and Derogation Provisions in the International Covenant on Civil and Political Rights.

the President of the Republic. The National Commission for European Integration adopted the action plan to implement the nine steps, the action plan to align national legislation with the EU *acquis* and a separate action plan on de-oligarchisation.

The government adopted several strategies, including the strategy for public administration reform for 2023-2030 in March 2023 and the strategy of public finance management development for 2023-2030 in February 2023. Amendments to the Law on the People's Advocate were also adopted by Parliament in February 2023, which helped strengthen the independence of the institution and reinforced democratic accountability mechanisms in Moldova.

The transparency of legislative decision-making improved over the reporting period. A new Law on free access to public information entered into force in April 2023. The law is in line with the Council of Europe's Trømso Convention and the recommendations of the OECD and the World Bank. Around 80% of draft decisions and laws initiated by ministries during 2022 were opened for public consultation. However, draft legislative acts lack accompanying information and explanatory documents and do not provide a full overview of the decision-making cycle.

The legal framework for regulatory impact assessments is in place and is in line with the best international practices suggested by the OECD. The Guidelines on *Ex ante* Analysis For Policy and the Handbook for Assessment of Economic Costs Of Public Policy were amended and adjusted in 2022 with the help of EU donors.

Independent and regulatory agencies in Moldova are still prone to influence by private interests and by the bodies or industries they are charged with regulating. Additional efforts are needed to shield regulatory agencies from third-party influence, including by strengthening accountability and introducing measures to promote integrity. The senior management of regulatory enforcement structures should be appointed in a transparent manner, following clear procedures and based on professional skills. The government introduced a state of emergency, approved by Parliament, on 24 February 2022, which is extended every 60 days. This enabled the government to adopt measures to handle the energy crisis and attempts at external destabilisation. The use of extraordinary tools, in the form of decisions by the Commission for Emergency Situations, has been limited overall and related to the need to react quickly to crisis situations. A mechanism for effective parliamentary scrutiny of the decisions issued by the Commission for Emergency Situations is needed, in line with the Siracusa Principles. The adoption of a related law should be accelerated.

A persistent problem is the limited capacity of Moldova's public administration and a chronic shortage of qualified human resources. This affects the government's ability to implement strategies and reforms. To increase the efficiency of existing staff, Moldova needs to set up better regulation at all levels of government, improve coordination and avoid overlapping responsibilities among regulatory authorities and levels of government. Limited fiscal space impedes further possibilities to increase government wage expenditure. From 1 January 2023, the salaries of public sector employees were raised by a fixed sum of MLD 1 300 (EUR 260). The government also took targeted measures to increase salaries for some categories of public employees, such as those working on priority tasks on EU accession, as of January 2023. However, salary reform remains a crucial issue to be addressed to ensure a uniform approach and make working in the public service more attractive.

Moldova needs to advance with reforms of local government to make it more efficient and accountable. Voluntary amalgamation, the first stage of the local public administration reform, should be followed by further measures. Upcoming local elections in autumn 2023

have led to the local administrative reforms becoming highly politicised. The overall reorganisation of competencies between central and subnational levels is needed to secure additional financial resources for municipalities and strengthen public finance management at local level.

Civil society

An enabling environment exists for CSOs, with legal and financial frameworks in place. The legislative framework is in line with international standards. Moldova has involved civil society more in decision-making.

Further efforts should focus on adopting: the national strategy on civil society development and improving the quality of public consultation processes to improve transparency and get CSOs more involved in policy dialogue, especially in parliamentary debates and at local level.

Moldovan public institutions recognise that an empowered civil society is a crucial component of democracy. Civil society has played an essential role by monitoring government policies, such as the progress on the nine steps of the Commission Opinion. CSOs provided essential support to refugees and public institutions during the massive inflow of displaced persons in 2022 resulting from Russia's invasion of Ukraine. The overall legal and regulatory framework governing the establishment and functioning of CSOs is in line with international standards.

The registration procedure for CSOs is free of charge and takes a maximum of 15 days. Since June 2022, registration forms can be submitted electronically, signed by a qualified electronic signature. Registration is carried out based on a list of documents set out in legislation. The declaration on the beneficial owner of the legal entity, which is required under anti-money laundering and counter-terrorism financing rules, has been criticised by civil society as restricting the right to associate. In 2022, there were no cases of involuntary suspension or liquidation of CSOs. In February 2023, Parliament adopted the Law on associations for intercommunity development, recognising the important role of CSOs in local development.

State funding can be provided to CSOs through different mechanisms. These include non-reimbursable financing, contracting works and services or special purpose financing, such as social order, percentage designation, and direct subsidies. In a positive development, in July 2022, Parliament adopted amendments improving the legislation on philanthropy and sponsorship. This clarifies rules on donations and ensures the transparency of philanthropic activity and sponsorship. In September 2022, the government adopted the Framework Regulation on the non-reimbursable financing mechanism for projects of non-commercial organisations. The government Decision created a uniform and stable framework for financing CSOs from the public budget through cooperation between central and local public administrations and non-commercial organisations.

A concept for a new strategy for civil society development opened for public consultation in May 2023. One of the successful actions of the NGO council on advocacy was to reactivate the Certification Commission for public benefit status, which allowed CSOs to continue having this status. The new concept for the development of civil society and the establishment of a permanent platform for dialogue and civic participation in the legislative decision-making process needs to be accelerated.

The mechanism for public consultations with civil society clearly sets out stages, deadlines and conditions for conducting public consultations in the decision-making process. Draft decisions and calls for consultation by the public authorities, except Parliament and local administration who publish announcements, are uploaded to the online platform. The

platform does not always provide the necessary documents, information or changes made toto the proposed drafts (such as the divergences table, which includes suggestions from CSOs), and authorities do not give public feedback on CSOs' proposals.

Civilian oversight of the security and intelligence sector

Parliament's National Security, Defence and Public Order Committee and its subcommittee, which was set up within this Committee specifically for parliamentary control over the activity of the Security and Intelligence Service, regularly monitor the security and intelligence sector. The Committee monitored the following areas: national security; data, IT and cybersecurity; national defence; public order; anti-corruption and integrity. Over the reporting period, the Committee held regular weekly sessions and carried out monitoring based on the action plan of parliamentary control by the Committee for 2022. A similar action plan for 2023 was adopted in March 2023. The Committee's oversight work included hearings on activities of relevant security and intelligence institutions, reports on the implementation of laws under the responsibility of the Committee, as well as inspection visits to state agencies of the security sector.

2.1.2. Public administration reform

Moldova has **some level of preparation** in the area of public administration reform, and **some progress** has been made. In particular, the new public administration reform strategy for 2023-2030 was approved in March 2023 and its implementation program 2023-2026 was approved in June 2023. Due to a complex salary grid and the many different job classifications, civil servants' pay varies and is inconsistent across the administration. Moldova started addressing this issue by adopting a new law on salaries.

Moldova also adopted a new strategy for the development of public finance management for 2023-2030.

In the coming year, Moldova should, in particular:

→ implement and monitor the public administration reform strategy effectively, including by adopting the complete regulatory framework for territorial reform through voluntary amalgamation, namely the law and the government decision on the methodology for the voluntary amalgamation;

→ finalise the salary reform plans and start its implementation;

→ implement the new public finance management strategy, including by strengthening inter-institutional coordination.

Strategic framework on public administration reform

A new strategic framework for **public administration reform** for 2023-2030 was adopted by the government on 15 March 2023 and the implementation program of the strategic framework for the period 2023-2026 was approved on 7th of June 2023. This followed an extensive consultation process with key stakeholders, including local public administrations, the Congress of Local Authorities from Moldova, civil society, development partners and Members of Parliament. Their input has been taken into consideration and is reflected in the final approved version of the strategy. The strategy and the implementation program were made available on the platform of the Joint Commission for Decentralisation to increase transparency. The public administration reform strategy targets five major areas: (i) management of the civil service; (ii) the institutional framework of the central public administration; (iii) the strategic planning system and development of public policies; (iv) the simplification and development of e-

services; and (v) local public administration reform, mainly a territorial reform by voluntary amalgamation. In addition, the strategy provides a three-level monitoring framework to coordinate the implementation and monitoring process. A set of performance indicators measuring the achievement of policy objectives have been identified, and their baseline or target values are set by the implementation program 2023-2026. A functional review was published in October and an action plan was established to implement the ensuing recommendations.

In line with the strategy, authorities need to adopt the law on voluntary amalgamation to improve the capacity of local government to provide quality public services for citizens and to approve the methodology for voluntary amalgamation. The law on voluntary amalgamation has been adopted in July 2023. Amalgamation of local governments should reduce excessive fragmentation, improve the viability and capacity of local administrations and ultimately improve service delivery for local communities.

The strategy's financial sustainability is partially ensured by the medium-term budgetary framework and by international donors' technical assistance programmes.

Commitment to the effective implementation of the reform is ensured at the highest level, but it is less clear at the lowest level of political parties and local government associations, notably with regards to local government reforms and in the area of professionalisation of the civil service.

Policy development and coordination

The regulatory and institutional framework of the policymaking system is coherent and well-designed, but it is not effectively implemented. Analytical capacities and sectoral expertise in the line ministries, including policy coordination units, are relatively modest, especially in areas such as data analysis and modelling, quantitative methods of policy analysis and quantitative policy impact assessment. The government adopted several measures to increase the institutional capacity to carry out reforms and improve the policy coordination process, such restructuring departments dealing with policy analysis, monitoring and evaluation. A special position of deputy secretary general was created to streamline the internal coordination work on EU accession in a number of ministries. The government adopted a regulation allowing a monthly financial incentive of up to 50% of the base salary for staff involved in policy design, evaluation and monitoring related to the European integration process.

Inter-ministerial and public coordination and consultation procedures and mechanism are formalised and function relatively well, even if the early policy preparation process remains fragmented and isolated at the level of central public initiator. For instance, during the period June 2022 – March 2023, over 90% of policy and legal proposals were included in public consultation and coordination with the major stakeholders, including business organisations, NGOs.

Despite a suitable regulatory framework, important problems remain. These problems, mostly caused by the low administrative capacity in central public institutions, are: (i) an isolated approach to policy design and a lack of consultation, transfer of information and dialogue across the central public administration from the early stages of policymaking; (ii) a very limited use of *ex-ante* and *ex-post* evaluations and no overall effective use of **evidence-based policy instruments**; (iii) limited use of cost estimations or linking financial resources requests in policy documents with the medium-term expenditure framework; (iv) a fragmented approach to monitoring and no systematic collection of the relevant data; (v) limited use of consultation platforms and transparency during the process; and (vi) poor

cross-cutting policy coordination, particularly among the State Chancellery, the Ministry of Finance and the Ministry of Foreign Affairs and European Integration.

Public financial management

On 22 February 2023, Moldova adopted a new multiannual strategy for the development of **public finance management** for 2023-2030 in line with the national and sub-national public expenditure and financial accountability assessments published in 2022 and 2023. The *ex-post* evaluation of the 2013-2023 public finance management strategy emphasised improvements in the implementation period, notably on the budgetary process at central and local levels. The strategy includes seven major reform areas with medium- and long-term priorities and expected results.

Moldova has also applied to participate in the economic reform programme, which will help the country with medium-term budget planning and prioritisation of structural reforms. The Ministry of Finance continued its efforts to improve the **transparency of public finance management**, which is reflected in the improved Open Budget score.

Following the publication of the public finance management strategy, the authorities organised the first Public Finance Management Policy Dialogue in Chișinău in May 2023 with the participation of national and international stakeholders. The commitment of the authorities to improve the governance of public funds was further confirmed, including by setting up an independent and credible Fiscal Council. The government has adopted a new regulation on public investment management, its provisions need to be properly implemented to efficiently support the selection and channelling of domestic and external financing resources for infrastructure development. There is also consensus that additional efforts are necessary to improve public procurement and national public sector accounting standards to improve accountability and **effective governance of public finances**. The implementation of the public finance management strategy requires time to implement, resources and external support, and the Ministry of Finance needs to strengthen its capacity and improve the quality of dialogue on the governance of public finances with public and private stakeholders.

Public service and human resources management

The State Chancellery is nominally in charge with the management of the civil service. The legal framework is in place for a professional and non-politicised public service: the legislation and regulation regarding the recruitment procedure for the civil service were mainly developed based on the principles of public administration. Some 70% civil service positions were recruited based on competition and promotion, but the turnover rate was in 2021 high:11,24% and participation to competitions limited: 1,7 persons for a vacant position. Integrity of the civil servants are well regulated through a civil servants' code of conduct, legislation on the evaluation of institutional integrity, and regarding wealth and personal interests' declaration, together with a set of control and endorsement procedures from National Integrity Authority, National Anticorruption Centre. Despite this suitable regulatory framework, the implementation is mainly realised through administrative practices on **recruitment** and **promotion** procedures, and is still hindered by formalism, absence of skill assessment, weak evaluation process, and inadequate restrictions on political influence, especially in top management positions.

On gender equality in the administration, there is an imbalance between the high number of women in public positions and the low number of women in senior positions. General public positions are mostly occupied by women (74% women and 26% men). The share of women in senior public positions is 60%, while in public management positions it stands at 70%. In

executive public roles, it reaches 76%. Public positions with special status are mainly occupied by men (80%) are better paid than those with a general status.

The civil service management system is heavily fragmented and understaffed. The national information system for managing human resources in the civil service is not functional due to the problems of maintenance and up-dating by its private provider.

A career in the civil service, especially for young professionals, is not attractive. This is due to the inadequate **remuneration** and an unpredictable career development system. The existing system for the **professional development** of civil servants does not sufficiently respond to the needs of the public service, especially those in the local public administration.

Human resources in Moldova's public administration are heavily affected by external migration and by other specific factors on an already very tight labour market.

The public administration pay system is of critical importance. The initial draft law on a unitary pay system corresponded to the principles of public administration. The law that was finally adopted by Parliament contained amendments that watered down the original draft and the original concept, and other changes were introduced later under special laws. Thus, the current salary pay system in Moldova's budgetary public sector continues having systemic shortcomings: the inequity of the salary pay scales, the lack of a performance-based environment in the system, and the difficulty to attract and keep staff, especially young people.

Accountability of the administration

The legal framework on the structure and accountability lines of public administration establishes the mandates and the competences of the central public authorities, subordinate administrative authorities, and other public institutions. The legal framework does not sufficiently delineate clear functions for the subordinated institutions, nor rules for ensuring their independence. More so, the rules regarding the financial self-management are often unclear. The pay system and the staffing schemes are not aligned and are a source of staff rotation and understaffing.

The legal framework regarding services is unclear, especially between commercial and non-commercial activities and profit or non-profit status. As a result, in many cases public institutions provide commercial services on the side of public services, while being subsidised by the public budget.

Generally, the government reporting allows public scrutiny: evaluation and monitoring reports of major national policies and of action plans are published regularly on the Government portal on the institution's respective official web pages. The public administration is regularly scrutinised by independent oversight bodies, such as the People's Advocate's (Ombudsperson) office and the Court of Accounts, which are autonomous and independent authorities. The competences to issue recommendations and decisions for the relevant independent oversight bodies are set out in their normative acts.

The **right to access public information** is regulated by the Law on access to information and the Law on transparency in decision-making. A new law on access to information was adopted in June 2023, largely in line with CoE Trømso Convention as well as with international organisations recommendations.

Any person who considers that an administrative decision or action/inaction of the public authorities infringes her/his right or freedom established by law, has the right to resort to a prejudicial dispute resolution procedure or to bring an action in administrative litigation. The

right to seek compensation for any administrative prejudice is guaranteed by the Constitution. The effectiveness of the judicial review of administrative actions is an area of concern. While the formal guarantees of access to administrative justice are in place, the public are increasingly affected by growing backlogs.

Service delivery to citizens and business

Public services are delivered online and/or through a one-stop shop. The Public Services Portal (services.gov.md) is a single point of access for individuals and legal entities to information on public administrative services.

Another initiative developed by the Electronic Governance Agency is the establishment of Unified Public Service Centres, providing common access points to a wide range of public services available in electronic format. One of the main objectives of the institution is to simplify the process of providing good quality public services to people from rural areas and the diaspora. A total of 32 public services are now accessible via the public e-services platform. Moreover, another 42 public services have been integrated with the public MDelivery service, which allows documents to be requested and delivered directly to the user's home address.

2.2. RULE OF LAW AND FUNDAMENTAL RIGHTS

2.2.1. Chapter 23: Judiciary and fundamental rights

The EU's founding values include the rule of law and respect for human rights. An effective (independent, high-quality and efficient) judicial system and an effective fight against corruption are of paramount importance, as is the respect for fundamental rights in law and in practice.

Moldova **has some level of preparation** to apply the EU *acquis* and European standards in the area of justice and fundamental rights and, overall, made **some progress** in these areas.

Functioning of the judiciary

Moldova **has some level of preparation** in the area of the judiciary. The country made **good progress** in the reform of the justice sector. Candidates for the Superior Council of Magistracy and the Superior Council of Prosecutors SCP had to undergo vetting based on the corresponding law adopted in line with Venice Commission recommendations. Parliament also adopted a law on Supreme Court of Justice reform and the vetting of its candidates and its sitting judges, in line with Venice Commission recommendations, has started. At the end of October, Moldova announced a competition for the position of Prosecutor General. In July 2023, Parliament adopted a law on the further vetting of judges and prosecutors in high level positions, which was consulted with the European Commission and broadly aligned with Venice Commission recommendations. However, the President then returned the law to Parliament with additional changes, which Parliament adopted in August 2023. The final version of the law was sent to the Venice Commission for review.

The length of proceedings, low clearance rates and the large backlog of cases negatively affect the judicial system's efficiency. There was no significant progress in the prosecution of high-level corruption cases and long-standing criminal cases. However, there was a verdict on fugitive oligarchs. Due to the lack of a quorum at in the SCM, no new judges have had been appointed in the past 3 years. However, following the appointments of three non-judge members and four judge members to the SCM in March and April 20232o23 respectively, the SCM restored its quorum and made new appointments across the judiciary, including to new

ranks. The justice reform strategy and action plan for 2022-2025 were adopted in December 2021, with strong focus on restoring public trust in the judiciary. Moldova has been implementing the justice sector reform strategy and action plan for 2022-2025, with strong focus on restoring public trust in the judiciary. The new judicial map, which should reform the court system, needs to be finalised.

In the coming year, the country should in particular:

→ pursue implementation of the justice reform strategy, in particular the pre-vetting and vetting processes in line with Venice Commission recommendations and the subsequent appointment of the remaining members of the Superior Council of Magistracy (SCM), the Superior Council of Prosecutors (SCP) and the Supreme Court of Justice but also the members of the SCM and SCP colleges and other judges and prosecutors in an objective, transparent and merit-based procedure, in line with European standards: demonstrate a clear track record in this regard;

→ improve the functioning of the National Institute of Justice, develop human resource strategies for the judiciary and prosecution services and finalise the new judicial map following a systematic approach in line with European standards and based on a comprehensive analysis of the state of play;

→ consolidate the capacity of the judicial system and its self-governing institutions, including improving the quality and efficiency of the work of the Superior Council of Magistracy and Superior Council of Prosecutors.

Strategic documents and budget

The implementation of the 2022-2025 justice reform strategy and its action plan is ongoing. This is coordinated by a monitoring group set up in 2022 at the Ministry of Justice. In 2022, the Ministry demonstrated genuine commitment to implement the reforms and took the first steps to implement the strategy. These included the initiation of (subsequently adopted) legislation on the pre-vetting of SCM and SCP candidates, on the reform and vetting of the Supreme Court of Justice and its judges and candidates and on the further vetting of other high level judges and prosecutors.

Management bodies

The SCM and the SCP are the main self-government bodies of the judiciary. The two institutions manage the judicial system and the careers of judges and prosecutors. All members of both the SCM and SCP are appointed for a 4-year term. Their composition and appointment procedures are broadly in line with European standards.

In April 2022, Constitutional amendments concerning the role, the composition and the specialised bodies of the SCM, as well as changes related to the appointment and other career aspects of judges entered into force. These amendments significantly improved the legal framework concerning the independence, accountability and efficiency of the judiciary and judicial administration, in accordance with the recommendations of the Venice Commission and GRECO.

The SCM is made up of 6 judge members and 6 non-judge members. The SCP has 13 members: 5 prosecutors, 4 non-prosecutor members and 4 *ex officio* members: the Prosecutor General, the chairperson of the SCM, the Minister of Justice and the People's Advocate (Ombudsman).

The subordinated Colleges of the SCM are the College for the Selection and Career of Judges, the College for Performance Evaluation of Judges, the Disciplinary College and the

Judicial/Prosecutorial Inspection. The subordinated Colleges of the SCP are the College for Selection and Career of Prosecutors, the College for Performance Evaluation, and the Disciplinary College.

The Law on the extraordinary evaluation (''pre-vetting'') of candidates for vacant positions in the SCM, the SCP and their Colleges entered into force in March 2022, in line with Venice Commission recommendations. It establishes the Pre-Vetting Commission of 3 national and 3 international members. As regards the SCM, the Pre-vetting Commission finalised its evaluation in January 2023. Only five judge candidates and three non-judge candidates obtained positive decisions. Several judges appealed to a special appeals body at the SCJ against the Pre-Vetting Commission's negative decisions. The mandate of the Pre-Vetting Commission was extended to ensure the functioning of this body until the end of the appeals process. A new call for applications was initiated for the remaining vacant positions for SCM non-judge members as well as for the remaining vacant positions reserved for judges from the second and third instance.

Following several years with an incomplete composition, the SCM quorum was restored when Parliament appointed three non-judge members in March 2023 and the General Assembly of Judges appointed four judge members (in addition to one judge member already in office) in April 2023, bringing the overall number of members to 8 out of 12. Three non-judge members and one judge member remain to be appointed.

The SCM with restored quorum is exercising its mandate, including the appointment of new judges, and has issued a decision on the transfer of judges from lower instances to the SCJ to replace resigning judges following the resignation of 20 out of 25 SCJ judges.

On 9 June, Parliament adopted the amendments to reform the SCM colleges for the selection and performance evaluation of judges. The two colleges were merged into a single body comprising 9 members (5 career judges and 4 representatives from civil society) serving 6-year terms. Judges will now be evaluated every 5 instead of 3 years, based on professional competence, organisational skills, and professional integrity.

In July, the Parliament adopted new rules on the selection, promotion and disciplinary liability of prosecutors, mirroring the new rules for judges and merging the colleges responsible for selection and performance evaluation of prosecutors. It also adjusted the composition of the SCP: From 2026, the Minister of Justice and the SCM President will no longer be SCP members.

In the framework of the pre-vetting process, the candidates for the SCM and SCP colleges still remain to be pre-vetted and appointed and a call for applications has been launched in this regard.

Outstanding issues regarding the functioning of both councils to be addressed include the filling of remaining vacancies in the SCM and its specialised bodies by the General Assembly of Judges (two judge member) and the Parliament (two non-judge members). The evaluation of candidates for the SCP is ongoing and SCP vacancies remain to be filled. Plans to appoint the first pre-vetted members of the SCP in August 2023 failed after the General Assembly of Prosecutors decided to postpone the vote until all pending appeals against the pre-vetting results have been resolved. At the end of October, a competition for the position of Prosecutor General was also launched.

Independence and impartiality

Judicial independence is enshrined in the Constitution. The constitutional amendments which entered into force in April 2022 introduced a number of elements improving judicial

independence in line with Venice Commission recommendations. Changes include introducing the appointment of all judges including the SCJ by the President upon proposal of the SCM (with a one-time veto of the President, however, the final decision lies with the SCM), instead of the Parliament, to reduce the risk of politicisation. In addition, the amendments removed probationary periods for judges, regulated the functional immunity of judges at constitutional level, and changed the composition of the SCM (ensuring that at least half of the members are judges elected by their peers).

In April 2022, in line with Article 16 of the Constitution, the SCM presented a list of 39 judges to be reconfirmed in office to the President. President Sandu rejected 25 judges on the list based on integrity and reputational criteria. She then issued a decree to appoint the other 14 shortlisted judges until their retirement age. The newly formed SCM can have a second review of the rejected judges and submit their list to the President again.

Judicial appointments remain a challenge in Moldova. Graduates from the National Institute of Justice (NIJ) and non-graduates who have 5 years of experience and have passed the NIJ final examination are eligible for appointment. The results of the NIJ final examination are just one of the selection criteria (accounting for 70% of the mark). Other criteria are the length and nature of professional experience and a letter of recommendation. The Selection Committee is not bound to follow the ranking of the NIJ final examination. Candidates with the best marks in the exam were often not among those proposed by the SCM for presidential appointment.

The SCP has selected new prosecutors from the group of NIJ graduates. The SCM, on the other hand, has mainly selected experienced lawyers in the latest rounds of appointments without justifying its decisions on the selection and appointment of new judges. As a result, more than 90 NIJ graduates have been placed on waiting lists for judicial appointments.

On 30 March 2023, Parliament adopted the Law on the Supreme Court of Justice (SCJ), changing its composition and powers in line with recommendations from the Venice Commission. The SCJ was reduced from 33 to 20 members, whereby 11 will be chosen from among judges and 9 from among lawyers, prosecutors and legal academics. The SCJ's main responsibility is still to ensure the law is consistently applied throughout national jurisdiction.

In October 2022, Parliament amended the Law on the Prosecution Service, generally in line with the Venice Commission recommendations. Efforts are still needed to consolidate the functional independence of the Prosecution Service and the efficiency of the General Prosecutors Office.

Accountability

Parliament adopted two laws providing the legal basis for vetting respectively the Supreme Court judges (including candidates) and the other categories of judges and prosecutors, particularly those in high level positions, comprising a third of all judges and prosecutors. The laws were prepared broadly in line with Venice Commission recommendations.

First, on 30 March 2023, Parliament adopted the law on the external evaluation of the sitting judges and candidates for the SCJ. The law provides for setting up an Evaluation Commission comprising three local and three international members tasked with assessing the financial situation and the integrity of SCJ judges and candidates. After this reform measure was announced in February 2023, 20 out of 25 SCJ judges submitted their resignation and the SCM decided to transfer judges to the SCJ from lower courts, to keep the SCJ operational.

Second, in July 2023, Parliament adopted a law on the further vetting of judges and

prosecutors in high level positions, which was consulted with the European Commission and broadly aligned with Venice Commission recommendations. However, the President returned the law to Parliament with additional changes, which Parliament adopted in August 2023. These additional revisions have not been consulted with the Venice Commission. The law foresees the creation of two evaluation commissions, one for judges and one for prosecutors, both comprising three local and three international members each. The final version of the law was sent to the Venice Commission for review in September 2023.

In February 2023, Parliament adopted amendments to the law on the disciplinary liability of judges, which entered into force on 18 April 2023. With these amendments, the composition of the disciplinary board has been reduced to seven members, two broad disciplinary offences have been deleted, certain aspects of the procedure have been clarified and the right to appeal against SCM decisions directly to the SCJ has been restored. However, in accordance with GRECO recommendations of March 2023, the objectivity, efficiency and transparency of the disciplinary liability remain to be further strengthened in law and in practice.

One of the main objectives of the justice reform is to streamline the work of anti-corruption and integrity authorities. In particular, the reform addresses the division of responsibilities of the Anti-corruption Prosecutor's Office (APO) and of the National Anticorruption Center (NAC). The relevant legislation was adopted by Parliament in August 2023.

The Code of Ethics and Professional Conduct of Judges adopted by the SCM in 2018 is generally in line with European standards. A Judicial Ethics Commission was set up in March 2017 in the SCM to effectively promote the judicial integrity of judges.

The Law on the status of the judge provides for an evaluation of the level of judges' professional qualifications and skills. Negative outcomes of such an evaluation may lead to an extraordinary evaluation, including when judicial decisions taken by a judge raise doubts about the level of their qualifications and professional skills. This extraordinary evaluation may result in the SCM dismissing the judge.

The system for detecting breaches of integrity rules needs to be made more effective, objective, consistent and credible. In addition, all cases that give grounds for disciplinary or ethical responsibility must be followed up. There is no legal remedy against decisions of both council's ethical commissions, which do not often provide sufficient justification for their decisions.

Professionalism and competence

An integrated file management programme is now in its fifth improved version. The programme covers all of a judge's procedural activities, including registration, distribution and file transfer.

General objective criteria for distributing cases across courts include specialisation (cases for the investigating judge, civil cases, insolvency, etc.) and the complexity of a case. This allows for equally distributing the workload among judges.

Improvements have been made in recent years to independence and objectivity when distributing court cases via the automated distribution system. To avoid manipulation of the automated system, there must be rules that oblige the court president to proactively monitor the distribution of the cases and provide clear reasons for each case assignment, including any exceptions, and communicate this information publicly.

Quality of justice

In 2022, EUR 23.1 million was allocated to courts of law and EUR 19.4 million to the

prosecutors' office. This shows an increase from 2020 when 21.2 million was allocated to courts and EUR 17.4 million to the prosecutors' office.

The number of judges (17) per 100 000 inhabitants is lower than the European average (22.2) and the number of prosecutors (23) is double the European average (11.8).

The National Institute of Justice (NIJ) allocated budget for 2022 was MDL 20 945 900 (approx. EUR 1 047 295) an increase from the allocated budget for 2021 which was MDL 19 988 600 (approx. EUR 1 001 839). NIJ Board annually approves the staff numbers which consists of 73 units from which 25 are filled by the NIJ trainers. The Law on the National Institute of Justice inadequately regulates admission and graduation. There have been efforts to increase the transparency of the admission and graduation processes, but they have not been enough to reverse the negative perception held by the public. In the short term, the country should introduce a set of additional measures to increase both the actual and perceived objectivity of the admission and graduation processes and reduce the subjectivity of the evaluation. In the long term, the NIJ should redesign the whole cycle of admission, initial training and graduation based on competencies in line with European standards and best practices. Currently, a limited number of NIJ graduates are appointed as judges and prosecutors, whereas NIJ should become the single-entry point to these professions.

Regular and thorough evaluation of initial and continuous training programmes should be conducted to improve them. Trainings on judgecraft, including subjects related to legal reasoning, professional ethics and behaviour, transdisciplinary issues, time and case management, information systems and data collection, and effective court management should be developed or revised.

While there is a legal basis for alternative dispute resolution in Moldova, in the form of non-judicial mediation, conciliation and arbitration, its use is limited to less than 1% of total cases. Awareness of the citizens about the alternative dispute resolution service needs to be improved.

Efficiency

The disposition time – the time a judicial system takes to resolve a case - and the number of pending cases remain a major concern. Disposition time in litigious civil and commercial cases increased to 171 days in 2020 compared with 143 days in 2018. The clearance rate in civil cases is 97% in first instance (and 95% in second instance. The clearance rate in criminal cases is 90.8% in first instance and 93.2% in second instance. In administrative cases, this rate is 95% in first instance and 87.7% in second instance.

The backlog of pending court cases amounts to 22 299 and 3 330 cases for the first and second instances respectively. The disposition time for enforcement documents at the end of 2022 was 715 days, the clearance rate stood at 83.5% and the closing rate was 33.7%. In September 2023, the Ministry of Justice approved a regulation according to which all enforcement agents are obliged to keep records of files in the electronic system, improving the traceability and overview on enforcement proceedings.

The 2020 budget for the judiciary system is 0.40% of GDP, which is less than the 2018 budget (0.48% of GDP).

Fight against corruption

Moldova **has some level of preparation** in the fight against corruption. The legislation was amended to clarify the mandates of the institutions in charge of investigation. New legislation for trials *in absentia* was used to finalise a judgment in the case against a well-known

oligarch. The track record of high-level corruption convictions increased slightly. Draft amendments to the law on whistle-blowers were adopted by Parliament in June 2023. **Some progress** has been made and needs to be sustained to remove the many remaining blockages that hinder the reform processes.

In the coming period, Moldova should in particular:

→ adopt the new national integrity and anti-corruption strategy 2024 and beyond and its implementation action plan;

→ finalise the reform of the anti-corruption institutional framework, in particular increase the capacity of the institutions concerned;

→ implement pending GRECO recommendations and the ODIHR opinion and guidance on transparency and accountability.

Track record

One of Moldova's biggest achievements in this area has been improving international cooperation at investigative and operational levels. The Anticorruption Prosecutor's Office is using joint investigation teams effectively with Eurojust support to investigate fraud of USD 1 billion. The Moldovan-Latvian Joint Investigation Team proved successful, and its methodology will be applied to cooperation with other countries, such as Estonia and Switzerland.

During the reporting period, the General Prosecutor's Office and the European Public Prosecutor's Office signed a working arrangement, resulting in joint training and an exchange of information. The National Anticorruption Center (NAC) has strengthened international cooperation with peer institutions, and several bilateral contacts have been established. An example of improved international cooperation, based on direct contact with the EU authorities, was identifying and freezing assets located in Spain worth approximately EUR 56 million related to the USD 1 billion fraud case. Moldovan authorities made a request to identify and freeze the assets in in January 2023 with results produced in March 2023.

In 2022, 434 investigations were initiated into high-level corruption offences. These concerned passive corruption (162 cases), active corruption (56 cases), influence peddling (84 cases), abuse of power/abuse of official position (99 cases), excess of power or excess of official authority (29 cases) and negligent performance of duties (4 cases). Out of these, 180 cases were sent to court, resulting in 108 guilty verdicts. Criminal cases against 1 former President of Moldova, 2 judges, 9 prosecutors and 1 Security and Intelligence Service employee were prosecuted and sent to court in 2022.

On corruption offences, in 2022, courts issued 131 sentences against 147 individuals: prison terms for 18 individuals (12.2% of all 147 convicted individuals against 11.6% in 2021); suspended sentences for 64 individuals (43.53% against 47.8% in 2021); fines for 64 individuals (43.53% against 39.2% in 2021); and unpaid community service for one individual (0.68% against 1.4% in 2021).

The high-level public officials and other individuals sentenced by trial courts in 2022 include 1 prosecutor, 3 judges and 12 company managers.

In 2022, 121 **financial investigations** were started in parallel with 94 criminal cases concerning corruption, actions related to corruption and illicit enrichment.

In 2022, 250 requests were sent to the Criminal Assets Recovery Agency, which is 9% or 21 requests more than in the previous year. These included 171 requests related to corruption

cases, 29.54% more than in 2021 when there were 132.

In 2022, parallel financial investigations carried out by criminal investigation officers identified 630 assets worth MDL 2 162 207 564 (approximately EUR 108 million), which were seized by the Criminal Assets Recovery Agency. Out of the seized amounts confirmed by courts (MDL 786 986 848), MDL 717 773 919 (EUR 35.85 million) are related to corruption cases. In 2021, property seized as part of corruption cases was worth MDL 336 168 560 (EUR 16.8 million). When comparing between years 2021 and 2022, this shows an increase of 113.39%.

In 2022 and 2023, the prosecution services requested, and the courts admitted the **withdrawal of immunity** in 9 cases involving 5 judges and 4 Members of Parliament. These individuals were found guilty of crimes under Article 327 of the Criminal Code (abuse of power or abuse of office), Article 307 (issue of a sentence, decision, order or judgment in violation of the law), Article 352/1 (misrepresentation in statements), Article 330/2 (illicit enrichment), Article 190 (fraud), and Article 243 (money laundering).

In terms of cases of illicit wealth detected, between 2022 and until March 2023 the Anti-corruption Prosecutor's Office (APO) initiated 45 criminal cases. Out of these, 3 were dropped and 3 went to court (involving a former judge, a former prosecutor and a former chief of the Security and Intelligence Service). In March 2023, the APO had 50 ongoing criminal cases.

On **whistle-blowers protection**, the People's Advocate's (Ombudsperson's) Office examined 11 complaints from alleged whistle-blowers.

On **conflicts of interest**, in 2022, the National Integrity Authority (NIA) assessed 219 cases of suspected conflicts of interest, out of which 91 were found to be pertinent. As a result of the assessment, it was found that the applied sanctions were a deterrent. On **asset declarations**, as of 1 January 2023, 840 323declarations were published on the NIA website in the dedicated e-Declaration Portal. Out of these, 72 202 declarations were submitted in 2022. In line with Article 330/2 of the Contravention Code, in 2022, the NIA found 140 misdemeanours breaching the rules on declaring assets and personal interests. In 38 cases, the NIA found reasonable suspicions that a crime had been committed and reported them to the prosecution authorities. In 2022, the NIA applied fines of MDL 487 595 (EUR 24 504).

In 2022, integrity inspectors checked the assets and personal interest declarations of 402 of 440 judges (approx. 91%), 627 of 634 prosecutors (approx. 99%), 2 of 9 members of the Superior Council of Magistracy (approx. 22%), and 3 of 10 members of the Superior Council of Prosecutors (approx. 30%).

On cases infringing the legislation on **political party and electoral campaign financing** in 2022, the Central Election Commission (CEC) started contravention cases against 10 political parties suspected of violating the use of state budget allocations. In Decision 678 of 9 September 2022, the CEC found that the Șor Party had spent undeclared financial and material funds and exceeded the funds ceiling set for the new local election of 29 May 2022. As a result, the CEC sanctioned the party by banning it from receiving state budget allocations for 6 months from 1 January 2023 to 30 June 2023. The legality of the CEC decision was confirmed on 24 October 2022 by a judgment of the Chișinău Court of Appeals and on 31 October 2022 by an irrevocable decision of the Supreme Court of Justice.

Institutional framework

The National Anticorruption Center (NAC), the Anti-corruption Prosecutor's Office (APO) and the National Integrity Authority (NIA) are the main institutions specialised in anti-

corruption and are responsible for integrity and preventing and fighting corruption.

Prevention of corruption

The institutions dealing with preventing and fighting corruption are the police, the border police, the Customs Service, the State Tax Inspectorate, the Office for Prevention and Fight against Money Laundering, and the Criminal Assets Recovery Agency. In November 2022, the NAC organised the European Partners Against Corruption and European Anti-corruption Networks annual summit, which contributed to improved international cooperation and bilateral contacts.

Legislative amendments on the division of investigative powers of the NAC and the APO were adopted by Parliament. The latest amendments adopted in August foresee that the APO will prosecute high-level corruption cases, illegal party funding and corruption involving high amounts of money. NAC and territorial prosecution offices will deal with systemic corruption (e.g. education, health) and petty corruption.

The draft law amending the Law on whistle-blowers was adopted by Parliament in June 2023. It aims to improve the mechanism for disclosing integrity issues and provides for new protective measures for whistle-blowers.

Law enforcement

Under the institutional framework, the prosecution bodies empowered to handle corruption cases include the NAC and the APO. There are no specialised anti-corruption courts or judicial panels, however in June 2023 the President introduced a concept for an Anti-Corruption Court. The law concerning this court was submitted in August 2023 to the Venice Commission. The in-service training programmes for judges and prosecutors used by the National Institute of Justice include the module 'Economic, corruption, and related crimes'.

The country's leadership shows strong political will to counter corruption. Concrete action has been taken, aiming for a credible record of prosecutions and convictions. Legislative amendments entered into force in July 2022 introducing new mechanisms for criminal investigation that provide for trials and sentencing *in absentia* of people who try to evade persecution. The first procedures for the completion of criminal proceedings *in absentia* concern a former MP and a party leader oligarch, and a fugitive oligarch, in the case commonly referred to as the 'bank fraud' occurred in 2014.

In December 2022, Parliament adopted the national assets recovery programme for 2023-2027 and its action plan. These aim to increase the transparency and accountability of the agencies involved in seizing criminal property.

Amendments to the Criminal Code and the Criminal Procedures Code voted in July 2022 create an extended confiscation mechanism. This allows confiscating assets that were transferred by convicted individuals to third parties. It is applicable in cases involving goods worth 20 medium wages and above and when the person concerned cannot prove legal possession.

Moldova has also pursued systematic efforts to adjust the regulatory framework to ensure the de-oligarchisation of economic, political and public life. Initially, a two-pronged approach was envisaged: (i) the adoption of a framework law on de-oligarchisation; and (ii) a set of amendments to a wide range of laws aimed at consolidating institutions and, therefore, eliminating the influence of oligarchic interests. A law on de-oligarchisation was drafted and submitted for examination to the Venice Commission in its plenary session in March 2023. Following the publication of the Venice Commission's opinion on it, it was decided to shift

the focus in a more systemic action plan on measures to limit excessive economic and political influence in public life. The draft action plan was opened for public consultation on 13 April 2023. and adopted in May 2023.

Legal framework

Moldova has ratified the UN Convention against Corruption and the Council of Europe conventions in this field. Amendments of the Law on whistle-blowers, aiming to partly harmonise it with the provisions of EU Whistleblowing Directive was adopted by Parliament in June 2023.There are laws in place governing the prevention and sanctioning of conflicts of interest, the declaration and verification of assets, financing of political parties, access to information and protection of whistle-blowers. There is no law on **lobbying**.

The Law on political party financing was amended in December 2022 to ensure transparency on the financing of political parties and effective financial reporting by them.

The legal framework governing **declarations of assets and conflicts of interest** was adopted in 2016 with subsequent amendments adopted in 2021 strengthening the powers of integrity inspectors.

Code of ethics

As mentioned above, Moldova has made systemic efforts to adjust the regulatory framework to ensure the de-oligarchisation of economic, political, and public life. The abovementioned action plan with measures to limit excessive economic and political influence in public life includes seven groups of actions: (i) the use of offshore jurisdictions, privatisation and state property management; (ii) the prevention of money laundering and capacity building for detecting suspicious transactions; (iii) effective identification of the beneficiary owner; (iv) investigation and confiscation of illicit assets; (v) consolidation of competition authorities and prevention of manipulating opinion on audiovisual markets; (vi) improvements in the banking risk assessment; and (vii) ensuring a level playing field in politics.

Strategic framework

The national integrity and anti-corruption strategy (NIAS) for 2017-2023 is the third policy document implemented in the field of anti-corruption and integrity. The six objectives of the current NIAS are: (i) the deterrence of involvement in corruption; (ii) recovery of proceeds obtained from corruption offences; (iii) ethics and integrity in the public, private and non-government sectors; (iv) protection of whistle-blowers and victims of corruption; (v) transparency of institutions, financing of political parties and the media; and (vi) education of society and officials.

The objectives of the NIAS are well interconnected with the UN's Sustainable Development Goals. Additionally, the NIAS is structured into seven pillars, with each pillar clearly setting specific objectives to be achieved. Monitoring and reporting mechanisms should be improved to ensure effective and efficient implementation of the actions. The sectors most vulnerable to corruption require targeted risk assessments and dedicated actions.

Fundamental rights

The legislative and institutional framework is largely in place, and Moldova has made a clear commitment to meet its international obligations on human rights. Efforts were made in the reporting period to implement the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention). . These efforts included strengthening the mandates of the Equality Council and the People's Advocate and adopting programmes on strengthening gender equality and support to the Roma. Persons

belonging to minorities, persons with disabilities and the Roma in particular as well as LGBTIQ persons, continue to face discrimination, including in the labour market. Detention conditions remain poor.

In the coming year, Moldova should in particular:

→ further improve gender equality including by undertaking further measures to eliminate gender-based violence, including by adopting and implementing the new national programme on preventing and combating domestic violence and violence against women for 2023-2027 and the new national programme on the acceleration of gender equality for 2023-2027 and its corresponding action plan;

→ implement the programme in support of the Roma population for 2022-2025 at all levels of government;

→ implement the Committee for the Prevention of Torture recommendations on the prevention of torture and ill-treatment.

Moldova has ratified most key **international human rights instruments.** Moldova is a States Party to all UN core human rights treaties, except the Convention for the Protection of All Persons from Enforced Disappearance. It has also ratified all fundamental and governance Conventions of the International Labour Organisation (ILO), 29 out of 176 technical ILO conventions and the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence ('Istanbul Convention'). EE

On the **promotion and enforcement of human rights**, the central institution is the People's Advocate (Ombudsperson) and the People's Advocate for Child's Right, accredited with 'A' status by the Global Alliance of National Human Rights Institutions. Steps were taken during the reporting period to strengthen the institution and clarify competencies by amending the normative framework. A special parliamentary committee selects the People's Advocate and the People's Advocate for Child's Right. Immunity is granted to the People's Advocate, the People's Advocate for Child's Right and their deputies. Except for flagrant crimes, they can only be detained, arrested or searched with Parliament's consent. Officials of the institution acting on behalf of the People's Advocate and the People's Advocate for Child's Right enjoy inviolability when carrying out their tasks. The procedure for removing both advocates involves a prior hearing by the plenary of Parliament. It is financed from the state budget and its representatives have the right to address Parliament if the provided resources are insufficient to fulfil its mandate.

One of the tasks of the People's Advocate and the People's Advocate for Child's Right is investigating allegations of human rights violations. In 2022, they both examined 282 complaints that met admissibility conditions in human rights and children's rights. They solved issues, such as the rights to health, a fair trial, education work and the prohibition of forced labour, the protection of refugees, the rights of persons with disabilities, and the rights of persons from the territories not under control of the Moldovan government. They carried out over 229 monitoring visits to detention institutions, temporary placement centres and other residential institutions.

In June 2023, there were 1 048 applications pending before the European Court for Human Rights (ECtHR). The ECtHR delivered judgments on 31 applications and found breaches of the European Convention on Human Rights in 23 out of 24 cases, relating mainly to the right to respect for private and family life, the right to a fair trial, the right to liberty and security and to the prohibition of torture. In the reporting period, there were 578 new applications assigned to a decision body. Currently, there are 25 cases under enhanced supervision by the

Committee of Ministers.

The **death penalty** has been abolished in Moldova since 2006. There is no public discussion or debate in society or by any political party to reintroduce it.

Prevention of torture and ill treatment has been an issue of great concern for Moldova for many years. Even though the number of complaints of ill treatment fell by 50% in the last decade, from about 1 000 in 2009 to 500 in 2021, there is still quite a lot to be done. Prosecutors rarely decide to initiate criminal proceedings. The People's Advocate notes that in cases of torture/ill treatment, there is a low rate of prosecution initiated against people who tolerate or carry out those acts. In 2021, prosecutors followed up on only 1 out of 11 complaints of abuse, and only 4-5% of complaints turned into cases before the courts. In 2022, the Prosecutor General registered and examined 485 complaints of allegations of ill treatment. Prosecution was ordered only in 69 cases, of which 8 cases concerned acts of ill treatment, admitted on behalf of minors. In the other 404 cases (83.2% of allegations of torture/ill treatment), there was a refusal to prosecute as these acts were not considered to be crimes, so the alleged guilty individuals went unpunished. Compared with the number of complaints registered in 2022, the 15 criminal cases sent to the court for substantive examination only constitutes 3.09% of the total.

The Council for the Prevention of Torture can carry out (unannounced) preventive and monitoring visits to places where detainees are or may be detained. In 2022, the Council prepared and sent the authorities 20 visit reports with 400 recommendations. The Directorate for the Prevention of Torture of the People's Advocate prepared and sent 9 visit reports to the authorities with 170 recommendations.

The Directorate for the Prevention of Torture of the People's Advocate proactively carries out frequent investigations into ill treatment. The Directorate became involved in investigating high-profile cases. These included the case of a young man who died in prison under unclear circumstances and the case of a conscript soldier who alleged that he had suffered violence at the hands of other soldiers in a military facility. It also produces special reports on individual cases, which can be consulted on the public website of the People's Advocate.

Moldova's **prison system** includes 18 prisons. As of 1 January 2023, there were 6 084 inmates in prison, a fall from 6 396 inmates in 2021. Most ECtHR rulings against Moldova relate to inhumane detention conditions. No measures were taken during the reporting period to remedy the situation. All 18 detention facilities were built during the Soviet period. There have been no major upgrades since Moldova's independence, and the prisons currently exceed their intended capacity. Inadequate access to medical treatment, overcrowding and the general bad state of prison facilities as well as the lack of proper reporting and investigation of potential ill treatment and violence remain largely unaddressed. No amendments were made to the legal framework in to tackle these issues.

The government has allowed local and international human rights observers to independently monitor prison conditions. Human rights defenders report on the existence of 'barrack' systems (large-capacity cells) and overcrowding due to the lack of space.

In June 2022, the Ministry of Justice increased the detention capacity in some prisons. This was contrary to international and national recommendations to substantially reduce prison overpopulation. In its visits, the Council for Prevention of Torture noted overcrowding in three prisons, well above the capacity set by the Ministry of Justice. The problem is most urgent in Chişinău prison. Another concern is that not all prisons have accommodation for preventive detention, and suspects are at risk of being placed in disciplinary sections under

inhumane conditions.

No progress has been made on the plans to build new prisons. The Ministry of Justice is currently running a construction project in Chişinău prison with funding from the Development Bank of the Council of Europe. The People's Advocate regularly looks into cases brought by detainees.

The National Probation Inspectorate is responsible for probation in Moldova. Many amendments to codes and government decisions have been adopted on the execution of court decisions and punishments. These amendments were necessary to link probation to European probation rules and include new concepts in the legislation, such as humanisation of criminal punishments, early parole and conviction with partial suspension of the sentence , probation programmes, improving the quality of pre-sentence reports, electronic monitoring, victim protection, partnership development and promotion of probation.

Post-penitentiary probation aims at supervising, helping and counselling people released from detention to help them adapt to society again. Juvenile probation is carried out for the temporary protection of children in difficulty, resocialisation, and reintegration in the biological or adoptive family, family-type children's homes and the community. CSOs carry out different reintegration and resocialisation programmes, but these only target specific groups of former prisoners and are not run across the country and all prisons. The authorities should strengthen national mechanisms to reduce detention populations, including through the effective application of non-custodial measures and/or other types of punishment.

The Law on **personal data protection** is to some extent aligned with the EU General Data Protection Regulation and the Law Enforcement Directive. Moldova is still in the process of harmonising its national laws, which has been pending since 2020. Laws are being revised/redrafted and will then be submitted to Parliament.

Moldova is party to the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data. In February 2023, Moldova signed the Protocol amending this Convention, but it has not ratified it yet. In November 2022, Moldova signed the Second Additional Protocol to the Convention on Cybercrime on enhanced cooperation and disclosure of electronic evidence.

The National Centre for Personal Data Protection is the supervisory authority for personal data processing in Moldova. It has 39 staff for the 45 authorised positions, the lowest number since 2018. It suffers from high staff turnover and is facing difficulties in attracting and retaining talent due to low salaries and the high level of expertise required.

In 2022, the National Centre for Personal Data Protection examined 9 838 correspondence documents. In 227 of the complaints registered in 2022, checks on compliance with personal data processing rules were initiated. As a result, 230 decisions were issued, and a breach of legal provisions was found in 105 of them. Moldova should continue its efforts to align its legislation further with the EU *acquis*, train public servants across all institutions to the highest international and EU standards and step up awareness campaigns to inform people about their rights.

The right to **freedom of religion or belief** is generally respected in Moldova. Most of the population professes Orthodox Christianity (96.8% according to the 2014 Census). There are also small Jewish, Roman Catholic and Evangelical communities across the country as well as Jehovah's Witnesses and Mormons. No community has reported any issues in relation to its members' freedom of worship. There is no specific organisation dealing with religious communities. For all public associations and political parties, the Agency of Public Services

registers them. Issues related to violations of freedom of religion or belief are dealt with the Equality Council and the People's Advocate.

There is no state religion. The Law on freedom of conscience, thought and religion sets out that the state recognises the 'exceptional importance and fundamental role' of the Moldovan Orthodox Church in the life, history and culture of the country. The Moldovan Orthodox Church continues to use and control historic and religious properties that had been confiscated during the Soviet era. The government has not addressed long-standing efforts of other religions to reclaim properties confiscated during that time.

The law mandates the restoration of rights and compensation for material damages for victims of the totalitarian regimes that controlled Moldovan territory between 1917 and 1991 and for citizens who were subject to reprisals based on political, national, religious or social grounds. The law specifically refers to restitution of private property for victims of the Soviet era. However, it does not mention property confiscated during the Holocaust and does not apply to communal property confiscated from religious groups.

Registration law provisions on the organisation of religious groups remain unaddressed. The law gives people from all registered religious groups the right to burial space in public cemeteries but is not followed systematically.

The situation on **hate speech** remains problematic. Hate speech itself is not criminalised in Moldova, but the incitement to hate is. Amendments to the Criminal Code, which entered into force in July 2023, are generally compatible with European standards on criminal sanctions for the use of hate speech and on imposing tougher penalties for offences that can be characterised as a hate crime. The Audiovisual Code introduced heavier sanctions for the incitement of hate, especially during election campaigns. Hate crimes are underreported in Moldova and are not investigated and prosecuted enough. Police and the prosecution service do not receive adequate training on investigating these cases, which often do not reach the courts. Due to the lack of action taken by the police, such cases are sometimes referred to the Equality Council, which does not have the power to investigate criminal violations.

The legislative framework for the fight against antisemitism is in place. The action plan (2021-2024) on promoting the memory of the Holocaust and the culture of tolerance to combat racism, antisemitism, xenophobia and other forms of intolerance is generally consistent with the EU strategy on combating antisemitism. However, its implementation is often characterised by a lack of coordination at local level. The government does not provide for the proper maintenance of most Jewish cemeteries across the country or protect them from vandalism. Cases and complaints related to a Jewish cemetery and a synagogue in Orhei have not yet been resolved.

Freedom of expression

Moldova has a pluralistic media environment and has **some level of preparation** in freedom of expression. The country made **some progress** during the reporting period, in particular on the issue of ownership concentration. Legislation sets out rules to prevent concentration of media and ensure transparency of media ownership. The Audiovisual Council needs to boost efforts to implement these rules. To ensure compliance with the European Media Freedom Act, the Audiovisual Media Services Code address political bias in state media. The government is taking steps to address disinformation in the media, which remains a challenge, especially disinformation spread in online media. In an attempt to limit Russian disinformation, in December 2022 the Commission for Exceptional Situations ordered the

suspension of six TV stations that rebroadcast content from Russia; the decision was challenged in court. Several attempts of intimidation and harassment of journalists were reported in 2022, primarily in Gagauzia.

In the coming year, Moldova should in particular:

→ protect journalists more effectively against intimidation and attacks, including by thorough law enforcement investigations;

→ extend ownership transparency requirements to print and online media;

→ improve media self-regulation mechanisms.

The Constitution guarantees the freedom of expression, which is generally respected. There is plurality of the media. Moldova's ranking on the 2022-2023 World Press Freedom Index jumped by 12 places (with Reporters without Frontiers (RSF)'s new methodology from 89th in 2021 to 40th in 2022 to 28th in 2023). The media landscape is affected by concentration and a lack of transparency of media ownership and associated problems of access to the advertising market. Financial sustainability is a challenge for independent media outlets. The press and media are generally free to cover court cases.

The Law on printed media prohibits certain action against journalists, such as obstructing their activity or confiscating their notes, and provides for appropriate punishment. Constraining or exerting pressure by threatening or intimidating journalists is against the law and could lead to criminal liability. In public hearings, the Audiovisual Council examines cases of threats, pressure and intimidation that prevent or restrict the free exercise of the profession of journalists or the activity of media service providers. Where appropriate, the Council notifies the competent authorities.

Intimidation of journalists

Journalists can generally report without state interference, but they do face interference in their work in Gagauzia. In Gagauzia's local legislative assembly, journalists must be registered in the region based on unclear criteria. In July 2022, a journalist of the Nokta news portal was forcibly ejected from a People's Assembly meeting. In August 2022, after a protest in Vulcănesti in Gagauzia, supporters of a political party threatened and attacked a Nokta news portal cameraman. The police intervened to protect the cameraman.

In July 2022, the founder of the independent media outlet Jurnal TV was charged with slander. At the first instance, he was found guilty, fined MDL 4 500 and barred from working in television and radio for 6 months. Jurnal TV appealed the decision, and the Chişinău Court of Appeal admitted the appeal in February 2023.

Legislative environment

The legislation on audiovisual media services is not aligned with the Audiovisual Media Services Directive and the Council of Europe's normative standards. Amendments to the Audiovisual Services Media Code were adopted in November 2022 and included rules on sanctioning media outlets. In particular, the current law provides that Parliament's rejection of the Council's annual activity report should result in the legal dismissal of the members of the Audiovisual Council (AVC). However, the law does not provide evaluation criteria on which to base the rejection of the Council's annual report. The fact that the AVC members can be easily dismissed has been criticised as a way of politicising its members. In 2021, Parliament was criticised for dismissing AVC members accused of insufficiently fighting disinformation. However, the consensus among stakeholders is that the AVC's current

members have demonstrated greater independence and commitment to the job than the previous ones. The government needs to approve the amendments proposed by the Council of Europe on appointing and dismissing the board.

In 2022, the AVC devised and began a 'peer support' mechanism with the Council of Europe to set a benchmark to consolidate financial and operational stability. The Audiovisual Media Services Code should set out criteria for dismissing the management and the supervisory board of the national television broadcaster and the members of the AVC if their performance is sub-standard. The Code need to be amended to clarify the appointment procedures to ensure the best candidates are selected and avoid early termination on performance grounds. Priority should be given to adequately remunerating the AVC's professional staff and members. Nevertheless, given the financial constraints on public financing, Moldova does not seem to have sufficient funds earmarked for public services. In addition, the AVC has reduced the amount of staff and technical equipment and has called on international donors for immediate support. This situation leaves the Council vulnerable to commercial and other interests, undermining its independence.

A positive development to ensure equal access to media for competitors during electoral periods is that the new Electoral Code (adopted in December 2022) provides that the AVC should issue weekly reports during the pre-electoral campaign period.

The AVC has undergone a thorough reform during the reporting period. It approved its Regulation of organisation and functioning and on 17 June 2022, approved the new organisational structure comprising 58 staff units. The AVC's budget increased by 30% between 2022 and 2024. The AVC still needs to consolidate its financial stability and its independence.

Overall, the Audiovisual Media Services Code should be further aligned with the EU Audiovisual Media Services Directive to guarantee the independence of the AVC and the public broadcaster.

Implementation of legislation/institutions

The AVC monitors local content, the fulfilment of Romanian language requirements and the accuracy of broadcast information. It imposed several fines worth several thousand euro on channels that retransmitted Russian political and military content. The monitoring of these channels' news bulletins indicated that some were broadcasting content produced by outlets banned in the EU and were mainly practising 'disinformation by omission': their news bulletins focused on refugees or their economic impact on Moldova without presenting the events of the war against Ukraine.

Media institutions have lodged complaints on being subject to strategic lawsuits against public participation (SLAPPs). The Independent Journalism Centre's data show 21 strategic lawsuits were registered in 2022 and 2023. For example, the investigative website, CU SENS, was the target of six of these lawsuits in 2022 after publishing two journalistic investigations. A doctor from the Institute of Oncology filed 15 lawsuits against different media outlets after they published a National Anticorruption Center press release about the doctor.

Public service broadcaster

The public service media company, Teleradio Moldova, faces significant challenges: it pays substantial amounts for transmission, operates from an old and oversized building and does not have enough suitable equipment. In addition, it cannot offer competitive salaries or suitable working conditions.

The state budget provides funds to the public service broadcaster. The share of state allocations fell from 0.29% (2022) to 0.25% (2023) of the total state budget.

Under the amended Audiovisual Media Services Code, Teleradio Moldova is allowed to sell advertising. Its estimated advertising revenue for 2023 constitutes 1.5% of the state budget allocations. Media outlets continue to diversify their fundraising activities, including through the monetisation of media products, and through efforts funded by public.

Economic factors

Once a broadcasting licence or cable authorisation is granted, the media service provider or distributor pays a fee, as prescribed in the Law on licensing. The Audiovisual Council can impose financial penalties for breaches of the Audiovisual Media Services Code. These can range from EUR 25 to EUR 5 000 depending on the severity and impact of the case and how often they occur in a 12-month period.

During the reporting period, the AVC took several steps to ensure a fairer audiovisual climate. As a result, the number of TV stations classified as 'national' increased from 13 (under a 2019 decision) to 41 (under a 2022 decision). The 41 TV stations are now obliged to produce at least 80% of content in Romanian. The AVC monitoring of more than 10 stations revealed that there is media concentration among three main groups affiliated to fugitive oligarchs and related to the RTR Russian-state media group. After an amendment to the Audiovisual Media Services Code in January 2023, which introduced a new format for the annual report for media providers and distributors, the AVC can reject incomplete reports or sanction channels that have not submitted reports. For the first time, these reports are public in order to improve the transparency of media ownership.

Internet

The online space is not regulated through legislation. Nevertheless, in 2022 and 2023, under a decision of the Commission for Emergency Situations, the Security and Intelligence Service blocked more than 20 websites, which were considered to be spreading disinformation, including from organisations banned in the EU.

Professional organisations and working conditions

There are no unions or trade associations of journalists. Media professionals are represented by media NGOs, which are consulted on a permanent basis on draft bills regulating the media sector. There are 20 professional non-commercial registered media organisations. The Press Council is the only independent self-regulatory body. It examines complaints against the media and monitors whether journalists respect the Code of Ethics (signed by 145 media outlets). Its decisions are recommendations and not mandatory.

Most journalists work under employment contracts at editorial offices registered as public associations or limited liability companies. Journalists and media providers tend to combine their contracts with authorship contracts, which are undeclared employment contracts so that employers pay less taxes.

Freedom of artistic expression

Freedom of artistic and scientific creation is guaranteed under the Constitution. Artistic creation is not subject to censorship and there is no restriction on it. The law sets out that the state may not censor works of art produced in theatres, , and concert venues or critical or analytical material about those performances. There are no known cases of artists being intimidated, and no restrictions have been imposed by state or local authorities or other bodies on performances, exhibitions or other forms of artistic expression.

Anti-propaganda provisions

On 16 December 2022, the Commission for Exceptional Situations ordered the suspension of the broadcasting licence of six TV stations, which mostly rebroadcast content from Russia for 'lack of accuracy in reflecting national events, but also the war against Ukraine'. Three of the TV stations moved their content to other TV stations. All six companies challenged the Commission in court, and a decision is still pending. The decision of the Commission for Exceptional Situations is only applicable during the state of emergency and is not a permanent legal solution.

Freedom of association and assembly is generally upheld, with several demonstrations and rallies taking place peacefully throughout 2022 and 2023. Some of these protests were organised by people subject to EU sanctions who aimed to destabilise the constitutional order. In September and October 2022, large anti-government demonstrations were organised in Chişinău. The Commission for Extraordinary Situations adopted a decision in October 2022 banning all assemblies that blocked traffic lanes, transport arteries and access to evacuation routes on working days. The decision also limits the duration of assemblies to a maximum of 4 hours and gives the police the power to arrest any protesters disrupting public order. A local human rights association criticised the decision that the authorities could potentially implement measures that would restrict the right to freedom of assembly.

In November 2022, the government requested the Constitutional Court to assess the constitutionality of the Şor Party's activities. The request argued that action taken by the Şor Party over the previous 6 years was incompatible with the fundamental principles of democracy and requested that the party be excluded from the State Register of Political Formations. The request was confirmed by the Constitutional Court in June 2023. In May 2023, a criminal case on the illegal financing of the Şor Party (including the financing of protests) was sent to court.

The emergency legislation on assemblies has allowed the government to overcome the destabilisation attempts. To avoid restricting freedom of assembly, following the lifting of the State of Emergency, the government should revert to legislation on demonstration that is in line with European best practices.

The adoption of the amendments to the Criminal Code criminalising "separatism" could have negative bearing on freedom of expression and association, rights for national minorities and non-discrimination as well as on Transnistrian conflict settlement dynamics.

On 31 May 2023, the EU announced **sanctions** under two distinct frameworks against seven individuals responsible for supporting or implementing actions that undermined or threatened the sovereignty and independence of Moldova, as well as the country's democracy, the rule of law, stability and security. The individuals had also carried out activities undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

On **property rights,** Moldova is a party to the European Convention for the Protection of Human Rights and Fundamental Freedoms, including its first protocol which guarantees property and possession rights. Private property rights are also guaranteed under the Constitution. The share of applications at the ECtHR, which refer to direct or indirect infringement of property rights, remained high in 2022. There are no restrictions on exercising property rights and carrying out property transactions, except for purchases of agricultural land by foreign investors. Domestic procedures related to enforcing reinstatement cases remain complicated and lengthy. Restitution of property, provided for in the national

legislation, is not applied widely. Only some groups, such as victims of communist political repression, are entitled to ask for restitution of some types of property or to apply for compensation.

Moldova has an electronic cadastral system maintained by the Public Services Agency, which is also in charge of registration of ownership rights through its wide network of offices and online systems. There are still many towns and villages where residents do not own the houses they live in, and some people cannot sell or donate their property. For the last several years, Moldova has been implementing a state programme to create a real estate cadastre. The government is carrying out massive cadastral works as well as registering property rights in a real estate register. Individuals can also register ownership of real estate by paying a fee.

The national legal framework recognises equal rights to land for everyone, without any restriction based on nationality or gender. Numerous unresolved claims in courts are related to the restitution of property of religious communities. This stems from a dispute between the Moldovan Orthodox Church and the Bessarabian Orthodox Church. The claims concern the control of more than 800 monasteries and churches considered national heritage monuments.

Minorities face no issues in accessing rights to property documentation. There is no evidence that the Roma population has been particularly discriminated in accessing property documentation. According to the 2014 Population and Housing Census, the Roma population live in 227 localities that represent 14% of all Moldovan localities. The allocation of social housing is carried out according to the legislation. Rules on eviction are non-discriminatory and strictly regulated so that rights, liberties and safety of everyone is ensured. Where eviction is necessary due to social housing being damaged or in danger of collapse, the Law on housing provides that the tenants facing eviction from these premises are given another lease. Such a decision comes from the local council and is contingent on the availability of housing.

Moldovan legislation is largely in line with the EU *acquis* in the areas of **non-discrimination** and equality, and there is a state response to hate crime (in the Criminal Code and the Contravention Code). In May 2022, President Sandu signed amendments to the criminal and misdemeanour codes into law on discrimination and incitement to discrimination or hate-based violence. The new amendments provide for harsher sentences for crimes motivated by stereotypes or prejudice based on race, colour, ethnicity, national origin, social background, citizenship, sex, gender, language, religion or religious beliefs, political views, gender identity, sexual orientation, health, age, disability, or civil status. It also defines ‘genocide propaganda and crimes against humanity’ and introduces a new term, ‘incitement to discrimination’.

The Equality Council investigates allegations of discrimination. Amendments to the Law strengthening the Equality Council were adopted in February 2023 and entered into force on 9 February 2023. The Equality Council’s mission is to prevent and combat discrimination, promoting equality and diversity. The Equality Council’s members cannot be prosecuted or held legally responsible for the opinions they express and the powers they exercise according to the law. The Council prepares and presents to Parliament the general report on the situation on preventing and combating discrimination with recommendations to all institutions, which have competences to fight certain aspects of discrimination. Complaints lodged with the Equality Council in 2022 referred mostly to the labour market (24%), access to goods and services available to the public (22%) and the violation of personal dignity (also 22%). Notably, in 2022, the Council decided on an instance of racial profiling and recommended training for employees on racial profiling and combating prejudices against minorities. In another case, the Council found that hate speech constitutes stigmatisation of the targeted

group, perpetuates negative prejudices and incites discrimination and interethnic hatred.

There is no data on hate-motivated violence and hate crime. The police and prosecution services do not have sufficient training to investigate those cases, which often do not reach the courts. Often cases referred to the Equality Council are not investigated or registered by the police. The platforms recording crimes should be modified to include information on hate crimes, which respects international data collection standards, and distinguish between hate crimes, hate speech and discrimination. The database should contain fields related to biased offences and hate speech.

Legislative steps have been taken to fight **gender inequality** and **violence against women.** Procedures have been developed to increase the ease of access to justice for victims of domestic violence and sexual crimes and improve implementation of the Istanbul and Lanzarote Conventions. The amended Law includes a redefinition of the concept of rape and changes penalties for domestic violence crimes to ensure that preventive detention is possible. The State Agency for Prevention of Domestic Violence against women is being set up with special teams of police, doctors and social workers being trained alongside one another to improve sexual violence investigations.

In March 2023, the first specialised service for victims of sexual violence was set up. In April 2023, the government adopted a new regulation allowing third parties to initiate sexual violence investigations.

The legislative progress in countering gender-based violence has been supported by the entry into force of the Istanbul Convention on 1 May 2022 in line with Moldova's Universal Periodic Review commitments. In November 2022, Parliament passed a package of legislative amendments aimed at aligning national legislation with the relevant commitments of the Convention.

There is more awareness that gender-based violence is a crime punishable under the law. However, cases are still likely to be underreported, and more work on a victim-centred approach is required, to put the rights and dignity of victims - including their well-being and safety - at the forefront of all efforts to prevent and respond to sexual exploitation and abuse and sexual harassment.

On **gender equality**, the new national programme on promoting and ensuring gender equality for 2023-2027 and its corresponding action plan were adopted in April 2023. Both were developed with the active participation of civil society, and most of the recommendations have been taken on board by the authorities.

Moldova should however still revise the legal definition of discrimination against women and girls for it to comprehensively cover all violations that according to international law constitute discrimination based on sex and gender. Still of concern are the limited access to justice for women, insufficient financial and human resources to advance women's rights, and the persistence of patriarchal attitudes and discriminatory stereotypes on the roles and responsibilities of women and men in the family and society. There is also a high prevalence of gender-based violence against women, lack of consideration for the new forms of trafficking in persons, lack of diverse educational choices by women and girls, and gender occupational segregation.

The national legal framework for child protection in Moldova is largely aligned with the international framework for the **rights of the child**. During the reporting period, Moldova adopted the national child protection programme for 2022-2026 with 72 planned actions. A memorandum of understanding between the Ministry of Labour and Social Protection and

UNICEF was signed creating a path to cooperation on implementing the national programme and its action plan mentioned above.

Moldova has ratified the United Nations Convention on the Rights of the Child and the optional protocols. The third optional protocol on a communications procedure was ratified during the reporting period. The country has also harmonised its legislation with the Council of Europe Convention on the Protection of Children against Sexual Exploitation and Sexual Abuse (Lanzarote Convention) and responded to the first and second monitoring rounds.

Moldova is shifting to community-based alternatives to institutionalisation for children removed from parental care. Progress has been achieved in strengthening local institutional capacity with the expansion of professional parental care networks as an alternative to large-scale care institutions for children. The deinstitutionalisation of children with disabilities is progressing and has been boosted through the coordination of government agencies and institutions, parental education activities, increasing participation in early childhood education, and strengthening the monitoring and evaluation capacity at central and regional levels. Insufficiently qualified staff, lack of resources and poor infrastructure hinder the specialised care and support for institutionalised children with disabilities.

The number of minors in detention fell during the reporting period compared with the last 6 years. At the end of 2022, the number of minors convicted in the first instance was 226, constituting 40 convictions per 100 000 minors. The number of minors held in preventive detention was 13, with 32 minors serving prison sentences.

Children in Moldova still face many issues. These include insufficient protection from abuse and violence in educational institutions, insufficient access to child-friendly justice, insufficient protection against torture and ill treatment, lack of psychological support to child victims, inadequate protection for street children, and protection against abuse and neglect, including by parents.

Moldova has some limited progress on the rights of **persons with disabilities.** It has ratified the UN Convention on the Rights of Persons with Disabilities in 2010 and the Optional Protocol to the Convention in 2021. The national law on the inclusion of persons with disabilities implements the Convention and protects the rights of persons with disabilities to fully participate in all aspects of the country's economic, social and political life. The legislation generally ensures that persons in vulnerable situations benefit from protection, social assistance and community social services, but a lack of capacity and resources remains a challenge. This includes prioritising support to families with two or more persons with severe disabilities over support to families with only one, which contradicts the Convention.

The national programme for the deinstitutionalisation of persons with intellectual and psychosocial disabilities from residential institutions for 2018-2026 aims to deinstitutionalise 50% of persons with intellectual and psychosocial disabilities, provide social services at community level and transform residential institutions into regional centres to provide alternative services. Currently there are six temporary placement centres for persons with disabilities: four temporary placement centres for adults with disabilities and two temporary placement centres for children with disabilities. Approximately 1 700 persons with disabilities (of which approximately 400 are children) are placed in residential institutions.

Significant progress has been achieved in closing the educational gap for children with disabilities. To achieve inclusive education, further steps are needed to integrate children with disabilities into the mainstream education system, ensuring access to specialised medical care and rehabilitation, and accessing community-level support and services. Children with more complex needs, e.g. with intellectual disabilities, remain segregated. Tailored educational

plans for children with disabilities are implemented, and a methodological guide on curricular adaptation and evaluation of school progress, in the context of inclusive education, is available. Such solutions are not yet streamlined across the whole country. The number of students with special educational needs and disabilities integrated into general education institutions has increased. At the beginning of the 2022/2023 academic year, 10 500 students with special educational requirements and disabilities were enrolled in general primary and secondary education institutions. Most were enrolled in general education institutions or in schools for children with intellectual or physical development disabilities. Compared with the 2018/2019 academic year, the number of students with special educational requirements rose by 3.8%, and the number of students with disabilities rose by 8.3% in general education institutions. The proportion of boys with special educational requirements and disabilities included in general education remained higher compared with that of girls. In the 2022/2023 academic year, this was 66.2%, compared with 33.8% (in the 2021/2022 academic year, the figures were 65.7% and 34.3%, respectively).

On **the rights of lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons**, implementation of the existing legal framework for protection against discrimination and hate crime remains challenging. Highly negative views on LGBTIQ persons and discrimination based on sexual orientation and gender identity is prevalent in society.

Several politicians and political parties, like pro-Russian political parties and groups, have targeted the LGBTIQ community, accusing them of destroying 'traditional values'. The Moldovan Orthodox Church, which holds a powerful position in Moldovan society, also regularly spreads inflammatory messages about the LGBTIQ community. Civil society initiatives have also been targeted; for example, an anti-bullying school campaign organised by the NGO Genderdoc in cooperation with the Ministry of Education was recently attacked. Opponents started a petition and threatened to sue those educational institutions that participated in the campaign and urged heads of educational institutions not to take part in such campaigns.

In one case, the Equality Council examined statements made by two deputies during televised broadcasts, which were subsequently widely shared on social media, and found them to be hateful and discriminatory.

In June 2022, Chişinău hosted the Moldova Pride festival for the eighth time.

Civil society groups have drawn the attention of authorities to the need to uphold rights of LGBTIQ persons, especially when mass meetings are organised. No real progress has been made to challenge negative LGBTIQ stereotypes. The authorities should aim to implement standards and international practices on eliminating social segregation and discrimination to ensure that minority communities can feel safe as active participants of society.

Moldova has not harmonised its legislation with EU directives on criminal proceedings. Nevertheless, the Constitution and secondary legislation appear to broadly cover the main **procedural rights**. The Moldovan legal framework is not directly aligned with the Victims' Rights Directive and the Directive on compensation to crime victims. The rights of victims of crime are ensured, both within and outside the criminal proceedings, through the provisions of the Criminal Procedure Code and the Law on the rehabilitation of victims of crime. In addition to victim's initial procedural rights, an individual may request to be recognised as an injured party by the prosecuting body. This gives them additional rights related to the criminal side of the proceedings and/or be recognised as a civil party. The victim with the procedural status of an injured party / civil party has the right to request and collect full

compensation for the damage caused by the crime. Another guarantee to support the rights of victims of torture was provided through the criminalisation of torture in Moldovan legislation with the introduction of a specific article in the Criminal Code.

A state-guaranteed legal aid system exists, regulated by law and run by the National Council for State-Guaranteed Legal Aid. The system covers all criminal and non-criminal cases examined in court. The law on legal assistance guaranteed by the state distinguishes between two categories of assistance: primary legal aid and qualified legal aid. The law also states urgent legal aid as a type of qualified legal aid.

Preventive coercive measures are applied in exceptional cases for violent, serious and particularly serious crimes. In hearings involving juvenile defendants, the participation of a defence counsel and a pedagogue or psychologist is mandatory. The quality of overall legal assistance guaranteed by the state is not sufficiently ensured. Complaints have been received on the neglect on procedural deadlines, requests for payments for aid and the poor quality of legal support.

Criminal and procedural legislation has been aligned with the provisions of the Istanbul and Lanzarote Conventions. The most significant changes concern the exclusion of the reconciliation mechanism for parties in sexual violence criminal cases, harsher penalties for domestic violence crimes, the right of victims to give evidence in a friendly environment and the redefinition of the concept of rape. The concept of rape has been aligned according to the Istanbul Convention and will allow essential elements to be included in describing the act of rape, which currently is not covered by the criminal law.

In terms of the application of procedural rights, according to the European Court of Human Rights 2022 activity report, more than half of the violations found regarding Moldova concern the right to a fair trial (a total of 234 in 2022).

Persons belonging to national **minorities** sometimes face language barriers, making it difficult to access public services. This particularly concerns court hearings and communication with the courts. The Agency for Interethnic Relations is in charge of relations with national minorities. In September 2022, a new director was appointed to the previously vacant spot. In March 2023, the government adopted the programme for 2023-2025 on the implementation of the strategy for strengthening interethnic relations for 2017-2027.

Moldova has ratified the Framework Convention for the Protection of National Minorities. There are no restrictions on the right to freedom of expression and media, freedom of assembly and association for persons belonging to ethnic or national minorities. Many programmes aim to encourage minority groups to participate in political life. National authorities have committed themselves to increase the number of Roma women in the decision-making processes, including through the representation of persons belonging to national minorities in Parliament. The Gagauz minority is represented by three parliamentarians, and the Bulgarian minority by one parliamentarian. A major aspect in the rights of persons belonging to ethnic or national minorities is the Gagauz Autonomy. This is an entity created in 1994 to protect the rights of persons belonging to the Gagauz minority. Some progress was achieved in this area. A Governor (Bashkan) of Gagauzia is appointed as a full member of the government by a presidential decree. As the supreme official of Gagauzia, all public administration authorities of Gagauzia answer to the Governor. In December 2022, Parliament adopted two laws allowing for mutual consultations between Parliament and the People's Assembly of Gagauzia on all issues related to the autonomy status and competencies in the law-making process. Similarly, Gagauzia can consult the central authorities on different issues related to proposed laws on autonomy.

The **Roma minority** is still the minority the most affected by discriminatory practices and social stigma, especially when it comes to social integration, employment and access to health services. This includes the sizeable number of Roma fleeing the war against Ukraine and arriving in Moldova. The lack of access to basic services and low attendance rates in schools have led to a further marginalisation of the Roma.

There has been some progress on the inclusion of Roma, including through the adoption of the programme to support the Roma population for 2022-2025. As part of the programme, other mediators have been employed in addition to those employed through the Roma mediator programme in place since 2004. The mediators help the Roma access public services offered by the state, such as obtaining identity papers and ensuring Roma children's access to education. Further success of the mediators' programme is hampered by low institutional know-how on the programme's technical details. The number of Roma in the compulsory healthcare system remains low, leading to limited access to healthcare services. Roma families, including those with persons and/or children with disabilities, receive social assistance (benefits and services). The Roma population tends to be over-represented as beneficiaries of social assistance, especially child allowances, which are therefore a major source of income. However, only a small percentage of the Roma population is entitled to social security benefits due to the low levels of formal employment associated with long-term unemployment. The share of Roma participation in the social security system and their inclusion in social assistance programmes is unknown due to a lack of data. Roma often do not declare their minority identity because of fears of social stigmatisation and discrimination.

To reduce shortcomings in assisting the Roma population in their right to community integration, the public association coalition, Voice of the Roma, has started implementing a project on promoting human rights and equal opportunities. The initiative includes creating local initiative groups made up of Roma community representatives who can get involved in decision-making processes at local level. These local initiative groups focus on identifying problems and solutions in different areas, including access to infrastructure, education, community development and human rights.

EU citizens' rights

In September 2020, Moldova abrogated legal provisions allowing the acquisition of citizenship for special economic interests. Moldova should refrain from developing an investor citizenship scheme ('golden passports') as it would pose risks as regards security, money laundering, tax evasion, terrorist financing, corruption and infiltration by organised crime. It would also be incompatible with the EU *acquis*.

2.2.2. Chapter 24: Justice, freedom and security

The EU has common rules for border control, visas, residence and work permits, external migration and asylum. Schengen cooperation entails lifting border controls inside the EU. Member States also cooperate with Moldova in the fight against organised crime, corruption and terrorism, and on judicial, police and custom matters all with the support of the EU Justice and Home Affairs agencies.

Moldova has **some level of preparation** in implementing the EU *acquis* in the area of justice, freedom and security. Legislation is partially aligned with the EU *acquis*. During the reporting period, Moldova adopted and rolled out an integrated home affairs strategy (2022-2030) as well as six sectoral development strategies (2022-2025) to support the overall implementation of the integrated home affairs strategy. Moldova introduced some institutional changes to strengthen its capacity. To further align its legislation with the EU

acquis, Moldova should further boost its institutional capacity and improve interinstitutional cooperation and coordination.

Some progress was made by reorganising and strengthening institutional capacity in some areas, notably the General Inspectorate for Migration. Moldova also upgraded its Bureau for Asylum and Migration into a General Inspectorate with additional staff. On migration, Moldova continued its constructive engagement with EU Member States and EU law enforcement agencies.

Moldova is the European country hosting the highest number per capita of Ukrainian nationals that have fled Russia's war against Ukraine. Since 1 March 2023, Moldova has been implementing a decree granting 1-year temporary protection to these people.

There is scope for a broader use of existing tools and mechanisms for information exchange and operational cooperation.

In the coming year, Moldova should in particular:

→ improve interinstitutional cooperation and coordination, strengthen institutional capacity and sharing information in the area of security to ensure effective prevention and response capabilities, including in a crisis;

→ strengthen the legal framework and institutional capacity for assessing risks and fighting cybercrime.

Fight against organised crime

The country has **some level of preparation** in implementing the EU *acquis* in this area. **Some progress** was made in addressing the fight against financial crime and the recovery of assets. Assets belonging to three prominent oligarchs have been seized. The national asset recovery programme for 2023-2027 and its action plan were adopted in December 2022 and are being implemented. The good ongoing work on seizure and confiscation of assets linked to organised crime should be sustained.

Cooperation with EU Members States, Frontex, Europol and CEPOL has been expanded. Moldova has made repeated commitments to and progress in the fight against arms trafficking, drugs, trafficking in human beings and migrant smuggling. It adopted a new sectoral development strategy on the prevention and fight against organised crime for 2022-2025 to support the implementation of the integrated home affairs strategy (2022-2030) that was adopted in September 2022, and appointed a national firearms focal point. The country also revised in March 2023 its Law on the regime of arms and ammunition for civilian use, aiming to align it with the EU *acquis*.

Capacity should be strengthened to counter cybercrime and improve the general preparedness and response to cybercrime.

In the coming year, Moldova should in particular:

→ continue strengthening the fight against organised crime, including through cooperation with EU Member States and EU institutions and agencies, including Frontex and Europol, CEPOL, EMDDA as well as in the context of the European Multidisciplinary Platform Against Criminal Threats (EMPACT) and the EU-Moldova Support Hub for Internal Security and Border Management[8];

[8] To note that the Commission recommended under its sixth report under the Visa Suspension Mechanism recommended Moldova to continue ongoing efforts in the fight against organised crime.

→ increase and improve data exchange via SIENA, collection, analysis and sharing across services, supported through the proactive use of information exchange tools;

→ develop and approve the new national strategy on trafficking in human beings.

Institutional set-up and legal alignment

There are different law enforcement agencies with police executive powers in Moldova, namely the police, the *carabinieri* (all three falling under the Ministry of Internal Affairs)) as well as the customs service (under the Ministry of Finance). There are 8 686 police officers (police 7 666, carabinieri, 1 020). This is equivalent (both forces combined) to 334 police officers per 100 000 inhabitants and very close to the EU average of 335.3 (Eurostat, 2019-2021). A high turnover rate and a significant number of vacancies affect the operational capacity of local law enforcement.

Key **institutions** in the fight against organised crime include specialised police units within the Ministry of Internal Affairs and other institutions, which deal with different types of organised crime and financial investigations. These include the Prosecutor's Office, the Prosecutor's' Office for Combating Organized Crime and Special Cases, the Criminal Assets Recovery Agency, the services for the protection of national interests and anti-corruption under the Ministry of Interior Affairs and the National Anticorruption Centerer (NAC). Customs are in the lead for all investigations related to goods smuggling in the country. Coordination between services is efficient. The police should continue improving equipment and strengthening initial and vocational training across services. Forensic capacity remains fragmented; there is no operational countrywide DNA database yet, and DNA-profiling capacity is limited. The use of special investigative measures and proper equipment should be increased as well as the number of certified staff.

On **the strategic framework**, during the reporting period, Moldova adopted the Ministry of Internal Affairs' new general home affairs strategy (2022-2030) and six dedicated development sectoral strategies (equivalent to action plans covering a 33-year period for 2022-2025) on organised crime, public order, safety, civil protection, migration and education/ethics/digitalisation. The strategies set out priorities, objectives and the resources needed. As mentioned above, the **s**ectoral strategy on organised crime has been adopted. Moldova should develop and adopt a **national serious and organised crime threat assessment** (SOCTA).

The legislation on **trafficking in human beings** has been further aligned with the EU *acquis*. The recommendations from the national strategy for preventing and fighting trafficking in human beings for 2018-2023 should serve as basis for the development of the next one to be adopted in the last quarter of 2023.

Moldova is party to the Budapest Convention on **cybercrime** and signed the First and Second Additional Protocols on enhanced cooperation and disclosure of electronic evidence in November 2022. The cybercrime unit has a central forensic laboratory, but its capacity needs to be increased.

The country made some progress in **anti-money laundering** and **counter-terrorism financing**; legislation on preventing and combating money laundering and terrorism financing was adopted (see Chapter 4). A draft law amending the Criminal Procedure Code to broaden the powers of more law enforcement agencies to investigate money laundering cases was adopted by Parliament in April 2023.

During the reporting period, the legislation on the **possession of weapons by civilians** was further aligned with the EU *acquis*. The Law on the regime of arms and ammunition for

civilian use was amended with the latest amendment entering into force in March 2023. The legislation is compliant with the EU small arms and light weapons management standards and is aligned with the provisions of the European Convention on the acquisition and possession of weapons by private individuals.

There is a national focal point on firearms in the Police General Inspectorate and a state register of weapons to manage data on firearms and other weapons owned by individuals, businesses and state agencies. Moldova should continue to increase access to relevant databases on arms across relevant departments.

On the trafficking of **small arms and light weapons**, Moldova is implementing the objectives of the EU action plan on firearm trafficking integrating the 2018 Western Balkans Roadmap. The country is also actively engaged with the South Eastern and Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons and strengthened its cooperation within EMPACT.

Moldova is a member of the WeProtect Global Alliance against child sexual abuse and exploitation. The inter-ministerial strategy on **online child sexual abuse** has still to be adopted. Capacity for investigating and prosecuting crimes against children committed through the internet has been strengthened but need to be brought in line with the best EU and international standards.

Implementation and enforcement capacity

Moldova has made significant progress in the fight against organised crime and in increasing its international cooperation, including with EU agencies and EU Member States. In 2022, 192 criminal cases against 583 individuals accused of committing crimes qualified as within an organised criminal group or criminal organisation or in their interests. The court of first instance issued 28 sentences in cases concerning organised crime against 43 people, with 18 sentenced, 8 not qualified as organised crime, 1 acquitted and 2 terminated, with 14 final convictions.

On international police cooperation, Moldova has a liaison officer posted at Europol's headquarters in The Hague, and Europol has deployed guest officers and a coordination officer to Chişinău since March 2022. A more intensive use of the tools and skills provided by Europol guest officers should be made. Moldova has also taken further steps to strengthen international police cooperation in conducting joint investigations. Since June 2022, with the support of Europol, it conducted joint investigations in 10 cases on emerging trends in transnational crimes, with 19 individuals arrested. The investigations included trafficking in human beings involving minors' case and a major identity fraud case facilitating irregular migration to the EU of potentially up to 2 000 people.

Moldova also substantially increased its participation in EMPACT**.** In 2023, it has been participating in 106 operational actions against 20 in 2022. In addition, Moldova participated in several EMPACT joint action days (JAD) and hosted the coordination centre of the EMPACT JAD Finestra 2. This was coordinated by Frontex and focused on cigarette and tobacco smuggling, document fraud, firearms smuggling, and other excise goods. Furthermore, five joint investigation teams were set up during the reporting period with EU Member States, and eight international operations took place.

Exchanges facilitated through the Secure Information Exchange Network Application (SIENA) have started to improve but need to be further stepped up. Moldova has created a new SIENA post (two are now available in the General Police Inspectorate and National Anticorruption Center) and is providing additional training to government staff. The roll-out

of SIENA posts across institutions and the country should be increased as should the number of training courses on using SIENA.

Moldova has a working arrangement with CEPOL since October 2012 and actively participates in its activities (trainings, workshops, study visits).

The EU-Moldova Support Hub for Internal Security and Border Management was launched in July 2022 to address the risks to internal security and transnational criminal activities in the context of the Russian aggression against Ukraine. It strongly steers the cooperation with the European specialised agencies and Member States.

The country has strengthened cooperation with INTERPOL through the exchange of information and conduct of activities in the illicit Arms Records and tracing Management System and in trafficking in human beings. On domestic operational capacity, Moldova should continue setting up robust processes to assess ongoing threats and risks, in particular hybrid threats. It should amend the legislation to ensure the availability of specialist structures, technology, resources, and skilled people to be able to adequately respond to such threats. Data collected manually should be digitised to ensure they can be consulted comprehensively as part of an integrated analytical process.

On financial investigations, between June 2022 and March 2023, the Office for Prevention and Fight against Money Laundering of Moldova carried out 91 financial investigations. An additional 52 financial investigations were conducted between March and June 2023, demonstrating the country's increased commitment and capacity.

Moldova is mainly a country of origin and transit for **trafficking in human beings**. However, many people are victims of exploitation as well. Over the reporting period, the number of adult victims identified significantly declined. There were 107 adult victims (32 women/75 men) reported in 2022 against 312 adult victims reported in 2021. The number of child victims in 2022 was 44 (43 girls/1 boy). Victims trafficked for labour exploitation are mainly men and vulnerable persons, including persons with disabilities. There are potential risks of increase of trafficking in human beings amid the mass displacement caused by Russia's war of aggression against Ukraine. Over the reporting period, 44 criminal cases were initiated: 29 for trafficking in adults and 15 for child trafficking.

The national referral mechanism for victims of trafficking is operational and has been recently upgraded in line with best international practices. Two centres for victims are managed by the national authorities and in 2022 a third one dedicated to male victims was handed over to the national authorities. Cooperation with civil society is good. A hotline is also in place. However, there are concerns about providing sustainable assistance to victims specifically providing both socio-economic opportunities and specialised medical care. There are also concerns about the workload of social protection staff at local level who are the main contact points for not only victims of trafficking and gender-based violence, but also child assistance. Overall, Moldova demonstrates continued efforts but still needs to improve its capacity to prevent all types of trafficking in human beings, identify victims at an early stage and strengthen the response of law enforcement.

On the **trafficking of small arms and light weapons**, 69 criminal cases were investigated with 27 final convictions. A total of 277 firearms were marked in line with the latest amendment to national legislation in January 2022, which is itself in line with EU small arms and light weapons management standards. Considering the high risk of firearms trafficking in the region, linked to the geopolitical context, Moldova showed more commitment and made some progress. Moldova adopted the concept of the National Firearms Focal Point within the structure of the General Inspectorate of the Moldovan Police by creating a separate

department and making the appointment. The IT system on weapon registry was upgraded in autumn 2022 with the support of the EU. There were more trainings on firearms detection in cooperation with Frontex and the EU Border Assistance Mission.

The exchange of information among different national stakeholders (law enforcement agencies, the prosecution service and the judiciary) needs to be strengthened. Access to INTERPOLNTERPOL databases should be made available to representatives from the National Firearms Focal Point and other relevant law enforcement authorities.

Moldova continued to gradually strengthen its capacity in **cybercrime**. However, it should set up a more effective law enforcement response focusing on the detection, traceability and prosecution of cybercriminals. The country should raise awareness among its population about preventive measures and reporting cases to law enforcement authorities.

In 2022, the General Police Inspectorate placed 28 individuals in **witness protection programmes** and in 2023 until 12 April 2023 placed an additional 16 individuals.

Cooperation in the field of drugs

Institutional set-up and legal alignment

The Ministry of Internal Affairs and the Ministry of Health are the lead bodies in the fight against drug trafficking and illicit drug use. The National Investigation Inspectorate has a specialised directorate in charge of the fight against drugs, while the National Agency for Public Health monitors the drug situation.

At the end of 2022, Moldova adopted a new policy document, the programme for prevention and fight against crime for 2022-2025. Its adoption marked the end of the national anti-drug strategy for 2020-2027. However, the prevention of drug use is not mentioned in the new programme (one of six sectoral programmes under the home affairs development strategy).. This highlights the difficult inter-agency coordination on this policy and the constraints, especially in the field of prevention.

Moldova's National Drug Observatory is not fully operational . The Department of Quality and Management of Healthcare at the National Agency for Public Health of the Ministry of Health carry out some of the work of the National Drug Observatory. They coordinate collecting data on drugs and draft the annual report on illicit drug use and trafficking. No national early warning system on the surveillance, prevention, detection and criminalisation of new psychoactive substances (NPS) exists. NPS are monitored through a list of narcotics, psychotropic substances and plants containing such substances as detected in illicit trafficking. The lists last updated in 2017 is not up to date to ensure effective monitoring. Inter-agency cooperation should be improved between law enforcement bodies (police and customs), local enforcement authorities and health and education bodies.

Moldova is party to the relevant international narcotic drug control conventions. It cooperates with Europol in the fight against drug trafficking and has signed a memorandum of understanding with the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA) in 2012. The National Drug Observatory is the EMCDDA's contact point.

Implementation and enforcement capacity

Moldova is a transit country for drugs. In 2022, 925 drug-related offences were recorded, an increase of 13.08% compared with the previous year. Between March and June 2023, 165 criminal cases were initiated for drug-related offences. In 2022, 88 criminal cases on drug trafficking were investigated, and 146 individuals prosecuted. The court of first instance decided on the confiscation of goods with a total value of MDL 1 290 953.64 (approx.

EUR 66 000).

On the secure storage and effective destruction of drugs, the technical requirements for the facilities where narcotic, psychotropic and/or precursor substances are stored are aligned with the normative international acts to which Moldova is a party. There are rules on the effective destruction of drugs; the substances are destroyed in the presence of members of the Permanent Commission for the Harmless Destruction of Medicines. The destroyed substances are encapsulated in plastic mass or metal containers, hermetically sealed and buried in landfill.

In 2022, Moldova demonstrated a good level of cooperation on drugs with neighbouring and other countries. There were also more exchanges of information via SIENA.

There are drug addiction treatment centres in eight localities, and access to treatment is available in 13 prisons. In 2022, out of the 3 214 drug-addicted patients enrolled in the national rehabilitation programme, 211 successfully completed their course. In the same year, 153 new drug-addicted patients were registered in the national opiate pharmacotherapy programme, with a total of 2 332 people receiving support.

Fight against terrorism

Institutional set-up and legal alignment

The Security and Intelligence Service's (SIS) Anti-Terrorist Centre coordinates the fight against terrorism. The adoption of a single mechanism on anti-terrorist activity is in line with EU standards. In the police, the National Investigation Inspectorate has the power to investigate crimes of money laundering, terrorist financing and separatism, and the proliferation of weapons of mass destruction and related material.

Moldova's anti-terrorism legislation is generally aligned with the EU *acquis* and applicable international law.

The national security strategy covers the fight against terrorism and terrorist financing. The national programme for the consolidation and realisation of anti-terrorist protection measures for the critical infrastructure objectives for 2022-2026 and the action plan to implement it was adopted in October 2022.

No formal EU-Moldova counter-terrorism dialogue exists but informally, SIS officers participate in workshops, training and practical exercises organised by the EU and Member States. The SIS is part of the EU platform Focal Contact Points Foreign Terrorist Fighters Network. In addition, in 2022, SIS representatives participated in the working meetings of the EU's Committee On Preventing and Combating Terrorism. The Anti-Terrorism Centre also participates in the Committee on the Prevention and Combating of Terrorism at the Council of Europe.

Implementation and enforcement capacity

Moldova has stepped up operational cooperation with Europol, INTERPOL and neighbouring countries, notably through agreements between the SIS and Ukrainian and Romanian special services. The agreement on operational and strategic cooperation between Europol and Moldova covers terrorism. Operational cooperation with Europol could be further improved by making full use of existing mechanisms, such as the possibility for local Europol officers to carry out real-time secondary checks upon request. Moldova has a low level of terrorism alerts, but it is confronted with a wide range of hybrid threats, including bomb alerts.

In 2022, the SIS investigated eight people suspected of supporting radical groups. There were no convictions for terrorist activities.

On preventing incoming or outgoing financial transactions to finance terrorism, the SIS cooperates with the Office for Prevention and Fight against Money Laundering. During this period, the SIS and the Office carried out checks on 25 cases.

Several training measures on preventing terrorism and the radicalisation of the population were implemented during the reporting period for staff of central public authorities, airlines and judicial institutions. More work should be done to prevent and address the risk of foreign fighters' radicalisation, including by improving the exchange of data and using the EU framework for reference, such as the common risk indicators on foreign terrorist fighters.

Judicial cooperation ono criminal and civil matters

Moldova's legislative framework for mutual legal assistance in civil and criminal matters is partly aligned with the EU *acquis*.

During the reporting period, Moldova received 396 requests for cooperation on civil matters and all of them were addressed. Moldova received 455 requests for legal assistance in criminal matters and all of them were addressed. The country is still not party to several core conventions, including the 1996 Child Protection Convention, the 2005 Choice of Court Convention, the 2007 Child Support Convention and the 2007 Maintenance Obligations Protocol. Moldova should become a party to these conventions.

Moldova has engaged in a constructive working relationship with Eurojust. Based on the agreement in force since 2016, it signed six joint investigation team training agreements. In 2022, it cooperated with Eurojust on 24 cases in cooperation with the Eurojust point of contact. To strengthen cooperation, the Prosecutor's Office appointed a part-time liaison prosecutor to Eurojust in June 2023. Furthermore, Moldova expressed its readiness to cooperate with the European Public Prosecutor's Office (EPPO) in line with the 1959 European Convention on Mutual Assistance in Criminal Matters and its Protocols. The General Prosecutor's Office of Moldova concluded a working arrangement with the EPPO in July 2022.

Legal and irregular migration

Institutional set-up and legal alignment

The Ministry of Internal Affairs is the main player in the field of migration. The Diaspora Relations Bureau within the State Chancellery of the Prime Minister is the key stakeholder in engaging with the diaspora. The Commission for the Coordination of Migration and Asylum Activities, established in 2018 under the lead of the Ministry of Internal Affairs, is a permanent advisory body without any legal status. It was created to monitor and coordinate activities on migration, asylum, statelessness and the integration of foreigners in Moldova and to help apply relevant government policies consistently. Since 2021, the country has observer status in the European Migration Network.

Moldova initiated in 2022 a sectoral development programme for the management of migration flows, asylum and integration of foreigners for 2022-2025. It includes an action plan to implement the agreed objectives.

A total of 13 agreements on the readmission of persons illegally staying have been concluded[9], and 14 are currently under negotiation.

[9] The 13 agreements are with the EU, Switzerland, Denmark, Norway, North Macedonia, Serbia, Bosnia and Herzegovina, Montenegro, Türkiye, Albania, Georgia, Kazakhstan and Ukraine. There are 24 additional protocols with Switzerland, Estonia, Hungary, Romania, Slovakia, Germany, Austria, Lithuania, Latvia,

Implementation and enforcement capacity

Since the outbreak of Russia's war of aggression against Ukraine, Moldova has faced unprecedented inflows of refugees (the highest number per capita in Europe). As of August 2023 and since the beginning of Russia's full scale aggression against Ukraine, roughly 900,000 individuals entered Moldova through the border with Ukraine., From those, 109,315 Ukrainian citizens and 7,877 third-country nationals currently remain on its territory. They were mainly female (59%), and minors (46%). Since 1 March 2023, the government has implemented decision granting temporary protection to displaced persons from Ukraine, enabling its beneficiaries to obtain an identity document issued free of charge for 1 year. Following the unprecedented influx of people fleeing Ukraine, which put Moldova's already limited capacity under pressure, the country's authorities maintained their efforts and mobilised resources to provide immediate humanitarian assistance as prescribed in the state of emergency.

On accommodation for refugees, Moldova set up 135 Refugee Accommodation Centers (RACs). 58 remained active in June 2023. The accommodation capacity of these RACs is for 3 805 people. 12% of them provide services for persons with disabilities and those suffering from mental health disorders. The government of Moldova has launched a consolidation strategy to address disorders in existing RACs, which will lead to their gradual closure in 2023-2024. Between March and June 2023, nine RAC were closed (the equivalent of 424 places). If there is an increase in the number of arriving migrants or refugees, there is the possibility to reopen the closed RACs.

Furthermore, special measures targeting unaccompanied children have been put in place, such as immediate referrals to national social workers (the guardianship authority) and providing them with the same services as Moldovan children. Further effort is needed to ensure the systematic registration of foreigners, centralise data and provide them access to all relevant services in line with EU standards, including the General Data Protection Regulation (GDPR).

In 2022, Moldovan authorities reported 1 332 cases (2 590 individuals) of illegal crossing of the state border (main nationalities: Ukrainian, Turkish and Russian). In 2022, 78 foreign citizens were placed in public custody. In the first quarter of 2023, 54 foreign citizens were placed in public custody, of those 37 were released from custody.

The Ministry of Internal Affairs oversees forced returns. Implementation of the EU-Moldova readmission agreement is generally good. During the reporting period, 623 Moldovan citizens were successfully returned under readmission agreements. Moldova has concluded 13 agreements and 24 additional protocols on readmission.

Moldova contributes to the Europol European Migrant Smuggling Centre's annual reports on migration and asylum.

Asylum

Institutional set-up and legal alignment

The Moldovan legislation governing asylum is broadly in line with the EU *acquis*, and the country is party to the relevant international conventions. The General Inspectorate for Migration (GIM) operating under the Ministry of Internal Affairs decides on applications for international protection. It strengthened its Bureau for Asylum and Migration into a General

Malta, Bulgaria, Czechia, Poland, Belgium, The Netherlands, Luxembourg, Spain, Slovenia, Greece, Italy, Serbia, Albania, Georgia, Kazakhstan and Ukraine.

Inspectorate with additional staff. Moldova conducted several reforms over the reporting period, which focused on further modernising its central structure and reorganising the border police. The Migration and Asylum Directorate, which examines asylum applications, was reorganised and is now part of the GIM. This has strengthened institutional capacity to prevent, monitor and combat the illegal stay of foreigners.

The legal status of asylum seekers and beneficiaries of international protection, temporary protection and political asylum are regulated by the Law on asylum. The Asylum and Integration Directorate of the GIM is responsible for asylum procedures. Unaccompanied minors applying for asylum are subject to child protection measures, including social placement services. Negative decisions on asylum claims may be appealed through administrative litigation without any prior procedure. The verification process includes a request from the country's Security and Intelligence Service.

Moldova maintains a regularly updated contingency plan that takes a multidimensional approach covering areas based on different types of scenarios (e.g. border management and humanitarian needs). Following Russia's war of aggression against Ukraine and the peak of the refugee emergency, a plan was initiated by international players with the support of the EU's civil protection mechanism, and this served as the basis for humanitarian aid preparedness.

Recent efforts focused on alignment with the EU Temporary Protection Directive, including a government decree adopted on 18 January 2023 and implemented from 1 March 2023. The decree allows for the registration of refugees from Ukraine on a voluntary basis.

As of August 2023, 10,747 individuals have been granted temporary protection.

The decree which is largely aligned with the EU Temporary Protection Directive, gives the rights of residence, identity documentation, education and access to the labour market and healthcare. Funding social protection/health costs related to the temporary protection is a major challenge. The current needs of beneficiaries of temporary protection have been mainly covered through continuous external support from humanitarian donors. Against the backdrop of decreasing humanitarian funding, this caseload will need to be fully absorbed by the government-led national social protection assistance. Moldova should develop a clear roadmap as to when and how this will be achieved.

Implementation and enforcement capacity

Compared to 2021, when 75 applications for international protection were lodged, and 43 people were granted protection, as of July 2023, the Migration and Asylum Office has received 14 376 asylum applications, following the arrival of people from Ukraine seeking protection after Russia's aggression against Ukraine. Out of the total number of applications examined, 7 643 decisions on asylum applications were issued: 17 people were granted refugee status, 62 granted humanitarian protection, 28 had their asylum applications rejected, 12 appealed in court, and 7 552 people terminated the asylum procedure. The remaining applications are in the process of examination. There are approximately 3 700 pending cases as many of the registered asylum seekers left the country days after registering.

With the sharp increase of asylum applications lodged, the national authorities are experiencing a significant backlog. In response, the government is carrying out an institutional reorganisation, increasing staff numbers, procuring equipment and renovating infrastructure. The funds allocated in the budget for integration programmes granting asylum were insufficient given the current number of asylum seekers reported and being supplemented by international donors.

To prevent trafficking in human beings and related crimes involving refugees at open facilities and to prevent the infiltration of smugglers, a specialised police unit carried out facility visits jointly with representatives of an NGO (the international centre Laicre Strada Moldova with which the General Police Inspectorate concluded a cooperation agreement in November 2020). Victims of trafficking in human beings in facilities have been provided with information, including telephone numbers of relevant hotlines. This information is available in English and Ukrainian.

Between May 2022 and April 2023,the European Union Agency for Asylum (EUAA) deployed a small contingent of staff to Moldova to help the country manage the arrival of people fleeing the invasion of Ukraine. This was the first-ever deployment of staff by the EUAA (and its predecessor the European Asylum Support Office) to a non-EU country. The relevant authorities in Moldova maintain close contacts with the EUAA's representatives.

Accessing and providing information on asylum procedure for asylum seekers needs to be improved. Moldova should ensure that the necessary resources are available to implement the country's contingency plan to manage human flows.

There is no electronic biometric database with fingerprints and photos, and the border crossing points are not connected. During the reporting period, the development and implementation of a biometric database was set as an objective. Active steps should be taken to plan this database's alignment with the EU's fingerprint database (Eurodacurodac).

Visa policy

The legal framework for visa policy is broadly in line with the EU *acquis*. The list of third countries with which Moldova maintains visa-free regimes is not fully aligned with the list of third countries whose nationals require a visa for short stays in the EU. Moldova maintains visa-free regimes with 12 of these countries: Armenia, Azerbaijan, Belarus, Cuba, Ecuador, Kazakhstan, Kyrgyzstan, Qatar, Russia, Tajikistan, Türkiye and Uzbekistan.

The security features of visas and travel documents are broadly aligned with EU standards. All passports issued by Moldova are biometric and comply with the International Civil Aviation Organization format.

The European Commission's sixth report under the Visa Suspension Mechanism[10], published in October 2023, concluded that Moldova continues to meet the visa liberalisation benchmarks.

Schengen and external borders

Institutional set-up and legal alignment

The General Inspectorate of Border Police manages Moldovan state borders (1 906 km in length excluding the 453.4 km Transnistrian segment). It is a specialised civilian body operating under the Ministry of Internal Affairs. Following a reorganisation in the reporting period, it now has 44 borders police sectors and 75 border crossing points. Border responsibilities are shared between customs and the border police.

Border control legislation is partly aligned with EU policy and best practice. A national integrated border management strategy (2018-2023), a programme for integrated border management (2022-2025) and a dedicated action plan (aligned with the 2006 EU concept on integrated border management) are in place. The National Council for Integrated State Border

[10] COM(2023) 730 final

Management is the advisory body in charge of implementing the action plan. There is no Schengen action plana in place yet.

Cooperation with INTERPOL on lost and stolen passports is regular and systematic. Moldova continued its efforts to improve border management and migration systems by investing in infrastructure, software and training.

Implementation and enforcement capacity

Technical equipment and infrastructure need to be modernised. All border crossings are connected to INTERPOL's Stolen and Lost Travel Documents database. They have biometric travel document readers, and some have video surveillance systems for profiling passengers. Moldova does not have a national advanced passenger information (API) system. Inter-agency cooperation is satisfactory between border police and customs at border crossing points. Further improvements are required on information exchange through mutual access to databases and a formalised and secure information exchange system. Joint patrolling by both services should be initiated. Moldova needs additional resources, in particular technical resources, to improve the quality of border checks. Border surveillance resources are limited and require substantial improvements. Border crossing infrastructure also requires significant improvements.

Moldova demonstrated significant efforts in processing passenger flows, especially refugee flows from Ukrainian borders, and increasing border surveillance patrols. Moldova has stepped up ad hoc crisis response mechanisms since February 2022 in response to the high number of border crossings from Ukraine.

In the area of **international cooperation**, Moldova continued to implement the Status Agreement with Frontex signed in March 2022. Frontex launched a joint operation in Moldova in 2022, which was renewed in January 2023 for another year. A Frontex liaison officer with a regional mandate for the Eastern Partnership was deployed and is currently based in Moldova. The EU Border Assistance Mission (EUBAM) to Moldova and Ukraine has supported both countries since 2005, including by improving integrated border management standards.

Joint patrolling is well established and operational with its neighbouring countries – Ukraine (since 2011) and Romania (since 2018). In 2022, there were 460 joint/coordinated patrols with Ukraine and 725 with Romania. **Information exchange** takes place centrally and at joint points of contacts: 4 002 requests were initiated in Galați at the Moldova-Romania border and 3 036 requests in Palanca at the Moldova-Ukraine border. In the reporting period, Moldova and Romania signed two agreements: one on setting up the international border crossing point Leova-Bumbăta and another on coordinated controls at two border crossing points, Leușeni (Moldova) and Albița (Romania). The pilot phase of the joint border controls started on 10 April 2023.

Measures to combat corruption at the border are part of the general national integrity and anti-corruption strategy for 2017-2023 and the Ministry of Internal Affair's sectoral development strategy on education/ethics and digitalisation (2022-2025), adopted in 2022. In 2022, disciplinary action was taken against 2 border officers for improper influence in service activity, and 8 border guards were discharged for committing acts of corruption. In customs, 115 service investigations were initiated, and 19 criminal cases were initiated.

Counterfeiting the euro

Moldova is not party to the 1929 Geneva Convention for the suppression of **counterfeiting currency**. The Criminal Code provides for criminal liability for counterfeiting and is partly

aligned with the EU *acquis*.

All aspects of customs cooperation are covered in Chapter 29 - Customs Union.

2.3. ECONOMIC CRITERIA

Key economic figures	2014-19 average	2020	2021	2022*
GDP per capita (% of EU27 in PPS)	27.1	29.2	31.7	N/A
Real GDP growth	3.6	-7.4	13.9	-5.0
Economic activity rate of the population aged 15 and above (%); total	44.2	40.3	41.1	41.8
female	40.6	36.1	36.4	37.8
male	48.2	45.1	46.5	46.3
Unemployment rate of the population aged 15 and above (%); total	4.6	3.8	3.2	3.1
female	3.2	3.2	2.5	2.6
male	4.9	4.3	3.8	3.5
Employment of the population aged 20-64 (annual growth %)	-3.9	-4.4	1.1	2.2
Nominal wages (annual growth %)	12.0	9.8	13.1	N/A
Consumer price index (annual growth %)	5.9	3.8	5.1	28.7
Exchange rate against EUR	20.3	19.7	20.9	18.9
Current account balance (% GDP)	-6.9	-7.7	-12.4	-15.7
Net foreign direct investment, FDI (% of GDP)	2.4	1.3	2.8	3.7
General government balance, % GDP	-1.5	-5.1	-1.9	-5.5
General government debt, % GDP	32.9	35.2	32.2	35.7

In line with the conclusions of the European Council in Copenhagen in June 1993, EU accession requires the existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union.

2.3.1. The existence of a functioning market economy

Moldova is in **between an early stage and some level of preparation** in establishing a functioning market economy. Despite the difficult economic and social environment caused by Russia's full-scale invasion of neighbouring Ukraine, the authorities have remained committed to pursuing macroeconomic stability and economic reforms. During the past ten years, Moldova has been able to sustain economic growth of about 3.1% per year on average despite the pandemic and other economic headwinds. Public finances have been stable with a low deficit (at about 1.5% of GDP on average over 2014-2019) and a comparatively low debt level. The National Bank of Moldova has been generally successful in keeping inflation within the target range set at 5% (+/− 1.5 percentage points).

After a strong rebound from the COVID-19-crisis, growth contracted sharply in 2022 due to the fall-out from Russia's war against Ukraine, the energy crisis and a severe drought that caused output in agriculture and related industries to plummet. High inflation, caused by soaring energy and food prices, depressed households' disposable incomes and consumption, while war-related uncertainty contributed to weaker investment. On the external side, the

already high current account deficit widened further, also reflecting the weak export base and low productivity. As a result of the deep recession and the increase in social spending to alleviate the energy price shock, the budget deficit widened in 2022 and is set to widen further in 2023. Public debt remains low and is largely extended on concessional terms.

Despite significant progress, Moldova's business environment is characterised by widespread corruption, a weak rule of law, weak institutional capacity and low quality public services. These factors hamper entrepreneurship and give rise to a large informal economy. The state still has considerable influence in key sectors of the economy, including telecommunications, energy and transport as well as in price setting. The authorities are carrying out a screening of state-owned enterprises, some of which are loss-making, in order to restructure and/ or privatise them. At the same time, they are working to improve corporate governance and accountability in the sector. Despite the recession, the financial sector remains stable, reflecting the impact of previous reforms and prompt regulatory action to curb the rapid increase in household lending. The labour market recovered from the pandemic and was relatively robust in 2022, despite rising unemployment towards the end of the year. However, it continues to be characterised by a very low participation rate, which is linked to the high share of people working or only willing to work abroad.

In order to improve the functioning of the market economy, and taking into account the difficult external environment, Moldova should in particular:

→ further improve the management of public finances, and in particular the planning and execution of public investment;

→ continue improving the business environment, reduce state interference in price setting and maintain a rapid pace of reforms to restructure and/ or privatise state-owned enterprises;

→ address the main weaknesses of the labour market, in particular by increasing incentives for labour force participation, and take measures to tackle informal employment.

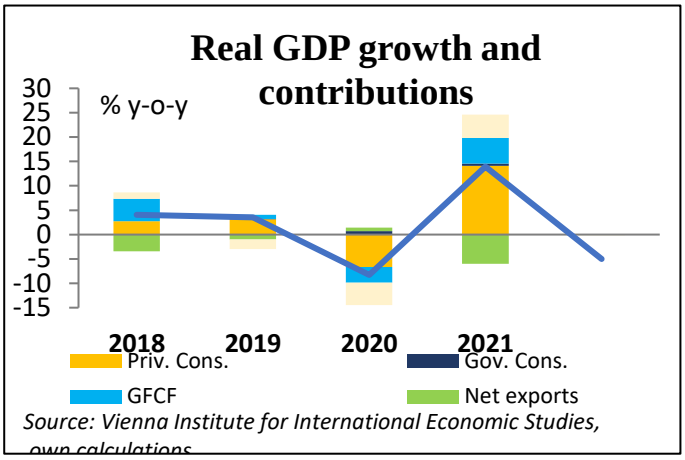
Economic governance

The authorities remain committed to pursuing macroeconomic stability and economic reforms despite the difficult external environment. The government continued to introduce reforms to cushion the impact of the energy crisis and supported those fleeing Russia's war of aggression against Ukraine. Structural reform measures focused, in particular, on ensuring energy security, further fighting corruption and increasing the transparency of the justice sector as well as reforms of state-owned enterprises (SOEs). The authorities also adopted a new public finance management strategy, aiming to improve revenue mobilisation and expenditure allocation as well as making budgeting more transparent. Therefore, progress on reforms continues, although weaknesses remain, for example in budget planning and execution, especially capital expenditure.

Moldova continued to progress in implementing macro-financial assistance from the EU, with disbursements in 2022 and 2023. There was also progress on the IMF Extended Fund Facility/Extended Credit Facility, adopted in December 2021 and augmented in May 2022. In April 2023, the IMF concluded its third programme review, assessing overall policy implementation as positive, ensuring a new disbursement. Among others, the programme aims to improve the transparency of and governance framework for anti-corruption institutions, strength the independence of the central bank, improve the fiscal governance framework and implement further SOE reforms. The IMF concluded that although the risks

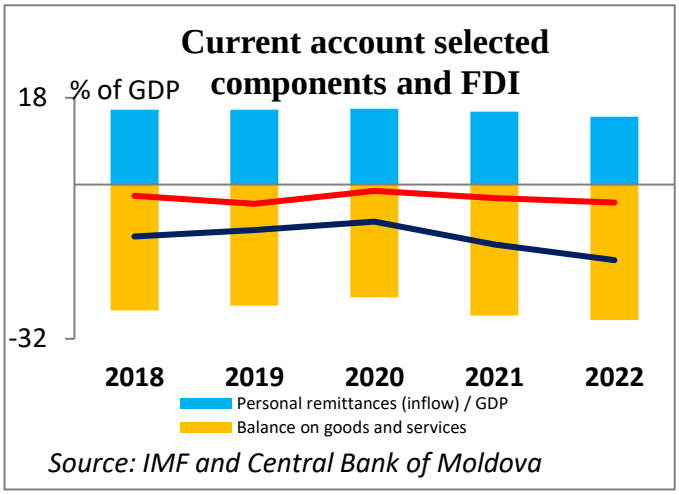
to the programme are high, the authorities' ownership of the programme and commitment to reforms remain strong.

Macroeconomic stability



Source: Vienna Institute for International Economic Studies, own calculations

Russia's war of aggression against Ukraine further aggravated Moldova's vulnerable energy situation and, together with yet another drought depressing the agricultural sector's output, brought a sizeable economic shock and cost-of-living crisis. Following a strong rebound in 2021 of 13.9%, real GDP contracted sharply by 5.0% in 2022. The 2022 recession was driven by a steep fall in household consumption and investment, down by 6.3% and 6.8% respectively. High inflation (averaging 28.7% in 2022), driven by high energy and food prices, eroded households' disposable incomes, while war-related uncertainty contributed to weaker investment. Weak agricultural performance due to the drought and the decline in construction and manufacturing activity (partly due to war-related supply chain disruptions) further contributed to Moldova's depressed economic performance. Net exports also negatively contributed to growth despite the better-than-expected export performance in 2022, which largely reflected re-exports to and from Ukraine due to the reallocation of regional trade routes. After remaining broadly unchanged for about a decade, the income gap with the EU has slightly narrowed in recent years as per capita GDP in purchasing power standards rose to 31.7% of the EU average in 2021, up from 29.2% in 2020 and 25% in 2013.



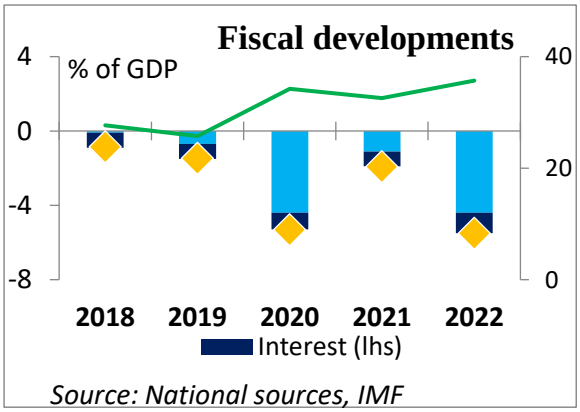
Source: IMF and Central Bank of Moldova

The current account deficit further widened in 2022 to 15.7% of GDP compared with 12.4% of GDP in 2021 due to the high trade deficit. Moldova's current account deficit was already large between 2017-2021, averaging 8.9% of GDP. Its recent widening largely reflects Moldova's protracted energy crisis and weak export base. A considerable share of Moldova's imports (about 17%) are mineral products, including oil and gas, and the country's exports are heavily reliant on agricultural products as well as low value-added manufacturing, such as textiles and food. Moldova's high trade deficit at 29.5% of GDP on average between 2018-2022 is partly balanced by high and stable remittances of about 15% of GDP as well as financial transfers. Its recent deterioration was fuelled by high energy import prices and weaker exports in the second half of 2022, also on the back of the poor agricultural output. In 2022, net foreign direct investment flows recovered strongly at 3.7% of GDP, jumping back to their pre-pandemic levels (which averaged 2.8% between 2018-2022). In 2022, Moldova's external debt increased to 67.7% of GDP from 64.2% in 2021, largely on account of the higher financing needs caused by

Russia's war against Ukraine and the energy crisis. At the same time, external debt metrics point towards a low level of distress. Moldova's debt is largely extended by international donors on concessional terms. The country's foreign currency reserves experienced significant volatility in the first half of the year, prompting central bank interventions to support the local currency. By year end, the reserves were back to a stable and high level of USD 4.5 billion, equivalent to 5 months of imports of goods and services.

Consumer price inflation surged in 2022, peaking at 34.6% in October. This was followed by a gradual deceleration to 30.2% by year end, remaining well above the central bank's target range of 5% +/− 1.5 percentage points. The surge followed a relatively stable inflation of 4.7% on average between 2017-2021. The large increase in prices in 2022 (by 28.7% overall) was driven chiefly by the rise in energy import prices, including gas and electricity as well as food prices. The central bank tightened the monetary policy stance by a cumulative 13 percentage points between January and August 2022, bringing the benchmark interest rate to 21.5%. In December 2022, when inflation began to decelerate, falling below 10% in August 2023, the central bank started easing its monetary stance, bringing the key rate gradually down to 6% as of September 2023. Following the Moldovan leu's depreciation against the US dollar by about 7% (and a more limited depreciation against the euro by 0.8%) in the first half of 2022, the currency recovered, helped by restored confidence and considerable external support.

As result of Russia's war of aggression against Ukraine and increased social spending to alleviate the energy shock, the budget deficit widened to 5.5% of GDP in 2022 (including the recapitalisation of Energocom) up from 1.9% of GDP in 2021. Except for 2020 when the pandemic started, Moldova maintained relatively low deficit levels (below 2% of GDP) between 2016-2019. In 2022, revenues were robust on account of inflationary effects. They grew by 16%, driven by higher VAT outturns, corporate income tax and, to a lesser extent excise duties. Expenditure rose by 28% driven largely by current spending on targeted transfers to households, partial wage indexation and outlays for securing gas supplies. The government successfully introduced and implemented the Energy Vulnerability Reduction Fund, which provided targeted compensation to the most vulnerable households, and recapitalised the state-owned energy company, Energocom (amounting to about 2.2% of GDP) to secure gas reserves. Nonetheless, Moldova continues to struggle with significant budget under-execution, especially on capital investment projects. Ongoing reforms to improve capital investment planning should help improve budget execution. In 2023, the deficit is projected to remain high at 6% of GDP, according to the State Budget Law. It will be further driven by higher outlays for social assistance programmes as well as partial salary and pension indexation. In 2022, Moldova's public debt-to-GDP ratio increased to a still relatively low 35.7% of GDP (having averaged 32.3% of GDP between 2018-2021). This increase was due to the large budget deficit and the marked weakening of the local currency in the first half of the year. Most of the country's debt has been extended by international creditors on concessional terms.



Source: National sources, IMF

The macroeconomic policy mix has remained appropriate and sustained macroeconomic stability and the resilience of economic activity despite the multiple domestic and external shocks. Supportive fiscal policy and an appropriate monetary policy stance helped mitigate the impact of

high energy prices, while gradually curbing inflation. The authorities have also made effective use of contingency planning, especially to ensure adequate resources to strengthen the long-term security of the energy supply. Nonetheless, Moldova's economy grapples with the medium-term challenges of low productivity and competitiveness, as well as external imbalances linked to the high current account deficit.

Functioning of product markets

Business environment

Moldova continued to make progress in improving its business environment despite the fallout from Russia's war against Ukraine and a strong decline in economic activity. Moldova's business environment and capacity to attract foreign direct investment are negatively affected by corruption, an inefficient judiciary and low-quality public services. In 2022, the authorities started implementing an ambitious agenda to strengthen the rule of law and combat corruption which remain key obstacles to investment and productivity growth. In November 2022, the government set up a working group to reduce the regulatory burden on businesses. The body proposed a legislative package to amend the Labour Code, reduce red tape and simplify inspections. The legal framework for e-commerce and digitalisation of government services was upgraded, which should strengthen institutional capacity, the quality of public services and productivity.

Moldovan firms are smaller, less productive and have fewer exporters than in the EU. In addition to the strong presence of SOEs limiting domestic competition, the private sector has been negatively affected by the dual shock of the COVID-19 pandemic and Russia's war against Ukraine. In response, the government launched the Fund for Entrepreneurship and Economic Growth of Moldova, which offers low-interest loans to small and medium-sized enterprises (SMEs). The government also initiated a series of other programmes supporting SMEs' digital transformation, energy efficiency and technological improvements. Moldova has liberalised foreign trade policy in recent years, but gaps remain in customs procedures, logistics services and infrastructure. In 2022, Moldova approved a new Customs Code and made progress on harmonising sanitary and phytosanitary standards with the EU, which should facilitate export activity. At the same time, only a little progress was made on upgrading the transport and logistics infrastructure which hinders export-oriented businesses.

The share of the informal sector in Moldova's economy remains substantial partly as a result of a heavy regulatory burden, weak law enforcement and a general lack of trust in government institutions.[11] the corresponding tax evasion also negatively impacts budget revenues while distorting competition to the detriment of regular firms. Formal market entrance and entrepreneurship are further hampered by a shortage of skilled labour and a high reservation wage for Moldovans searching for work abroad, either permanently or on short-term contracts.

State influence on product markets

State influence remains significant in key sectors of the economy, including in telecommunications, energy and transport, primarily through about 900 state-owned enterprises (SOEs). Moldova's restrictive product market regulation also hampers competition. Overall, SOEs own assets worth about 26% of GDP and employ around 6% of

[11] According to World Economics (2022), which uses an average of the latest estimates from economists around the world, the informal economy represents about 40% of GDP in Moldova, versus an EU average of 16.9 %. Such estimations need to be taken with caution given the variety of methodological approaches.

the active labour force. They suffer from a lack of adequate corporate governance practices, inefficiency and poor oversight. This further undermines private sector investment and the economy's competitiveness and poses fiscal risks. The SOE sector still requires State-aid support, as around 40% of SOEs recorded losses in 2021, 5 percentage points more than in 2019. Moldova's product market regulation lags behind most EU countries, hampering competition. The country has some of the most restrictive product market regulations and barriers to entry in services and network industries (for example, electricity and gas, telecommunications, transport and regulated professions). Price controls in a broad number of sectors, including network industries, food, fuels and pharmaceuticals, are also more widespread in Moldova than in EU countries. This hampers competition, innovation and productivity gains.

Privatisation and restructuring

In December 2022, Moldova approved a strategy for 2023-2030 on the administration of state property to reduce the number of SOEs, improve their financial performance and increase market competition. As a next step, the authorities have started a selection process by categorising SOEs at the central government level according to which companies either remain in state ownership or will be liquidated, restructured or privatised. A privatisation strategy for small and large companies is under preparation, including identifying the optimal conditions for launching privatisation efforts. In parallel, the authorities submitted regulations to Parliament to improve selection procedures for supervisory board members, SOE audits and SOE corporate governance codes. The Ministry of Finance is also improving the methodology for SOE fiscal risk reporting. Privatisation was suspended in 2022 due to the fall-out from Russia's war against Ukraine and the adoption of the SOE strategy; however, several SOEs were reorganised or liquidated. The concession agreement for Chisinau International Airport to a private entity was terminated due to alleged breaches of contractual obligations.

Functioning of the financial market

Financial stability

The financial sector remained broadly stable despite significant challenges posed by the pandemic, economic recession and Russia's war of aggression against Ukraine. The stability is also due to the comprehensive corrective measures taken after the 2014 banking crisis. Banks are well-capitalised and have preserved adequate liquidity buffers. The average capital adequacy ratio stood at 29.5% at the end of 2022, about 350 basis points higher than a year before (vs. the 10% regulatory minimum). The liquidity coverage ratio was around 280%, well above the prescribed 100% limit. The Russian war against Ukraine led to liquidity pressures in the financial system and bank deposit withdrawals in both foreign currency and the Moldovan leu accelerated to close to 8% year-on-year by the end of March 2022. As confidence was restored, the total amount of deposits recovered to about 5% above the pre-war level at the end of 2022. Economic headwinds and slowing lending activity triggered a modest increase in the non-performing loans (NPLs) ratio to 6.4% at the end of 2022. Banks have benefited from a relatively high coverage with prudential loan loss provisions. In 2022, the return on equity and return on assets were 15.7% and 2.8%, respectively. Although this shows favourable profitability, it is expected to weaken due to elevated credit risk and falling remuneration on reserves in the 2023 monetary policy easing cycle.

Prompt regulatory action by the Moldovan authorities helped preserve financial stability. In response to a rapid increase in household lending, in May 2022 the National

Bank of Moldova (NBM) introduced responsible lending requirements, loan-to-value and debt service-to-income limits for banks, and the National Commission for Financial Markets (NCFM) issued similar regulations for non-bank lenders. The NBM also set an additional systemic risk buffer of 2% for banks' exposure to the household sector. Since 2019, the NBM has carried out the Supervisory Review and Evaluation Process to check the soundness of banks on an annual basis. In March 2023, a draft law to increase and further align deposit guarantees with EU levels was submitted to Parliament. Moreover, the authorities are strengthening the supervisory framework for insurers, savings banks and non-bank lenders by transferring regulatory and supervisory powers to the NBM. This requires more staff and better technical capacity.

Access to finance

Financial intermediation in Moldova remains underdeveloped and access to finance was further constrained by the COVID-19 pandemic and then the fallout from Russia's war against Ukraine. Banking sector assets declined from about 52% of GDP in 2020 to a modest level of around 48% of GDP at the end of 2022 (vs an average of about 280% of GDP in the EU in 2021). Credit to the private sector represented a relatively low share of 21% of GDP as of December 2022. This decelerated significantly throughout the year following NBM and NCFM measures to tighten lending standards for households, the fallout of Russia's war of aggression against Ukraine and a drop in output, which all affected corporate lending. The government's stimulus for lending to SMEs and micro-enterprises could alleviate credit constraints, while the easing of monetary policy and an improved economic outlook for 2023 may contribute to a more favourable environment. According to the World Bank, more than 80% of firms report financing their working capital from their own financial sources. The need to improve access to finance for the corporate sector, while preserving financial stability, is also underlined by the relatively modest role played by capital markets in Moldova.

Functioning of the labour market

Despite economic headwinds, the labour market recovered from the pandemic, although significant structural challenges persist. The number of employed people increased by 1.8% in the fourth quarter of 2022 from a year before. The country saw job creation in industry, services and construction, whereas employment in agriculture declined. The structurally low employment rate (among the population aged 15 years and over) rose slightly to 40.5% in 2022 from 39.8% in 2021. However, it remains well below the EU average of 54.1% in 2022. This primarily reflects the low participation in the labour force of people working or only willing to work abroad. Informal employment in agriculture, construction and trade is estimated to be more than 22% of the total. At the same time, the creation of well-paid jobs is hampered by insufficient private and foreign investment. This investment in turn is held back by, among other factors, companies' limited access to skilled labour and persistent net emigration. Some rigidity in labour market regulations, in particular regarding the ease of hiring and firing practices, still hamper a smooth allocation of the workforce. Moldova's unemployment rate has been persistently low, which partly reflects the low participation in the labour force and the substantial share of self-employed workers. Due to the economic decline and the increase in the size of the labour force in 2022 (including people fleeing Russia's war of aggression against Ukraine), the unemployment rate rose to 4.6% in the fourth quarter of 2022, up from 2.6% a year before. Depressed by high inflation, real wages contracted by over 10% year-on-year in the last quarter of 2022. However, the government has taken measures to mitigate the erosion of purchasing power of civil servants and pensioners through a partial indexation.

Moldova needs to accelerate structural reforms to increase formal job creation and the availability of skilled labour. Further reforms are needed to reduce gaps in the education system and the large share of young people who are not in education, employment or training (NEETs). This would help break the vicious circle of the shortage of skilled labour and high reservation wages (driven by very large inflows of remittances and labour emigration) and the relatively low investment in higher added-value sectors. The government adopted a national employment programme for 2022-2026. In addition, it took measures to reduce the high level of undeclared work in the labour market by strengthening checks and incentives to bring jobs into the formal economy. In 2022, the National Employment Agency provided labour market information and counselling services to more than 90% of people registered with the agency, 38% were offered job matching services and close to 24% were placed in a job. Yet, employment services and labour market programmes lack adequate funding, and progress to reduce the mismatch between skills and job requirements is slow.

2.3.2. The capacity to cope with competitive pressure and market forces within the Union

Moldova is in **between an early stage and some level of preparation** in terms of its capacity to cope with competitive pressure and market forces in the EU. Despite large investments in education, outcomes remain well below those in the EU. This contributes to the persistent mismatch between the skill level of the workforce and what employers require, which is one of the key business environment obstacles for firms. Investment in research and development remains low and has been falling despite the government's strategy to increase it. Moldova's physical infrastructure remains underdeveloped in part due to the lack of government investment. The stock of foreign direct investment is also low, reflecting weaknesses in the business environment and continuing problems with corruption and the protection of property rights. Digitalisation is lagging behind: just over two thirds of housholds are connected to the internet and about 40% of government services for businesses are available online. The Moldovan economy remains heavily reliant on the agricultural sector, and there is a large productivity gap compared with the EU. Moldova is a relatively open economy and is closely integrated with that of the EU. Economic links between the two have strengthened since the entry into force of the Deep and Comprehensive Free Trade Area in 2016, and the EU is the country's largest trading partner and source of foreign investment.

In order to improve its competitiveness and support long-term growth, Moldova should, in particular:

→ take steps to improve the quality of education and training to ensure outcomes align with labour market needs, including ICT skills and digital literacy;

→ increase investment in infrastructure, especially to improve energy security and facilitate international trade and digitalisation;

→ implement measures to attract foreign direct investment, including addressing issues related to corruption and the rule of law as well as investment incentives and promotion.

Education and innovation

Moldova consistently invests a substantial amount in education, at levels equal to or higher than in many EU Member States (5.3% of GDP in 2022 compared with an EU average of 4.8% in 2021). The share of education in public spending, at around 21%, is more than double that of the EU average but has been declining in recent years.

The traditionally high level of spending has not led to corresponding educational outcomes, which continue to reflect the country's relatively low level of economic development and point to inefficiencies. Although Moldova's PISA reading scores have improved over time, the country scores below the OECD average, ranking 51st out of 77 countries, and almost all EU Member States in the most recent edition. Moldova had relatively low net enrolment rates, at 90.6% for primary education and 86.9% for secondary education in 2018. Tertiary enrolment levels were relatively low compared with other European countries (with a gross enrolment rate of 62.9%) although they have increased by nearly 10 percentage points since 2015. In 2022, 18% of the working-age population had an advanced (tertiary) level of education, compared with about 30% in the EU.

These outcomes are reflected in a mismatch between the level of skills of the labour force and those required by employers. A poorly educated workforce was cited as the biggest obstacle for businesses in Moldova in the last Enterprise Survey in 2019, with one-third of firms citing this as a major constraint, a much higher proportion than other comparable countries in Europe and Central Asia. These outcomes exacerbate existing challenges related to demographic change, namely an ageing and declining population.

Investment in research and development remains low, amounting to 0.2% of GDP in 2022 compared with an EU average of 2.3%. The country has a 4-year strategy for boosting research and innovation, which runs until the end of 2023, though over the first three years of the strategy the relative size of expenditure on R&D declined, amounting in 2022 to 0.86% of public spending. The lack of technical advisory services in fostering innovation in the agricultural sector is of particular concern.

Physical capital and quality of infrastructure

Investment (gross fixed capital formation) has accounted for an increasing share of GDP in Moldova, but the level of public investment has not been enough to maintain the public capital stock. Overall investment rose from 23% of GDP in 2017 to 27% in 2020 before declining sharply to 22% in 2021. Public investment has failed to keep up with the country's needs due to frequent budget revisions and under-execution, leading the public capital stock to fall from 75% of GDP in 2000 to 58% in 2018. Foreign direct investment has fluctuated around a relatively modest level in recent years, amounting to about 3.7% of GDP in 2022, but the total stock of FDI remains low at about 25% of GDP reflecting weaknesses in the business environment and persistent problems with corruption and property rights. Moldova's physical infrastructure, including roads and rail, is still underdeveloped with the country ranking jointly 132nd in the World Bank's 2023 Logistics Performance Indicator, an index that captures the quality of trade-related infrastructure. Moldova faces climate-related vulnerabilities which new infrastructure investment would need to account for.

Moldova has relied almost exclusively on imports from Russia for its supply of natural gas. However, it has accelerated energy sector reforms and investments to ensure security of supply and energy diversification, and its electricity grid is now synchronised with that of the EU. This underlying continued dependence gives rise to significant vulnerabilities. In May 2023, Moldova signed an agreement allowing the country to apply for EU funding under the Connecting Europe Facility to improve transport, energy and digital links with its European neighbours. As of December 2022, Moldova started importing natural gas from Romania and plans to further expand the interconnection of natural gas and electricity networks.

Moldova is also lagging behind in digitalisation. While nearly the entire population is covered by at least a 4G mobile network, just 67.5% of Moldovan households have internet

access at home compared with 92.5% of households in the EU. Among urban households, 80% have access to internet at home, against only 58% of rural households. In 2021, there were about 88 active mobile-broadband subscriptions per 100 inhabitants. According to the authorities' own estimates, in 2022 only about 21% of the population had used at least one online public service in the previous 12 months compared with 58.5% in the EU, though this represented an increase of nearly one third compared to the year before.

Sectoral and enterprise structure

The Moldovan economy remains heavily reliant on a low-productivity agricultural sector compared with the EU, with agriculture accounting for 12.1% of GDP in 2021 compared with 1.6% in the EU. While this share has been declining in recent years, agriculture still accounts for one fifth of employment. This indicates continued low productivity in this sector: half of output is produced by small farmers (fewer than 10 hectares) most of whom are strongly subsistence-oriented. The effects of Russia's war of aggression against Ukraine such as higher prices for energy and agricultural inputs like fertiliser further threaten the competitiveness of Moldovan agriculture, as does Moldova's vulnerability to climate change and droughts. The share of services in the economy has slowly gained ground over the last 5 years, reaching 63.9% of GDP in 2021, while that of industry has correspondingly declined to 14.2%. Industry is dominated by the production of relatively unsophisticated goods, namely food and beverages followed by textiles and clothing. The share of services (56.4%) and industry (14.4%) in employment has remained largely steady since sharp increases caused by statistical adjustments that took effect in 2019.

Most businesses in Moldova (about 95%) are SMEs. While SMEs account for just under 50% of output, they employ just under 60% of workers, a share which has been gradually declining over the last 5 years. In the latest Enterprise Survey in 2019, access to finance was cited as a major constraint by about 29.4% of businesses. Other indicators from the same survey show that the proportion of surveyed businesses in Moldova in need of loans is much higher compared with the average in EU. The reported loan rejection rates and value of collateral as a percentage of the loan amount are also much higher than in the EU.

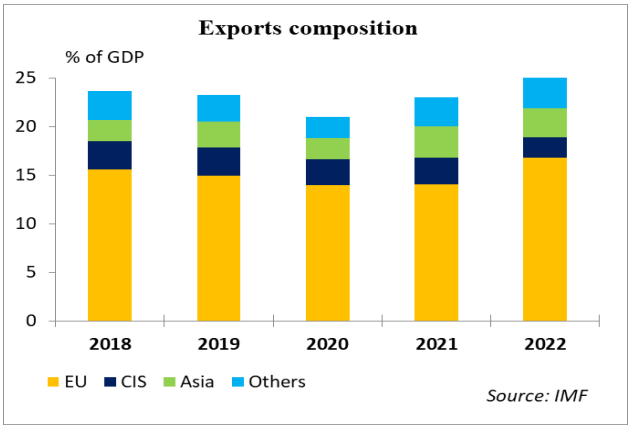
The government recently expanded the definition of a 'small and medium-sized enterprise' so that more businesses to qualify for support programmes including those managed by the Organisation for the Development of Entrepreneurship, a government agency. The Digital Transformation Programme, approved in 2022, sets out measures to support SMEs to invest in digitalising their operations.

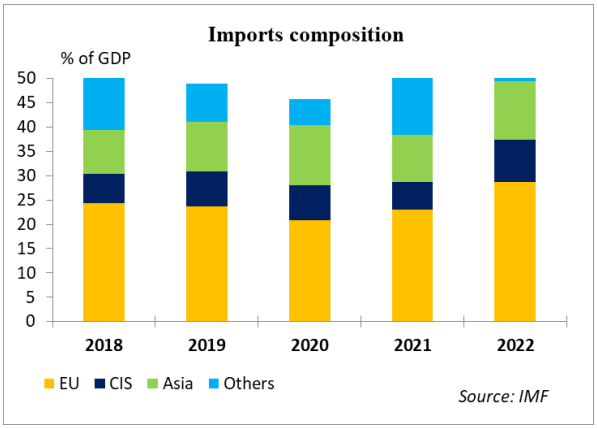
Economic integration with the EU and price competitiveness

Moldova is a relatively open economy, closely integrated with that of the EU. Economic links between the two have strengthened since the entry into force of the Deep and Comprehensive Free Trade Area in 2016. The country's trade-to-GDP ratio was 78% in 2022, an increase of 12 percentage points over the previous five years. The stronger export performance in 2022 partly reflects re-exports to and from Ukraine as a result of reallocated trade routes. The EU is Moldova's largest trading partner, accounting for about 58.8% of the country's exports and 43.9% of its imports, which is above its regional peers. The EU's share of imports has remained steady over the last 5 years, though its share of Moldova's exports has declined from 69% in 2018 primarily as a result of the surge in exports to Ukraine in 2022 following Russia's war of aggression in February that year. Trade with other countries in the Central European Free Trade Agreement (CEFTA), of which Moldova has been a member since 2007, has remained steady at about 1% of total trade. The country has been a member of the World Trade Organization since 2001.

In 2021, the EU accounted for 36% of foreign direct investment inflows into Moldova. The EU accounts for 86.7% of the stock of foreign direct investment in Moldova.

In terms of competitiveness, while unit labour costs remain below those of its neighbours and EU Member States, low and stagnant relative productivity, rising nominal wages and currency appreciation have partly eroded this advantage in recent years.





2.4. PUBLIC PROCUREMENT, STATISTICS, FINANCIAL CONTROL

Chapter 5: Public procurement

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

Moldova has **some level of preparation** in the area of public procurement. **Some progress** was achieved. The Law on public private partnership and the regulation on small value procurement were adopted. The country needs to further align its legislation with the EU *acquis* in the area of public procurement, especially the laws on concessions and public-private partnerships. It also needs to adopt specific legislation on the award of defence and security procurement contracts and amend secondary public procurement legislation. The efficiency and transparency of the public procurement system needs to be improved, and the e-procurement system needs to be overhauled. Professionalisation in public procurement must be ensured.

In the coming year, Moldova should in particular:

→ adopt and implement the new public procurement program including initial benchmarks, annual targets, responsibility for implementation and reporting together with the required human and budgetary resources;

→ take effective steps to reduce the volume of public procurement not subject to the Law on public procurement and the Regulation on small value procurement;

→ align laws on concessions and public-private partnerships with the EU *acquis*.

Institutional set-up and legal alignment

The legislation on public procurement is largely aligned with the EU *acquis*. Implementing legislation requires revision. The Ministry of Finance is preparing a new public procurement programme for 2023-2026. The new programme is expected to support further alignment of the public procurement legislation and practices with those in the EU.

The government adopted the Regulation on small value procurement in December 2022, with entry into force on 1 July 2023. The share of low-value procurement is very high (close to 50% of total public procurement value), and it lacks transparency. The Regulation imposes the obligation on contracting authorities to carry out all stages of most low-value public procurement through the State Registry of Public Procurement information system.

In April 2023, Parliament approved the draft Law on public-private partnerships in first reading. The Public Procurement Agency suffers from a high turnover of staff, partially due to working conditions. It is at the limits of its capacity to carry out its mandate to monitor public procurement. The e-procurement system's shortcomings further complicate the situation.

Implementation and enforcement capacity

In 2022, the **public procurement market** amounted to 5.02% of the country's GDP, up from 3.49% in 2021. Public procurement experienced unprecedented growth in 2022: the volume of purchases increased by 62% compared with the previous year. Contracting authorities and entities awarded public contracts worth MDL 13.68 billion (approx. EUR 700 million), MDL 5.24 billion more than in 2021. Public procurement remains one of the sectors most vulnerable to fraud and corruption, as evidenced in audits and monitoring carried out by the responsible institutions, as well as investigations by the press and civil society. To curb this trend, the Regulation on small value procurement was adopted but was ultimately limited by the increase of the original thresholds at the request of the Association of the Local Authorities. Nevertheless, the Regulation on small value procurement strengthened reporting requirements for all procurements.

In 2022, 153 public procurement procedures were monitored by the Public Procurement Agency, on a sample basis with a focus on high value procedures and negotiation without prior publication of a contract notice procedure. Detected findings from 53% of the carried-out procurement procedures were completely addressed, corrected or clarified by the contracting authorities.

Centralised government procurement is not very developed, and its practical use (mainly for medical supplies and equipment) is hampered by regulatory problems and the inadequate e-procurement system. The e-procurement system is still not fully developed, and it does not cover all types of procurement procedures nor support all the procurement cycle – from planning to executing contracts.

The country should improve the transparency of the procurement system, such as by allowing wider access to procurement documentation and especially procurement plans. Several civil society organisations have an interest in documenting public procurement and are trying to monitor it but point to the limited access to data and occasional ineffective consultations. Audits are still not focused enough on outcomes and performance, and recommendations need to be better followed up.

The **capacity to manage public procurement processes** needs to be strengthened, notably by certifying public procurement officers and training contracting authorities. Currently, public procurement is not carried out by dedicated professional administrative (sub-) units but by 'working groups' set up for a specific process and made up of officials who have other tasks as part of their main job.

Efficient remedy system

The public procurement law of July 2015 (with amendments) established a National Complaint Settlement Agency that reports to Parliament. In 2022, 1135 appeals were submitted to the Agency.

Chapter 18: Statistics

EU rules require that Member States are able to produce statistics based on professional independence, impartiality, reliability, transparency, and confidentiality. Common rules are provided for the methodology, production and dissemination of statistical information.

Moldova has **some level of preparation** in this area. The country made **limited progress** over the reporting period in several statistical areas. Further alignment of sectoral statistics with EU standards is needed, including a better use of administrative sources. Adequacy of resources and relatively small employee numbers are of concern. Data transmissions to Eurostat are limited.

In the coming period, Moldova should in particular:

→ conduct the population and housing census in 2024 and the pilot census in 2023;

→ ensure the National Bureau of Statistics (NBS) has adequate staffing and financial resources;

→ increase production and transmission of timely and high-quality data to Eurostat

The legal framework for **statistical infrastructure,** the Law on official statistics, is built on the European Statistics Code of Practice and is designed to be aligned with the EU Regulation on European Statistics. The government approved the development strategy for the national statistical system for 2023-2030 in December 2022. The strategy provides for gradually implementing the EU *acquis* on statistics, strengthening the capacity of the national statistical system's institutions and modernising the production and dissemination of official statistics.

Further efforts are needed to strengthen the institutional capacity of the National Bureau of Statistics in terms of staffing and financial resources.

The Law on official statistics was amended in December 2022 to improve access of the National Bureau of Statistics to administrative and private data sources. The law also ensures secure access to individual data, including personal data from administrative data sources and private data sources for statistical purposes. Despite these positive developments, the Bureau should make additional efforts to access data from all institutions that are official producers of statistics. The quality of administrative data also needs to be improved.

On **classification and registers**, Moldova has been implementing NACE Rev. 2 (Statistical classification of economic activities in the European Community), CPA (Classification of products by activity), the Combined Nomenclature, PRODCOM, , GEONOM (Country nomenclature of external trade statistics and statistics of trade between Member States), ISCO-08 (International standard classification of occupations) and ISCED 2011 (International standard classification of education) with different degrees of compliance with the EU *acquis*. The country has a statistical business register and a statistical register of agricultural producers. The statistical population register is under development. No regional breakdown on NUTS-equivalent "Statistical Regions" has been agreed for Moldova by Eurostat.

On **macroeconomic statistics,** quarterly GDP is calculated at current prices and at average prices of the previous year. GDP is compiled using production and expenditures approaches.

National accounts are compiled according to the UN standard of National Accounts 2008. Quarterly sector accounts are not compiled. Due to changes to NACE Rev. 2, supply/use tables have not been compiled since 2014. Regional accounts have not been transmitted to Eurostat. Fiscal notifications for the excessive deficit procedure are not produced. In February 2023, balance sheets for financial assets and liabilities (stocks of financial instruments by sectors) were produced for the first time and compiled in line with Standard for National Accounts 2008. Moldova needs to start submitting national accounts data to Eurostat. Very limited European System of National and Regional Accounts (ESA) 2010 data is transmitted to Eurostat. The institutional arrangements for producing Government Finance Statistics need to be carefully reviewed so as to assure statistical independence in the determination of the general government sector and its operations. The National Bureau of Statistics does not calculate the harmonised index of consumer prices or the house price index.

The balance of payments framework follows the International Monetary Fund's Balance of Payments and International Investment Position Manual from 2009.

On **business statistics,** the European Business Statistics Regulation is partially implemented, but no data have been transmitted to Eurostat. PRODCOM statistics are produced in line with the European Business Statistics Regulation. Structural business statistics are implemented in line with EU Regulation.

On **social statistics,** the last housing and population census was conducted in 2014. Under the Law on population and housing census adopted in July 2022, the next census is scheduled for 2024. Demographic statistical data were transmitted to Eurostat, but improvements are needed. Moldova needs to develop statistics in the area of asylum and managed migration. Moldova has developed a roadmap to adapt EU-SILC concepts (survey on income and living conditions) to the national context. The structure of earnings survey has not been implemented yet. The labour cost survey is conducted annually, but quarterly labour cost indices are not estimated. Labour statistics are not transmitted to Eurostat. For the gradual implementation of the ESSPROS (social protection statistics), a list of social protection schemes was developed. The European health interview survey has not been carried out.

In the area of **agricultural statistics**, the last agricultural census was conducted in 2011. The upcoming population and housing census methodology includes collecting data on the use of agricultural land and livestock by households working in agriculture.

Structural and short-term **energy statistics** are produced. The NBS regularly provides Eurostat monthly oil statistics.

Chapter 32: Financial control

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

Moldova is at an **early stage** of preparation on financial control. **Some progress** was achieved in the reporting period, notably the adoption and the start of implementation of the new strategy for the development of public finance management for 2023-2030. This programme plans further developing the legislative and regulatory basis and creating internal audit units in public bodies. The ongoing work in developing this area is in line with international standards and EU requirements. Resources dedicated to public internal financial control should be strengthened. Attracting and retaining qualified internal auditors

remains a challenge. The supreme audit institution has improved its strategic framework based on international recommendations. The efficiency of parliamentary oversight of public funds management needs to improve.

In the coming year, Moldova should in particular:

→ implement the development strategy of the Court of Accounts;

→ ratify the 1929 Geneva Convention on suppression of counterfeiting of currency;

→ appoint an anti-fraud coordination body and develop an anti-fraud coordination network.

Public internal financial control

The new public finance management development strategy continues to offer the **strategic framework** for public internal financial control reforms and contains specific measures for both **internal control systems and internal audits**.

The Law on internal financial control and the Law on internal audit and supplementary regulations set out the principles for organising internal financial controls and internal audits. The national internal control standards are based on the model of the Committee of Sponsoring Organizations of the Treadway Commission.

Human capacity remains the biggest challenge for **internal control and audit** units as recognised by the Public Finance Management Reform Strategy. There are internal audit units in most central government institutions, and new units have been set up in many public entities, covering around 98% of revenue and 95.1% of expenditure. Only 62% of posts are filled. Over 65% of the internal audit units in public authorities have just one internal auditor. Lower-level public bodies do not have internal audit units. Staffing issues in the internal audit units are linked to the difficulty in attracting qualified personnel and the current level of civil servants' pay. The quality of internal audits is assessed based on an annual plan. Most public bodies have developed a quality assurance and improvement programme but implementation of these programmes is hampered by a lack of supervision.

Related to **managerial accountability,** efficient implementation of managerial accountability remains a challenge for budget users at central and local level. Public bodies report to the central harmonisation unit on implementation of the internal control and audit measures. The unit prepares a consolidated annual report and presents it to the government for approval. Although staff was increased in the reporting period additional resources are required

The capacity of the central harmonisation unit for public internal financial control strengthened during the reporting period, but the unit requires further staff.

The role of Public Internal Financial Control to combat corruption needs to be strengthened, as well as its cooperation with State Audit Institutions. The mechanism for monitoring cases which are investigated because of internal audit should be strengthened. The State Financial Inspectorate, reporting to the Ministry of Finance, has a major financial inspection role. It has more resources and power than internal audit bodies as it has the power to issue penalties.

External audit

In terms of constitutional and **legal framework**, the Court of Accounts is included in the Constitution, and the applicable law is reasonably well developed. However, some provisions of the law are undermining key parts of the Court's organisational, functional, and financial independence. The President's mandate is relatively short, which could affect their independence. The duration of the mandate should be analysed, to increase the independence of the Court.

On **institutional capacity**, the Court has a broad mandate to audit all public bodies and resources. Parliament can ask the Court to carry out other tasks, which limits the Court's control of its own resources and work programme. The Court has a new development strategy, accompanied with annual action plans based on an EU financed peer review assessment, but lacks administrative capacity.

Protection of the EU's financial interests

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

Protection of the euro against counterfeiting

Moldova has yet to ratify the 1929 Geneva Convention for the suppression of counterfeiting of currency. Moldova is partially aligned with EU law on the definition of counterfeiting banknotes and coins, and with the procedures for gathering, storing and withdrawing counterfeit currency from circulation. Technical analysis and classification of counterfeit currency (both national and foreign) is currently done by the Forensic and Judicial Expertise Centre of the General Police Inspectorate (GPI). The NBM includes information on detected counterfeiting in its annual report. Reportedly, the volume of detected counterfeit banknotes of national currency in relation to the total volume in circulation remained low in 2021, no cases of detected counterfeit euro banknotes were reported.

3. GOOD NEIGHBOURLY RELATIONS AND REGIONAL COOPERATION

Moldova maintains good dialogue and actively participates in various regional cooperation platforms. These include the Central European Initiative (CEI), the Black Sea Economic Cooperation Organization (BSEC), the Organization for Democracy and Economic Development (GUAM), the Southeast European Cooperation Process (SEECP) and the Regional Cooperation Council (RCC). The country also contributes to Central European Free Trade Agreement (CEFTA). Moldova chaired the GUAM in 2022 and the BSEC in the second half of 2022 and assumed the Presidency of the CEI in January 2023.

Moldova remains committed to the format of the **Eastern Partnership**.

Moldova remains overall committed to maintaining **good bilateral relations** with other enlargement countries in the region and with neighbouring EU Member States. Following Russia's war of aggression against Ukraine, Moldova stepped up cooperation with Ukraine and Romania in the areas of humanitarian support to displaced persons from Ukraine, energy security, transport and connectivity.

The first informal ministerial meeting of the three countries took place in Odesa in September 2022. The countries signed a trilateral agreement on cooperation in the field of energy. A second meeting was held in Bucharest in April 2023, adopting a joint statement by the foreign and defence ministers in support of Ukraine's peace formula, EU enlargement and improved cooperation with NATO.

Bilateral cooperation with **Romania** intensified during the reporting period. An exceptionally high number of official visits and contacts took place, including at the highest political level. Both countries maintain good sectoral cooperation that focuses on identifying mid- and long-term solutions for energy, infrastructure, trans-border cooperation and continued

implementation of the common goals. Chişinău and Bucharest engaged in various projects to strengthen the interconnection of their energy and transport infrastructure, including through the construction of a new high-voltage electricity connection between Bălți (Moldova) and Suceava (Romania). The two countries concluded a joint action plan on cross-border traffic at common border crossing points. In February 2023, they signed an agreement on coordinated controls at state border crossing points.

Bilateral cooperation with **Ukraine** continued to improve during the reporting period. Moldova has shown solidarity with Ukraine since the start of Russia's war of aggression, voted in favour of the relevant UN General Assembly resolutions, and aligned itself with a number of political statements in international organisations that condemn the military aggression. The country hosted and supported a large number of refugees (of which about 100 000 are still in the country) and actively supported the export of Ukrainian products under the Solidarity Lanes initiative. The President of Moldova paid several official visits to Ukraine during the reporting period, including attending the anniversary of the Bucha massacre in March 2023. Moldova's Parliament adopted a declaration recognising the Holodomor of 1932-1933 as a genocide in November 2022.In the aftermath of the Kakhovka dam destruction, the Government of Moldova offered bilateral in-kind assistance to Ukraine. The two countries, however, continue facing difficulties in cooperating on the management of the Nistru River's water resources.

Moldova continues to maintain an active political dialogue with **Georgia**, an 'Associated Trio' country. A number of high-level visits have been undertaken by officials from Chisinau and Tbilisi. Relations between the two are based on mutual support for each other's sovereignty and territorial integrity with both promoting similar approaches in regional and international platforms.

Moldova maintains good relations with the **Western Balkan** partners. It is interested in further deepening these relations and using as example the pre-accession experience of the Western Balkans in order to advance on the EU path During the reporting period, President Sandu met with the Prime Minister of **Montenegro**, Dritan Abazovic, where both agreed to speed up signing the Agreement on Education, Science and Innovation. Bilateral cooperation with **Serbia** is being actively developed. Political dialogue is ongoing between the two countries, including in bilateral and multilateral formats. Amid concerns of alleged Russian attempts of violently overthrowing the government by using third country nationals, in February 2023 Moldova barred football fans from Serbia and Montenegro from entering the country and attending a football match. This created some tensions with both countries, who requested clarifications from Chisinau.

While Moldova does not recognise **Kosovo**[*], ahead of the European Political Community Summit on 1 June 2023, Moldovan Parliament amended the law on visitors from third countries who are required/exempted to have a visa when crossing the state border of Moldova. The amended law allows Kosovo representatives to obtain visas for participation in international meetings held in Moldova.

During the reporting period, Moldova marked 30 years of diplomatic relations with **Türkiye.** The two countries maintain regular and friendly high-level exchanges. The Speaker of the

[*] This designation is without prejudice to positions on status and is in line with UNSCR 1244(1999) and the ICJ Opinion on the Kosovo declaration of independence.

Grand National Assembly of Türkiye visited Moldova, while Moldova's Minister of Foreign Affairs and European Integration met his counterpart in Türkiye**.** At these meetings, issues of common interest were high on the agenda, including trade, energy, security, and cooperation in the Black Sea region. During the reporting period, Türkiye was the fourth largest importer of Moldovan goods, corresponding to 7.5% of all Moldovan exports.

Following the devastating earthquakes in February 2023 and on Türkiye's request, Moldova delivered in-kind assistance and a team of rescuers, emergency vehicles and search dogs. It also participated in the International Donors'' Conference 'Together for the people in Türkiye and Syria'' where Moldova pledged to donate MDL 8.2 million (approx. EUR 400 000) in humanitarian aid.

4. ABILITY TO ASSUME THE OBLIGATIONS OF MEMBERSHIP

CLUSTER 2: INTERNAL MARKET

This cluster covers: free movement of goods (Chapter 1); freedom of movement for workers (Chapter 2); right of establishment and freedom to provide services (Chapter 3); free movement of capital (Chapter 4); company law (Chapter 6); intellectual property law (Chapter 7); competition policy (Chapter 8); financial services (Chapter 9); and consumer and health protection (Chapter 28). This cluster is key for Moldova's preparations for the requirements of the EU's internal market.

Moldova is in the early stages of preparation for freedom of movement for workers where it achieved limited progress. For company law Moldova is in between early stage and some level of preparations and has achieved limited progress. For free movement of capital Moldova is in between some to moderate level of preparation with some progress achieved. In all remaining areas under this cluster, namely, free movement of goods, right of establishment and freedom to provide services, free movement of capital, intellectual property law, competition policy and consumer and health protection, some level of preparation has been noted. Limited to some progress has been achieved during the reporting period in these areas, apart from financial services where good progress has been made.

Chapter 1: Free movement of goods

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

Moldova has **some level of preparation** in the area of the free movement of goods. **Limited progress** was made to align with EU standards through the mechanism which provides for the adoption of EU standards within 6 months of their publication in the Official Journal of the EU.

In the coming year, the country should in particular:

→ screen legislation and administrative practices in the non-harmonised areas and prepare a strategy to ensure compliance with Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU) and Court of Justice of the European Union case law;

→ align legislation for vehicle emissions;

→ strengthen administrative capacity to implement and enforce the EU *acquis*, especially in the sectors for which it seeks to sign an Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) with the EU.

General principles

Some parts of the general principles of the legislative and institutional framework for the free movement of goods are in place due to the AA/DCFTA. This includes alignment with the EU *acquis* on general product safety, standardisation, accreditation and conformity assessments; however, legislation is still not aligned with the latest EU *acquis* on market surveillance.

In 2022, Moldova initiated the process for an ACAA with the EU in two product sectors: (i) low voltage devices; and (ii) electromagnetic compatibility. Parliament has adopted legislation designed to be aligned with the EU *acquis* in these two sectors, although the relevant national authorities, including conformity assessment authorities, need to increase their administrative capacity.

The Ministry of Economic Development and Digitalisation imposed the obligation to use portable video surveillance systems during controls conducted by the state inspectorate for non-food products surveillance and consumer protection, in order to increase the transparency and efficiency of the institution and reduce corruption.

Non-harmonised area

Moldova has not yet taken any steps to ensure that its legislation and administrative practices are in line with **Articles 34-36 TFEU** and relevant CJEU case law. It should start this work as in several areas it will need to examine the details and decide whether to repeal the relevant laws or practices, amend them, or insert mutual recognition clauses.

Harmonised area: quality infrastructure

The Institute for **Standardisation** of the Republic of Moldova fulfils 95.66% of the requirements in Guide 22 of the European Standardisation Committee/European Electrotechnical Committee for Standardisation CEN/CENELEC. On 24 November 2022, the Institute received affiliation status with CEN/CENELEC, which entered into force on 1 January 2023. 100% of CEN/CENELEC standards and 82.63% of European Telecommunications Standards Institute (ETSI) standards have been adopted as Moldovan standards. A total of 10 264 conflicting national standards were withdrawn in 2015-2022, and work in this area continues.

The National **Metrology** Institute has been an associate member of the European Cooperation in Legal Metrology (WELMEC) since 2017 and a full member of the European Association of National Metrology Institutes (EURAMET) since 2019.

The National **Accreditation** Center of the Republic of Moldova, MOLDAC, is a signatory to the European Cooperation for Accreditation Members Multilateral Agreement (EA-MLA) and is therefore periodically assessed for continued compliance with the criteria set out in the reference standard for accreditation bodies and to maintain EA-MLA signatory status. Between 20 and 24 February 2023, MOLDAC was subject to a periodic re-evaluation which confirmed that MOLDAC operates in line with the requirements laid down in the relevant reference standard and EU *acquis* and the requirements for European accreditation bodies.

In 2022, the Agency for Consumer Protection and **Market Surveillance**, was reorganised and became the State Inspectorate for Non-food Products Surveillance and Consumer Protection (ISSPNPC)

Harmonised area: sectoral legislation

In the area of '**new and global approach**' **product legislation**, while national legislation designed to be aligned with the EU *acquis* is in place on machinery, lifts, cableways, personal protective equipment, electromagnetic compatibility, low voltage, radio and telecom

equipment, gas appliances, explosive atmospheres, pressure equipment, full alignment was not achieved in the reporting period. Further effort is needed to ensure alignment with the remaining 'new and global approach' EU *acquis,* including outdoor equipment noise emissions, energy labelling, construction products and recreational craft.

On national legislation under the **'old approach' product legislation**, Moldova is not aligned with EU type approval *acquis* on motor vehicles, 2/3 wheeled vehicles, agricultural tractors or non-road machinery emissions. There has been no progress on aligning with and implementing the EU Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), or the legislation on the classification, labelling and packaging of substances and mixtures, good laboratory practice, and fertilisers and detergents.

National legislation and the national list of controlled substances are designed to be fully aligned with the EU *acquis* on **drug precursors**. On **procedural measures**, national legislation is not aligned with the EU *acquis* on firearms, crystal glass, defence procurement, medicinal products pricing and **cultural objects**. It is partly aligned with the EU *acquis* on footwear and textile labelling.

Chapter 2: Freedom of movement for workers

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

Moldova is at **an early stage of preparation** in the area of freedom of movement of workers. **Limited progress** was made during the reporting period, amending legislation on the regime of foreigners and bilateral agreements on social security systems were signed or entered into force. The country will need to align its legislation with the EU *acquis,* including its interpretation of the Court of Justice of the European Union case law.

In the coming period, the country should in particular:

→ work on concluding additional agreements on social security coordination, notably with EU Member States;

→ undertake the preparatory work for joining the European Network of Employment Services (EURES) upon accession.

In the reporting period Moldova made limited progress in aligning its national legislation with the EU *acquis*. The law on the regime of foreigners was amended to facilitate the process for EU citizens to obtain the right of temporary residence. Professional sellers, contracted service providers and independent professionals from EU Member States are permitted to carry out activities without a temporary residence permit. In July 2023, the Parliament adopted in first reading a further amendment of the law on the regime of foreigners, that would allow EU citizens (and a number of other countries) to work in Moldova without a work permit. Third-country nationals are required to obtain the right of temporary residence from the competent authority to carry out any activity. EU citizens still have no access to posts in public administration bodies.

A total of 2 918 residence permits for work were issued between 1 June 2022 and 17 March 2023; 435 of these were issued to EU citizens.

Moldova has not completed the preparatory work needed to access the European Network of Employment Services (EURES).

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

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

New agreements for the **bilateral coordination of social security systems** were concluded in 2022. Moldova and Spain signed a social security agreement in July 2022. In January 2023, the Agreement on Social Security between Moldova and Greece, signed in September 2021, entered into force. Signature of agreements with other Member States should be stepped up.

Chapter 3: Right of establishment and freedom to provide services

EU natural and legal persons have the right to establish themselves in any Member State and to provide cross-border services. For certain regulated professions, there are rules on mutual recognition of qualifications. EU rules on postal services focus on improving the quality of universal service, gradual market opening to competition, and the establishment of an independent regulator.

Moldova has achieved **some level of preparation** in the area of the right of establishment and freedom to provide services. **Limited progress** was made in this area during the reporting period. The legal framework needs to be brought in line with the requirements of the EU Services Directive and the EU Directive on the recognition of professional qualifications. This needs to be complemented with non-legislative measures and structural reforms, such as setting up electronic platforms and procedures, and building administrative capacity. The legislation on postal services is compliant with relevant directives, and bylaws have been adopted. The regulation on cross-border parcel delivery services still needs to be adopted.

In the coming year Moldova should:

→ bring its legal framework in line with the requirements of the Directive on the recognition of professional qualifications, including Directive 2005/36/EC on recognition of professional qualifications and Directive 2018/958 on a proportionality test before adoption of new regulation of professions;

→ continue aligning its legislation with the Services Directive;

→ update the AA/DCFTA annex on rules applicable to postal and courier services.

Regulatory reforms have helped bring Moldova's legal framework in line with the Directive 2006/123/EC on services in the internal market, however more progress is needed to ensure full compliance. Further alignment of sectoral legislation with the Services Directive is also needed. There are no barriers to the right of establishment by foreign people and companies, and there is a single contact point for companies in operation.

Moldova is currently compliant with the requirements of all three **postal services** directives and fully opened its postal market to competition in 2021. Bylaws supporting market liberalisation have been adopted and an independent national regulatory authority has been established with staff dedicated to postal services. The designated state-owned postal service operator complies with the quality requirements established by the national regulator. There are 15 other postal operators providing services related to parcels, letters and express shipments in the market. Preparations are ongoing in the framework of the EU-Moldova AA/DCFTA process to update the Annex on rules applicable to postal and courier services

with the EU Regulation on cross-border parcel delivery services, which still needs to be implemented.

Moldova has not yet harmonised its legislation with the EU Directive on the **recognition of professional qualifications** (2005/36/EC). Further assessment of the training curricula for professions falling under the automatic recognition system is required to ensure that minimum training requirements are respected.

Chapter 4: Free movement of capital

In the EU, capital and investments must be able to move without restrictions, with common rules for cross-border payments. Banks and other economic operators apply certain rules to support the fight against money laundering and terrorist financing.

Moldova is **in between some and moderate level of preparation** in this area. **Some progress** was made following the adoption of new legislation aiming to align national legislation with the 5th Anti-Money Laundering Directive. There are still outstanding Moneyval recommendations to be implemented. National legislation was also aligned with the EU Payment Services Directive 2. Moldova is also preparing to apply for the Single Euro Payments Area (SEPA).

In the coming year, Moldova should in particular:

→ align its rules with the EU Regulation on Interchange Fees for card-based payment transactions, and advance preparations to apply for the Single Euro Payments Area in line with the criteria of the European Payments Council;

→ strengthen the institutional capacity of the Office for Prevention and Combating of Money Laundering in the Financial Intelligence Unit;

→ implement the outstanding Moneyval recommendations, including on anti-money laundering.

The movement of capital has been gradually liberalised based on the AA/DCFTA, and the country has progressively aligned its rules with the EU *acquis*. On **capital movements and payments**, Moldova is steadily liberalising capital outflows (certain restrictions remain). Some larger capital foreign exchange operations are subject to prior notification or authorisation by the National Bank of Moldova. There are also differences between the rules on payments and transfers for residents and non-residents. Non-residents and residents who live abroad can make direct investments without authorisation. Foreign investors can acquire real estate property rights (except for agricultural and forest land) to carry out entrepreneurial activities. A countrywide system for land registration is in place, and anyone with a legitimate reason can obtain information from the real estate register.

Interchange fees for card-based payments are still exceptionally high. On alignment with the EU *acquis* on **payment systems**, national legislation is expected to be harmonised with the EU Payment Services Directive 2 when the last amendments to the national law on payment services and electronic money enter into force in mid-2024. Moldova is preparing to apply for the Single Euro Payments Area (SEPA). The Central Bank together with other authorities started a dialogue with the European Payments Council on the admission criteria and next steps towards its potential accession, benefiting from technical assistance from the Dutch and Romanian central banks.

Moldova continues to align its legislation and institutional framework on **anti-money laundering** with the EU *acquis*. Moldova adopted a law to align with the 5th Anti-Money Laundering Directive. Anti-money laundering legislation partially addresses the

recommendations of the Financial Action Task Force and relevant international legislation. There are still outstanding Moneyval recommendations to be implemented. A total of 449 suspicious transaction reports and 252 suspicious activity reports were reported in the reporting period. Moldova has adopted a national anti-money laundering/countering the financing of terrorism strategy for 2020-2025, and will update its national risk assessment, develop an accompanying action plan and publish the results. The Office for Prevention and Combating Money Laundering is under the Office of the Prime Minister but is struggling with institutional capacity and resources.

Chapter 6: Company law

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

Moldova is in **between early stage and some level of preparation** in the area of company law. **Limited progress** was made during the reporting period, by amending national legislation to align with EU legislation on corporate remuneration policy.

In the coming year Moldova should in particular:

→ strengthen the administrative capacity of the Public Service Agency;

→ advance alignment with the EU acquis on financial reporting and audit, takeovers, single-member companies' provisions, shareholder rights, including the encouragement of long-term shareholder engagement, and on disclosure of company information;

→ take further steps to improve the capacity and independence of the audit oversight systems.

In the area of **company law and corporate governance,** state registration of legal bodies and individual entrepreneurs is carried out by the Public Services Agency, although it continues to struggle with its limited administrative capacity. Moldova amended its national legislation to align with *acquis* provisions on shareholder rights regarding disclosure of remuneration policy and the remuneration report. Moldova needs to align with the *acquis* on digital tools and processes, and cross-border operations (mergers, divisions, conversions). National legislation requires further harmonisation with the *acquis* on takeovers, single-member companies, provisions related to the disclosure of private limited liability companies, and the more recent acquis covering shareholder rights, including the encouragement of long-term shareholder engagement, and the 2022 Directive on gender equality on boards of directors.

On **company reporting**, Moldova has achieved some alignment with the EU *acquis* on annual and consolidated financial statements and related reports, and the application of international accounting standards. Further alignment is needed including the criteria to determine company size-categories and to clearly set out the fine amounts for breaches of financial reporting requirements. There is some harmonisation with the *acquis* on **transparency** requirements for listed companies, including sanctions for non-disclosure of information on the capital market. On **statutory audit**, although national legislation is partly aligned with the EU *acquis* in this area, there are still major gaps in the rules governing the institutional set-up to ensure an independent system of oversight, investigations and penalties, with the appropriate level of administrative and financial resources.

Chapter 7: Intellectual property law

The EU has harmonised rules for the legal protection of intellectual property rights (IPR), copyright and related rights. Rules for the legal protection of IPR cover, for instance, patents

and trade marks, designs, biotechnological inventions and pharmaceuticals. Rules for the legal protection of copyright and related rights cover, for instance, books, films, software and broadcasting.

Moldova has **some level of preparation** in the area of intellectual property rights. **Limited progress** was made during the reporting period. The State Agency on Intellectual Property (AGEPI) improved cooperation with the European Union Intellectual Property Office and continued to transpose the EU *acquis*.

In the coming year, Moldova should in particular:

→ draft legislation to fight counterfeiting and piracy;

→ improve collective rights management to safeguard appropriate royalty payments;

→ increase the administrative and institutional capacity of AGEPI and take advantage of the collaboration with the European Union Intellectual Property Office to improve legislative and enforcement alignment.

On 25 April 2023 the State Agency on Intellectual Property signed an action plan with the European Union Intellectual Property Office which envisages cooperation in several sectors. The administrative capacity of the Agency needs to increase.

The law on **copyright and related rights**, broadly aligned with EU law on copyright, was amended to further align it with the EU *acquis* and entered into force on 9 October 2022. This law aligns legislation with several EU directives. The government's 2023 action plan provides for the adoption of further amendments to the law to align with the EU *acquis* on orphan works. Moldova still faces challenges in the implementation of an effective collective rights management system, notably with regards to the transparency, accountability, collection, and distribution of monies.

In terms of **industrial property rights**, the law on the protection of patents was amended, entering into force in June 2023. The Law on the protection of industrial designs is largely aligned with Directive on the legal protection of designs.

The legal framework is largely aligned with the EU Directive on the **enforcement** of intellectual property rights, but there is no policy document dedicated to the fight against counterfeiting and piracy. There are no specialised courts dealing with intellectual property law cases. The number of counterfeit products identified rose sharply from 27 803 units in 2021 to 99 758 units in 2022.

Chapter 8: Competition policy

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

Moldova has **some level of preparation** in the area of competition policy. **Limited progress** was made during the reporting period. In April 2023, the Law on competition was amended. The Competition Council is understaffed and continues to face constraints in terms of human resources and its capacity to conduct investigations and monitor implementation of legislation.

In the coming year, Moldova should in particular:

→ align the legislative framework with the *acquis* on antitrust, mergers and State aid;

→ increase the transparency of State aid granted by the government and further align State aid schemes in place with the EU *acquis,* including those applied in free economic zones;

→ strengthen the administrative and institutional capacity of the Competition Council.

Antitrust and mergers

On the **legislative framework**, Moldova's legislation is broadly aligned with the EU *acquis* on antitrust and merger control. The new Competition law, adopted in July 2023 largely mirrors the provisions of the Treaty on the Functioning of the European Union (TFEU) on restrictive agreements and on abuse of dominant position. It also provides for *ex-ante* monitoring of the effects on competition of mergers above certain turnover thresholds, largely in line with the principles of the EU Merger Regulation. Implementing legislation provides further rules, which broadly aim to follow the EU *acquis*. However, further alignment is needed with EU competition policy, especially with regards to the dismissal of the members of the Board of the Competition Council and the level of the fines which can be imposed.

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

On **enforcement capacity,** the Competition Council's institutional capacity needs to be further strengthened to ensure legislation is enforced.

On **implementation**, the Competition Council increased its activities. The number of investigations which led to a finding of a violation of the provisions of the competition law remained constant (10 investigations).

State aid

Regarding the **legislative framework**, the Law on State aid is broadly aligned with Articles 107 and 108 TFEU. EU State aid guidelines, regulations and communications are partially aligned. However, certain existing State aid schemes still need to be aligned with the EU *acquis,* including those regarding free economic zones. Moreover, aid to repair damage caused by natural disasters or exceptional occurrences is considered compatible without the need for prior notification. This is not in line with EU law, which requires such measures to be notified.

Regarding the **institutional framework**, the Competition Council also ensures consistent implementation of State aid law. The Competition Council is empowered to screen and authorise State aid measures and can order the recovery of State aid that has been unlawfully granted. It publishes reports on aid granted on its website and runs the automated State aid register information system, where measures are reported annually by grantors.

As regards **enforcement capacity**, the Competition Council is understaffed (only 9 of 25 posts are occupied due to low salaries). Its administrative capacity needs to be strengthened with additional staff and relevant training.

On **implementation**, there were two decisions adopted in the reporting period on State aid related to illegal aid given by local authorities to local companies. The AA requires Moldova to align its general State aid schemes with the EU *acquis* by 2022 and those covering free economic zones by 2024. A total of 158 of the 173 State aid schemes covered by the commitments under the Moldova-EU AA were aligned by 31 December 2022. Moldova needs to make progress with respect to the remaining schemes.

Liberalisation

The Competition law and the Law on State aid law apply to public companies and companies with special or exclusive rights. The Law on State aid law provides that companies entrusted with the performance of services of general economic interest will be considered when assessing the compatibility of the State aid granted to perform such services.

Chapter 9: Financial services

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

Moldova **has some level of preparation** in the area of financial services. It made **good progress** by partially aligning legislation with the EU's Solvency II Insurance Directive and the Motor Insurance Directive. The country should make further efforts to align with the financial services acquis, focusing on the priorities identified based on the current state of play.

In the coming year, Moldova should in particular:

→ implement the outstanding legislation on financial sector supervision that transfers the supervisory role over the insurance sector, non-bank financial institutions, savings and credit associations and credit history bureaux to the National Bank of Moldova;

→ continue efforts in alignment with the EU acquis related to the regulation of banking and insurance sectors (including bank resolution and bank deposits guarantee schemes) and to the regulation of securities markets, investment funds and investment services.

On b**anks and financial conglomerates**, the National Bank continues the development of the banking sector prudential regulatory and supervisory framework, which is based on the current EU Capital Requirements Regulation and Directive.

Although Moldova has introduced rules for investment firms governing capital adequacy, the requirements related to risk are not in place. Efforts are under way to close the gaps in the macroprudential framework, including by amending the Law of the National Bank of Moldova to give the Bank an explicit legal mandate for financial stability.

To strengthen financial stability, starting from 1 July 2023, the NBM took over some of the supervisory responsibilities for non-bank financial institutions and insurance companies from the National Committee for Financial Markets. However, the NBM needs to ensure that it is adequately staffed and prepared to carry out these additional responsibilities.

The current Deposit Guarantee Scheme protects depositors from loss on insured deposits in case of a bank failure. It covers up to MDL 50 000 (around EUR 2 500), far below the coverage of up to EUR 100 000 per depositor and bank prescribed by EU law. The Parliament has adopted in April 2023 in first reading legislation aiming to partially align with the EU Directive on deposit guarantee schemes. This will increase the maximum insured deposit value to MDL 200 000.

Moldova has a recovery and resolution framework with similar tools, resolution powers and safeguards to those under the EU's Bank Recovery and Resolution Directive. The framework is based on the 'no creditor worse off' principle. Moldova has established a resolution fund financed with annual contributions from the banks. The target level for the resolution fund has been set at 3% of guaranteed deposits, which needs to be achieved by the end of 2024.

On **insurance and occupational pensions** in the reporting period, supervisory powers over the insurance market, non-bank credit organisations and the activity of credit bureaux and savings and credit associations were transferred from the National Commission for the Financial Market to the National Bank. This transfer occurred as part of the reform of supervisory functions in the financial sector.

Pillar II and Pillar III of the EU Solvency II Directive came into force in 2023. There is a transitional period of 5 years to comply with minimum capital requirements. There are no occupational pension funds. A regulation was adopted in May 2023 on shareholdings in the share capital of insurance or reinsurance companies, requirements applicable to persons with management positions in a third country. Moldovan law is broadly aligned with the EU Directive on distance marketing of financial services, which protects consumers rights. A balance sheet review for all insurers is envisaged to evaluate their readiness for the subsequent implementation of Pillar I. Consumer protection in financial services is lacking and not properly addressed in legislation. In addition, Moldovan law is broadly aligned with the revised Directive on Institutions for Occupational Retirement Provision although a voluntary pension fund should be implemented. The reform of supervisory functions in financial sector envisages the transfer of supervisory powers in the fields of insurance market, the non-bank credit organisation, the activity of the credit bureaux, savings and credit associations to the National Bank.

As regards **financial market infrastructure**, Moldova has adopted some important parts of the acquis, along with relevant parts of the European Directives MiFID I and II on Securities Markets and Investment Services. It has a small, regulated capital market and one Multilateral Trading Facility, operated by the Stock Exchange, although no investment firm holds a trading license.

On **securities markets and investment services**, the national legislative framework governing collective investment management is broadly aligned with the EU *acquis*. There are no rules for some products, for example long-term investment funds, venture capital funds and social entrepreneurship funds. At the current stage, no new developments are envisaged.

On **sustainable and digital finance**, a national sustainable finance strategy has yet to be developed. The National Bank has started to raise awareness about environmental risks and sustainable finance by including it in its 2021 Financial Stability Report. Sustainable finance is considered in the strategic plan of the National Bank (NBM 2025) in order to strengthen the NBM supervisory function and promote sustainable development.

There is still no single platform or body to coordinate the digitalisation of the financial system, and the National Bank has yet to develop a digital finance strategy. Virtual assets are not a recognised form of electronic currency under the Law on payment services and electronic money, and any activity to issue or trade them is not subject to regulation and supervision by the National Bank. The national Law on anti-money laundering and countering the financing of terrorism sets out certain restrictions on crypto assets.

Chapter 28: Consumer and health protection

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

Moldova **has some level of preparation** in aligning with the EU *acquis* in this area. **Limited progress** was made during the reporting period, particularly on alignment with the *acquis* on tobacco control.

In the coming year, Moldova should in particular:

→ implement the national health strategy, including e-health;

→ intensify efforts on tobacco control by implementing the provisions of the Protocol to Eliminate Illicit Trade in Tobacco Products effectively;

→ align the legal framework with the *acquis* on consumer protection and product safety, and improve cooperation between the public institutions dealing with consumer protection.

Consumer protection

The AA/DCFTA provides for aligning national consumer and health protection legislation and standards with those of the EU. Moldova's Law on **consumer protection** is partially aligned with the EU *acquis*. It provides the general requirements for protecting consumers and the framework for unrestricted access to products and services. It is not aligned with the *acquis* on consumer protection cooperation, with the new rules on digital content, or with the revised rules on the sale of goods and the latest changes to EU consumer legislation introduced by Directive (EU) 2019/2161.

There has been no further progress in aligning with the *acquis* on consumer protection. Moldova is not aligned with the EU *acquis* on out-of-court dispute resolution (ADR). Moldova should align with the ADR *acquis* (Directive 2013/11) in order to establish a competent authority for ADR to ensure that ADR entities comply with the given quality requirements.

On **product safety**, Moldova's legal framework is partly aligned with the EU *acquis*. In 2022, the main body responsible for market surveillance, the Agency for Consumer Protection and Market Surveillance, was reorganised and became the State Inspectorate for Non-food Products Surveillance and Consumer Protection (ISSPNPC), an administrative authority subordinate to the Ministry of Economic Development and Digitalization. It currently has 63 staff. In the reporting period the Inspectorate conducted 2 178 inspections and identified 1 862 cases of non-compliance. The highest number of cases of non-compliance were in the packaging and waste packaging sector. On 27 January 2023, the ISSPNPC and the customs service signed a cooperation action plan to ensure an interoperability mechanism between them which will allow joint inspections.

Public health

As regards **public health**, on 14 June 2023, the Government approved the health 2030 strategy, oriented towards the modernisation and long-term development of the health system. There was some progress in the implementation of its 2016-2025 strategy for the development of human resources in health. In February 2023, Moldova joined the EU4Health programme. Low levels of digitalisation in the sector are a barrier to collecting statistical data. There has been limited progress in developing an **e-health** legal framework, and there is no e-health strategy in place. In December 2022, an IT system for the surveillance of communicable diseases and public health events was introduced to improve the collection and reporting of data on registered cases. The prevalence rate of modern contraceptives among women is 38.1%, and the unmet family planning needs of women of reproductive age (15-49) is 16.9%. Women and girls, especially those in vulnerable situations, face stigma and discrimination, which hamper realising their sexual and reproductive health rights. Not all

facilities that provide sexual and reproductive health services are physically accessible to those women and often lack gynaecological examination rooms and equipment.

The national development strategy 'Moldova 2030', aims to ensure universal access to sexual and reproductive health services, including for family planning, information and education and to include comprehensive sexual education in the school curriculum.

On **tobacco control,** Moldova is a party to the relevant WHO framework convention on tobacco control and signed the Protocol to Eliminate Illicit Trade in Tobacco Products. In February 2023, Parliament adopted legislative amendments to ensure implementation of the protocol. National legislation has been amended to partially align it with the *acquis* on tobacco products and on the withdrawal of certain exemptions for heated tobacco products.

There are 40 community **mental health** centres in the country, offering medical assistance and psychosocial rehabilitation, support and mediation services.

In March 2023, the government approved the 2023-2027 national programme for the prevention and control of priority **non-communicable diseases**.

Moldova has a system in place to ensure **patients' rights in cross-border healthcare** and has a legal basis that is partially aligned with the EU *acquis* on the rights of citizens receiving healthcare abroad. There are no legal provisions on healthcare for EU Member State nationals.

On **communicable diseases**, Moldova is partially aligned with the EU *acquis*. In April 2023, the government approved the 2023-2027 national immunisation programme and the 2023-2027 action plan on the implementation of the international sanitary regulations. The 2022-2025 national programme for prevention and control of HIV and sexually transmitted infections is being implemented.

On **cancer screening,** Moldova has a national cancer control programme (2016-2025) which is currently being implemented, as well as other programmes using population-based screenings. The country does not yet have a national programme on **rare diseases**.

National legislation is partially aligned with the *acquis* **on medicines for human use and medicines for veterinary use**. National procedures for the state registration of veterinary medical products are in place, and 977 items had been registered by March 2023. Moldova is partially aligned with the *acquis* on **medical devices**. Legislation is partially aligned with the *acquis* on **cosmetics**.

The legal framework regulating **blood, tissues, cells and organs** is partially aligned with the EU *acquis*, although legislation on medically assisted reproduction is being redrafted. There are only two tissue banks, and a single private centre working with haematopoietic stem cells and assisted reproduction.

Measures on **drug abuse prevention and harm reduction** are set out in the Law on the circulation of narcotic and psychotropic substances and precursors. It lays down general rules and restrictions on the circulation of drugs and is designed to be aligned with the UN conventions on drugs rather than the EU *acquis*. National legislation on preventing **alcohol abuse** is partially aligned with the EU *acquis*. In addition, legislation to protect workers from adverse health effects from **exposure to electromagnetic fields** in their work environment is designed to be aligned with the EU *acquis.*

On **health inequalities**, the law on mandatory health insurance provides for state-guaranteed insurance for certain categories of unemployed people residing in Moldova and registered with the competent institutions. The 2022-2025 national programme for the prevention and

control of HIV and sexually transmitted infections sets out provisions for universal access to rights-based and people-centred prevention, testing, diagnosis, treatment and support. There are also some health-related provisions on LGBTQI people in the Law on equality.

In July 2022, the Ministry of Health approved an anticorruption action plan in the health sector, for the period 2022-2023, but health sector corruption remains widespread.

CLUSTER 3: COMPETITIVENESS AND INCLUSIVE GROWTH

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

Moldova has achieved some level of preparation in digital transformation and media, taxation, economic and monetary policy, social policy and employment, enterprise and industrial policy as well as education and culture. It made good progress in digital transformation and media and taxation. In economic and monetary policy, social policy and employment, enterprise and industrial policy and education and culture it made some progress. The country is moderately prepared in science and research where it has achieved some progress during the reporting period. In customs union, Moldova is between some and moderate levels of preparation and has achieved some progress.

Chapter 10: Digital transformation and media

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

Moldova has achieved **some level of preparation** in the area of digital transformation and media. **Good progress** was made during the reporting period. The comprehensive digital transformation strategy for 2023-2030 was drafted through public consultation setting out a countrywide action plan. The Law on electronic identification and trust services has entered into force and is broadly aligned with the relevant EU *acquis*. The cybersecurity framework has been strengthened through passing the Law on cybersecurity, adopted during the reporting period, but Moldova needs to start implementing the law. Moldova needs to align its legal framework with the Electronic Communications Code, and EU best practice on media need to be more widespread. Implementing legislation also including the laws on freedom of expression, personal data protection and access to information, need to be amended to align with the EU *acquis*.

In the coming year, Moldova should in particular:

→ align with and implement the EU Roaming Regulation and other relevant EU *acquis* in the field of telecoms;

→ adopt the Digital Transformation Strategy 2023–2030 and ensure the institutional capacity to implement it;

→ adopt and implement market instruments to ensure anti-cartel measures and the de-oligarchisation of the media market.

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

Connectivity gaps remain, and approximately 39% of people do not use the internet. The national development strategy, 'Moldova 2030', has the specific objective of 'Ensuring universal access to the internet and electronic services'.

On **information society services**, no authority currently has responsibility for open data policies. There is some alignment with GDPR and eID and ePrivacy legislation. There is broad alignment with the Directive on e-commerce. Moldova is not aligned with the EU *acquis* on geo-blocking, platform-to-business relations (P2B), the Digital Services Act and the Digital Markets Act.

In the area of **digital transformation,** implementation of the now expired Digital Moldova 2020 strategy has been only partially successful. Only 6 of the 12 targets set in the strategy have been achieved. There were particularly weak results in the share of public services available online (12% vs the 100% objective) and in the level of acceptance of electronic public services (49% vs the 70% objective). Several reasons have led to these results, including limited financial resources and project management and institutional implementation capacity.

Moldova's comprehensive digital transformation strategy for 2023-2030 was adopted in September 2023. The strategy aims to create a resilient, innovative, and digital economy by targeting technology start-ups with international growth ambitions and businesses in the ICT sector. To support the implementation of the new strategy, Moldova should also set up a governance body (the National Digital Transformation Council) with public and private stakeholders, civil society and experts and a working group to draw up the programme for the further development of the ICT industry and the digital economy.

Progress has been achieved in making electronic public services available through the Public Services Portal. It is a single point of access for individuals and organisations to information on the 252 online public administrative services. The e-Governance Agency is implementing a project, Unified Public Service Centres (CUPS), which offers common access points to a wide range of public services in electronic format.

Progress has been made on ensuring that trust and security services for creating and validating electronic signatures in the country are compatible with the EU's electronic identification, authentication and trust services (eIDAS). The Law on electronic identification and trust services entered into force on 10 December 2022. It sets out the legal framework for electronic signatures, electronic seals, electronic time stamps, electronic documents, registered electronic distribution services and certification services for authenticating web pages. It is partially aligned with EU Regulation on electronic identification and trust services for electronic transactions in the internal market. Moldova should join the "Third Countries' trusted list," which facilitates the validation of electronic signatures or seals created in Third Countries as advanced electronic signatures and seals in EU Member States, as a first step towards pursuing mutual recognition of qualified trust services once the new eIDAS Regulation is adopted.

On **cybersecurity**, the Information Technology and Cybersecurity Service is the government's computer security incident response team. It provides the administration, maintenance and development of public authorities' IT infrastructure and telecommunications systems.

The Law on cybersecurity, adopted on 16 March 2023, sets out a strengthened cybersecurity framework. The law gives the government nine months to set up a competent authority on cybersecurity and national computer incident response teams and will enter into force on 1 January 2025.

On **audiovisual policy**, the Audiovisual Council is the only regulatory body in the media sector and only covers TV and radio and not online media.

Parliament delayed implementing the Council of Europe's recommendations on appointing and dismissing members of the boards of the Audiovisual Council and the public broadcaster (TRM). Currently, by rejecting the annual report of the Audiovisual Council and TRM, the Parliament can dismiss the members of those boards. According to the Council of Europe, this could create a de facto political control over the regulatory council and public broadcaster. This is not in line with the EU Audiovisual Media Services Directive, which sets out that appointment and dismissal procedures must 'guarantee the requisite degree of independence'. Parliament should implement the Council of Europe's recommendations to strengthen the independence of the Audiovisual Council and TRM.

There are no rules on online media ownership. On 2 June 2022, Parliament amended the Law on audiovisual media services to include the concept of 'disinformation'. The prohibitions in the law on broadcast or retransmission of programmes with informative analytical, military and political content are not in line with the EU Audiovisual Media Services Directive.

Media literacy (or media education) is an optional subject in primary and secondary schools. It is mainly promoted by media NGOs, such as the Independent Journalism Centre and the EU's strategic communication and media support project.

Chapter 16: Taxation

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

Moldova has **some level of preparation** in the area of taxation. **Good progress** was made by harmonising policies to prevent and fight fraud and the smuggling of excisable goods and providing mutual administrative assistance. Moldova also joined the EU Fiscalis programme.

In the coming year, Moldova should in particular:

→ harmonise excise duties and VAT regulations with the EU *acquis*, particularly the structure, exemptions and deductions, special schemes and scope of reduced rates;

→ prepare to join the inclusive framework on base erosion and profit shifting to limit tax avoidance and increase tax revenue;

→ strengthen the administrative and operational capacity of the tax administration, in particular by boosting digitalisation and automation to ensure a proper degree of preparation for interconnection and interoperability with EU systems.

On **indirect taxation**, the legislation on VAT and excise duties is partially aligned with EU acquis, thanks to the commitments under the AA/DCFTA. Goods and services subject to reduced VAT rates or exemptions are different from those in the EU VAT Directive. No alignment has been made with the 13th VAT Directive (refunds to non-EC taxable persons). Despite improvements made through amendments to the Tax Code in December 2022, arrears continue to accumulate in the VAT refund process. Moldova did process 3 241 claims by the set deadline, which shows some progress in this area.

On 1 January 2023, excise duty rates on tobacco products increased by 25%, but they are still below the minimum rates the EU has set to be achieved by 2025. The weighted average retail price for excise taxation is not calculated as required under Directive 2011/64/EU. Excise

duties on alcohol products are partially aligned with the EU as there has been a 15% increase in the rate. There has been no progress in harmonising excise duties on energy products, natural gas and electricity are not subject to any excise duty. Moldova has yet to implement fiscal marking of gas oils and kerosene. Some progress was made in counteracting and fighting fraud and the smuggling of excisable products. Moldova started to implement the WHO Protocol to Eliminate Illicit Trade in Tobacco Products, including aligning its tobacco control legislation with the EU Tobacco Products Directive, which included the introduction of licensing and record-keeping requirements for tobacco manufacturing. Moldova has yet to adopt the EU system of tax warehousing for excise duty suspension and the Excise Movement Control System.

On **direct taxation,** from January 2023 banks withhold a 12% tax from income in the form of interest and/or capital growth from state securities obtained by individuals and 7% from income in the form of interest from bank deposits. Moldova does not provide deferral of taxation for status changes, such as those set out in the Merger Directive, and the rules on consolidation of companies for tax purposes differ from those in the EU.

The country has also adopted rules on transfer pricing (according to the arm's length principle), which are expected to enter into force on 1 January 2024. According to the Tax Code, these rules must be applied in line with the OECD Transfer Pricing Guidelines.

On **administrative cooperation and mutual assistance**, Moldova has signed double taxation agreements with 21 EU Member States (except Belgium, Denmark, Hungary, Sweden, France and Germany). It has also ratified the Multilateral Agreement of the Competent Authorities for the Automatic Exchange of Information on Financial Accounts. The country is not yet a member of the inclusive framework on base erosion and profit shifting and has not signed OECD's October 2021 Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy and no formal steps for joining this framework have taken place so far.

On **operational capacity and computerisation**, the tax administration has improved its communication and services to taxpayers (including electronic tax return declarations). However, significant efforts are needed to tackle: (i) outdated IT systems; (ii) the lack of automated risk management and data exchange systems for compliance risk management and tax audits (e.g., no automated risk-based approach in VAT refunds); and (iii) the inadequate taxpayer register, which relies too much on other authorities. There is still no technical capacity or IT strategy to prepare for interconnectivity and interoperability with **EU IT systems** (such as the Excise Movement Control System and the VAT Information Exchange System).

Efforts to combat tax evasion, particularly VAT and excise duties, have led to improved tax collection in recent years. For example, in 2022, tax collection increased by 18.6% year-on-year, also on the back of the high inflation. With the public management strategy for 2023-2030 adopted in February 2023, the country has committed to strengthen the tax administration's capacity. It will do this by simplifying processes and boosting automation and digitalisation of risk management and services for taxpayers. In the reporting period, Moldova joined the EU's 2023-2027 Fiscalis programme.

Chapter 17: Economic and monetary policy

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

The country has **some level of preparation** in the area of economic and monetary policy. **Some progress** was made in the reporting period, namely: (i) the adoption of the new public finance management reform programme; (ii) a new regulation on public investment management; and (iii) a package of legislative amendments to strengthen the institutional autonomy and governance of the central bank. Moldova also strengthened the central bank's capacity as part of the financial sector supervision reform.

In the coming year, Moldova should in particular:

→ strengthen the independence of the central bank and align the prohibition of monetising public debt with EU rules;

→ improve budget execution, in particular of capital investments, by applying the project pipeline to identify public investment projects eligible for funding;

→ improve budgetary transparency and macroeconomic decision-making by aligning with the requirements of the European System of National and Regional Accounts (ESA 2010) and take steps towards creating an independent fiscal council.

On **monetary and exchange rate policy** the National Bank of Moldova (NBM) ensures and maintains price stability in line with the EU monetary policy framework. It is equipped with regulatory powers and instruments, including the ability to implement its monetary policy objectives through direct inflation targeting Moldova adopted a number of legislative amendments in December 2022 to further safeguard the independence of the NBM. Additional reforms should be introduced in this area, specifically to ensure that the mandates for members of the Supervisory Board are renewed in a staggered manner. The NBM may not monetise public debt by purchasing government securities or providing loans to state bodies. It is nevertheless required to roll over a relatively small amount of legacy loans previously provided to the state, which is not in line with EU rules prohibiting the direct monetisation of public debt.

In the area of **economic policy**, Moldova adopted a new 7-year public finance management development strategy. The medium-term budgetary framework covers a 3-year period, which supports fiscal discipline and accurate macroeconomic, budgetary and public debt projections. In recent years, there have been considerable challenges with budget planning and preparation. Moldova's capital expenditure has persistently shown a significant level of under-execution, which weighs on the credibility of the budget and efficient use of resources. The project pipeline approach was adopted in October 2022 but has yet to be applied.

Moldova has yet to set up an independent fiscal council to improve fiscal policy-making, although its creation was promised by the authorities as a long-term goal during the Public Finance Management Policy Dialogue in May 2023. The country is not yet fully in line with the EU's integrated surveillance framework, in particular regarding the identification and assessment of fiscal risks stemming from the large state-owned enterprises sector. Furthermore, insufficient administrative capacity and public sector transparency weighs on the effective implementation and coordination of economic policy.

Moldova does not report general government sector data in line with ESA 2010, as national accounts are still compiled according to SNA 2008, which hinders macroeconomic policymaking and budgetary transparency. The underlying statistical framework needs to be aligned with ESA 2010 requirements and definitions, and accounting rules and procedures need to be consistently applied across general government subsectors.

Moldova has requested to participate in the 2024-2025 **economic reform programme** process. This will require significant additional resources and coordination efforts.

Chapter 19: Social policy and employment

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

The country **has some level of preparation** in the area of social policy and employment and has made **some progress** during the reporting period**.**

In the coming year, the country should in particular:

→ further develop, adopt and implement the measures set out in the concept paper on reforming the National Employment Agency, ensuring adequate capacity and setting up a monitoring and evaluation system;

→ reform social assistance, with stronger links to employment;

→ take concrete steps to strengthen the mandate and administrative and institutional capacity of the State Labour Inspectorate.

Over the last year Moldova adopted several changes in the area of labour law. In July 2022, Parliament approved amendments to **the Labour Code** . Newly adopted legislation introduced flexible working arrangements offering employees the chance to adapt their work schedule. In July 2022, the government unified the minimum wage for the private and public sectors. On 1 January 2023, the minimum wage increased from MDL 3 500 to MDL 4 000 (EUR 175-200). In June 2023, Moldova also adopted a Declaration on improving social policy and on adhesion to the European Pillar of Social Rights.

To reduce the rate of undeclared work, amendments were introduced to the Law on the status of occasional workers. The amendments shifted the obligation to pay social contributions for occasional workers from the worker to the employer and extended the maximum number of days that day labourers can work in a year, from 90 to 120. They also allow day labourers to simultaneously be registered as unemployed to encourage formal work and lay down that day labourers may not earn less than the legal minimum wage for one day of work (8 hours).

On health and safety at work there have been no legislative developments.

In 2022, the State Labour Inspectorate only detected 82 cases of undeclared work (80 in 2021), the lowest numbers in the last 12 years. As of March 2023, the State Labour Inspectorate has been given additional powers including the right to conduct unannounced visits, although only limited to cases of undeclared work, under-declared work, human trafficking and labour exploitation. As of July 2023, the law also gave the Inspectorate back the right to impose penalties directly (without the need to transfer cases to court) for cases of undeclared work and under-declared work.

In July 2022, the social partners and the government signed a new national tripartite agreement on the development and promotion of **social dialogue**. In the agreement, the government committed to consult social partners on all social and economic legislation and strengthen tripartite consultation. Capacity building of social partners needs to continue.

Despite economic headwinds, the labour market recovered from the pandemic, although significant structural challenges persist. The number of employed people increased by 1.8% in the fourth quarter of 2022 from a year before. The structurally low **employment rate** (among the population aged 15 years and over) rose slightly to 40.5% in 2022 but remains well below the EU average of 54.1% in 2022. Informal employment in agriculture, construction and trade is estimated to be more than 22% of the total. Moldova's **unemployment rate** has been persistently low, which partly reflects the low participation in

the labour force and the substantial share of self-employed workers. Due to the economic decline and the increase in the size of the labour force in 2022 (including people fleeing Russia's war of aggression against Ukraine), the unemployment rate rose to 4.6% in the fourth quarter of 2022, up from 2.6% a year before.

On **employment policy**, the government adopted in November 2022 a national employment programme for 2022-2026. Among others, the programme aims to expand the number of women in employment. There is a need to set up a monitoring and evaluation system for employment services. Implementation began of some parts of the Youth Guarantee.

The National Employment Agency has limited capacity to implement the 2019 employment law and some of the new active labour measures, notably the support to self-employment and support for creation of jobs in rural areas. Comprehensive staff development programmes need to be established and applied as a regular activity of the Agency.

Moderate progress was made in the field of **social inclusion and protection**. In July 2022, the Parliament adopted the Law on the Energy Vulnerability Reduction Fund to tackle the impact of the energy crisis on the population. Around 800 000 households (out of 1.2 million) registered on a platform and received compensation. As part of the winter aid programme, approximately 273 000 people benefited from financial support from November 2022 to March 2023.

In September 2022, the government changed the process for accessing social aid (including minimum income benefit) to stimulate the employment of people available to work, encourage formal employment and target families with children. In 2022, approximately 70 000 families benefited from social aid. Although the absolute poverty rate is 24.5%, only 3.4% of the population get the social benefit and only 12.8% get the cold season benefit. The child allowance and social benefit contribute only 4.1 percentage points to the reduction of poverty among households with children. 24.4% of children are poor, and 8.9% suffer from extreme poverty.

The government approved the national programme for child protection for 2022-2026 and its action plan in June 2022. It aims to strengthen the child protection system to respond promptly and effectively to children's needs. The programme is supported by a commitment to increase the families and child protection budget from 3.3% of the national budget and 1.1% of GDP in 2020 to 6.6% and 2.2%, respectively, in 2026. This aims to reduce the rate of extreme poverty among children from 11.3% in 2019 to 8.5% in 2026.

A social assistance IT system is in place, managed by the Ministry of Labour and Social Protection. In 2022, the IT system was integrated into Moldova's interoperability platform mConnect, which automates the examination of social and winter aid applications. In June 2022, the government approved plans for an information system for the child protection sector. This aims to digitalise the child protection authority's activities and facilitate exchanges between the relevant state institutions.

In March 2023 the Ministry of Labour and Social Protection announced a reform of the social system "RESTART" for 2023-2026 in order to reduce poverty and prepare the system for accession. The reform also includes actions related to increasing the efficiency and performance of the social public institutions and combating corruption. The reform should address the administrative capacity of the social assistance system, the regional inequalities in terms of providing social services, increasing access, and improving cost-efficiency of the system. This reform should have stronger links to employment activation. On **equal treatment and non-discrimination** there are around 168,000 persons with disabilities. The national program for the deinstitutionalisation of people with disabilities continued.

Concerning equality between women and men in employment and social policy. The gender pay gap in Moldova is 14%. The number of female MPs in Parliament fell slightly from 41 in 2021 to 39 in 2023. The 2023-2027 programme for promoting and ensuring equality between women and men was approved in April 2023. It aims to reduce the gender pay gap, increase social protection for people involved in the long-term care of family members by creating new support services, promote women in management positions and in decision-making. In November 2022, the Ministry of Labour and Social Protection approved the Regulation on the procedure for prevention, examination and reporting of sexual harassment cases. In July 2022, Parliament adopted the Law on regulating flexible work arrangements and extending the benefit period of parental leave.

Chapter 20: Enterprise and industrial policy

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

Moldova **has some level of preparation** in the area of enterprise and industrial policy. **Some progress** was made during the reporting period. Moldova has adopted a new national development strategy until 2030 and a national development plan 2023-25 that expresses its industrial strategy. The country needs to better align its legislation with the EU Late Payment Directive and make the business environment more attractive, notably for inward foreign direct investment.

In the coming year, Moldova should in particular:

→ start implementing the national programme for the promotion of entrepreneurship and increasing competitiveness for 2023-26 , the national industrialisation programme for 2023-2027, and the national strategy for the development of the economy;

→ reduce the administrative burden by enacting available proposals to cut red tape, simplify, and digitalise processes;

→ accelerate the implementation of the strategy on the management of state property, state enterprises and entities with state capital, and delineate the role of the Ministry of Economic Development and Digitalisation in regulatory and policy-making functions and the role of the Public Property Agency in exercising corporate governance functions with respect to SOEs.

On **enterprise and industrial policy principles**, Moldova bases its development strategy on the twin green and digital transitions and the driving forces of foreign direct investment in industry and on SMEs, notably innovative start-ups in manufacturing. Efforts are now geared towards innovation, where it performs well for its level of development, digital transformation and the green economy.

Moldova has adopted a new national development strategy until 2030 and a national development plan 2023-25. Both express the country's industry strategy. The objectives of these documents include elements of the association agenda and EU industry strategy adapted to the conditions of its industry.

Investment aims mainly at infrastructure and internationalisation, support measures strongly focus on SMEs, which drive industrial development, including towards the twin transition, social entrepreneurship, smart specialisation and improving their innovation capacity. The extent to which the objective of reforming the judiciary includes its commercial part remains to be seen. Further objectives towards improving the business environment seem to be part of the 2030 strategy, notably the reduction of the informal economy. Proposals to reduce the

administrative burden, in consultations notably with enterprises and by exploiting digitalisation, are available.

On **enterprise and industrial policy instruments**, in the reporting period, the government approved several new SME support programmes such as the re-technologisation and energy efficiency, the SMEs digital transformation and the rural tourism programmes. Other programmes were redesigned to better correspond to SMEs' needs, such as the PARE 1+1 programme for bringing remittances into the economy, the START FOR YOUTH: a sustainable business at home, the SME greening and the women in business programmes. Entrepreneurship is one of the key subjects in the educational system, taking the European entrepreneurship competence framework into account. Future measures to support SMEs should focus on internationalisation, access to finance and innovation (including the transition to the green market), fair competition and entrepreneurial learning.

On 22 July 2023, the new Organisation for Entrepreneurship Development (ODA) was officially launched, replacing the previous Organisation for the Development of Small and Medium Enterprises (ODIMM). The aim is to set a modern organisation able to meet new SME support requests. Its budget for 2022 was increased but then substantially reduced for 2023 due to budget constraints. Its staff went through a reappointment procedure based on merits and skills. To further improve SMEs' access to finance, the Guarantee Fund managed by ODA has been recapitalised. Additionally, the new Fund for Entrepreneurship and Economic Growth (FACEM), also managed by ODA, was launched to provide long-term loans in Moldova's currency to SMEs in priority sectors, such as energy efficiency.

There has been progress in harmonising the definition of an SME by amending the Law on SMEs in December 2022. Considerable work remains to promote entrepreneurial learning, including meeting the specific skills requirements of SMEs and improving the data available.

There is no dedicated law on combating late payments in commercial transactions. However, the relevant provisions of the Moldovan Civil Code are fairly aligned with the Late Payment Directive (2011/7/EU) but only as far as payment terms are concerned. Other key provisions still require alignment. Monitoring systems to assess payment performance, especially by public authorities, are needed. The protection of creditors in business-to-business transactions is suboptimal, which can lead to abusive practices.

Internationalisation of SMEs is still limited and remains a long-term challenge despite efforts to support it. Cooperation based on a clustering concept has a legal basis and supports regional development, including through internationalisation. A pilot initiative led to the creation of 30 clusters in the automotive, food, textile and creative industries.

Technical negotiations for Moldova's accession to the single market programme were completed and the agreement was signed on 8 September. The two submitted strands are competitiveness of SMEs, and market surveillance.

To reduce the role of the state in the economy and strengthen the quality of corporate governance in state bodies, the strategy on the management of state property, state enterprises and entities with state capital for 2023-2030 was approved and entered into force in February 2023. The strategy sets out, as a priority action, the development of a sorting mechanism for state and commercial companies with state capital. In April 2023, two government decisions were adopted. They aim to improve the management and corporate governance in state-owned enterprises (SOEs), in line with the strategy on state assets and OECD guidelines, notably by professionalising the boards of directors and audit committees of SOEs. The law on SOE governance includes the fundamental step forward of formulating a rationale for public ownership. Moldova should clearly delineate the competence of the Ministry of

Economic Development and Digitalisation in regulatory and policy-making functions, notably to prevent regulations privileging SOEs, and the role of the Public Property Agency in exercising corporate governance functions with respect to SOEs in line with OECD guidelines and the government's own SOE strategy.

The SOE privatisation process was suspended in 2022 amid overlapping crises and the complicated geopolitical situation in the region caused by the war against Ukraine. In 2022, a number of SOEs were reorganised and liquidated. This included two in the industrial sector, despite there only being a few active SOEs in that sector.

In **sectoral policies**, current investment incentives prioritise manufacturing, whose dominating industries of food/beverages and textiles are part of the cluster initiative.

Chapter 25: Science and research

The EU provides significant support for research and innovation. All Member States can participate in the EU's research and innovation programmes and benefit from them, especially where there is scientific excellence and solid investment in research and innovation.

Moldova is **moderately prepared** in the area of science and research. **Some progress** was made in the reporting period. Moldova has been active in the European Research Area and is finalising a smart specialisation strategy. A more integrated approach to governing innovation would create economic opportunities, investment and start-ups. The absorption capacity for research and innovation is still limited, and infrastructure development is required to implement open science. The gender dimension in research needs to be further integrated, and careers in research need to be made more attractive.

In the coming year, the country should in particular:

→ adopt the smart specialisation strategy and develop a multiannual action plan with measures for implementation;

→ ensure sufficient financing for research and innovation (R&I) under national programmes and adopt measures to promote innovation in line with the new European innovation agenda.

In summer 2022, the Moldovan authorities adopted a reform to consolidate higher education and research, including merging most research institutes with university departments in a broader effort to improve efficiency and increase the education-research nexus. The reform also provides for better remuneration for researchers, particularly those involved in EU-funded R&I projects. The authorities are drafting the new national R&I programme for 2024-2028.

Moldova is associated to **Horizon Europe**, the EU's R&I **programme**. Its success rate in the programme was 31.68% (of proposals that receive funding) as of May 2023, which is above the EU average of 21.47%. Moldova opened a National Horizon Europe Office in May 2023.

On the **European Research Area**, Moldova committed to 9 of 18 actions of the European Research Area policy agenda for 2022-2024.

Moldovan law provides for open access to publications when research activities are publicly funded, although a comprehensive open science strategy is still in development. Gross domestic expenditure on R&D was only 0.23% of GDP in 2022.

There is no formal national strategy for promoting gender equality in R&I or reducing the brain-drain. The number of scientists is in decline, and the outflow of researchers is higher

than the inflow. There is a need for a strategy to reduce this brain-drain, attract talent to R&I, in particular from the diaspora, and give more support to researchers' careers.

Moldova has advanced in the design of a national **smart specialisation strategy**. The strategy is now in the final phase, and the formal adoption procedure is expected to be launched by the end of 2023.

Moldova should make the most of the opportunities available by the European Institute of Innovation and Technology (EIT).

Chapter 26: Education and culture

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

Moldova **has some level of preparation** in the area of education and culture. **Some progress** was made in the reporting period. The country's education system is broadly aligned with EU policy and practice, although students' learning outcomes lag behind the European average. The accessibility and inclusiveness of education vary across the country's urban and rural areas, as does the quality of teaching and learning. Further efforts are needed to better match the vocational education and training (VET) skills on offer with labour market needs. Cultural policies generally suffer from a lack of funding.

In the coming year, Moldova should in particular:

→ promote reforms to consolidate quality and efficiency of the school network in both general education and VET;

→ strengthen the continuous professional development of teachers and school leaders in line with the recently adopted national education strategy for 2030;

→ implement the youth strategy and ensure efficient funding for sport and culture.

Moldova's **education and training** system has been undergoing a continuous modernisation since the adoption of the Education Code in 2014, which sets the legal basis for this area. The legislative framework is generally in line with the acquis.

In March 2023, the government adopted the national education strategy for 2030 and its implementation plan after a comprehensive consultation throughout 2021 and 2022. The 2023 allocation for education and training in the state budget has been increased by nearly 25% compared with 2022.

The school network is distributed in a suboptimal manner across the country and affected by demographic trends. More attention needs to be paid to vulnerable groups, such as Roma, where half the children are not in school.

The average pupil/teacher ratio has been consistently between 11 and 13 in the years from 2017 to 2022, with significant differences across levels and urban vs rural schools.

In 2023, the National Program on learning Romanian by national minorities, including the adult population, for 2023-2025 was approved by the Government, which will improve multilingualism and inclusiveness of education in Moldova.

Overall access to education is an issue for Ukrainian children in Moldova, which is hosting large number of Ukrainian refugees. Limited numbers of asylum applications, as well as other constraints such as insufficient number of teachers and school infrastructure, impact the

integration of Ukrainian students. There is a lack of oversight on the part of Moldovan authorities.

In **VET**, Moldova continued to develop a reform of the governance system and the quality of the education provided. Centres of excellence have gradually begun to assume responsibilities as coordinators of the school network in their sectoral domains. **The national qualification framework** services have strengthened cooperation with the European Qualification Framework Advisory Group. The Ministry of Education and Research approved the regulatory framework for dual VET in March 2023 (implementing the Law on dual education). This should facilitate matching skills provision with labour market demands by enhancing interaction between schools and industry, and between pupils and employers. In 2022-2023, the VET centres of excellence have increased their activity as providers of continuing education, and the Ministry of Labour and the Ministry of Education have recently engaged in a dialogue to improve non-formal education. **Validation of non-formal and informal learning** continues at accredited institutions, in national policies and targets.

In **higher education**, in July 2022, the government adopted a higher education reform to consolidate the national network of universities and strengthen integration between education and research. In 2023 five Moldovan universities have been accredited at European level, and Moldova benefits from the European dimension of the Erasmus+ programme.

In **digital teaching and learning**, the national authorities have held several rounds of public consultations to prepare the 2023-2027 strategy for digital transformation of Moldova. Moldova makes use of SELFIE, an EU online tool for digital self-assessment, in all general and VET schools.

In 2022, the government has created the National Agency for the Development of Programs and Activities for **Youth**. Its core mandate is to implement national grant programmes for youth organisations and implement policies targeting youth empowerment and youth dialogue. At present the Agency is understaffed and lacks operational capacity. A comprehensive youth strategy and implementation plan were approved in 2023 to set up 22 youth centres. Youth sector financing remains limited, due to the country's multiple competing priorities. Moldova benefits from youth exchanges and volunteering projects under the Erasmus+ programme and the European solidarity corps.

In what concerns **sport,** in 2022-2023, the number of students in special sports schools increased and grants for high performers were doubled and the national teams sports centre in Chişinău was refurbished in 2022. Public budgetary restrictions weaken the possibility to provide better opportunities for the inclusion of disadvantaged groups in sport activities despite regulatory provisions in place. Moldova is a signatory to the conventions against doping, match-fixing and violence. The national anti-doping law is in final stages of approval by Parliament.

Moldova's **cultural** policies and programmes reflect the general priorities of the new European agenda for culture. Moldova was an associate member of the 2014-2020 Creative Europe programme but has not yet renewed its association to the successor programme that runs until 2027. There is limited public financing for the cultural sector, which undermines the access to opportunities for artists and other cultural practitioners.

Chapter 29: Customs union

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

Moldova is in **between some and moderate level of preparation** in the area of the customs union. The country made **some progress** in the reporting period, notably on harmonising tobacco control regulations and further aligning the new Customs Code with the EU *acquis*. Moldova joined the EU customs programme, which will lead to additional capacity and knowledge for the enlargement process. Moldova and the EU have signed a Mutual Recognition of Authorised Economic Operators programs, facilitating the trade and ensuring security for both sides.

In the coming year, Moldova should in particular:

→ complete all the implementing standards, IT systems, staff training and communication activities so that the new Customs Code fully enters into force on 1 January 2024;

→ prepare an IT strategy and further develop IT systems to enable a full paperless environment and interconnection and interoperability with EU IT systems;

→ finalise the development of the IT system necessary to enter the Common Transit Convention and ensure smooth and secured transit of goods via its territory.

Moldova's **customs legislation** is broadly aligned with the EU customs regulations. Amendments to the new Customs Code were adopted in March 2023 to ensure further alignment with the relevant *acquis*. The government adopted the implementing regulation for the new Customs Code but postponed its entry into force until 1 January 2024.

The new Customs Code integrates certain provisions of EU regulations on intellectual property rights and customs duty reliefs and provisions to implement the New Computerised Transit System. In July 2023, the Parliament adopted the amendments to the free economic zone regime and customs duty relief (cancelling the provisions allowing customs duties circumvention) to align it with the EU *acquis*. Moldova still needs to align its Customs Code with other parts of the EU *acquis*. It should adopt all the implementing standards, IT applications, ensure staff training and communication with businesses. Alignment with the EU system of tax warehousing for excise duty suspension is still outstanding. The country still has to work to introduce the Excise Movement Control System.

Moldova obtained the mutual recognition of Authorised Economic Operators (AEO) programme with the EU in November 2022. Currently, Moldova has already issued AEO authorisations to 119 operators, 28 of them authorised for security and safety, which are recognised in EU Member States. Moldova is party to the Pan-Euro Mediterranean Convention on rules of origin and benefits from the diagonal cumulation of origin between Convention member countries. Rules on customs enforcement of cultural goods remain broadly in line with the EU *acquis.*

On **administrative and operational capacity**, the customs service was reorganised at the end of 2022. This aims to introduce an organisational structure, adjusted to EU customs requirements and ensure a higher degree of integrity. Moldova still needs to automate the customs clearance process, to shift cargo clearance from the border to inland, and to implement post-clearance controls (e.g., audits). The country has not yet fully implemented a paperless environment for customs processing or introduced an automated validation of customs declarations. It would need a new IT strategy and IT systems to enable a full paperless environment and interconnection and interoperability with EU IT systems.

Moldova joined the EU customs programme which will create new opportunities to exchange information, develop capacity and provide technical assistance.

CLUSTER 4: GREEN AGENDA AND SUSTAINABLE CONNECTIVITY

This cluster covers: transport (Chapter 14); energy (Chapter 15); trans-European networks (Chapter 21); and environment and climate change (Chapter 27).

Moldova is at the early stage of preparedness in environment and climate change and has made some progress during the reporting period by passing cross-cutting environmental legislation and implementing regulations on nature protection and industrial emissions. Some level of preparation with limited progress was achieved on transport policy and some progress in trans-European networks, while the country is in between some to moderate level of preparedness for energy. On energy, Moldova made good progress, having the highest progress performance rate among contracting parties in the Energy Community Annual Implementation Report 2022.

Chapter 14: Transport policy

The EU has common rules on technical and safety standards, security, social standards, State aid and market liberalisation in road transport, railways, inland waterways, combined transport, aviation and maritime transport.

Moldova has achieved **some level of preparation** in transport policy. **Limited progress** was made in the reporting period. Progress was severely hampered by Russia's continued war of aggression against Ukraine, which had a direct impact on Moldova's ability to progress. Moldova was granted observer status in the Transport Community Treaty that will facilitate closer integration in the EU transport market. The country needs to continue alignment with the EU *acquis* on all modes of transport and implement it effectively.

In the coming year, Moldova should in particular:

→ progress to get removed from the blacklist of the Paris Memorandum of Understanding on Port State Control;

→ timely implement of the Railway Transport Code;

→ adopt the new national mobility strategy 2023-2030, covering all transport modes and prepare an action plan to implement it, and a new road safety strategy.

On **general transport**, Moldova is currently preparing a Mobility Strategy for 2023-2030 to be adopted by the end of 2023 and replace the 2013-2022 Strategy on transport and logistics. On public services Moldova is aligned with the EU *acquis* on rail but not road transport. Moldova has plans to increase the administrative capacity for the rail and maritime sectors while aviation authorities have implemented some measures already. Those include upgraded IT devices for inspectors, new sets of equipment for RAMP and in-flight inspections. During the reporting period, the government approved the creation, organisation and working methods of the Transport Accident and Incident Investigation Bureau and the Railway Agency.

In 2022, Moldova was granted observer status in the Transport Community Treaty as basis for further integration of the country in the EU transport market and is collaborating pro-actively with the treaty's structures. Closer association with the Transport Community can support Moldova on its European path and facilitate closer alignment with the relevant EU transport *acquis*.

On **road transport**, national legislation is partially aligned with the EU *acquis* on road safety. Moldova's new road safety strategy needs to be aligned with the EU Road safety Policy Framework 2021-2030 and be based on Safe System Approach and Key Performance

Indicators defined by the EU. Road safety is still a concern as the number of casualties is far above the EU average. A National Road Safety Observatory was created as a coordination centre. The use of funds for maintenance and repair of roads has become more efficient and resources allocated for road safety better absorbed.

The legislation on **dangerous goods** is partially aligned with the EU *acquis*. Although the existing regulations do not include rules for transporting hazardous substances, they do include references to applicable provisions of the European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR).

Legislation on **market access**, the profession of road transport operators, digital tachographs and access to the haulage market is partially aligned. The rights of passengers are regulated by the Road Transport Code, which is partially aligned with EU legislation. The EU *acquis* on maximum weights and dimensions of heavy-duty vehicles is partially harmonised by a government decision. Access to the international market for coach and bus services is regulated by bilateral agreements or multilateral agreements to which Moldova has acceded. No timeline has been produced to align each relevant piece of legislation with the EU social and market legislation, including amendments introduced in Mobility Package 1. The current national regulatory framework does not provide for the implementation of the Intelligent Transport Systems Directive (ITS), and the country also has insufficient capacity and resources to implement it. A concept for developing an integrated system exists, which includes subsystems like e-tickets, e-GPS, and a registry of transport operators. A road transport agreement to liberalise bilateral and transit road transport between the EU and Moldova was signed in June 2022 and has been extended up to 2024.

On **rail transport,** the adopted Railway Transport Code, which will enter into force in 2024, is partially aligned with the EU *acquis*. It includes provisions on: (i) separating train operations from infrastructure management; (ii) the independence of infrastructure managers to make decisions; (iii) railway safety; (iv) the roles of those involved in the rail system; (v) the supervision of safety management systems; (vi) safety certificates and safety authorisations; (vii) train drivers; and (viii) regulation of the railway market. A railway agency reporting to the Ministry of Infrastructure and Regional Development was created as the safety authority and will become operational when the new Code enters into force. Railway safety legislation, including safety management systems, safety responsibilities of railway companies and infrastructure managers, and licensing of train drivers are partially aligned with the EU *acquis* through the Railway Transport Code. Efforts are needed to adopt legislation on railway interoperability. Legislation is also not aligned with EU rules on passengers' rights.

On **maritime transport,** a ship register, that includes merchant vessels operating internationally, has been set up. The Moldovan flag vessel is on the blacklist of the Paris Memorandum of Understanding on Port State Control. Authorities should put in place a roadmap in order to get its vessels removed from this list. Legislation on port services is not aligned with the EU *acquis*.

The country has observer status to the Black Sea Memorandum of Understanding on Port State Control. Moldova does not have a maritime coastline, but it has access to the maritime sector of the Danube River. The country is not a party to the Maritime Labour Convention. Moldova also participates in the Black and Caspian Sea (BCSEA II) technical assistance project implemented by the European Maritime Safety Agency (EMSA).

The country has two **inland waterways** of international importance, the Nistru and Prut Rivers. Moldova also has access to the Danube River and participates in the EU strategy for

the development of the Danube region. Moldova has also signed an agreement on inland waterway navigation with Romania. The inland waterways normative framework is not in line with the EU *acqui*s. Currently, a draft government decision for the approval of the rules and standards regarding the technical examination of connected inland navigation vessels and the recognition of Inland navigation classification societies is in the approval process. In the approved 2023-2025 government national plan for development, an increase in the administrative capacity of the Naval Agency is envisaged.

There is no legislation on training navigation personnel and no relevant educational institutions in Moldova. The legislation on the recognition of crew qualifications is not aligned with EU legislation and Moldova should continue working on fulfilling the preconditions for recognition of navigation certificates in the EU.

On **aviation**, the country is partially aligned with the EU *acquis*, having harmonised more than half of the legal acts in the EU-Moldova Common Aviation Area Agreement with its legislation. This covers aviation *acquis* in the areas of personnel licensing, air operators' certification, airworthiness and aerodromes, aviation safety and security, and passenger rights. The *acquis* on air navigation services is at an advanced stage of implementation. The national legal framework has been harmonised with several EU regulations under the single European sky framework.

There are no legal and technical provisions on **intermodal transport** in Moldova.

Moldova needs to apply **EU passenger rights** *acquis* for all forms of transport.

Chapter 15: Energy

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

Moldova **is in between some and moderate level of preparation** in the area of energy. Moldova has made **good progress** during the reporting period. The diversification of gas and electricity supply routes has reduced Russian energy supplies, replacing them with western supplies.

In the coming year, Moldova should in particular:

→ align with and implement the 'Clean energy for all Europeans' package, including with the EU Renewable Energy Directive and the Electricity Integration Package adopted by the Energy Community Ministerial Council in December 2022, and start setting up an electricity market operator;

→ adopt the Energy Strategy for 2050 finalise and adopt the National Energy and Climate Plan (NECP), in line with the Energy Community 2030 energy and climate targets;

→ set up the national energy efficiency fund with a focus on interventions in the residential sector, considering the best regional practices.

On **security of supply**, Moldova follows an energy strategy (launched in 2013) with a vision to safeguard energy security by strengthening gas and electricity transmission networks and increasing their role for transit, by developing gas storage capacity, modernising the district heating systems available in the country and promoting sustainability through energy efficiency and renewables. In line with EU Regulation on the Governance of the Energy Union and Climate Action, the process of drafting the National Energy and Climate Plan (NECP) is ongoing. The final NECP will have to be aligned with the Energy Community

2030 energy and climate targets and take due account of recommendations issued by the Energy Community Secretariat. There are still delays in aligning legislation with the EU Oil Stocks Directive. Despite the available draft bill, Moldovan authorities are delaying the adoption of national legislation which would align with the EU Oil Stocks Directive. On the security of supply of gas, a state-owned trader, Energocom, purchased and stored more than 300 million m^3 of gas in 2022, using a loan from the European Bank for Reconstruction and Development.

On the **internal energy market**, legislation aligning with the third energy package was adopted. Certain parts that still need to be implemented, including: (i) unbundling of the second gas transmission system operator, Moldovatransgaz, which is part of Moldovagaz (controlled by Gazprom); (ii) applying gas network codes; (iii) redesigning the public service obligation scheme, and (iv) allowing all customers to switch their suppliers without having to pay the "equity fee" currently imposed. The electricity transmission system operator Moldelectrica was certified by the National Energy Regulatory Agency (NAER) in July 2023, considering the opinion of the Energy Community Secretariat. Gas and electricity distribution and supply companies were successfully unbundled. Alignment with the 'Clean energy for all Europeans' legislative package is pending.

The implementing legislation needed for the gas and electricity markets was issued by the national energy regulator. Only for gas, National Agency for Energy Regulation (ANRE) aligned the REMIT Regulation in July 2022 and started the alignment with the gas balancing network code, in line with the *acquis*. Legislative changes are required to enable alignment for electricity. Market opening in electricity reached almost 10% in 2021, but due to Russia's war against Ukraine and the energy crisis, the market was reregulated. The market opening, from legal perspective, reached 100% both in electricity and gas and procedures for supply switching are in place, even if in practice, the vast majority of gas customers are still under regulated prices. Electricity balancing mechanisms and imbalance payments were successfully introduced in 2022 but were operated under a transitional mechanism with capped prices. There are no balancing services provided by any parties in Moldova. The day-ahead market and the intra-day market are still to be set up and a nominated electricity market operator (NEMO) is still to be designated. In gas, a real market opening has yet to happen despite there being 25 licensed suppliers. New generation capacity can be built using a simple authorisation procedure in place. The connection to the grid and licensing procedures appears to be operational.

Most retail consumers are at regulated tariffs set by the national energy regulator. Cross-subsidies between customer categories and between voltage levels/pressure levels were eliminated. Moreover, the regulator approves transmission and distribution tariffs using transparent methodologies. All regulated retail prices are adjusted at least once a year.

There is no social tariff for vulnerable energy consumers. Instead, the legal aspects of energy poverty are currently covered by energy and social assistance legislation. Energy sector legislation (Energy Act, Natural Gas Act, Electricity Act) identifies vulnerable consumers as socially disadvantaged categories in line with social assistance legislation. Assistance is then addressed through specific support schemes under the social protection system. For these consumers, a dedicated Energy Vulnerability Fund was created in 2022, and direct support for gas, electricity and heating bills was provided in winter with the level of subsidies initially tailored to five vulnerability categories and extended to six categories in 2023. A new action plan, following on from the NECAP in previous years, to prepare for the winter 2023-2024 is to be developed.

Access to gas and electricity transmission systems is fully open and based on regulated tariffs. The third-party access principle is implemented. Moldovatransgaz has not been unbundled yet, hindering the correct application and implementation of the legislation. Preparatory activities for the unbundling and certification of any of the TSOs are ongoing, with the involvement of the Energy Community Secretariat.

On **hydrocarbons**, the Ministry of Environment has not aligned legislation with the Hydrocarbons Licensing Directive. Moldova does not have any offshore geographical areas.

The last **national renewable energy action plan** covered 2013-2020 and is to be substituted by the upcoming NECP. The 17% target of gross final energy consumption in 2020 to be covered by renewable sources was achieved and surpassed (23.57%). For 2030, the target for the share of renewables is 27%.

The country partially aligned itself with the Renewable Energy Directive through national legislation on the promotion of renewable energy sources. Alignment with the revised Renewable Energy Directive, part of the 'Clean energy for all Europeans package', is under way with support from the Energy Community Secretariat.

The main obstacle to the large-scale development of wind and solar electricity generation is the limited capacity of the transmission system operator to ensure balancing the system. Another obstacle is the postponed organisation of the first round of tenders for renewables, which has been on the government's agenda since 2019. Under government decision in force, the capacity to be installed until 2025, that can benefit from both support schemes – fixed prices and FiT for small-scale projects, is limited to 120 MW in wind, 200 MW in solar, and 90 MW in non-intermittent sources. This is expected to contribute to the country's recent commitment and draft NECP objective to reach a 30% target of renewable electricity by 2030.

Guarantees of origin are currently issued by the Central Electricity Supplier, a single buyer of electricity produced at feed-in tariffs and feed-in prices. Amendments to the Renewables Law, which are currently under development, should make it possible to organise the first auctions for renewable energy projects. For renewable heat, there are currently no specific support mechanisms beyond support for energy efficiency projects. The **national energy efficiency action plan** for 2019-2021 is now incorporated into the upcoming national energy and climate plan. This plan is currently being developed and will have to implement the 2030 energy and climate targets agreed at the Energy Community. The capacity of the Energy Efficiency Agency, reporting to the Ministry of Energy, that oversees promoting energy efficiency and renewable policies and managing energy efficiency projects must be strengthened. To do so, the Ministry of Energy is currently reorganising the Agency to extend its scope and expertise by amending the Agency's institutional setup and related regulation. The only existing national fund that finances energy efficiency projects is the Fund for Local and Regional Development. The Energy Efficiency Agency, once reorganised, should become responsible for financing energy efficiency projects in residential and, at a later stage, public buildings.

Moldova achieved the 2020 target and progressed with the alignment of national legislation with the Energy Efficiency Directive, which was adopted in May 2023.

Implementation of the Buildings Directive is still incomplete. The 2014 Law on the energy performance of buildings is partially aligned with the Directive. A long-term building renovation strategy has been developed and needs to be adopted. Chisinau and Balti have functional municipal heating systems. Head distribution network has been rehabilitated and the generating units are gas fired, producing both electricity and heat.

On **nuclear energy, nuclear safety and radiation protection**, Moldova does not have and does not intend to build any nuclear power plants. Moldova has developed a national strategy on radioactive waste management aligned with the Radioactive Waste Directive. The Law regarding main requirements in radiological safety has been adopted. Moldova still needs to align with and fully implement the Euratom Directives on nuclear safety, management of spent fuels and nuclear waste, basic safety standards and drinking water. Moldova is not yet a member of ECURIE system.

On **nuclear safeguards**, upon accession, the existing systems of accountancy and control of nuclear materials in Moldova would need to be adapted to accommodate for the safeguard provisions (chapter 7) of the Euratom Treaty.

Chapter 21: Trans-European networks

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

Moldova has achieved **some level of preparation** in trans-European networks. **Some progress** was made in the reporting period. On energy, Moldova succeeded in diversifying its electricity and gas supply routes. It did so through the emergency synchronisation with the European Network of Transmission System Operators (ENTSO-E) continental grid. Moldova needs to align its legislative framework with the Trans-European Network for Transport and the Trans-European Network for Energy regulations and develop its infrastructure.

In the coming year, Moldova should in particular:

→ make progress in completing the urgent priority infrastructure projects on Solidarity Lanes, in particular rehabilitating the north-south railway corridor and mobilising resources to absorb Connecting Europe Facility funds to support, in particular, the alignment to the EU gauge;

→ speed-up the construction of the Vulcănești-Chișinău 400 kV power line; secure project financing for and start building a new 400 kV electricity interconnection between Suceava in Romania and Bălți in Moldova.

On **transport networks,** the current strategic framework for transport infrastructure is set out in the 2030 national strategy for development. A new national mobility strategy for 2023-2030 is being developed. The priority transport corridors are outlined in the EU-Moldova Association Agreement. In addition, the Trans-European Transport Networks (TEN-T) were extended to the Eastern Partnership, including Moldova.

In May 2023, Moldova was the first non-EU country to be associated to the Connecting Europe Facility (CEF) that will support the implementation of the extended TEN-T networks.

The road fund is the main source of funding from the national budget for the maintenance of public roads. Road works, which include TEN-T network, are advancing with some delays on sections where the contracts for works were terminated and new tenders launched.

The administrative capacity of the authorities responsible for implementing major projects needs to be improved. Moldova is a key transit route under the EU-Ukraine Solidarity Lanes initiative. The EU provided a EUR 20 million grant in 2022 for the rehabilitation of part of the north-south railway corridor. This is planned to be finished by the end of 2024, but some effort is needed to ensure the smooth implementation of the project. Following a landslide in August 2022, Moldova must ensure urgent repairs to the Cahul-Giurgiulești railway line,

which is part of the TEN-T network. For the rehabilitation of the railway segment Basarabeasca-Giurgiulesti, works are currently ongoing.

On **energy networks,** gas and electricity transmission infrastructure developments are set out in the Ten-Years Network Development Plans developed by transmission system operators and approved by the energy regulator in line with EU practice.

On **electricity,** the emergency synchronisation with the ENTSO-E continental Europe grid took place during the reporting period. Several projects are under way: the 400 kV overhead-line interconnection between Vulcănești (Moldova) and Isaccea (Romania), the extension of the 400 kV overhead line between Vulcănești and Chișinău. The Romania-Moldova gas interconnector (Iași-Ungheni) and the bidirectional flow on the Trans-Balkan corridor Moldova-Ukraine have been finalised. Backhaul legislation was adopted in January 2023, providing for financial and customs declarations of reverse gas flows.

The Regulation on guidelines for trans-European energy networks is in the final stage of alignment through a dedicated amendment to the national Law on energy.

Chapter 27: Environment and climate change

The EU promotes strong climate action, sustainable development and protection of the environment. EU rules contain provisions addressing climate change, water and air quality, waste management, nature protection, industrial pollution, chemicals, noise and civil protection.

Moldova is at an **early stage of preparation** in the area of the environment and climate change. **Some progress** was achieved in cross-cutting environmental legislation, nature protection and industrial emissions regulation. Moldova is encouraged to be more ambitious and strengthen its coordinated action on the green transition, especially by prioritising the mainstreaming of the European Green Deal in all policy areas. Climate-related commitments under the Energy Community in view of moving towards carbon pricing require urgent action.

In the coming year, the country should in particular:

→ strengthen implementation and enforcement of legislation with a focus on horizontal legislation, nature protection, water management and waste management;

→ allocate the necessary human and financial resources to the Ministry of Environment and to subordinated bodies;

→ implement commitments under the Energy Community's Decarbonisation Roadmap.

Environment

On **horizontal legislation**, Parliament adopted amendments to the Law on environmental impact assessment to fully align it with the Environmental Impact Assessment Directive. Parliament also passed amendments to the Law on strategic environmental assessments (SEA). The aim was to improve consistency with the SEA Directive and the UN Economic Commission for Europe Protocol on SEA, particularly on public consultations, quality assurance and monitoring. Further alignment is needed in the areas of environmental liability and environmental crime. In light of the ongoing revising and replacement of Directive on Environmental Crime with a new version an adaptive response to the alignment with this changing body of *acquis* would be welcome. The country needs to strengthen implementation and enforcement in most areas. In addition, more sectoral involvement and responsibility in developing an integrated environmental and climate policy is required. It is also important for

Moldova to build capacity in the Ministry and the bodies reporting to it, mobilise enough resources, and continue to strengthen transparency, public consultations and dialogue with civil society.

On **air quality**, Moldova has aligned its legislation with several EU directives. There is a need to revise the legislation on the sulphur content of certain liquid fuels and harmonise legislation with the EU Directive on the reduction of national emissions of certain air pollutants. The current air quality monitoring system is fragmented, and the country needs to invest heavily in technical equipment, develop air quality plans and build capacity to collect, process and report data.

On **waste management** and the circular economy, Moldova put in place a number of the key parts of legislation relevant to the EU *acquis*. The country still needs to harmonise legislation with several directives, including the directives on ship recycling and managing waste from extractive industries. Moldova is making significant investments in its solid waste management infrastructure. To promote the circular economy, the government adopted a regulation on eco-labelling.

On **water quality** management, Moldova has aligned its legislation with the Water Framework Directive and entered the second cycle of river basin management planning. This included the government approving the river basin management plan of the Danube-Prut and Black Sea hydrographic basin district cycle II (2023-2028). Further alignment is needed with several other parts of the EU *acquis*. Significant parts of the population still lack access to quality water supply and sanitation services. Systemic investments are required, especially in wastewater treatment infrastructure. The sector would benefit from a clear division of responsibilities and improved coordination between the authorities concerned.

On **nature protection,** Moldova amended its Law on ecological networks in October 2022. The amended law includes a chapter on the Emerald Network. In February 2023, the national forest extension and rehabilitation programme for 2023-2032 was adopted. Efforts are needed to align legislation with other parts of EU law on nature protection and sustainable forest management. The country must also build capacity for more efficient management in this sector.

On **industrial pollution control and risk management**, Parliament approved a new legislative framework on industrial emissions in September 2022. This harmonises legislation with EU directives on industrial emissions and on the limitation of atmospheric emissions of certain pollutants from medium combustion plants. During the reporting period, several amendments to the legal framework on risk management came into force, which improve the level of harmonisation in the area. Created in 2016, the Pollutant Release and Transfer Register is not fully operational. Overall, Moldova should strengthen the coordination of interinstitutional actions and build capacity to check and validate data, check companies' reporting, and improve legal liability.

On **chemicals**, Moldova has partially aligned its legislation with EU *acquis* in this area. The country must also strengthen implementation and enforcement of the sustainable management of chemicals. It would benefit from creating a national helpdesk as a first point of contact for questions on the CLP and REACH regulations. It should also permanently strengthen cooperation with the European Chemicals Agency.

No significant progress on **noise** legislation was made during the reporting period.

On **civil protection and disaster risk management**, the country made significant progress. In October 2022, the government submitted an expression of interest and in September 2023

Moldova joined the Union Civil Protection Mechanism (UCPM). Moldova's existing sectoral development Action Plan, adopted in December 2022, sets clear priorities and provides for proactively participating in UCPM exercises and training. Moldova requested and participated in a UCPM Peer review of its civil protection system on a voluntary basis.

Moldova should continue its efforts in strengthening its civil protection and disaster risk management system, particularly on disaster prevention and preparedness. It should develop national disaster risk assessments based on a nationally approved methodology. To increase resilience to natural disasters and crises, Moldova should also boost its operational capacity, infrastructure, early warning system and step-up efforts in strengthening its hydrometeorological service. Moldova should also set up secure trans-European services for telematics between administrations (TESTA) to connect to the Common Emergency Communication and Information System (CECIS). This should be done to facilitate a coordinated communication with the Commission's Emergency Response Coordination Centre (ERCC).

Climate change

On **climate change**, Moldova is a signatory to the Paris Climate Agreement under the United Nations Framework Convention on Climate Change. The low-emission development strategy for 2030, which is currently being revised and will be complemented by the National Energy and Climate Plan, is the main decarbonisation strategy. Moldova updated its nationally determined contribution in 2020 with the unconditional target to reduce its net greenhouse gas emissions by 64-67% in 2030 compared with 1990 levels and the conditional target to reduce emissions by up to 88% if international climate finance is secured. Moldova has not submitted either a long-term low-emission strategy or a national adaptation plan under the Paris Agreement.

Moldova has a national system for monitoring, verifying and reporting greenhouse gas emissions. The national greenhouse gas emissions inventory and reporting is donor-based. Some parts of the ETS Directive are partially aligned as provisions on monitoring, reporting and verification for industrial entities are included in national legislation on industrial emissions. Provisions on monitoring, reporting and verification (MRV) for the aviation sector are not harmonised, and a national greenhouse gas permitting system has yet to be set out.

A law on fluorinated gases was adopted in March 2023. From January 2024, the import and use of fluorinated gases will gradually decrease in favour of greener, energy-efficient options, as per the EU standards. The Ozone Regulation on substances that deplete the ozone layer is incorporated into national law. The Fuel Quality Directive is partially incorporated into national law.

The main obstacles and challenges to implementation include limited administrative capacity, fragmented sectoral policies and absence of a whole-of-government oversight on implementation of climate policies and commitments, and insufficient monitoring and checks of greenhouse gas emissions, including the reliability of data across the country.

CLUSTER 5: RESOURCES, AGRICULTURE AND COHESION

This cluster covers: agriculture and rural development (Chapter 11); food safety, veterinary and phytosanitary policy (Chapter 12); fisheries and aquaculture (Chapter 13); regional policy and coordination of structural instruments (Chapter 22); and financial and budgetary provisions (Chapter 33).

Moldova is at an early stage of preparations for all chapters except for food safety, veterinary and phytosanitary policy where it has some level of preparation. Some progress was

achieved on agriculture and rural development as well as food safety, veterinary and phytosanitary policy. In fisheries and aquaculture, regional policy and coordination of structural instruments and financial and budgetary provisions limited progress was achieved. Further efforts are needed in all these areas.

Chapter 11: Agriculture and rural development

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

Moldova is at an **early stage of preparation** in agriculture and rural development. **Some progress** was made during the reporting period, with the adoption of the national strategy for agriculture and rural development, by supporting local action groups (LAGs) in implementing local development strategies through the LEADER programme.

In the coming year, Moldova should in particular:

→ draw up an action plan to set up an Integrated Administration and Control System (IACS), progress in creating the farm register;

→ take concrete steps to strengthen the administrative capacity of the Ministry of Agriculture and Food Industry, and of the Agency for Interventions and Payments in Agriculture (AIPA).

On **horizontal issues**, the national strategy for agriculture and rural development for 2023-2030 was adopted in February 2023. It is aligned with the general principles of the new common agricultural policy. The authorities must develop a multi-annual financing plan as well as a monitoring and reporting system.

Further efforts are required to set up an integrated administration and control system (IACS). An interinstitutional coordination task force for e-governance in agriculture was created in 2022. A feasibility study to create a farm registry was conducted, and a roadmap for its implementation drawn up. An animal register is in place and is undergoing further developments. No system to identify agricultural parcels exists. There is no Farm Accountancy Data Network (FADN) in place. Strategies for collecting and monitoring data need to be further developed.

Regarding **common market organisation** (CMO), efforts are needed to prepare and set up the regulatory framework in line with the EU acquis.

The framework policy document governing **rural development** is the national strategy for agriculture and rural development 2023-2030, and the National Fund for the Development of Agriculture and the Rural Areas provides for the financial support to measures improving the standard of living and working in rural areas. The National Fund for Agriculture and Rural Development supports the implementation of the LEADER.

As regards **quality policy**, Moldova has legislation regulating the protection of geographical indications, protected designation of origin, and traditional specialities guaranteed and maintains a publicly available register of protected products.

Moldova is partially aligned with the EU *acquis* on **organic farming**. A new law further aligned with the EU *acquis* is in adoption process. The competent authority, the Ministry of

Agriculture and Food Industry, has appointed the official control body, while the accreditation and certification systems are in place and operational. The new Law on organic production and labelling, aligned with EU policy was adopted in July 2023.

Chapter 12: Food safety, veterinary and phytosanitary policy

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

Moldova has **some level of preparation** on food safety, veterinary and phytosanitary policy. During the reporting period, **some progress** was made strengthening the institutional and diagnostic capacity of competent authorities (especially reference laboratories). Monitoring and enforcement of the domestic market food quality need to be strengthened.

In the coming year, Moldova should in particular:

→ strengthen the diagnostic resources of competent authorities and broaden the scope of the national monitoring and surveillance programme for food safety, animal feed and veterinary drugs to increase the level of assurance for animal origin products;

→ draw up a human resource development strategy for the National Food Safety Agency and a specialised training programme for inspectors from territorial subdivisions.

In the area of **general food safety, food safety rules and specific rules for feed**, Moldova's administrative capacity has been strengthened through the reorganisation of the National Food Safety Agency (NFSA).

In 2022, after taking over the laboratory system from the Ministry of Agriculture and Food Industry, the food safety laboratory based in Bălți was incorporated into NFSA thus increasing the network to seven national reference laboratories. More resources and training are needed for the agency's inspectors, particularly at the local level.

On **veterinary policy**, Moldova has further increased its surveillance system and the diagnostic resources of the competent authorities. It continued to successfully implement active surveillance of EU programmes for African swine fever and rabies prevention and control. Throughout 2022, avian bird flu detection, response times and effectiveness have improved by e.g., setting up surveillance and protection zones, laboratory testing and use of confirmatory methods. Measures for the prevention and control of rabies in animals have also been put in place.

The use of veterinary drugs with antimicrobial effects was restricted. Training for inspectors from territorial subdivisions was intensified, covering topics such as hazard analysis critical control points audits in farms and food businesses and risk analysis.

The animal state register was completed by including the registration of non-professional poultry holdings (backyards) and interconnecting it with the laboratory digital information system. The policy for the non-commercial movement of pets is harmonised with the EU *acquis*.

On **food safety rules**, the country's laboratories have sufficient capacity. It was increased during the reference period through the accreditation of new methods at the food product testing laboratories. In March 2023, Moldova was authorised to export processed poultry meat and eggs for consumption (class A), this reflects the effectiveness of official controls.

On the **placing of food, feed and animal by-products on the market**, raw milk was included in the 2022 national monitoring and surveillance programme. The country has yet to expand residue monitoring to new products and increase the number of samples of official controls obtained at farms, processors and distributors. Progress has been made to harmonise national legislation with EU regulations on the obligatory labelling of substances or ingredients that cause allergies or intolerances, country of origin of primary ingredients, and information on the presence of gluten. Regulations on maximum limits for trans-fatty acids (transfats) in food products are aligned with the relevant EU regulations.

State legislation on **phytosanitary policy** is partially aligned with the EU *acquis*. Further progress is needed to implement actions on sustainable use of pesticides. This includes activities on the online training platform launched in February 2023 to strengthen the information flow and increase the knowledge and application of good practice.

Equivalence of field inspection for crops that produce cereal, vegetables, oleaginous plants and fibres seeds, in line with EU *acquis*, was granted by the European Commission for assessments carried out by the authorities.

The Law on **genetically modified organisms**, aligned with the EU *acquis*, was adopted in June 2022 and will enter into force in 2024. Official controls, production and placing are performed according to the 2023 national monitoring and surveillance programme.

Chapter 13: Fisheries

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

Moldova is at **an early stage of preparation** in the area of fisheries. During the reporting period, **limited progress** was made in strengthening the legal framework and institutional capacity, notably by strengthening inspections and controls. However, the multiannual strategy and national legislation on aquaculture have not been adopted or implemented.

In the coming year, Moldova should in particular:

→ adopt a national strategy dedicated to aquaculture;

→ progress on aligning quality and marking standards with those under the EU common market organisation;

→ improve the traceability of fishery and aquaculture products and strengthen import inspections to prevent importation of illegal, unreported and unregulated (IUU) fishing;

Moldova needs to further strengthen the capacity to develop, implement and enforce fisheries policy. It also needs to boost overall coordination of the authorities on biodiversity protection.

The adoption of a multiannual national strategy dedicated to aquaculture and a national legislation on aquaculture aligned with EU *acquis* is pending.

On **resource and fleet management**, Moldova has no vessels engaged in sea fishing. Authorities need to improve the data available on fisheries and aquaculture. Commercial fishing is not authorised in order to protect fish species in natural water basins, and a system for recording and checking the use of fishing opportunities has not been developed.

Inspections and controls were strengthened through provisions on fish farms, the transport of live animals, and fish and fishery product processing facilities. Intensified sanitary and veterinary inspections of live fish consignments by the National Food Safety Agency strengthened compliance with sanitary and veterinary requirements including for imports. A control system to prevent importation of fishery products from illegal, unreported and unregulated (IUU) fishing is needed.

Moldova has no specific **structural actions** for small-scale fisheries. The data collection framework has not been harmonised with the EU acquis.

Concerning **market policy**, there is no legal framework on producer organisations and market requirements specific to fishery and aquaculture products (consumer information, marketing standards, market intelligence). No progress was made during the reporting period on aligning quality and marking standards with those under the EU common market organisation.

No **State aid** support measures are provided for fisheries and aquaculture sectors.

International cooperation activities should be further strengthened, including as part of the common maritime agenda for the Black Sea and the General Fisheries Commission for the Mediterranean. EU-Moldova cooperation dialogue takes place on the fight against illegal, unreported and unregulated (IUU) fishing. No further progress has been made in adopting and integrating in national law the international fisheries agreements, nor finalising legislation covering the definition of fishing vessel in line with international fisheries instruments and rules with regards to the registration and deregistration of vessels engaging in illegal, unreported, and unregulated fishing.

As regards the wider blue economy, Moldova participates in the Common Maritime Agenda, the EU sea-basin strategy for the development of a sustainable blue economy in the Black Sea. It is moderately active in the implementation of its priorities, with a strong commitment at the grassroots level. Moldova is encouraged to continue its positive regional cooperation under the Common Maritime Agenda with the other participating countries, as well as to strengthen its ownership of and commitment to the initiative.

Chapter 22: Regional policy and coordination of structural instruments

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

Moldova is at an **early stage of preparation** in the area of regional policy. **Limited progress** was made in the reporting period. Moldova's legislative framework is partially aligned with the EU *acquis* in areas. Moldova's administrative capacity and experience is insufficient to meet the requirements of EU regional policy in implementing large-scale funds. Regional development and cohesion are hampered by the inefficient administrative-territorial structure.

In the coming year, Moldova should in particular:

→ operationalise the IT system through which mature investment projects are submitted for approval;

→ ensure sufficient administrative capacity for the whole implementation of the cross border and transnational cooperation (Interreg) programmes;

→ set up audit structures specialised in auditing European funds.

On the **legislative framework**, the country still needs to align itself with the core legislative parts of the EU cohesion policy framework.

The current **institutional framework** is outlined in the Law on regional development but is to be aligned to the needs of cohesion policy. The National Coordination Council for Regional and Local Development is responsible for regional development policy at national level. The regional development councils are responsible for regional development policy at local level.

The Ministry of Finance is the national coordinating authority for external assistance with the State Chancellery being responsible for monitoring technical assistance projects. Sectoral coordination takes place at ministry level. A definition of tasks and responsibilities among the bodies involved in managing external assistance is in place. In order to ensure that the needs are most efficiently addressed through external assistance, cooperation between the Ministry of Finance and the State Chancellery should be further strengthened.

The Ministry of Finance has set up the necessary administrative structures for the implementation of the cross border and transnational cooperation (Interreg) programmes. For the effective functioning of national authority structures for Interreg programmes, the Ministry of Finance should ensure sufficient administrative capacity during the whole implementation of these multiannual programmes.

Overall**, administrative capacity** is still low. Specific expertise on planning, implementation and monitoring under shared management (beyond cross-border cooperation) is very limited. The country does not have a comprehensive plan to build and maintain administrative capacity to implement cohesion policy, including capacity-building needs assessments and training measures. The significant disparities in the provision of basic services between urban and rural areas persisted during the reporting period.

Multiannual **programming** takes place via the government-approved medium-term budget framework. This sets the financial resources for three years for the National Fund for Regional and Local Development and for contributions to projects financed by external sources.

A national regional development strategy for 2022-2028 and a separate national programme for the development of cities as growth poles exist. The National Fund for Regional and Local Development is the main source of funding for regional and local development projects.

In February 2023, the government adopted the national development plan for 2023-2025. Implementation of this plan is based on the national development strategy 'Moldova 2030', and considers recommendations made in the context of Moldova's accession to the EU. Instruments to finance local and regional projects by the government are fragmented. The pipeline of mature investment projects is being made operational with the support of an EU-funded project. It will involve a first set of public investment project proposals being appraised in line with the eligibility criteria set out in a newly adopted regulation. New regulation defining the procedure for submission was adopted during the reporting period, but the IT system through which the project proposals are to be submitted is not yet operational. Moldova does not monitor and evaluate public investment programmes as laid down in the Common Provisions Regulation.

There is limited **financial management and control** system for EU funds in place with exception of Moldova's regulation on the implementation of EU-funded Interreg programmes for which the national structures are being set up for the 2021-2027 programming period. On **audit**, Moldova does not have an audit structure specialised only in auditing European funds, a requirement for alignment with the EU *acquis*, except for the audit of the Interreg programmes. The Court of Accounts monitors the planning, management and use of public financial resources and has been part of the group of auditors performing audit of cross-border and transnational cooperation programmes but lacks sufficient resources or targeted training.

Chapter 33: Financial and budgetary provisions

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

Preparations under this chapter are at an **early stage**. **Limited progress** was achieved in the reporting period. Amendments adopted in March 2023 to the customs legislation will increase alignment with the EU *acquis*. The institutional environment required for an efficient own resources system has yet to be set up.

In the coming year Moldova should in particular:

→ engage in capacity-building activities on the traditional own resources system in the EU;

→ set up a coordinating body to implement the administrative processes for an own resources system.

Basic principles and institutions in the underlying policy areas affecting own resources are linked to progress under other chapters such as 16: Taxation, 18: Statistics, 29: Customs union and 32: Financial control.

Some progress was made on **traditional own resources** with amendments to the customs legislation, which is now largely aligned with the EU *acquis* and will enter into force on 1 January 2024. This will help prepare traditional own resources, namely customs duties. Moldova has electronic systems in place for levying customs duties (and VAT) at the point of import, as well as for accounting and management of debts. It operates a national VAT system. Nevertheless, the IT infrastructure should be upgraded as a basis for creating a traditional own resources system.

On the VAT-based resource, calculation of the VAT base and the weighted average rate is partial. The country does not have adequate measures in place to combat VAT and customs duties fraud, in particular those affected by the non-observed economy (non-VAT taxpayers trading goods, etc.). Legislation on structure, exemptions, deductions, special schemes and the scope of reduced rates is not fully aligned with the EU *acquis*.

On **gross national income**, Moldova compiles national accounts and calculates gross national income, including an estimation of the non-observed economy. It also makes some estimates on plastic waste generation and the quantity of plastic waste recycled at national level, which is based on reports provided by authorised waste management companies. The underlying policy is not aligned with the EU *acquis*, especially the compilation of the national accounts and gross national income currently based on the definitions and accounting rules of the UN System of National Accounts 2008 and not the European ESA 2010 standards. There has been no progress on the changeover to ESA 2010, national data collection or the calculation of non-recyclable plastic.

On **administrative infrastructure**, the Ministry of Finance has overall responsibility for financial and budgetary issues. Moldova has yet to set up the institutions for the own resources system, an own resource coordination body and implementing rules for alignment with EU requirements. No training has been organised on implementing the own resources system.

CLUSTER 6: EXTERNAL RELATIONS

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

In this cluster, Moldova is moderately prepared in the chapter of external relations where it made some progress during the reporting period. In the chapter of common, foreign, security and defence policy, the country is in between moderate and good level of preparation and made good progress. Moldova's alignment with declarations by the High Representative on behalf of the EU and Council Decisions was 54% and has increased to 78% in 2023.

Chapter 30: External relations

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

Moldova is **moderately prepared** in the area of external relations and made **some progress** during the reporting period. On bilateral trade, free trade agreement negotiations with the European Free Trade Association were concluded. Further action is expected on administrative capacity and alignment with the EU *acquis* on dual-use export controls and export credits.

In the coming year, Moldova should in particular:

→ finalise aligning the national legislation on export controls for dual-use items with the EU *acquis*;

→ set out legal framework on international cooperation, development and humanitarian aid towards non-EU countries, aligned with EU policies and principles.

On the **common commercial policy**, Moldova coordinated its positions and aligned itself to the initiatives promoted or supported by the EU in the WTO. This includes alignment with all joint statement initiatives, namely the Joint Initiative on Electronic Commerce, the Joint

Initiative on Investment Facilitation for Development, the Joint Initiative on Micro, Small and Medium-Sized Enterprises, and the Joint Initiative on Services Domestic Regulation. Additionally, Moldova aligned itself with the Trade and Environmental Sustainability Structured Discussions and the Informal Working Group on Trade and Gender. Moldova also made progress in meeting its commitments in trade facilitation and intellectual propriety rights.

Under the decision of the Commission for Extraordinary Situations, starting from 1 March 2022, sugar exports were banned to ensure food security amid the multiple crises in the region. Moldova is examining the possibility to remove the ban and resume sugar exports; export restrictions previously imposed on certain agricultural products (wheat and corn) and medical products have been lifted. Amendments to the Law on internal trade, introducing 50% local content requirements and discriminating against foreign manufacturers, were repealed in June 2022.

On export controls of dual-use items, some progress has been noted with Moldova starting to align its legislation with the EU Regulation on the control of exports, brokering, technical assistance, transit and transfer of dual-use items.

On trade defence instruments, Moldova has legislation in place on anti-dumping, countervailing and safeguard measures. During the reporting period, the country did not apply any trade defence instruments. On export credits, Moldova does not grant export subsidies or export credit, and it has no export insurance programmes.

On **bilateral trade agreements** with third countries, in March 2023, Moldova concluded free trade agreement (FTA) negotiations with the European Free Trade Association. This is expected to enter into force on 1 January 2024.

In total Moldova has 43 bilateral investment treaties in force, including with 19 of which are with EU Member States. The legislative framework for screening foreign direct investment to protect investments in areas of importance for state security is in place.

On **development policy** and **humanitarian aid**, Moldova is a recipient of aid rather than a donor. It does not have a development policy or provide structured technical assistance to any partner countries. Although Moldova has legislation on humanitarian aid, there is no dedicated structure or budget to implement it. There is also no legal framework for non-governmental organisations to provide humanitarian assistance. During the state of emergency following Russia's war of aggression against Ukraine, special conditions for providing humanitarian aid to Ukraine were adopted by the Parliament and are supported by the June 2023 adoption of temporary protection measures. Following the February earthquakes and on Türkiye's request, Moldova delivered in-kind assistance and a team of rescuers, emergency vehicles and search dogs.

Chapter 31: Foreign, security and defence policy

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

Moldova is in **between moderate and good level of preparedness** in the area of common foreign, security and defence policy. **Good progress** was made in the reporting period. Moldova's alignment rate with relevant declarations by the High Representative on behalf of the EU and Council decisions increased. Following Russia's war of aggression against Ukraine, Moldova aligned with EU positions in international fora, including in the UN General Assembly (UNGA). In 2023, Moldova started its gradual alignment with some of the

EU restrictive measures related to Russia/ Russian activities abroad. Moldova continued to participate in EU crisis management missions and operations under the common security and defence policy.

In the coming year, the country should in particular:

→ continue to further increase the alignment rate with the EU common foreign and security policy (CFSP) and ensure the implementation of restrictive measures stemming from EU alignment;

→ continue its efforts to counter hybrid threats and enhance its resilience, including by following up on the recommendations from the hybrid risk survey and implementing actions in line with a whole-of-government and whole-of-society approach.

The **political dialogue** between the EU and Moldova on foreign and security policy continued, including in the framework of the EU-Moldova Association Council. The annual consultations on security and defence took place in autumn 2022, and the second EU-Moldova high-level political and security dialogue was held in Brussels in March 2023.

On the **common foreign and security policy (CFSP)**, in 2022, Moldova's alignment rate with relevant statements of the High Representative on behalf of the EU and Council decisions on restrictive measures was 54%. As of August 2023, the alignment rate improved to 78% Moldova expelled 22 Russian diplomats and 23 Russian embassy support staff members, limiting the embassy's staff by two thirds.

Moldova's Ministry of Foreign Affairs and European Integration has the appropriate structures in place to participate in the common foreign and security policy. Within the ministry, Moldova has a state secretary for security and horizontal issues, and another state secretary for EU integration.

On **restrictive measures,** following Russia's war of aggression against Ukraine, Moldova did not align with the EU restrictive measures against Russia and Belarus and related statements by the High Representative on behalf of the EU, but the authorities have committed not to allow the EU sanctions to be circumvented. In 2023, Moldova started its gradual alignment with some of the EU restrictive measures targeting Russia/ Russian activities abroad, such as two EU Council decisions targeting the Wagner group under the EU Global Human Rights Sanctions regime, as well as the restrictive measures in response to the illegal recognition, occupation or annexation by the Russian Federation of certain non-government controlled areas of Ukraine. More work is needed to align with EU restrictive measures and enhance the robustness of their implementation including by strengthening the national authorities in charge of this action.

Moldova has aligned itself with international and EU initiatives in support of Ukraine, including on Resolutions adopted by the United Nations General Assembly, the Human Rights Council, the Council of Europe.

Moldova cooperates constructively in international fora and is a member of multiple **international organisations** Moldova ratified the Rome Statute of the **International Criminal Court.**

On **disarmament and non-proliferation**, Moldova participates in some, but not all, international export control arrangements and instruments on non-proliferation. It participates in the Proliferation Security Initiative and the Hague Code of Conduct. Moldova is party to the Arms Trade Treaty. Moldova is not a participant to Wassenaar Arrangement, neither to

other multilateral export control nor non-proliferation regimes and is yet to join the Australia Group. Moldova does not have a separate national strategy for small arms and light weapons.

On **security measures**, the EU-Moldova Agreement on security procedures for the exchange and protection of classified information was operationalised prior to the reporting period in January 2021.

Security and defence cooperation has substantially increased over the past year, including in the framework of the European Peace Facility, addressing hybrid threats and cybersecurity, countering disinformation and strengthening strategic communication.

As regards **common security and defence policy (CSDP)**, Moldova has participated in EU crisis management missions and operations under CSDP since 2014, notably in the EU Military Advisory Mission in Central African Republic, and the EU Training Mission in Mali. Moldova has expressed interest to contribute to operation ALTHEA in Bosnia and Herzegovina, and in the EU Training Mission in Somalia and was invited to do so. Moldova actively contributes to UN missions. Moldova continues to contribute to NATO-led and UN mandated KFOR mission in Kosovo.

Regarding hybrid threats, Moldova completed the relaunched the EU **hybrid risk survey** in 2023 with the objective of identifying systemic vulnerabilities and streamlining the assistance provided by the EU in this field. Moldova initiated the implementation of a range of measures to increase its resilience and improve its ability to counter hybrid threats, in line with the recommendations from the hybrid risk survey.

ANNEX I – RELATIONS BETWEEN THE EU AND MOLDOVA

On 3 March 2022, the Republic of Moldova presented its application for membership of the European Union. The European Council granted **European perspective** and candidate status to Moldova in June 2022, on the understanding that nine steps identified in the Commission's opinion on the membership application, are taken.

The EU and Moldova signed an **Association Agreement, including a Deep and Comprehensive Free Trade Area,** in 2014, which fully entered into force in July 2016. The AA/DCFTA is the bilateral legal instrument serving as the basis for political association and economic integration between the EU and Moldova. Overall, Moldova continued to broadly implement its obligations. Regular political and economic dialogue between the EU and Moldova has continued through the AA/DCFTA structures, which alsoinclude various sub-committees. The last EU-Moldova Association Committee meeting took place in June 2022 and the latest EU-Moldova Association Council in February 2023. The 9th meeting of the EU-Moldova Association Committee in Trade Configuration took place on 29 November 2022, The EU-Moldova Parliamentary Association Committee held a meeting in March 2023.

Trade relations with the EU improved after the entry into force of the DCFTA and have intensified since the start of Russia's war of aggression against Ukraine, a Moldova has re-oriented many exports towards the EU. With the application of autonomous trade measures since July 2022, the EU unilaterally granted additional tariff rate quotas for a number of all agricultural products for 12 months and in July 2023 this measure was extended to remove all outstanding tariffs under the DCFTA for another year.

In light of Moldova's candidate status, the EU and Moldova agreed on a Priority Action Plan in June 2023 with the objective of accelerating implementation of the DCFTA and improving Moldova's access to the EU internal market, paving the way towards full accession in the future.

In addition to the AA/DCFTA structures, a Human Rights Dialogue with Moldova is in place since 2010 and convenes annually. The High-Level Energy Dialogue continued its biannual meetings during the reporting period, and the High-Level Strategic and Security Dialogue was held in March 2023.

The EU remains fully committed to support a comprehensive, peaceful and sustainable settlement of the Transnistrian conflict, based on the sovereignty and territorial integrity of the Republic of Moldova in its internationally recognised borders, with a special status for the Transnistrian region. The DCFTA applies to the entire territory of Moldova.

Citizens of Moldova enjoy **visa free travel** to the Schengen area as of April 2014. As part of the visa liberalisation monitoring mechanism, the Commission has been regularly assessing the progress made by the country in implementing reforms introduced under the visa roadmap. The Commission's sixth report under the Visa Suspension Mechanism, published in October 2023, concluded that Moldova continues to take action to address the recommendations from the previous year's report. A readmission agreement entered into force in January 2018.The EU has deployed considerable resources under the **common foreign and security policy** by launching an EU Partnership Mission to Moldova (EUPM) in May 2023 and providing assistance to the Moldovan Armed Forces through the European Peace Facility. In addition, the EU has put in place a dedicated sanctions regime targeting individuals who try to destabilise Moldova.

Regarding **bilateral financial assistance**, the indicative bilateral allocation for Moldova for the period 2021-2024 amounts to EUR 260 million under the Neighbourhood, Development

and International Cooperation Instrument – Global Europe 2021-2027 **(NDICI-GE)**. As part of the 2022 bilateral envelope, the Action EU4 Resilience and Governance was adopted in December 2022 with an amount of EUR 40 million and focuses on good governance, stability and peace, as well as providing opportunities for all in an inclusive manner. The bilateral annual programmes are complemented by a package of multi-country and regional programmes, supporting the energy sector, strengthening border management and assisting with migration, security more widely, as well as TAIEX and competitiveness programmes together with International Financial Institutions and International Organisations. To facilitate the development of a robust labour market, and of public procurement in the country, Moldova is participating as an observer in two pilot projects under the Technical Support Instrument.

Since its launch in 2009, Moldova has participated in the **Eastern Partnership** (EaP). This overarching framework has further boosted bilateral and regional relations with the EU. Under the Eastern Partnership **Economic and Investment Plan** (EIP), the EU aims to mobilise up to EUR 1.6 billion in public and private investments for flagship projects in Moldova. The EIP accompanies the recovery, resilience and reform priorities as agreed after the 2021 Eastern Partnership Summit. The core of these investments support the five flagships identified in cooperation with the Moldovan government. These include direct support to Moldovan SMEs, supporting the construction of an inland Freight Terminal in Chisinau, refurbishment of district heating systems in residential buildings (in Chisinau and Balti), anchoring Moldova in the Trans-European Network for Transport and modernising school infrastructure. The EU is committed to progressing under these flagships in close cooperation with Moldovan authorities. So far, EUR 600 million have been allocated in key sectors such as supporting SMEs, energy efficiency and investments in Solidarity Lanes.

These aforementioned activities are built on and added to the regional programmes under **European Neighbourhood Instrument 2014-2020,** which was replaced by the NDICI instrument.

Since 2014, Moldova has progressively extended its **participation in EU programmes.** It has joined EU Customs, Fiscalis, LIFE, EU4Health, Horizon Europe and Connecting Europe Facility (CEF). Organisations and individuals from Moldova can also benefit from certain actions of the Erasmus+ and European Solidarity Corps Programmes. Moldova participates in several Interreg programmes and is a member of the EU macro-regional Strategy for the Danube region. Moldova’s participation fee for EU programmes has been waived as a result of the impact on Moldova of Russia’s war of aggression against Ukraine.

STATISTICAL DATA (as of 31/08/2023)

Moldova

Basic data	Note	2010	2017	2018	2019	2020	2021
Population (thousand)		3 564 s	2 780 s	2 730 s	2 686 s	2 640 s	2 597 ps
Total area of the country (km²)	1) 2) 3)	33 846 w	33 847 w	33 847 w	33 847 w	33 847 w	33 849 w

National accounts	Note	2010	2017	2018	2019	2020	2021
Gross domestic product (GDP) (million national currency)	4)	86 275 w	176 007 w	189 063 w	206 256 w	199 734 w	242 079 w
Gross domestic product (GDP) (million euro)	4)	5 261 w	8 450 w	9 527 w	10 484 w	10 116 w	11 569 w
GDP (euro per capita)	4)	1 477 w	3 067 w	3 519 w	3 935 w	3 839 w	4 424 w
GDP per capita (in purchasing power standards (PPS))	4)	4 981 w	11 410 w	12 375 w	13 361 w	12 977 w	16 069 w
GDP per capita (in PPS), relative to the EU average (EU-27 = 100)		:	:	:	:	:	:
Real GDP growth rate: change on previous year of GDP volume (%)		:	4.2 w	4.1 w	3.6 w	- 8.3 w	13.9 w
Employment growth (national accounts data), relative to the previous year (%)	5)	- 3 sw	- 3 sw	3 sw	- 12 sw	- 4 sw	1 sw
Labour productivity growth: growth in GDP (in volume) per person employed, relative to the previous year (%)		11 w	8 w	1 w	17 w	- 4 w	13 w
Unit labour cost growth, relative to the previous year (%)	4)	- 9 w	0 w	14 w	- 4 w	15 w	:
**3 year change (T/T-3) in the nominal unit labour cost growth index (2015 = 100)	4)	128.8 sw	126.0 sw	130.5 sw	126.7 sw	144.8 sw	110.1 sw
Labour productivity per person employed: GDP (in PPS) per person employed relative to EU average (EU-27 = 100)		:	:	:	:	:	:
Gross value added by main sectors							
Agriculture, forestry and fisheries (%)	4)	13.0 w	14.1 w	11.8 w	11.7 w	10.8 w	12.3 w
Industry (%)	4)	15.9 w	15.7 w	15.7 w	15.2 w	15.2 w	14.7 w
Construction (%)	4)	7.8 w	8.6 w	10.0 w	10.1 w	11.5 w	9.3 w
Services (%)	4)	63.3 w	61.5 w	62.5 w	63.0 w	62.5 w	63.6 w
Final consumption expenditure, as a share of GDP (%)	4)	108.4 w	101.6 w	99.5 w	100.1 w	99.6 w	100.3 w
Gross fixed capital formation, as a share of GDP (%)	4)	22.5 w	22.4 w	23.3 w	23.4 w	24.9 w	24.1 w
Changes in inventories, as a share of GDP (%)	4)	1.3 w	- 0.5 w	3.2 w	1.7 w	- 1.1 w	2.8 w
Exports of goods and services, relative to GDP (%)	4)	27.8 w	32.5 w	30.7 w	31.2 w	27.9 w	30.6 w
Imports of goods and services, relative to GDP (%)	4)	60.1 w	56.1 w	56.8 w	56.4 w	51.4 w	57.8 w
Gross fixed capital formation by the general government sector, as a percentage of GDP (%)		:	:	:	:	:	:

Business	Note	2010	2017	2018	2019	2020	2021
Industrial production volume index (2015 = 100)	6)	79.6 w	107.5 w	111.8 w	113.9 w	107.1 w	120.3 w
Number of active enterprises (number)		45 904 w	33 718 w	35 372 w	36 299 w	37 228 w	38 783 w
Birth rate: number of enterprise births in the reference period (t) divided by the number of enterprises active in t (%)		13.0 w	16.3 w	13.7 w	:	:	:

Death rate: number of enterprise deaths in the reference period (t) divided by the number of enterprises active in t (%)		6.5 w	22.2 w	22.1 w	:	:	:
People employed in SMEs as a share of all persons employed (within the non-financial business economy) (%)	7)	58.7 sw	70.6 sw	70.3 sw	69.4 sw	69.9 sw	71.1 sw
Value added by SMEs (in the non-financial business economy) (EUR million)		:	:	:	:	:	:
Total value added (in the non-financial business economy) (EUR million)		:	:	:	:	:	:

Inflation rate and house prices	Note	2010	2017	2018	2019	2020	2021
Consumer price index (CPI), change relative to the previous year (%)	8)	7.4 w	6.6 w	3.0 w	4.8 w	3.8 w	5.1 w
**Annual change in the deflated house price index (2015 = 100)		:	:	:	:	:	:

Balance of payments	Note	2010	2017	2018	2019	2020	2021
Balance of payments: current account total (million euro)		- 363.1 w	- 493.0 w	- 1 026.2 w	- 987.8 w	- 778.0 w	- 1 435.9 w
Balance of payments current account: trade balance (million euro)		- 1 754.8 w	- 2 271.6 w	- 2 789.2 w	- 2 958.3 w	- 2 714.4 w	- 3 540.6 w
Balance of payments current account: net services (million euro)		54.0 w	270.1 w	301.4 w	326.5 w	349.1 w	399.1 w
Balance of payments current account: net balance for primary income (million euro)		381.3 w	493.4 w	453.7 w	549.4 w	342.3 w	225.0 w
Balance of payments current account: net balance for secondary income (million euro)		956.4 w	1 015.0 w	1 007.9 w	1 094.7 w	1 245.0 w	1 480.7 w
Net balance for primary and secondary income: of which government transfers (million euro)		:	:	:	:	:	:
**3 year backward moving average of the current account balance relative to GDP (%)		:	:	:	:	:	:
**Five year change in share of world exports of goods and services (%)		:	:	:	:	:	:
Net balance (inward - outward) of foreign direct investment (FDI) (million euro)	9)	218.7 w	123.1 w	219.7 w	418.4 w	133.4 w	322.7 w
Foreign direct investment (FDI) abroad (million euro)	9) 10)	5.2 dw	9.6 dw	29.0 dw	34.7 dw	5.0 dw	7.9 dw
of which FDI of the reporting economy in the EU-27 countries (million euro)		:	:	:	:	:	:
Foreign direct investment (FDI) in the reporting economy (million euro)	9) 10)	224.0 dw	132.7 dw	248.8 dw	453.1 dw	138.4 dw	330.6 dw
of which FDI of the EU-27 countries in the reporting economy (million euro)		:	:	:	:	:	:
**Net international investment position, relative to GDP (%)	11) 12)	- 30.7 w	- 30.5 w	- 36.7 w	- 40.7 w	- 40.4 w	- 39.9 w
Year on year rate of change in gross inflow of remittances (in national currency) from migrant workers (%)	13) 14)	14.5 dsw	8.4 dsw	8.0 dsw	8.1 dsw	9.2 dsw	9.0 dsw

Public finance	Note	2010	2017	2018	2019	2020	2021
General government deficit / surplus, relative to GDP (%)		- 2.1 ew	- 0.6 ew	- 0.8 ew	- 1.4 ew	- 5.1 ew	0.0 ew
General government gross debt relative to GDP (%)		22.0 w	29.1 w	27.2 fw	25.1 w	33.1 w	32.6 w
Total government revenues, as a percentage of GDP (%)		31.9 ew	29.8 ew	30.2 ew	30.0 ew	30.4 ew	32.0 ew
Total government expenditure, as a percentage of GDP (%)		34.0 ew	30.5 ew	31.0 ew	31.4 ew	35.5 ew	33.9 ew

Financial indicators	Note	2010	2017	2018	2019	2020	2021
Gross external debt of the whole economy, relative to GDP (%)	15) 11)	67.7 sw	67.7 sw	66.3 sw	61.6 sw	65.5 sw	66.9 sw

Gross external debt of the whole economy, relative to total exports (%)		241.9 w	206.7 w	216.0 w	197.4 w	234.4 w	218.3 w
Money supply: M1 (banknotes, coins, overnight deposits, million euro)		976.1 w	1 697.6 w	2 006.5 w	2 213.3 w	2 617.3 w	3 027.9 w
Money supply: M2 (M1 plus deposits with maturity up to two years, million euro)		1 538.1 w	2 598.9 w	2 989.0 w	3 278.1 w	3 592.2 w	4 135.3 w
Money supply: M3 (M2 plus marketable instruments, million euro)		2 300.7 w	3 778.1 w	4 261.7 w	4 670.2 w	5 094.3 w	5 960.7 w
Total credit by monetary financial institutions to residents (consolidated) (million euro)		:	:	:	:	:	:
**Annual change in financial sector liabilities (%)		:	:	:	:	:	:
**Private credit flow, consolidated, relative to GDP (%)		:	:	:	:	:	:
**Private debt, consolidated, relative to GDP (%)		:	:	:	:	:	:
Interest rates: day-to-day money rate, per annum (%)		:	:	:	:	:	:
Lending interest rate (one year), per annum (%)	16)	10.00 w	9.50 w	9.50 w	8.50 w	5.15 w	8.50 w
Deposit interest rate (one year), per annum (%)	16)	4.00 w	3.50 w	3.50 w	2.50 w	0.15 w	4.50 w
Euro exchange rates: average of period (1 euro = … national currency)		16.400 w	20.828 w	19.844 w	19.674 w	19.744 w	20.926 w
Trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
**3 year change (T/T-3) in the trade-weighted effective exchange rate index, 42 countries (2015 = 100)		:	:	:	:	:	:
Value of reserve assets (including gold) (million euro)	11)	1 296.3 w	2 348.7 w	2 630.2 w	2 733.8 w	3 082.9 w	3 445.8 w

External trade in goods	Note	2010	2017	2018	2019	2020	2021
Value of imports: all goods, all partners (million euro)		2 916 w	4 266 w	4 886 w	5 222 w	4 732 w	6 085 w
Value of exports: all goods, all partners (million euro)		1 161 w	2 138 w	2 294 w	2 483 w	2 160 w	2 670 w
Trade balance: all goods, all partners (million euro)	17)	- 1 755 sw	- 2 128 sw	- 2 592 sw	- 2 739 sw	- 2 572 sw	- 2 166 sw
Terms of trade (export price index / import price index * 100) (number)		103.0 sw	103.6 sw	99.4 sw	98.8 sw	113.5 sw	110.4 sw
Share of exports to EU-27 countries in value of total exports (%)	17)	41.9 sw	60.1 sw	65.9 sw	64.1 sw	66.4 sw	62.5 sw
Share of imports from EU-27 countries in value of total imports (%)	17)	43.0 sw	48.3 sw	48.4 sw	48.5 sw	45.6 sw	46.6 sw

Demography	Note	2010	2017	2018	2019	2020	2021
Crude rate of natural change of population (natural growth rate): number of births minus deaths (per thousand inhabitants)		- 0.9	- 0.1 ep	- 0.9 e	- 1.6 e	- 3.8 ep	:
Infant mortality rate deaths of children under one year of age (per thousand live births)		11.8	:	:	:	8.7	:
Life expectancy at birth: male (years)		64.9	:	:	:	:	:
Life expectancy at birth: female (years)		73.5	:	:	:	:	:

Labour market	Note	2010	2017	2018	2019	2020	2021
Economic activity rate for persons aged 20–64: proportion of the population aged 20–64 that is economically active (%)	18) 19) 5)	51.2 w	53.4 w	54.9 w	52.9 bw	51.1 w	52.8 w
*Employment rate for persons aged 20–64: proportion of the population aged 20–64 that are in employment (%)	18) 19) 5)	47.5 w	51.3 w	53.3 w	50.2 bw	49.1 w	51.1 w
Male employment rate for persons aged 20–64 (%)	18) 19) 5)	48.8 w	54.4 w	55.9 w	53.9 bw	53.1 w	55.6 w

Female employment rate for persons aged 20–64 (%)	18) 19) 5)	46.2 w	48.4 w	50.9 w	46.8 bw	45.5 w	46.9 w
Employment rate for persons aged 55–64: proportion of the population aged 55–64 that are in employment (%)	18) 19) 5)	41.6 w	46.0 w	48.5 w	40.5 bw	40.5 w	42.6 w
Employment by main sectors							
Agriculture, forestry and fisheries (%)	18) 19) 5)	27.5 w	35.5 w	39.3 w	21.0 bw	21.1 w	21.5 w
Industry (%)	19) 5)	12.8 w	11.2 w	11.0 w	14.7 bw	14.6 w	14.4 w
Construction (%)	19) 5)	5.9 w	4.5 w	4.6 w	7.0 bw	7.2 w	7.7 w
Services (%)	19) 5)	53.8 w	48.8 w	45.1 w	57.3 bw	57.1 w	56.4 w
People employed in the public sector as a share of total employment, persons aged 20–64 (%)	19) 5)	28.7 w	25.5 w	23.9 w	29.4 bw	29.6 w	28.6 w
People employed in the private sector as a share of total employment, persons aged 20–64 (%)	19) 20) 5)	71.3 w	74.5 w	76.1 w	70.6 bw	70.4 w	71.4 w
Unemployment rate: proportion of the labour force that is unemployed (%)	19) 5)	7.4 w	3.9 w	2.9 w	5.1 bw	3.8 w	3.2 w
Male unemployment rate (%)	19) 5)	9.1 w	4.6 w	3.5 w	5.8 bw	4.3 w	3.9 w
Female unemployment rate (%)	19) 5)	5.7 w	3.2 w	2.4 w	4.4 bw	3.3 w	2.5 w
Youth unemployment rate: proportion of the labour force aged 15–24 that is unemployed (%)	19) 5)	17.8 w	11.9 w	7.1 w	10.4 bw	10.9 w	9.2 w
Long-term unemployment rate: proportion of the labour force that has been unemployed for 12 months or more (%)	19) 5)	2.3 w	0.9 w	0.8 w	0.9 bw	0.7 w	0.8 w
Unemployment rate for persons (aged 25–64) having completed at most lower secondary education (ISCED levels 0-2) (%)	19) 5)	6.2 w	3.7 w	2.8 w	8.5 bw	5.8 w	4.2 w
Unemployment rate for persons (aged 25–64) having completed tertiary education (ISCED levels 5-8) (%)	19) 5)	5.2 w	3.1 w	2.9 w	2.5 bw	2.0 w	1.7 w

Social cohesion	Note	2010	2017	2018	2019	2020	2021
Average nominal monthly wages and salaries (national currency)	20) 21)	2 972 w	5 587 w	6 268 w	7 234 w	7 943 w	8 980 w
Index of real wages and salaries (index of nominal wages and salaries divided by the inflation index) (2016 = 100)		:	105 w	114 w	126 w	133 w	143 w
GINI coefficient	22) 23)	35 w	35 w	34 w	34 bw	35 w	36 w
Poverty gap	22) 23)	23.5 w	20.0 w	19.7 w	17.4 bw	26.3 w	26.1 w
*Early leavers from education and training: proportion of the population aged 18–24 with at most lower secondary education who are not in further education or training (%)	5)	22.1 w	19.5 w	21.1 w	19.0 bw	16.9 w	19.6 w

Standard of living	Note	2010	2017	2018	2019	2020	2021
Number of passenger cars relative to population size (number per thousand population)	24)	113.4 sw	165.6 sw	:	:	:	276.0 psw
Number of mobile phone subscriptions relative to population size (number per thousand population)	25)	888.1 w	1 633.9 w	1 656.4 w	1 678.7 w	1 564.0 w	1 807.4 w
Mobile broadband penetration (per 100 inhabitants)	25)	:	89.0 w	80.8 w	90.1 w	90.3 w	103.3 w

Fixed broadband penetration (per 100 inhabitants)	25)	:	21 w	23 w	25 w	27 w	29 w

Infrastructure	Note	2010	2017	2018	2019	2020	2021
Density of railway network (lines in operation per thousand km²)	26) 27)	34.2 sw	34.0 sw	34.0 sw	34.0 sw	34.0 sw	34.0 sw
Length of motorways (kilometres)		:	:	:	:	:	:

Innovation and research	Note	2010	2017	2018	2019	2020	2021
Public expenditure on education relative to GDP (%)	4)	7.7 sw	5.5 sw	5.6 sw	:	:	:
*Gross domestic expenditure on R&D relative to GDP (%)	4)	0.37 sw	0.26 sw	0.26 sw	0.24 sw	0.24 sw	0.23 sw
Government budget appropriations or outlays on R&D (GBAORD), as a percentage of GDP (%)		:	:	:	:	:	:
Percentage of households who have internet access at home (%)	22) 23)	16.5 w	54.4 w	54.2 w	60.8 bw	64.6 w	66.8 w

Environment	Note	2010	2017	2018	2019	2020	2021
*Index of greenhouse gas emissions, CO_2 equivalent (1990 = 100)		29.4 ew	29.2 ew	30.7 ew	30.5 ew	30.5 ew	:
Energy intensity of the economy (kg of oil equivalent per 1 000 euro GDP at 2015 constant prices)		:	:	:	:	:	:
Electricity generated from renewable sources relative to gross electricity consumption (%)		1.8	2.1	2.6	3.0	3.1	3.6
Road share of inland freight transport (based on tonne-km) (%)		:	:	:	:	:	:

Energy	Note	2010	2017	2018	2019	2020	2021
Primary production of all energy products (thousand TOE)		523	769	798	668	682	762
Primary production of crude oil (thousand TOE)		11	5	5	5	5	5
Primary production of solid fuels (thousand TOE)		0	0	0	0	0	0
Primary production of gas (thousand TOE)		0	0	0	0	0	0
Net imports of all energy products (thousand TOE)		1 967 s	2 086 s	2 219 s	2 174 s	2 103 s	2 306 s
Gross inland energy consumption (thousand TOE)		2 538	2 850	2 988	2 840	2 715	3 009
Gross electricity generation (GWh)		1 064	896	954	941	983	1 131

Agriculture	Note	2010	2017	2018	2019	2020	2021
Agricultural production volume index of goods and services (at producer prices) (2010 = 100)		:	:	:	:	:	:
Utilised agricultural area (thousand hectares)		1 940.1 w	:	:	:	:	:
Livestock numbers: live bovine animals (thousand heads, end of period)	28)	216.0 w	167.4 w	144.8 w	123.7 w	108.9 w	104.1 w
Livestock numbers: live swine (thousand heads, end of period)	28)	478.5 w	406.4 w	397.3 w	396.6 w	339.5 w	347.9 w
Livestock numbers: live sheep and live goats (thousand heads, end of period)		:	:	:	:	:	:
Raw milk available on farms (thousand tonnes)		:	:	:	:	:	:
Harvested crop production: cereals (including rice) (thousand tonnes)		:	:	:	:	:	:

Harvested crop production: sugar beet (thousand tonnes)	28)	837.6 w	876.3 w	707.2 w	607.0 w	423.2 w	757.8 w
Harvested crop production: vegetables (thousand tonnes)	28)	341.2 w	309.7 w	283.3 w	307.2 w	226.8 w	232.0 w

Source: Eurostat and/or the statistical authorities in Moldova

b = break in series
d = definition differs
e = estimated value
f = forecast
p = provisional
s = Eurostat estimate
w= data supplied by and under the responsibility of the national statistical authority and published on an "as is" basis and without any assurance as regards their quality and adherence to EU statistical methodology
* = Europe 2020 indicator
** = Macroeconomic Imbalance Procedure (MIP) indicator

Footnotes:

1) As of the end of the year.
2) Including data from the Transnistrian region.
3) Including wetlands.
4) Based on 2008 SNA.
5) From 2019 LFS is carried out on a new sampling plan and according to the revised definition of employment.
6) Starting with 2016 the Industrial production volume index are adjusted seasonally by number of working days and seasonality, the time series was corrected
7) In accordance with the Law no. 206 of July 7, 2006 'Regarding support of small and medium-sized enterprises', Small and medium-sized enterprises includes enterprises with less than 250 persons employed (annual average) and annual turnover of not more than 50 million Lei and with total assets (fixed assets and current assets) of not more than 50 million lei.
8) Consumer price inflation
9) Converted from USD to EUR using annual average exchange rates, according to the National Bank of Moldova.
10) The definition of direct investment corresponds to the definition provided by Eurostat, but these flows shouldn't be called "inward" and "outward", because the definition actually describes assets and liabilities.
11) Converted from USD to EUR using end-of-year exchange rates, according to the National Bank of Moldova.
12) GDP according to SNA 2008
13) Personal transfers.
Based on 2008 SNA.
14) Personal transfers.
15) Converted from USD to EUR using end-of-year exchange rates, according to the National Bank of Moldova.
Based on 2008 SNA.
16) The rate is established by the National Bank of Moldova (NBM) starting from 2001. The NBM applies the interest "corridor" method: the highest rate is applied on overnight credits, the lowest one on overnight deposits. End-of year values.
17) January to August.
18) Including persons producing goods for own consumption.
19) From 2014 data estimated using the usually resident population
20) Includes economic units in the real sector with 20 or more employees and all institutions in the budgetary sector regardless of the number of employees.
21) Includes units with 1 and more employee.
22) Data was recalculated for number of population with usual residence
23) Based on the estimation of the indicators was used the number of population with usual residence. Starting with 2019, the data are not comparable to the previous period, as the HBS methodology was modified.

24) Including other sources (liquefied gas, compressed natural gas, others).
25) The data presented for the years 2014-2020 have been revised, especially following the adjustment of some data from administrative sources used to produce statistics.
26) Including the Transnistrian region.
As of the end of the year.
27) Including the Transnistrian region.
As of the end of the year.
Including wetlands.
28) Without the data from the Transnistrian region