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HIGH REPRESENTATIVE
OF THE UNION FOR
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JOINT STAFF WORKING DOCUMENT

Association Implementation Report on the Republic of Moldova

1. Summary

This report describes the state of play of the Republic of Moldova's implementation of its commitments under the EU-Moldova Association Agreement, including its Deep and Comprehensive Free Trade Area. It covers the period since the last report on 13 October 2021, ahead of the next EU-Moldova Association Council scheduled for 7 February 2023.

EU-Moldova relations have visibly intensified in the reporting period: the EU-Moldova Association Council took place on 28 October 2021 in Brussels, co-chaired by High Representative/Vice-President Borrell and the Moldovan Prime Minister Gavrilița; the high-level energy dialogue (with Commissioner Simson) was launched on the same day and a second dialogue took place on 30 June 2022; consultations on security and defence resumed on 16 November 2021, followed by the launch of a high-level political and security dialogue on 18 March 2022 in Chișinău.

On 3 March 2022, Moldova submitted its **application for EU membership** in line with its government mandate to put Moldova 'on the European path'. On 17 June 2022, the Commission presented its Opinion on the application.¹ In response, on 23 June 2022 the European Council recognised Moldova's European perspective and granted it EU candidate country status². On 2 February 2022, the Commission published its analytical report on Moldova's alignment with the EU *acquis*³.

The Commission's Opinion presented **nine steps** that Moldova needs to address to further progress on the enlargement path. In its June 2022 conclusions, the European Council has also tasked the Commission with monitoring Moldova's progress on the steps, and on alignment with all of the accumulated body of EU law (the *acquis*), as part of the regular enlargement package, starting as of autumn 2023. Moldova swiftly developed an action plan for implementing the nine steps. It was adopted on 4 August 2022 by the newly established National Commission for European Integration led by the President. A new mechanism to coordinate Moldova's actions and positions in the EU integration process was set up, and steps were taken to strengthen institutional capacities.

The EU-Moldova Association Agreement continued to be a driver for reforms and alignment with EU law. An **updated EU-Moldova Association Agenda** for 2021-27 was adopted on 22 August 2022.⁴ It comprises jointly agreed priorities on further implementation of the Association Agreement and sets out an ambitious programme of reforms.

Following the November 2020 presidential elections and the early parliamentary elections of July 2021, for the first time in Moldova's history all key institutions are aligned on the same pro-reform priorities and foreign policy orientation. Throughout its first year in office, the government has shown **strong commitment to deliver on its electoral promises**, in line with its programme *Moldova in good times 2021-25*.

The new authorities took decisive steps to improve the functioning of the judiciary, including adopting constitutional amendments and launching the pre-vetting process, but further efforts are required to ensure transparency, integrity and accountability in the justice sector. While initial steps have been taken to fight corruption, this remains a serious concern and further efforts are needed to bring corruption cases to court and prosecute them effectively. Overall progress in reforms has been affected by multiple overlapping crises, exposing the weak institutional capacity and the lack of human resources in public administration.

¹ COM(2022) 406 final

² CO EUR 21 CONCL 5

³ SWD(2023) 32 final

⁴ L 273/103

Moldova withstood a gas crisis in late 2021, and while major progress has been made since then in terms of diversifying supplies and increasing the resilience of the energy system, the situation in the **energy sector** remains fragile. The country has been almost fully dependent on gas imports from Russia's Gazprom as a supplier. Now, with EU support, it is looking into alternative supplies and solutions to reduce its dependency and ensure energy security. On 2 November 2022, Moldova for the first time imported natural gas through physical reverse flow from the Slovak-Ukraine border, marking a key step towards reducing its dependence on Gazprom. Since March 2022, Moldova's electricity grid has been synchronised with the ENTSO-E Continental Europe network. Moldova is able to buy electricity from Romania and other countries in continental Europe. Moreover, Moldova implemented energy savings, fuel switching and gas purchase and storage measures that are independent of Gazprom. Moldova is also included in the EU Energy Platform and participates in its regional meetings.

Moldovan authorities have **strongly condemned Russia's war of aggression** against Ukraine but have not joined EU sanctions against Russia and Belarus. The country has been **strongly affected by Russia's war of aggression against Ukraine**. It received the largest refugee inflow in its history, over 739 000 people who were fleeing Ukraine entered Moldova and over 89 000 remain in the country (half of them children, and many in a vulnerable situation). This is the largest number per capita of all the surrounding countries hosting Ukrainian refugees. Moldova has contributed to the **EU-Ukraine Solidarity Lanes**, facilitating grain and fuel transit, as well as the transport of others goods between Moldova and Ukraine, and the EU. The Moldovan government's efforts in support of Ukraine have received widespread international praise.

The country continued to be faced with one of the **highest inflation rates in Europe**. Compared with the previous year, the **gas price increased by more than five times**, with the continued risk of a significant reduction or total cut in gas supplies. The EU continued to strengthen its role as Moldova's main **trade** partner. In the first half of 2022 it reached a record level of 51% in total trade (61.6% of total exports and 45.9% of total imports). This year, in response to the disrupted trade with its eastern partners, Moldova obtained temporary trade liberalisation for seven key Moldovan agricultural products in the EU's single market. The EU and Moldova also signed a temporary road transport liberalisation agreement to support the redirection of Moldova's trade towards the EU in the light of Russia's war of aggression against Ukraine.

Since the energy crisis in autumn 2021 and the beginning of Russia's war of aggression against Ukraine, the **EU has stepped up its support for Moldova's overall resilience**. It has made available its entire toolbox of support measures, including macro-financial assistance, budget support, and humanitarian aid, providing assistance under the EU's Civil Protection Mechanism and continuing bilateral and regional programmes. Additionally, to support Moldova in the uncertain regional context, the **EU stepped up its cooperation and support for Moldova's security and defence**. Crisis response measures were mobilised to improve cybersecurity and fight disinformation, a hybrid risk survey was relaunched, and support under the European Peace Facility was substantially increased.

Moldova actively engaged in the **Eastern Partnership** Summit in December 2021, reaffirming the strategic importance of both bilateral and regional formats of cooperation based on the ambitious agenda of 'resilience, recovery and reform', supported by the Economic and Investment Plan and its flagship initiatives for Moldova.

This year was the most active with regard to EU high-level visits to Moldova. The joint visit of High Representative Borrell and Commissioner Várhelyi in March 2022 was followed by the visit of Council President Michel, visits by Commissioners Lenarčič, Vălean, Johansson

and Hahn, and by Commission President von der Leyen and Commissioner Simson, as well as numerous high-level visits by EU Member State officials. There was an equally busy schedule of visits to Brussels by high-level Moldovan officials, including that of Prime Minister Gavrilița in October 2021 and President Sandu in May 2022.

2. Political dialogue, good governance and strengthening institutions

2.1. Democracy, human rights and good governance

Following the July 2021 elections, the Party of Action and Solidarity has had a majority in the **Parliament**, with 63 seats out of 101. In the opposition, the Bloc of Communists and Socialists has 32 members and the Șor Party has 6 members (including the fugitive Ilan Șor).⁵ The current **government** is formed solely by the ruling Party of Action and Solidarity. The use of urgent procedures to pass legislation, including in areas relevant to EU law, has fallen over the past four years. Yet there is still a need to ensure full compliance with procedural rules for law-making and to provide comprehensive impact assessments of proposed legislation.

New members of the **Central Electoral Commission (CEC)** were appointed in September 2021 respecting the proportional representation of the majority and the opposition in Parliament. The CEC announced priorities such as strengthening oversight of campaign financing and comprehensive revision of the electoral framework. Greater enforcement of financing rules applied at the Balti mayoral elections in November 2021 led to the court deregistering the best-positioned candidate, Marina Tauber (Șor Party) before the second round. This sparked criticism from the opposition and absenteeism among voters in the second round.

A new Electoral Code was adopted by the Parliament in December 2022 and entered into force on 1 January 2023. The new Code addressed key recommendations by international and local expert organisations, including the Venice Commission. In particular, measures have been taken to strengthen regulations of financing initiative groups and electoral campaigns, to clarify the provisions for voting abroad, to enhance the impartiality of the CEC, to address undue influence on public officials and voters, political bias of news outlets and possible vote-buying.

The adoption of a **public administration reform** strategy including a pillar on the **territorial-administrative reform is pending**. Further efforts are needed to ensure appropriate administrative capacity to develop, implement and enforce legislation.

A new **public finance management** strategy is yet to be adopted. In the area of public investment planning, the long awaited Government Decision for the approval of the Regulation on **public capital investment projects** providing the foundations for future reforms in the area of Public Investment Management was adopted in October 2022. Also the National Strategy for regional development 2022-28 was adopted in January 2022.

Local government funding improved in the budget of 2022, especially by increasing various types of state transfers. Territorial fragmentation, the very low yield from local taxes and the chronic lack of administrative capacity continued to jeopardise public service delivery across the country and in local investment programmes.

Amendments to the Law on the special status of **Gagauzia**, necessary for implementing the December 2020 laws on the autonomous status of Gagauzia, are pending, although a number

⁵ In 2017, Ilan Șor was sentenced to seven and a half years in prison for involvement in bank fraud. The appeal procedure is still ongoing. He fled the country in June 2019.

of decisions were agreed by the interparliamentary working group of the Moldovan Parliament and the People's Assembly of Gagauzia.

Moldova has made progress in terms of **budget transparency**. According to the Open Budget Survey 2021, the score increased from 57 points in 2019 to 65 points in 2021 (out of 100). The country demonstrated progress in strengthening fiscal discipline, enhancing debt management and developing a domestic government securities market, in particular with the issuance of the first ever 7-year bond in the domestic market.

In 2021, the total income of **civil society** organisations from the 2% personal income tax designation increased by 53% to a total of EUR 454 000. This represents the highest annual value since the mechanism was put in place in 2017, along with a record number of contributors: 36 600 (compared with 28 500 in 2020). To strengthen the financial sustainability of civil society, on 28 September 2022 the government approved a regulation on the mechanism for non-reimbursable financing of projects run by non-governmental organisations. A new regulation on tax subsidies for social enterprises that employ people with disabilities was adopted. Government dialogue with civil society saw improvements; however, public consultation remains somewhat formalistic.

While Moldova's ranking on the 2022 **World Press Freedom Index** (under new methodology) **jumped by 49 places** from 89th in 2021 to 40th in 2022, media remains polarised and continues to reflect the interests of political and economic forces. Concentration of media ownership, non-transparent media ownership, and access to the advertising market remain the main factors that undermine media pluralism in Moldova. Independent media are struggling to ensure financial sustainability in the face of diminishing advertisement revenues due to inflation, economic stagnation and uncertainty caused by Russia's military aggression against Ukraine.

In November 2021, following amendments to the Code of Audiovisual Services, Parliament dismissed the boards of the Audiovisual Council and the public broadcaster Tele-Radio Moldova. These dismissals raised concerns, and the OSCE Representative on **Freedom of the Media** emphasised in January 2022 that the public broadcaster and the media regulator should be free from political interference. The new **Audiovisual Council** leadership elected in December 2021 started to monitor and sanction media in a more objective and transparent manner, but its full efficiency was hampered by insufficient human and technical capacity.

On 2 June 2022, Parliament adopted amendments to the **Audiovisual Code**, reversing non-transparent legislation adopted on 16 December 2020 under the previous government. The amendments reintroduce limitations on the broadcasting of military and political content from countries that have not ratified the European Convention on Transfrontier Television (including Russia). During the state of emergency declared on 24 February 2022, retransmission of Russian military content was forbidden by the Commission of Emergency Situations, with the Security and Information Service (SIS) being given powers to suspend online outlets. During the entire period, SIS blocked 11 websites. On 16 December 2022, the Commission of Emergency Situations decided to suspend the broadcasting licences of six TV channels in Moldova during the state of emergency, arguing on the need to protect the national information space and prevent the risk of disinformation.

Adoption of a law improving the legislative and institutional framework for **access to public information** is pending. In April 2022, in efforts to fight **disinformation**, Parliament passed a dedicated draft law in first reading. However, after criticism from civil society and journalists that these amendments would lead to disproportionate and unnecessary limitations on freedom of expression, the document was split in two parts. The part on fighting

disinformation in the audiovisual sphere was adopted, while the amendments concerning disinformation online were retracted for revision. In October 2022, the European Parliament launched the “Triangle for Democracy” platform, with active participation by Moldovan legislators, civil society and media, to address the issue of fighting disinformation.

On 3 February 2022, Parliament appointed a new **Ombudsman**, Mr Ceslav Panico, a candidate with a strong civil society background. The previous officeholder, Natalia Moloșag, appointed in September 2021, resigned in December of the same year following publicly exposed irregularities in staff management. The office of the Ombudsperson and the **Equality Council** continue to face problems with human and financial resources, and inadequate facilities. The 2016 Council of Europe recommendations on improving the anti-discrimination legislative framework have not yet been implemented.

Conditions in **penitentiary** facilities remain below international standards, especially as regards overcrowding and insufficient access to medical treatment. Construction has not yet started on a new penitentiary to replace the notorious penitentiary No 13 in Chișinău. Moldova has 18 judgments of the European Court of Human Rights under enhanced supervision pending their enforcement, including on ill-treatment by government agents. The inadequate investigation of alleged cases of ill-treatment has led to a sense of impunity.

On 1 June 2022, the government adopted a new National Programme and Action Plan for **Child Protection** for 2022-26. The programme aims to tackle major issues, such as infant mortality, poverty, and child labour, including links to trafficking and sexual exploitation. Russia’s war in Ukraine caused further challenges in the areas of education, health, and documentation, especially for unaccompanied children being transferred to other countries.

On 14 October 2021, Parliament ratified the Council of Europe Convention on preventing and combating **violence against women and domestic violence** (Istanbul Convention). This is expected to address the high prevalence of gender-based violence against women. The Convention entered into force on 1 May 2022. Parliament adopted legislative amendments to support the establishment of alternative childcare solutions by employers. According to international organisations, displaced Ukrainian women are shouldering an immense childcare responsibility, exacerbated by family separation and limited financial resources, which makes them vulnerable to violence and sexual exploitation.

In April 2022, to enhance the state’s response to **hate crimes**, Parliament adopted amendments to the Criminal Code and the Contravention Code. These amendments widen the scope of protection grounds and strengthen the legal framework to prosecute and punish bias-motivated crimes. Hate speech remains an issue of concern, especially as regards the targeting of women, the LGBTIQ+ community, and the Jewish and Roma communities.

As regards **minorities**, negative stereotypes persist in society, especially regarding members of the Roma community, including those arriving as refugees from Ukraine. Together with the members of the LGBTIQ+ community, members of the Roma community are most affected by discrimination, as shown by several reported incidents during the last year. Implementation of the 2017-27 national strategy for consolidation of interethnic relations continued. In August 2022, the government adopted the Program for the support of the Roma population for 2022-25.

Women, older people, young people, children and people with disabilities, including those with mental health issues experience a high degree of **social marginalisation**. In October 2021, Parliament ratified the Optional Protocol to the UN Convention on the Rights of Persons with Disabilities.

In November 2021, the National Bureau of Statistics reported that 24.5% of the population live in absolute poverty, a decrease of 0.7 percentage points compared to 2019 (25.2%).

2.2 Foreign and security policy

Moldova continued cooperating with the EU on foreign and security policy. In 2021, Moldova aligned itself with **62% of the EU Common Foreign and Security Policy** declarations by the High Representative on behalf of the EU and Council decisions on EU restrictive measures.

By December 2022, the alignment rate had fallen to **54%**. Notably, Moldova did not align itself with EU restrictive measures against Russia and Belarus, but it did align with the respective declarations. The contribution to **Common Security and Defence Policy** missions continued, with two military staff members seconded to the EU military training mission in Mali.

On 18 March 2022, the **EU-Moldova high-level political and security dialogue was launched**, to strengthen cooperation under the common security and defence policy. Two assistance measures under the **European Peace Facility** aim to strengthen the capacities of the Moldovan armed forces in the areas of medical supplies, explosive ordnance disposal, logistics, mobility, command and control, tactical communications, cyber defence and unmanned aerial reconnaissance.

The EU-Moldova **consultations on security and defence** were relaunched on 16 November 2021 with a focus on Moldova's participation in CSDP missions and operations, cooperation on strategic communication, cyber security and tackling hybrid threats. In particular, the EU and Moldova took steps to strengthen cooperation in countering **hybrid threats**. The hybrid risk survey was relaunched in August 2022 by submitting a questionnaire to Moldova.

As regards **peaceful conflict resolution**, the 5+2 format has not met since 2019. Following the appointment in January 2022 of Oleg Serebrian as Deputy Prime Minister for Reintegration, the dialogue between the political representatives of Chişinău and Tiraspol resumed. However, the process was subsequently affected by Russia's invasion of Ukraine. The security situation in the region remained relatively stable despite several incidents in April and May 2022 that targeted de facto public administration buildings and military facilities. As a result, Tiraspol introduced a red code alert for terrorism, followed by a yellow code, resulting in the setting up of roadblocks on entry roads to cities and limiting freedom of movement across the boundary line.

In December 2021, the activities of vehicle registration offices in the Transnistrian region were suspended by the de facto administration and have not yet resumed their full activity. Recognition of diplomas and freedom of movement for teachers and pupils in Latin script schools continued without major obstacles. There was no progress in the area of telecommunications or on the Gura Bicului-Bicioc bridge renovation. Tiraspol temporarily extended the implementation of the 2017 Dubasari farmland protocol until 1 April 2023, claiming lack of progress on closing criminal cases against Transnistrian de facto officials involved in the farmland issue.

On 29 June 2022, the Moldovan government again postponed the implementation of fully-fledged customs controls on economic operators from the Transnistrian region until 31 January 2023. This was justified by the need to give additional time for economic operators from the Transnistrian region to register. On 20 October, de facto leader Krasnoselsky

declared a state of emergency in the economy, due to the energy crisis the Transnistrian region was facing. The human rights situation in the region remains worrying. The EU remains fully committed to supporting 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 Transnistria.

Following the adoption in May 2022 of a regional plan under the aegis of the EU Centres of Excellence on **Chemical, Biological, Radiological and Nuclear (CBRN)** risk mitigation, Moldova is adjusting the objectives of its CBRN national programme. The adoption of a strategy and action plan on weapons of mass destruction and chemical, biological, radiological and nuclear security is pending.

2.3 Justice, freedom and security

In September 2021, Parliament approved amendments to the Constitution **strengthening the independence of the judiciary**; they entered into force in April 2022. In accordance with long-standing recommendations from the Council of Europe's Venice Commission and Group of States against Corruption (GRECO), the composition of the Superior Council of Magistracy was changed to exclude *ex officio* members (justice minister and prosecutor general) and the procedure for appointing lay members was revised. To reduce the risk of politicisation, the five-year probation period for judges was removed.

Following discussions about increasing the independence of the **Constitutional Court**, in December 2021 the Parliament voted to almost double the monthly salaries of the six constitutional court judges. However, following lack of government support, an amendment to the 2022 budget increased the salaries only by 34%.

A **comprehensive strategy for ensuring the independence and integrity of the justice sector** for 2022-25 and a corresponding action plan were adopted. These came into force in December 2021, four years after the last strategy expired in 2017. The strategy envisages measures such as an extraordinary evaluation of judges and prosecutors and a revision of assigned powers in investigating and prosecuting high-level corruption. The abrogation of or amendment to Article 307 of the Criminal Code is pending.

A substantial number of vacancies in the Superior Council of Magistracy (SCM), the Superior Council of Prosecutors and their specialised bodies remained unfilled. A new law adopted in March 2022 provides for **additional integrity checks for candidates for these positions ('pre-vetting')**, in line with the Venice Commission's recommendations. In April 2022, an independent evaluation committee was formed to perform this exercise. The committee has six members, of whom three are international experts appointed by Parliament based on a nomination process among international donors facilitated by the EU. The first interviews of candidates to the SCM took place at the beginning of October. However, the pace of pre-vetting remains slow. Moldova is expected to amend the law on the National Institute of Justice, in line with TAIEX peer review recommendations, to ensure compliance with European standards on appointments, transfers, dismissals and disciplinary proceedings for judges and prosecutors.

The Ministry of Justice has also launched the **reform of the Supreme Court of Justice**, including a vetting of sitting Supreme Court judges. In its opinion No. 1100 / 2022 on the respective draft law, the Venice Commission recommended that while "pre-vetting" of candidates and integrity checks exercised through the evaluation of asset declarations are quite common and uncontroversial in principle, extraordinary vetting might only be justified in case of exceptional circumstances. Moldova is expected to implement all recommendations and conditions set out by the Venice Commission.

Implementation of the National Integrity and **Anti-Corruption** Strategy for 2017-23 continued. The Transparency International Corruption Perceptions Index for 2022 continued to rate Moldova as registering improvements, ranking it 91st out of 180 countries (115th in 2020 and 105th in 2021). The Council of Europe's Group of States against Corruption (GRECO) second compliance report from October 2020 assessed Moldova as 'globally unsatisfactory' on compliance with the recommendations on corruption prevention made in the 2016 Fourth Evaluation Round Report's with respect to members of parliament, judges and prosecutors. An interim report in February 2022 maintained the "globally unsatisfactory" rating. The unfulfilled recommendations were mainly in relation to Parliament's transparency, code of conduct, immunity and lobbying rules.

Following amendments to the law on the **National Anticorruption Centre** introducing a performance evaluation, in September 2022 Parliament rejected the Centre's activity report, dismissed the director and in February 2022 appointed a new director, Iulian Rusu, without an open call for candidates. In 2022, the Council for Coordination of Anti-corruption Policies and Justice Reform, chaired by the Prime Minister, resumed its activity. Moldova, represented by the National Anticorruption Centre, participated in the pilot 5th Round of Monitoring under the OECD Istanbul Anti-Corruption Action Plan.

There was limited progress on bringing corruption cases to court and prosecuting them effectively, although the authorities did step up their efforts. Further progress is needed to clarify the division of labour between the various anti-corruption institutions in relation to the fight against high-level corruption, and to strengthen the effectiveness of the National Anticorruption Centre and the National Integrity Authority.

On 15 June 2022, after additional changes to the law on Prosecutor General Office, interim Prosecutor General Dumitru Robu appointed Veronica Dragalin, a US prosecutor with Moldovan citizenship, as the **new chief anticorruption prosecutor**. The appointment was proposed by the Superior Council of Prosecutors, which reconfirmed the decision taken by a pre-selection commission composed of five members (including three foreign experts).

Legislative amendments in autumn 2021 extended the powers of **integrity** inspectors, changing the composition and powers of the Integrity Council of the National Integrity Authority, and introduced real market value for asset declarations. The Integrity Council suspended the president of the National Integrity Authority in March 2022, following the start of criminal investigations into alleged abuse of power. The Authority's president subsequently resigned in April 2022 and has not yet been replaced. The influence of vested interests, including in the political and commercial spheres, remains to be addressed, as highlighted in the Commission's Opinion.

In July 2022, a working arrangement with the **European Public Prosecutor's Office** was signed during the visit of the European Chief Prosecutor Laura Codruța Kövesi to Moldova. Moldova was encouraged to start the process of approximation with EU criminal law by adopting EU legislation on preventing and combating corruption and fraud to protect the EU's financial interests. Engagement with Eurojust continued. To increase practical cooperation, Moldova still has to appoint a Liaison Prosecutor to **Eurojust** and a contact point for terrorism matters in line with the 2014 Cooperation Agreement.

The full functional independence of the prosecution service needs to be strengthened, as well as the efficiency of the General Prosecutor's Office. In August 2021, Parliament passed amendments to the law on **prosecution**. These were criticised by civil society for the rushed adoption process and lack of consultation. In October 2021, Prosecutor General Alexandr Stoianoglo was detained after criminal charges were brought against him for abuse of office

and corruption. Subsequently, based on the new legal provisions, he was suspended from office. Based on the same law, an ad hoc commission assessed his performance in 2019-21, finding it unsatisfactory. The report included several instances indicating that decisions on criminal cases were taken with undue influence. The Superior Council of Prosecutors recommended that the President dismiss the suspended Prosecutor General. New amendments to the law on prosecution were adopted by the Parliament in a second reading on 6 October 2022, with the aim of implementing the Venice Commission's recommendations. These amendments included clarification of the evaluation procedure for the Prosecutor General and the inclusion of the Prosecutor General in the Superior Council of Prosecutors.

Several investigations against high-ranking officials were initiated following the suspension of Prosecutor General Stoianoglo. These included: an investigation against former President Igor Dodon accused of illicit financing of a political party by a criminal group, passive corruption, illicit enrichment and state treason; an investigation against the Vice President of the Şor Party Marina Tauber, accused of illegal financing of a political party; an investigation against 13 former MPs accused of corruption and illicit enrichment, and investigations into illicit enrichment against members of parliament, judges and prosecutors.

In the reporting period there has been moderate progress in the **2014 banking fraud investigation**. A number of new episodes of this case have been submitted by investigators to the court, including the case of the former head of the National Bank Dorin Drăguţanu. However, the appeal case of fugitive oligarch Ilan Şor is still pending, although there has been certain progress during the last year, after the case was transmitted to the Appeal Court of Chişinău. The scope of the Moldovan-Latvian Joint Investigation Team for the “one billion fraud” was extended in February 2022 to also incorporate the “Laundromat” case. On 15 December 2022, Parliament adopted the criminal asset recovery programme and its implementing action plan.

In July 2022, an important achievement was the adoption of a law allowing the establishment of a mechanism of prosecution, trial and conviction *in absentia* of persons evading prosecution. Also in July 2022 Parliament approved amendments to the Criminal Code that introduced an extended confiscation procedure, expanding the legal options for confiscating criminal assets.

The second National Risk Assessment on **money laundering** and terrorism financing was approved in April 2022. In May 2022, the amendments to the 2020-25 Anti-Money Laundering/Counter-Terrorism Financing Strategy, based on the findings of the National Risk Assessment report, were adopted by the Parliament. Amendments to the anti-money laundering legislation, in line with the EU's fifth Anti-Money Laundering Directive and the Moneyval recommendations, are still pending. The Financial Intelligence Unit is facing human resources constraints, with only one third of its full complement of staff currently in place. Since the resignation of the director in September 2021, the government has not appointed a replacement.

On 23 September 2022, the government approved a **comprehensive home affairs development strategy 2022-30** and is developing six thematic programmes that will cover migration, asylum, border management, organised crime, civil protection and public order. Moldova continued to be a source country for counterfeit alcoholic beverages smuggled into the EU and a major source of contraband and counterfeit cigarettes. Moldova has invested substantially in reform measures to combat organised crime and illicit financial flows. In 2021, 18 organised criminal groups were investigated and 44 members were arrested.

Moldova is a partner country involved in the European Multidisciplinary Platform Against Criminal Threats (**EMPACT**) In 2022, Moldova participated in 20 operational actions in seven different EMPACT Operational Action Plans. The number of entries of foreigners into Moldova significantly increased in 2022 as a consequence of Russia's war in Ukraine. Since 24 February, more than 739 000 refugees from Ukraine entered the country and as of 10 October 2022 around 89 000 have remained in the territory, of which half were minors. By the end of October, the Office for **Migration and Asylum** had received more than 11 000 asylum applications (compared with fewer than 100 applications in 2021).

To alleviate Moldova's overstretched reception capacity, the Commission has supported and coordinated, in the framework of the Solidarity Platform, the transfers of vulnerable persons fleeing Ukraine and eligible for temporary protection from Moldova to pledging EU Member States and other Schengen associated countries. So far, 12 EU Member States, as well as Norway, Liechtenstein, Switzerland and Iceland made pledges to welcome 17 870 people transiting Moldova. Out of these pledges, more than 2 200 persons have been transferred from Moldova. The EU Agency for Asylum has deployed 4 experts in the country, working on providing information on the transfers. Discussions on contingency planning are also ongoing between Moldovan Authorities and the Commission.

Moldova is a country of origin and transit of victims of **trafficking in human beings**. The implementation of the 2018-2023 National Strategy for Preventing and Combating Trafficking in Human Beings continued. The work of the national joint risk analysis group on fighting cross border crime, trafficking in human beings and irregular migration was reinforced. As refugees from Ukraine are fleeing to Moldova, there are risks that they become victims of trafficking in human beings.

In support to internal security challenges, such as risks of human/firearms/drugs trafficking, an **EU Support Hub for Internal Security and Border Management** was launched by Commissioner Johansson and Minister Revenco in July 2022, bringing together EU institutions/agencies, EU Member States and Moldovan public and law enforcement authorities. The EU Support Hub operates along the following priority areas: firearms trafficking, migrant smuggling, trafficking in human beings, preventing and countering terrorism and violent extremism, cybercrime, drugs trafficking and chemical, biological, radiological and nuclear (CBRN) materials trafficking. Four meetings took place in the course of 2022, focusing on firearms trafficking, trafficking in human beings and migrants' smuggling, as well as on the financial dimension of organised crime and terrorism.

The **EU Border Assistance Mission to Moldova and Ukraine (EUBAM)** supported the modernisation of border facilities at the Kuchurhan-Pervomaisc border crossing point until 28 February 2022, when all border crossing points at the Transnistrian segment of Moldova-Ukraine border were temporarily closed by Ukraine due to the Russian invasion. When the invasion started, EUBAM activities were reoriented to assist the Moldovan and Ukrainian border and customs authorities at the five critical border crossing points most heavily affected by the refugee inflow. The Mission also contributed to facilitating the transit of Ukrainian goods through Moldova in the framework of the EU-Ukraine Solidarity Lanes. EUBAM delivered training courses for both Moldovan and Ukrainian partner services to tackle the most topical threats generated in border security by Russia's invasion of Ukraine. At the time of reporting, all 34 EUBAM international personnel were operating from Moldova mainly at key border crossing points on both sides of the common Moldova-Ukraine border and at the administrative boundary line.

On 17 March 2022, an **EU-Moldova Status Agreement** on operational activities conducted by Frontex was signed in record time. This enabled **Frontex**, on 19 March, to launch a Joint

Operation in Moldova with executive powers until January 2023. This was the first Status Agreement with an Eastern Partnership country and the first joint operation with executive powers in the Eastern Partnership region. As of January 2023, 81 Frontex officers have been deployed in Moldova.

Since late May 2022, **Europol** has deployed 5 Europol experts and guest officers to support in early detection of criminal activities linked to the Russian war of aggression against Ukraine. Europol's cooperation with Moldova has been particularly strong in the field of Organised Property Crime, Financial and economic crime, notably in grand corruption cases and in large scale financial frauds, weapons and explosives. A Moldovan Liaison Officer is present at Europol headquarters.

CEPOL conducted a strategic assessment on the education system of the Ministry of Internal Affairs of Moldova (March-July 2022). As follow-up, CEPOL organised (sub) regional activities, study visits, exchange and mentoring programmes for Moldovan law enforcement authorities, to build their capacity and increase their knowledge on EMPACT priorities.

On **data protection**, the approval of legislation was pending to ensure alignment with the General Data Protection Regulation (2016/679)⁶ and the Data Protection Directive (Directive 2016/680)⁷ for Police and Criminal Justice Authorities. A draft law on personal data protection has been awaiting its second reading in Parliament since November 2018.

Moldova continued work on strengthening its **cybersecurity** legislation by aligning it with the EU's Directive on security of network and information systems (NIS Directive). Moreover, on 30 November 2022 Moldova signed the Second Additional Protocol to the Council of Europe Convention on Cybercrime (Budapest Convention).

3. Economic development and market opportunities

3.1 Economic development

In 2021, the economy saw significant recovery from the pandemic, with real **gross domestic product (GDP)** expanding by 13.9% (after having dropped by 7% in 2020). The growth was mainly driven by private consumption. The rising energy prices and Russia's war weakened the country's growth outlook, prompting authorities to request new international assistance. In May 2022, the **International Monetary Fund (IMF)** increased funding under the ongoing programme, which was approved in December 2021, by another USD 260 million to USD 796 million. In the first three quarters of 2022, growth in Moldova plummeted by 4%, suggesting a recession for the year as a whole within the range of 1.5%-2%.

In the context of rising energy prices and Russia's war of aggression against Ukraine, a new regular EUR 150 million macro-financial assistance programme for Moldova was approved by the European Parliament and the Council in April 2022. The Memorandum of Understanding, setting out the conditions to be fulfilled, was signed on 23 June 2022 and ratified by the Moldovan Parliament on 14 July 2022. The EUR 150 million programme, consisting of EUR 100 million in loans and EUR 50 million in grants, is to be disbursed in three tranches of EUR 50 million, with strong front-loading of the grant component. Following Moldova's fulfilment of the policy conditions, the first disbursement of EUR 50 million was made in August 2022.

In 2022, inflation surged in Moldova, peaking at over 34% in October on the back of high energy and food prices. As of November, inflation began to ease, albeit moderately, down to 31%. Average inflation in 2022 is projected at 28.5%.

⁶ L 119/1

⁷ L 119/89

On the **fiscal side**, Moldova performed better than expected in 2021, with a budgetary deficit of 1.9% of GDP, broadly comparable with pre-pandemic levels. This was due to optimisation of public spending, higher revenue collection and strong economic recovery. Despite some additional pressure on public finances due to the Russian aggression against Ukraine and the refugee situation, in the first half of 2022 Moldova also fared better than expected on the fiscal side, with the deficit at a low 1.2% of GDP. However, the energy crisis and a spike in gas and electricity prices has put a renewed pressure on Moldova's overall macroeconomic situation. The overall Budget deficit for 2022 is projected to widen, up to about 4.2% of GDP. Although, public debt remains low by international standards, at 32% in the first half of 2022 the overall risk of debt distress has been reclassified by the IMF from low to moderate due to high sensitivity to external shocks. Moldova has limited capabilities to respond to the ongoing crisis. The volatility of foreign currency reserves since the start of Russia's military aggression against Ukraine renders the economic outlook vulnerable. In the first half of 2022, the Moldovan lei depreciated against the US dollar by 7%, promoting heavy central bank interventions and a considerable draw on reserves. The current account deficit widened from 11.3% in 2021 to 13.4% in the first half of 2022. Nevertheless, the volume of **remittances** increased in the second quarter of 2022 by 4.7%. The EU remains the major source of remittances, with a share of 46.1%. Transfers from the countries in the Commonwealth of Independent States doubled in the second quarter of 2022, compared with the same period in 2021, registering a level of 22.18% of all remittances.

After a partial recovery as the COVID-19 pandemic slowed down, Moldovan **small and medium-sized enterprises (SMEs)** face new challenges due to increased energy prices and Russian's military aggression against Ukraine. This is leading to the disruption of many value chains, logistical issues and loss of clients. A National Programme for the Promotion of Entrepreneurship and Competitiveness Growth for 2022-26, with an accompanying 2022-24 action plan, is yet to be adopted, replacing the expired 2012-20 SME Strategy.

The **business environment** was affected by the uncertainties generated by Russia's military aggression against Ukraine and unpredictability in the context of the energy crisis.

As to the **financial sector**, the banking sector remained well capitalised and with a strong liquidity position. Parliament appointed all the vice-governors of the National Bank of Moldova. The new management of the National Commission for Financial Markets was appointed at the end of 2021, triggering the clean-up of the insurance sector. The process of transferring supervision powers from the National Commission to the National Bank is ongoing. This will establish the National Bank's supervision of insurance and non-banking credit institutions from mid-2023. On 7 April 2022, Parliament approved the long-awaited new law on insurance, and amendments aimed at more responsible lending and fighting consumer over-indebtedness.

Further efforts remain necessary to improve **public internal financial control**. The **external audit function** has improved, drawing on EU technical assistance support for the Court of Accounts, although lack of capacity remains an issue.

On **taxation**, reforms to the tax administration to implement international practices are ongoing. However, further action is needed to address the unreliable taxpayer register, the limited risk-based focus for the audit, value added tax refund programmes and outdated IT systems. Frequent changes in tax policy and tax rates are still common.

The National Bureau of **Statistics** continued its efforts to increase alignment with the EU acquis and European norms and standards, and to strengthen its role in coordinating the national statistical system. To that effect, work has been taken forward in relation to

strengthening access to administrative and private data sources and defining Other Producers of Official Statistics. However, the Bureau continues to suffer from a severe lack of human, financial and IT resources.

The national strategy for **agriculture and rural development** 2023- 2027 developed in alignment with the general principles of the new common agricultural policy is pending adoption. The budget of the National Fund for agriculture and rural development (the main subsidy mechanism for farmers and the food industry) increased to 1.7 billion Moldovan lei (approximately EUR 65 million) in 2022. This included the LEADER Rural development measure for which the first call was launched and 37 local action groups were selected for funding to implement their local development strategies (approximately EUR 8 million).

Regarding **tourism**, despite implementation of the sector's development strategies and programmes, Moldova is one of the destinations in the region with the lowest number of arrivals of international tourists. A new department tasked with developing policies for the tourism sector was created within the Ministry of Culture in August 2021; the implementation of tourism policies is in the hands of the Invest Moldova agency.

In 2021, the share of **informal employment** was 22.4%, being more widespread among men (27.9% compared with 18.1% for women), young people (28.1%), workers aged over 65 (26%), and workers engaged in the agriculture and construction sectors (65.6% and 64.9%, respectively). The share of young people (15-29) neither in employment nor in education and training was 26% (32.5% for women and 19.6% for men).

In July 2022, Moldova amended the Labour Code, adopting provisions on working conditions and health and safety at work. In September 2022, the law providing for unification of minimum wage entered into force. It guarantees a minimum of equivalent salary in any public institution, private company, or self-managed entity. The government also increased the minimum wage. Additional efforts are needed to ensure employer compliance with this law through labour inspections and complaint mechanisms. The legal framework on labour inspections remains to be fully aligned with ILO Conventions 81 and 129 on labour inspections.

In October 2021, the government increased the minimum **pension** to 2 000 Moldovan lei (EUR 100) and increased the minimum pension for disability. In total, 339 636 pension beneficiaries benefited from the increase. Starting from 1 January 2022, the standard retirement age for men is 63 years and the full contribution period is 34 years. For women, the standard retirement age of 63 years will take effect from 1 July 2028, and the full contribution period of 34 years will take effect from 1 July 2024. Starting with 1 April 2022, pensions and some social benefits have been increased with the indexation coefficient of 13.94%. In October 2022, 654 000 beneficiaries of pensions and social allowances received a one-time financial support payment of 1 500 Moldovan lei (EUR 75).

On **public health**, on 16 April 2022, the Extraordinary National Commission on Public Health decided to cancel the state of emergency in public health. This was due to positive trends in the epidemiological situation linked to the COVID-19 pandemic. There is a general shortage of healthcare personnel, particularly in rural areas. The Russian war of aggression against Ukraine puts additional pressure on the public health system, as people fleeing Ukraine are provided with free medical care for all medical and surgical emergencies. Moldova has a low COVID-19 vaccine uptake (26.6% for the second dose and 9.2% for the booster dose, by September 2022). On 15 November 2021, the Commission adopted a decision certifying that COVID certificate issued by Moldovan authorities are considered as

equivalent with the one issued in EU Member States.⁸ On 23 February 2022, the government approved the National Tuberculosis Response Programme for 2022-25 and its action plan.

3.2 Trade and trade-related matters

In 2021, the **EU strengthened its role as Moldova's main trade partner**, accounting for 50% of its total trade (61% of total exports and 44% of Moldova's total imports). In 2021, EU-Moldova trade **reached a record level**. Bilateral trade was EUR 4.52 billion, which is 23% higher than in 2020. Exports recovered from the negative impact of the pandemic and increased by 17%, reaching a historic high of EUR 1.71 billion, while imports increased by 27.5% to EUR 2.80 billion.

In 2021, the main exports from Moldova to the EU were electrical machinery and equipment, clothing, and oil seeds (especially sunflower seeds). The main EU exports to Moldova were mineral fuels, electrical machinery and vehicles. The Russian military aggression against Ukraine adversely affected Moldova's trade with eastern markets. This generated increased traffic at the border with Romania and significantly increased the time for transporting goods.

On 18 July 2022, the EU adopted a regulation allowing for a temporary increase in market access for the remaining seven products that were still subject to **tariff rate quotas**: plums, table grapes, apples, tomatoes, garlic, cherries and grape juice. The European Parliament voted in favour of the regulation in its July plenary session and the Council adopted it on 18 July, thus enabling the seven key agricultural exports to be sold on the single market without quotas. Furthermore, the equivalence of planting material for export to the EU was recognised for *Juglans regia* L. (walnuts)⁹ and *Mallus mil* (apples).¹⁰

Conflicting trade provisions put in place by amendments to the **Domestic Trade Law** in December 2020 were reversed by further amendments published on 26 August 2022, which will enter into force six months from that date (i.e. 26 February 2023). The new amendments repeal the obligation for retailers to have at least 50% of Moldovan-made food products on their shelves, bringing the legislation into line with Moldova's commitments under the DCFTA and the World Trade Organization provisions on national treatment of goods.

The authorities appointed new management at the National Accreditation Centre, the Moldovan Institute for Standardisation and the National Institute of Metrology. These bodies are in charge of the **quality infrastructure system**. They are going through an assessment process to bring their internal processes into line with the European Committee for Standardization (CEN-CENELEC) new Guide 22 on the organisational structure and processes for the assessment of future membership. Moldova transposed 100% of aligned **standards**, with more than 27 000 European standards adopted. As regards the market surveillance sector, additional efforts are needed to align national legislation with EU law, specifically in the consumer protection sector.

Moldova has made efforts to implement its **competition** legislation, but the independence and impartiality of the Competition Council remains an issue. Governance aspects were partially addressed by appointing a new chair. While the large majority of **State aid** measures have been aligned with EU rules, efforts are still needed regarding the alignment of the schemes applicable in Free Economic Zones. On enforcement of **intellectual property rights** legislation, a new law on intellectual property rights, which is broadly aligned with EU law, was submitted to the Parliament for approval. With regard to copyright, alignment with EU standards and best practice is still needed.

⁸ L 405/23

⁹ L 263/10

¹⁰ L 214/3

According to the World Bank's 2021 report on the assessment of the **public procurement** system in Moldova, the legislation, especially secondary legislation, requires revision. A new law on utilities procurement entered into force in June 2021, but some secondary legislation is still missing. Centralised procurement is underdeveloped and its use in practice (mainly for medical supplies and equipment) is hampered by regulatory problems (e.g. no rules for framework agreements) and the inadequate e-procurement system. Changes to the e-procurement system are currently being implemented.

As regards **sanitary and phytosanitary standards**, some progress was achieved on quality standards for poultry meat and eggs, bringing the legislation into line with EU regulations. The national salmonella monitoring plan and procedures for certification of products of animal origin for export were revised. The National Agency for Food Safety authorised the first company to export dairy products following the EU's decision to list Moldova for export of dairy products undergoing a special heat treatment. The first company for export of snails was also listed.

On **customs and trade facilitation**, the EU-Moldova Authorised Economic Operator Mutual Recognition Programme took effect on 1 November 2022. Additional support was agreed for Moldova's accession to the Common Transit Procedure Convention and for implementation of the New Computerised Transit System. Parliament adopted the new Customs Code on 24 August 2021, paving the way for future customs cooperation and trade facilitation with the EU, once the necessary implementing regulation is adopted.

In the **digital area**, the government is preparing a digital transformation concept as the basis for developing a digital transformation strategy 2023-30. On 19 May 2022, the draft law on electronic identification and trust services, prepared by the Security and Intelligence Service, was approved by Parliament. Implementation of the law will boost the development of existing electronic services and regulate new electronic signature services. Moldova benefited from several components of the **EU4Digital Facility** regional project, and pilot initiatives such as eDelivery and eCustoms.

4. Connectivity, energy efficiency, climate action, environment and civil protection

In the **energy sector**, Parliament introduced an extended state of emergency in 22 October 2021 due to uncertainties surrounding the expiry of the contract for gas deliveries with Russian Gazprom and prolonged it repeatedly due to the impact of Russia's military aggression against Ukraine (until 4 February 2023, according to the latest decision). At the end of October 2021, a new contract with Gazprom was concluded for five years with a new price formula, together with a protocol that envisaged certain measures to be carried out by the government, including the audit of Moldovagaz debt. Prices of imported gas and fuels increased sharply in the second half of 2021 and continued to be at high levels in 2022 compared with previous years. From November 2021 to March 2022, partial financial compensation to consumers for gas and heat was provided, using budgetary resources and a dedicated EUR 60 million EU budget support. The Government adopted a National Energy Crisis Action Plan, aiming to support vulnerable households and increase energy security. On 26 July 2022, the National Energy Crisis Action Plan was updated by the government, adding new measures to cope with a potential energy crisis in the upcoming winter. EUR 75 million EU budget support was also disbursed in August 2022, to increase assistance for vulnerable households. To help mitigate the crisis and find alternatives to Russian gas supplies, notably for the next storage season, the EU included Moldova in the EU Energy purchase platform in the spirit of solidarity.

In the **electricity sector**, the tender for electricity acquisition in 2022 was cancelled and direct negotiations took place with the MGRES Power Plant (located in area where government of Moldova does not exercise effective control) and suppliers from Ukraine. The supply by MGRES varied between 70% (until September 2022) and 50% (since beginning of December 2022), while the gap was covered by Romanian producers through bilateral contracts, procurements on the Romanian day ahead market (up to 80% in November 2022) and emergency supply from Romania or Ukraine. A revised electricity law adopted in February 2022 imposed on electricity suppliers and network operators the requirement to buy electricity from at least two sources in order to increase security of supply. The law also introduced the Independent System Operator model for unbundling in electricity. Moldelectrica, the Transmission System Operator (TSO), performed the unbundling process on the new model and requested certification to the National Agency for Energy Regulation in September 2022. The entry into force of the Electricity Market Rules¹¹ was postponed several times, and the rules are applied in what concerns balancing market and imbalance payments from 1 June 2022.

In **gas**, VestMoldTransgaz TSO was certified in September 2021 by the National Agency for Energy Regulation, but MoldovaTransgaz failed in the unbundling process and was not certified. Nevertheless, the July 2022 amendment to the Law on gas imposes the incumbent to file a certification request in 9 months since the law entering into force, i.e. until June 10, 2023, otherwise, the Regulator is entitled to designate an Independent System Operator if the gas transmission network belongs to a vertically integrated company. Energocom's corporate governance and gas trading capacity are being strengthened with EU technical and financial support (EBRD loan amounting EUR 300 million) in order to perform gas storage. Using EBRD and own resources, Energocom worked on building up gas storage, which might be used in winter to alleviate the Gazprom's reduced supply (5.7 bcm/day for the both banks or 56% less than contracted by Moldovagaz).

On energy **infrastructure**, the Iasi–Ungheni gas interconnector is fully functional since October 2021. The works to the Vulcanesti–Chişinău 400 kV power line started in January 2022. On 16 March 2022 Moldova's electricity grid was synchronised with the ENTSO-E Continental European Network, enabling the stability of the power system.

On **renewable energy sources**, in December 2021, the government adopted new quotas for capacities to be installed by 2025,¹² a total of 400 MW on solar, wind, biomass, biogas and hydro.

On **energy efficiency**, strategic planning documents are in the process of being revised (such as the Energy Strategy until 2030, with a view to 2050) or being developed (such as the National Energy and Climate Plan). The implementation of the Energy Efficiency Law adopted in 2018 to transpose the Energy Efficiency Directive EU/2012/27 is in progress, with most of the implementing regulations in a drafting phase. A number of energy efficiency initiatives were launched by the Government,¹³ aiming to untap the energy efficiency potential in the residential sector, a draft Law on the creation of the Moldovan Residential Energy Efficiency Fund was prepared with the EU support and expertise. The Fund is expected to become operational in 2023.

¹¹ National Energy Regulatory Agency Decision No. 283/07.08.2020

¹² Government Decision No 401/8.12.2021 on approving maximum quotas and capacities of renewable energy sources to be installed by 31 December 2025.

¹³ namely – i) Second district heating efficiency improvement projects in Chisinau (EUR 92 million, provided by World Bank) and Balti (EUR 11.5 million, provided by EBRD and E5P), ii) Moldova Energy Efficiency Project (EUR 75 million EUR, provided by EBRD and EIB – 30 MEUR each, and NIP – 15 MEUR) which targets public buildings of social importance.

In April 2022, the Energy Community Secretariat opened a new office in Chişinău to assist Moldova aligning with all the EU law relating to the Energy Community.

In **transport**, the EU and Moldova signed a temporary Agreement on the carriage of freight by road, applicable initially from 30 June 2022 to 31 March 2023. On 15 December, the EU-Moldova Joint Committee established by the Agreement approved its extension until 30 June 2024. The Agreement has liberalised road transport and allows Moldova to make full use of alternative export routes to support its economy. Air carriers registered in Moldova were removed from the EU Air Safety List in November 2021. The Moldovan Civil Aviation Authority closed Moldova's airspace on 24 February after declaring a state of emergency due to Russia's military invasion of Ukraine, but reopened it on 21 March in the direction of Romania. According to the maritime navigation code approved by Parliament in December 2021, vessels can be accepted under the Moldovan flag only if they are assessed by classification societies recognised by the European Commission. The railway code was adopted in February 2022, envisaging a reorganisation of the railway sector. On road and rail infrastructure, new loan agreements were signed with the European Investment Bank and the European Bank for Reconstruction and Development for investments in priority road and rail connections. In November 2022, Moldova became an observing participant to the Transport Community, with a view to facilitating its adoption of the EU transport acquis.

On the **environment**, the reorganisation of the institutions under the Ministry of Environment's authority is ongoing. In April 2022, Parliament adopted a law aiming to improve monitoring and assessment of air quality and to reduce emissions. In September 2022, Parliament also approved a new legislative framework harmonising with the three EU directives on industrial emissions, environmental impact assessment, and strategic environmental assessment. Moldova launched a campaign to plant 100 000 hectares of trees and to increase the forests coverage to 25% (11% at the moment)

Regarding **climate change**, public consultations on the draft law on fluorinated greenhouse gases closed in December 2022. The adoption of the 2023 Low Emissions Development Programme and the National Climate Change Adaptation programme, including their respective action plans, is pending. A Long-term Low Emissions Development Strategy (mid-century LT-LEDS) has not yet been adopted. In November 2022, Moldova signed the Association Agreement to LIFE+ programme)

On **civil protection and disaster risk management** following the Russian war of aggression in Ukraine, Moldova activated the Union Civil Protection Mechanism on 25 February 2022. 19 EU Member States and Norway have offered sheltered items, hygiene kits and food stuff, medical equipment, fuel and heaters, as well as electric generators. The EU has also mobilised the rescEU stockpile of medical equipment. The Union Civil Protection Mechanism's MedEvac has organised the medical evacuation of 43 Ukrainian patients out of Moldova to EU Member States and Norway. During the reporting period Moldova formally applied to become a Participating State of the EU Civil Protection Mechanism.

5. Educational mobility and people-to-people contacts

In August 2021, the former Ministry of Education, Culture and Research was split in two, replaced by a Ministry for Education & Research (responsible also for youth) and a Ministry for Culture. The Education Development Strategy 2014-2020 expired in December 2020. A new national strategy 'Education 2030' has been prepared and is awaiting approval.

During 2021-22, in the area of **lifelong learning** and validation of previously acquired skills, the number of accredited validation centres increased from 4 in 2020 to 9 in 2022, leading to

a total of 46 certified qualifications in 2021-22 (compared with 10 in 2020). In 2022, validation procedures were also extended to people fleeing the war in Ukraine.

In the **general education** sector, 15 442 teachers attended in-service training and 26 000 received digital skills training in 2021-22, following a trend that started during the COVID-19 pandemic. Since the outset (2013), Moldova has been also participating actively in the eTwinning. The fight against corruption and unethical behaviour in the sector continued, including by conducting exams through practical and interactive methodologies, instead of written exams, which were prone to plagiarism.

In **higher education**, the per capita financing model that was piloted in previous years was consolidated in 2021/2022, and legislation to improve study-programme evaluation by ANACEC (National Agency for Quality Assurance in Education and Research) was enacted. Improved bilateral protocols for recognition of qualifications were agreed with Romania and Italy. In 2022, Moldova continued to participate in the international actions of the 2021-27 Erasmus+ programme (with its status as a ‘non-associated third country’).

In the area of **vocational education and training (VET)**, the development of dual-VET models continues: 120 companies (compared with 80 in 2020/2021) and 1 601 students (compared with 1 494 in 2020/2021) were involved in 45 dual-VET programmes in 2021/2022. A set of new dual-VET regulations was approved by Parliament in April 2022. The National Centre for the Development of Vocational Education, although formally set up in 2016, is still not operational. Similarly, sectoral committees, created with the purpose of strengthening ties with the labour market, have no practical involvement in VET programming nor in validating previously acquired skills.

The Moldova **research and innovation system** is being restructured. The National Agency for Research and Development was fully operationalised and is implementing sectoral programmes. The National Programme for Research and Innovation and the accompanying Action Plan for the 2020-23¹⁴ sets the priorities and development objectives in the fields of research and innovation and ensured the synchronisation with the strategic programme for the development of the country, with the European Union's sectoral strategies and research and innovation framework programmes.

In December 2021, Moldova joined the EU programme Horizon Europe as an associated country. Moldova has institutional and legal frameworks in place for the design and implementation of a Smart Specialisation Strategy, with support from the EU Joint Research Centre. Its implementation is expected to start in 2023. However, the R&D sector continues to lack sustainable domestic financing.

For **young people**, the major progress in 2021-22 was the creation of the National Youth Agency, although it is still to be fully operationalised. The Ministry is currently developing the Youth 2030 Strategy, with support from international agencies, in collaboration with the National Youth Forum. A national Grants Programme for youth organisations was carried out in the first half of 2022, resulting in the award of about 30 projects for about 6.5 million lei (EUR 342 000) in total. Young individuals and youth organisations have access as partners (not applicants) to youth exchanges and volunteering projects under Erasmus+ and the European Solidarity Corps. Also, Moldova benefits from opportunities under EU4Youth (the Eastern Partnership regional programme).

¹⁴ Government Decision No. 381/2019 on the approval of the National Programme in the fields of research and innovation for the years 2020-2023 and the Action Plan on its implementation, https://www.legis.md/cautare/getResults?doc_id=115747&lang=ro

6. Financial assistance

The EU continued to provide financial assistance to support the implementation of reform commitments under the Association Agreement and to improve citizens' lives in line with the joint declaration¹⁵ that endorsed the agenda of 'Recovery, Resilience and Reform'. This was based on the priorities and targets outlined in the Joint Communication (March 2020)¹⁶ and the Joint Staff Working Document (July 2021)¹⁷ on the future of the Eastern Partnership, with the overarching goal of strengthening partners' resilience. A **new 2021-27 multiannual indicative programme** entered into force on 22 August 2022.

As part of that programme, the Commission adopted the **2021 Individual Measure** with an overall budget of EUR 52 million¹⁸. It includes measures to support economic development, the green transition, and structural reforms, with a particular focus on justice, security and strategic communication. The overall bilateral budget of EUR 65 million also included EUR 3 million transferred to support the humanitarian response to the refugee crisis, EUR 4 million to the regional Civil Society Facility and EUR 6 million to the Neighbourhood Investment Platform.

The **Economic and Investment Plan for the Eastern Partnership** will mobilise EUR 3.4 billion in grants, blended finance and guarantees, to stimulate jobs and growth, and to support connectivity and the green and digital transition. It includes five flagship initiatives for Moldova to support small and medium-sized enterprises, boost EU-Moldova trade, improve energy efficiency and connectivity, and develop human capital.

Major EU-funded projects completed in 2021 addressed energy efficiency (Călărași , Cantemir, Feștelita), development of rural areas (e.g. water and wastewater in Cantemir), support for SMEs, a large citizens' empowerment programme encouraging participation in local, regional and national decision-making processes, and support for civil society to provide local social services.

The EU helped Moldova to manage the severe gas supply crisis by providing EUR 60 million through a new **budget support** programme at the end of 2021 and a **crisis response measure** of EUR 15 million to increase the country's resilience to current and potential future energy crises. A new EUR 75 million **budget support** was disbursed in August, and a further EUR 250 million were announced by President von der Leyen on 10 November 2022.

New regular **EU macro-financial assistance** of EUR 150 million in the context of rising energy prices and Russia's military aggression against Ukraine was approved in April 2022. To support **mitigation of the impact of Russia's war on Ukraine**, the EU has provided EUR 38 million in humanitarian assistance with the objective to alleviate the most urgent needs of displaced people from Ukraine and their host families¹⁹ in Moldova as well as EUR 15 million in regional assistance to support the resettlement of people displaced from Ukraine and the secure transit and repatriation of non-EU nationals.

To respond to the security challenges, an additional crisis response measure of EUR 8 million was adopted in 2022, to strengthen Moldova's cybersecurity and fight against disinformation. For the first time in EU-Moldova relations, the EU also decided to support Moldova's defence sector through the **European Peace Facility**, with a 2021 allocation of EUR 7

¹⁵ 14964/21 COEST 327

¹⁶ JOIN(2020) 7 final

¹⁷ SWD(2020) 56 final

¹⁸ C(2022) 2850 final

¹⁹ The EU humanitarian strategy in Moldova focuses on the following main sectors: cash assistance, winterization support and protection monitoring and services.

million and a further EUR 40 million in 2022. By providing relevant non-lethal equipment, supplies and services, including equipment-related training, the assistance measures strengthen the capacities of Moldovan armed forces as regards logistics, mobility, command and control, cyber defence, unmanned aerial reconnaissance and tactical communications units.

The EU-funded programme ‘Prevention, Preparedness and Response to natural and man-made Disasters in Eastern Neighbourhood Countries’ (PPRD East 3), which is now on its third phase (EUR 6 million budget, 2020-24) has resumed activities in the post-COVID context. The EU continued supporting Phase V of the **confidence-building measures** aimed at facilitating the Transnistrian conflict settlement by increasing confidence between Chişinău and Tiraspol through joint initiatives involving local authorities, civil society organizations and other stakeholders from both sides of the Nistru river.

The **Moldova Support Platform**, launched in Berlin on 5 April 2022, allows Moldova to present new and ongoing challenges to the international donor community. So far, international donors have pledged some EUR 1.4 billion in short- and long-term assistance to Moldova under six priority areas – humanitarian assistance, border management, economic recovery and resilience, justice, energy, and public administration reform and public finance management. Of the amounts pledged, around EUR 420 million have already been received. Further meetings took place in Bucharest and Paris, most recently on 21 November 2022, while the next is foreseen for 2023 in Chisinau.

7. Concluding remarks and future outlook

The EU continued to work with the Moldovan government on the basis of mutual commitment to reforms and to the core principles enshrined in the EU-Moldova Association Agreement and the Deep and Comprehensive Free Trade Area.

Following the strong mandate received by the country’s pro-reform government in August 2021, Moldovan government embarked on implementation of its ambitious reform agenda. The key issues included the long-awaited justice reform, regaining public trust in the judiciary and the public administration system, fighting poverty, and improving the country’s business and investment climate.

Though the government has shown strong commitment to delivering on its ambitious programme, overall progress on reforms has been affected by a series of crises: the pandemic, the energy crisis, refugee inflows, and the negative impact of Russia’s invasion of Ukraine on Moldova’s security, trade and economic environment in general. Lack of institutional capacity and human resources in public administration has also had an impact on the pace of reforms.

Despite these negative factors, there has been progress in several key areas. These include ratifying the convention on preventing and combating violence against women and domestic violence, adopting the long-awaited comprehensive justice sector strategy, initiating a pre-vetting procedure for new members of top-level judiciary and prosecution bodies, as well as renewed efforts at fighting high-level corruption by opening a number of criminal cases. Moldova significantly improved its ranking in the 2022 World Press Freedom Index. It was also among the few countries that registered progress on the Transparency International Corruption Perceptions Index for 2021.

The long-term strategic vision of the current government is anchoring Moldova into the European integration process. Moldova’s new national development strategy ‘European Moldova 2030’ clearly draws a sustainable path towards implementation of the Association

Agreement and addressing the requirements of Moldova's EU candidate country status, among others by strengthening democracy, the rule of law and respect for human rights.

Moldova swiftly developed an action plan to implement the nine steps proposed by the European Commission in its Opinion. The Commission will monitor Moldova's progress towards meeting the accession criteria including on the nine steps and on overall alignment with EU law, and will report on progress as part of the regular enlargement package starting in autumn 2023.

The EU will continue to help the Moldovan authorities to bring tangible and visible benefits to their people. This support will remain closely linked to satisfactory progress on agreed reforms in line with European standards. Support through the Annual Action Programmes forms part of the broader regional vision of the Economic and Investment Plan and the five flagship initiatives for Moldova.

The EU will engage with Moldovan authorities to improve institutional arrangements and build sufficient capacity at national/regional/local levels to further enhance Moldova's participation in relevant EU programmes and European Territorial Cooperation programmes, and provide support to the drivers of change (civil society and SMEs). The EU will continue to support improvement of the government's strategic communication capacity and ability to raise awareness about necessary reforms on Moldova's European integration path.

As part of the overall efforts to strengthen Moldova's resilience, the EU will continue to support energy market reforms and efforts at enhancing Moldova's energy security. Reinforced cooperation on security and defence will include strengthening strategic communication efforts to counter disinformation, and to inform Moldovan citizens about the EU, EU-Moldova relations, and the tangible benefits for the people of Moldova brought about by the EU integration process.
