



Monitoring report on the implementation of the Priority Reform Action Roadmap (March-June 2016)

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Executive summary

The performance of the Roadmap provisions regarding the agenda of priority reforms was estimated based on a methodology focused on: defining performance indicators for the actions planned; assessing the degree of realization, in positive and negative course of realization of actions; and compliance with deadlines. It has been found that several deadlines in the Roadmap had been set unrealistically short. As a result, monitoring focused on the quality of acts adopted / actions undertaken. This approach is justified also because 4 of the actions have no deadlines, and they are to be implemented continuously. So, deadlines for each action were treated flexibly, taking into consideration the final deadline – July 31, 2016. Compliance with deadlines was analyzed from the perspective of the Law on transparency in decision making. For continuous monitoring, if an action was realized or initiated with a delay, it was not qualified as unrealized because its deadline expired, unless the action was initiated too late to allow its realization by July 31, 2016 in compliance with requirements of transparency in decision making.

The deadlines of 57 actions of the 69 provided by the Roadmap had expired by the moment when this report was being written (the month of June). Quantitatively, of the total of 69 actions, 24(35%) were realized without deficiencies, 16(23%) were realized with deficiencies, 19 actions (27%) of the total are in positive course, and 4 (6%) are in negative course of realization, with serious deficiencies that might prevent successful realization of the action. The realization of 6 (9%) of the actions has not been initiated.

We underline the fact that quantitative results regarding the number or percentage of actions realized from the Roadmap should be considered a secondary indicator to the quality of the actions realized. Some actions in the Roadmap overlap¹, while others are technical and simplistic² and should not be included in such a document. At the same time, their realization increases the number or rate of actions realized, while in fact they do not create conditions for implementation of necessary reforms nor demonstrate that there is a will to reform.

In this respect, the national authorities are also strongly encouraged to put an emphasis on the quality of the adopted acts / taken actions, respecting the legal provisions on drafting normative acts / public policy documents and transparency in decision-making, even if this means delays compared to the deadlines set up in the Roadmap. For any future strategic documents or plan of actions, setting up realistic deadlines for implementation and clear performance indicators are strongly encouraged.

Among the main drawbacks in implementing the objective „good governance and rule of law” there are the reform of the National Anticorruption Center and the adoption of a new Audio-visual Code (one of the big arrears of all the governments since 2011 until now). On the objective „economic development and functioning market economy”, we point out the slow pace of investigations on the bank frauds of 2014, slow pace of reforms within the National Bank (NBM) in terms of fostering its independence and competences, as well as slow pace of implementation of the association agreement. In the energy sector, due to the lack of transparency in renewing the contract with the Transnistrian region supplier and rejecting the offer of the Ukrainian supplier, the price negotiated was not the most advantageous.

¹ Actions regarding elimination of monopoly in mass media, regulation of the legal regime of media ownership, and adoption of a new Broadcasting Code.

² For example, extension of the implementation deadline for the National Anticorruption Strategy; adoption of amendments to the Criminal Code, developed back in 2015; minor amendments to the Law on the status of judge.

Among the main achievements there can be mentioned promulgation of the law on prosecution, adoption of the law on optimization of the court system and of the package of laws on integrity, optimisation of state inspections, approval of the Investment Attraction and Export Promotion Strategy 2016-2020, initiation of the reformation process of the banking system by aligning it to Basel 3 principles, “unfreezing” the negotiations with IMF on a potential program, initiation of the public administration reform, and, last but not least, the relatively transparent and inclusive process of selection of NBM Governor and members of the NBM Supervisory Board.

The main challenges, which should be taken into account for any future strategic documents that will follow after the Roadmap, include ensuring all necessary conditions for the functioning of the National Integrity Agency (NIA) and an adequate implementation of the law on declaration of assets and personal interests; ensuring the sustainability of the measures initiated regarding the public administration reform; ensuring the necessary funds for party financing and qualitative implementation of the new electoral legislation; effective implementation of the Law on reorganization of the court system and adoption of constitutional amendments regarding the judiciary, follow by related legislative and practice amendments; effective implementation of the law on prosecution and the related legal framework; implementation of the fiscal mechanism through which individuals can designate annually a part of the income tax (2%) towards civil society organizations and religious denominations that undertake public utility activities; improve the efficiency of the implementation process of the Association Agreement EU – Moldova, including the DCFTA chapter. In the economic field, the major challenges refer to effective implementation of the legislation on financial stability; investigation of the financial fraud and implementation of a strategy for recovery of the liquidities that have disappeared from the three banks; effective implementation of a new legislation regarding energy and natura gas.

Assessment methodology

Categories used for the current assessment of the Roadmap actions and their meanings:

Stage	Categories used throughout the monitoring process	Meaning
Not achieved	Not launched	Up to the end of the assessment period, no activities have been undertaken to accomplish an action
In progress	In progress positive	The action is being implemented in line with the requirements of legislative process and transparency in decision making, the adopted act or actions taken comply with the spirit of the given action and with international commitments
	In progress negative	The action is being implemented with deficiencies. This means that there are problematic issues related to: respect of legal provisions on legislative process and transparency in decision making, the content of the adopted act or actions taken does not comply with the spirit of the given act/action or are not in line with international commitments.
Achieved	Achieved without deficiencies	The action has been achieved in line with the requirements of legislative process and transparency in decision making, the adopted act or actions taken comply with the spirit of the given action and with international commitments
	Achieved with deficiencies	The action has been achieved with deficiencies. This means that there are problematic issues related to: respect of legal provisions on legislative process and transparency in decision making, the content of the adopted act or actions taken does not comply with the spirit of the given act/action or are not in line with international commitments.

Introduction

The Roadmap regarding the agenda of high-priority reforms contains the actions that authorities (Government, Parliament, and some other public institutions) committed to in order to overcome the social, economic and political crisis in Moldova. The document's provisions refer to a situation in a certain context, and they are to be completed in a period of just 5 months (March 1 – July 31, 2016). Once the crisis is overcome, Moldova is to return to the implementation of strategic policy papers: the Association Agenda and the Moldova-EU Association Agreement, in accordance with the provisions of the National Action Plan and other strategic policy papers. In this sense, the Roadmap is a response of Moldovan authorities to the Conclusions of the European Union's Foreign Affairs Council of February 15, 2016.

The crisis is expected to be overcome by channeling government efforts towards two major objectives: installing good governance and the rule of law; and economic development and ensuring a functioning market economy. The formulation of the first objective aims at the government to regain credibility among its citizens and the development partners of Moldova. In this respect, Moldovan authorities have committed to demonstrate their coordinated political will in order to: combat corruption; reform public administration; improve competition and transparency in activities of political parties; ensure freedom of the media; ensure independence, efficiency and transparency of justice. The second objective aims at resumption of external funding for Moldova by development partners and improvement of the economic situation through activities that would result in: signing the cooperation agreement with the International Monetary Fund (IMF); strengthening the financial and banking system by ensuring independence and competences of regulatory institutions in the field – the National Bank and the National Commission of Financial Market; improving the investment and business climate, including in the energy sector.

In order to ensure synergy in achieving the two major objectives, the Government and the Parliament have established a way of coordination and interaction. The Government, through the Governmental Commission for European Integration, has committed to ensure development of documents and implementation of concrete activities that fall in the competence of institutions subordinated to it. In its turn, the Parliament established the Parliamentary Council for European Integration, which performs and coordinates the activities of the Parliament's structures and of the institutions subject to parliamentary control. The Government's and Parliament's activities are coordinated through direct communication of the Prime Minister with the Speaker of Parliament. The European Directorate of the Ministry of External Affairs and European Integration has the task to supervise compliance with the agenda set out in the Roadmap and summarize the implementation of its provisions.

To attract society's support and ensure correct information about the ways of implementation of the Roadmap, the document provides for cooperation of public institutions with civil society organizations. This cooperation aims at creating a new framework of relations that would allow civil society organizations to participate in the development of performance indicators for the assessment of the immediate, short- and medium-term impact of implementation of the Roadmap. Also, cooperation with civil society organizations aims at identifying good practices that could be later extended to monitoring the National Action Plan for implementation of the Association Agreement, with joint efforts and in normal conditions after the crisis is overcome.

1. Combating corruption

Summary of general progress

Out of 9 monitored actions, 2 have been achieved without deficiencies, 2 have been achieved with deficiencies, 2 are in progress negative, 2 are in progress positive and 1 has not been launched.

In the period of March-June, several technical activities were implemented, such as extension of the deadline for adoption of the National Anticorruption Strategy or adoption of amendments to the Criminal Code, developed back in 2015. Some planned draft laws were developed, for example, the draft law on specialized prosecutions. The draft law on institutional integrity was adopted, but it raises questions regarding compliance with the standards of fair trial. This period was marked by delays in adoption of the set of laws on integrity, which were adopted only in June, after public consultations. It should be mentioned that the Parliament has a problematic practice of organization of urgent public consultations, without allowing enough time for civil society organizations (CSOs) to come up with consistent and well-argued opinions. The most important overdue action in the field is the reform of the National Anticorruption Center (NAC), stipulated in actions 1.3 and 1.5.

Summary of individual actions

Action	Target date	Stage
1.1. Parliament to adopt the set of Laws on integrity, including: Law on National Integrity Commission; Law on declaration of wealth and interests which extends the circle of subjects and objects of the declaration of wealth and interests;	March-April 2016	Achieved with deficiencies

The package of laws on integrity includes three drafts: 1) The draft law on National Integrity Centre (NIC) (No. 46 of 18.02.2016); 2) The draft law on income and personal interests declaration (No. 47 of 18.02.2016); 3) The draft law on amending some legislative acts (related framework) (No 45 of 18.02.2016). The draft laws were adopted on 25.02.2016 in first reading, on 17.06.2016 (delayed compared to the deadline indicated in the Roadmap) – in the second, final reading. The adoption of the package of laws on integrity in final reading was preceded by public consultations, although organized in very limited deadlines. The results of the public consultations are not included in summary table on comments to the draft laws (tabelul divergențelor). Based on the summary of amendments published on the Parliament's website³, journalists were excluded from the composition of the Integrity Council, which is not justified. An assessment of the quality of the package of laws on integrity will be possible after the final text of the laws is published.

1.2. Parliament to adopt other related set of Laws on integrity, including: Law on integrity in the public sector and the respective amendments to legislative framework related to the law; Amendments to the law no. 325 of 23.12.2013 on testing the professional integrity based on the principles of constitutionality and introduction of the evaluation of the institutional integrity.	April-July 2016	Achieved with deficiencies
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- **Law on integrity in the public sector and the respective amendments to legislative framework related to the law – in progress, positive**

The draft law was developed by a working group created by the NAC Director's order no. 107 of 28.07.2015 and sent to the Parliament on 25.04. 2016. After its presentation at a meeting of the Commission on Legal Issues, Appointments and Immunities, a group of

³ Draft Law on the National Integrity Center (no. 46), <http://bit.ly/297vPSD>.

MPs took it on as a legislative initiative (no. 267 on 15.06.2016). The draft is to replace Law no. 90 of 25.04.2008 on preventing and combating corruption, which for a long time needed to be brought in compliance with the current regulatory framework on anticorruption. The draft is a framework law that compiles several rules relevant for the field. At the same time, the draft law uses concepts from the law on the National Integrity Center (NIC) and the law on income and personal interests declaration. In this context, a qualitative analysis is needed regarding delimitation between authorities of the institutional competences aimed to ensure integrity, but it will only be possible after the laws on integrity are published. Several CSOs requested the Parliament to postpone the adoption of the draft law until the text of the package of laws on integrity is published, to allow a thorough analysis and corroboration of relevant provisions. At the Parliamentary session of 01.07.2016, the draft law was withdrawn from the agenda and postponed for examination after the package of integrity laws is published, at the proposal of the Speaker (who, among others, made reference to the CSO's public appeal on this matter).

- ***Amendment of Law no. 325 of December 23, 2013 on professional integrity testing based on the principles of constitutionality and introduction of institutional integrity assessment – achieved with deficiencies***

The draft law on amending and supplementing some legislative acts (Law no. 325 on professional integrity testing and other related laws) was adopted by the Government on 28.10.2015 and registered in the Parliament under no. 434 on 03.11.2015. The draft law was adopted in the first reading on 26.02.2016 and in the second (final) reading on 26.05.2016. The draft law adopted by the Parliament raises several questions. The law does not solve some key issues raised by the [Venice Commission](#)⁴ and the [Constitutional Court](#)⁵, which found that several provisions of Law no. 325 are contrary to international standards. The adopted law does not provide for an adequate judicial control of integrity testing; there is no requirement for existence of reasonable suspicion to start the integrity testing; and there are no guarantees that testers will not provoke tested persons to commit crimes. Also, the new system creates preconditions for unlimited influence of the NAC over any public entity. The draft law empowers the NAC to carry out checks on public entities and to challenge refusals to dismiss the head of the entity that undergoes assessment, i.e. to directly influence dismissal of any head of public institution in the country. In addition, the law provides that the case files generated by this draft law are to be examined by specialized judges in trial courts and appellate courts, who are to be selected and appointed by the Superior Council of Magistracy (SCM) under a regulation coordinated with the NAC and the Security and Information Service (SIS), which raises big questions regarding interference with judicial independence.

The draft law was developed in 2015 by the Ministry of Justice (MoJ) within a working group. However, given the complexity of the document and its essential amendment during the last stages of working group's activity, the process cannot be considered transparent. Neither the MoJ, nor the Parliament organized genuine public debates on the draft law, having ignored the requests of some CSOs to ask for the opinion of the Venice Commission before adopting the law. Consequently, [several civil society organizations asked the President to return to the Parliament](#) for reexamination the draft law no. 434 on institutional integrity assessment, with express request to send it to the Venice Commission for expert opinion, and to organize public consultations and debates.

⁴ Venice Commission, opinion no. 789/2014, CDL-AD(2014)039, December 15, 2014, available at [http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2014\)039-e](http://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2014)039-e).

⁵ Constitutional Court, decision no. 7 of April 16, 2015, available at <http://constcourt.md/ccdocview.php?tip=hotariri&docid=532&l=ro>.

1.3. Parliament to adopt other related laws on delimitation of competences between the institutions with competences fighting corruption, including: Law on delimitation of competences between the National Integrity Commission and other authorities on competences to find, pursuit and prosecute the wealth from other sources than the one declared; Law on delimitation of competences on criminal prosecution between the National Anti-Corruption Centre, Ministry of the Interior and General's Prosecutor Office;	April- July 2016	In progress negative
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- Law on delimitation of competences between the National Integrity Commission and other authorities on competences to find, pursuit and prosecute the wealth from other sources than the one declared – achieved with deficiencies;

Provisions relevant to this action are contained in the draft law on amending and supplementing some legislative acts (no. 45 of 18.02.2016), which is a part of the package of laws on integrity. The draft law was adopted by the Parliament in the first reading on 25.02.2016 and in final reading on 17.06.2016. In the absence of the final text of draft law no. 45, its detailed analysis is not possible. The assessment of this action might be changed after analysis of the final text.

- Law on delimitation of competences on criminal prosecution between the National Anti-Corruption Centre, Ministry of the Interior and General's Prosecutor Office – not launched

Draft law no. 243 on amending and supplementing some legislative acts (legislation related to the law on prosecution) contains mostly amendments on prosecution service competences, but it does not delimit competences between the NAC and specialized prosecution offices and between the NAC and the Ministry of Internal Affairs. In the context of the changes that occurred as a result of the law on prosecution, NAC's competences related to criminal investigation in cases of corruption are unclear. By 30.06.2016, no draft law targeting NAC competences had been published. Therefore, the action is qualified as not launched.

1.4. Ministry of Justice to draft the legislation on incrimination of misuse and misappropriation of EU and international funds which would also tackle the conflict situations in the use of EU and international funds according to the provisions of the Convention on the Protection of the European Communities' Financial Interests and other international conventions on the matter.	March- April 2016	Achieved without deficiencies
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The action was formulated vaguely. The MoJ was to develop legislation aimed at criminalizing the use of European and international funds contrary to destination and their misappropriation, but it seems that the NAC had already developed such amendments to the Criminal Code in August 2015 (articles 126¹, 240, 332¹ and 332²). The draft law was approved by Government Decision no. 302 of 18.02.2016, presented for high-priority examination to the Parliament and registered on 23.03.2016 under no. 116. The draft law no. 116 was adopted in the first reading on April 21 and in the second reading on 26.05.2016. Neither the final text of the law, not the summary table on comments to the draft laws (tabelul divergențelor) had been published by 20.06.2016. It is unclear whether the MoJ opinion was taken into consideration. After the publication of the final text, the report will be supplemented by an analysis of provisions, and the assessment of this action might be changed.

1.5. Ministry of Justice to develop anti-corruption initiatives and to further reform the National Anti-Corruption Centre in accordance with the new law on prosecution, the law on the National Integrity Commission and the law on declaration of wealth and interests.	March- April 2016	Not launched
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The action has been formulated vaguely. From the information presented by the Ministry of External Affairs and European Integration, the action refers to the draft law no. 45 of

18.02.2016 from the package of laws on integrity (the third draft), included also in action 1.3 of the Roadmap. The actions include the following differences: action 1.5 refers only to activities performed by the MoJ, with deadlines in March-April 2016; action 1.3 refers to adoption of laws by the Parliament, with deadlines in July 2016 (see comments on action 1.3.) However, aside from delimitation of competences of the NAC and NIC, NAC's competences are to be clarified in the law on NAC, taking into account the package of laws on integrity, the new law on prosecution and draft law no. 243 on amending and supplementing some legislative acts (legislation related to the law on prosecution). The draft law on amending the law on NAC was not subject to public consultation until 30.06.2016, therefore the action was assessed as not launched.

1.6. Ministry of Justice to draft special laws on the specialised prosecution: anti-corruption prosecution, fight against organised crime prosecution and the special cause prosecution, in accordance with to the concept of the reform of prosecution and the new law on prosecution.	May 2016	Achieved with deficiencies
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The working group on reform of prosecution developed two draft laws to implement this action. The first draft amends, *inter alia*, the Code of Criminal Procedure, establishing the competence of specialized prosecution offices. The second draft targeted the internal organization of these prosecution offices, in order to guarantee their independence. On 27.05.2016, the Government approved the first draft, and on 17.06.2016 it was approved by the Parliament in the first reading (draft law no. 243). The second draft was approved by the Government on 15.06.2016 and registered with the Parliament on 17.06.2016 (no. 271).

The draft law on amending the Code of Criminal Procedure grants to the Prosecution for Combating Organized Crime and Special Cases exclusive competences in areas that are not in the competence of such prosecution (e.g. grand theft) and are not related to organized crime in other countries. This granted competence to investigate grand theft creates the risk of corruption and distraction of the institution's attention from combating organized crime. For administrative reasons (delay with the election of the head of the Prosecution for Combating Organized Crime and Special Cases, staff employment, etc.), delay in the adoption of draft laws makes impossible the efficient functioning of the two prosecutions from 01.08.2016.

On 27.05.2016, the interim Prosecutor General approved the organizational and staff structures of the two specialized prosecution offices, although the draft law on specialized prosecutions states that their structure should be proposed by their chief prosecutors and the staff should be coordinated with them. The new organizational structures do not fully comply with the needs of future specialized prosecutions and the specific activities of the two specialized prosecutions.

1.7. National Anti-Corruption Centre to prolong the implementation deadline of the National Anti-Corruption Strategy for 2016.	March 2016	Achieved without deficiencies
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Draft Parliament Decisions on extension for 2016 of the National Anticorruption Strategy (NAS) for 2011-2015 and on approval of the Action Plan for 2016 for the implementation of NAS 2011-2016 were registered in the Parliament on 25.03.2016 under no. 122 and no. 123, having been presented by a group of MPs from different parliamentary groups. Both drafts were approved on 12.05.2016. The main changes refer to extending the NAS implementation deadline to the end of 2016 and intensifying parliamentary control over NAS implementation by requiring quarterly meetings of the permanent parliamentary commission responsible for national security, defense and public order, including anticorruption. Both decisions were published in the Official Gazette on 01.07.2016. It is not clear why this action was considered a priority and included in the Roadmap, since it is rather a technical issue. Due to delayed

adoption of NAS 2011-2015 and delayed adoption of action plans for NAS 2011-2015, the need to extend the implementation deadline seemed obvious.

1.8. National Anti-Corruption Centre to develop the professional integrity electronic file and the soft of electronic evidence.	May 2016	In progress, positive
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The NAC redrafted new Performance Specifications to create the IT system “Professional Integrity Record of the Public Agents”. Based on these specifications, UNDP Moldova organized a tender for software creation and contracted the company in June 2016. The development is expected to be finalized by the end of 2016. The action itself raises no questions, as long as the information system fully corresponds to the final text of the Law on Institutional Integrity Assessment (see action 1.2 above).

1.9. The National Integrity Commission to implement the on-line system of submission of declaration of property and personal interests and train its staff.	July 2016	In progress, positive
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The online system for submission of property and personal interest declarations is functional and ready to be launched after making appropriate adjustments according to the news laws on the NIC and on property and personal interest declaration and after these laws enter into force. The system is already connected to several state registers, but not to those of Cadastre and Fiscal Service. The current NIC staff responsible for control of income, properties and personal interests was trained by the E-government Center, but after NIC is reformed, newly employed integrity inspectors will have to be trained again. Until the entry into force of the obligation to submit on-line property and personal interests’ declarations, the declarations will be submitted in written printed form. In this respect, it is very important to pay sufficient attention to the procedure of contracting a professional and reliable company responsible for digitalization and processing of declarations, which previously has been conducted with great delay and in a non-transparent manner. Moreover, the contracted company has subsequently provided services of an insufficient quality.

Recommendations:

- *The Parliament should organize public consultations regarding the draft law on integrity, after the package of laws on integrity is published;*
- *The President shall return the Law on Institutional Integrity Assessment to the Parliament for reexamination, with express request to send it to the Venice Commission for expert opinion (the law was adopted in final reading);*
- *Exclude from the exclusive competence of the Prosecution for Combating Organized Crime and Special Cases grand theft and other cases that can be investigated by territorial prosecution offices (the draft law is on Parliament’s agenda);*
- *Reconsider NAC competences, especially if it is justified to maintain its competencies of criminal investigation of cases of “small” corruption and to develop the relevant legal framework (the authors recommend excluding criminal investigation from the competencies of NAC, by allocating the competencies of criminal investigation of corruption cases that do not fall under the ambit of anticorruption prosecution office to the territorial prosecution offices);*
- *Allocate the financial resources needed for the reorganization of NIC and for its operation, in accordance with new legal provisions;*
- *Ensure NIC’s (future National Agency for Integrity) access to all state and private registers necessary for an effective verification of property and personal interests, especially the Cadastu and Fiscal Service;*
- *Review organizational and staff structures of specialized prosecution offices in the spirit of*

the draft law on specialized prosecution offices;

- Develop a new National Anticorruption Strategy for 2017-2021 and to adopt it by the end of 2016, in order to enable the start of its implementation from January 1, 2017.

2. Public administration reform

Summary of general progress

Out of the 4 monitored actions, 2 have been achieved without deficiencies, and 2 are in progress positive.

The subject of public administration reform, especially in terms of ensuring the rationality and efficiency of the administrative system, professionalism of public service and modernization of public services, is treated as a major priority of the Government, which has the role of catalyst for any other reform initiatives in any sector. For this reason, efforts were made to fully realize the commitments assumed under the Roadmap. However, one should mention that the actions are focused on setting up the strategic and institutional framework for the reform, rather than on actual realization of reform.

A single action has expired, but its realization is at an advanced stage, namely the approval of the Public Administration Reform Strategy, which is planned for early July. The delay is mostly due to a deficiency of the planning process, or a complex strategy cannot be developed based on records and respecting the consultation process within 2 months.

A major challenge in realization of the actions under this chapter is still related to ensuring sustainability, especially in the work of the National Council for Public Administration Reform, and compliance with regulatory provisions on development of policy papers and transparency in decision making, namely in the case of the Strategy of Public Administration Reform and Action Plan for the public services modernization reform for 2017-2021.

Summary of individual actions

Action	Target date	Stage
2.1. State Chancellery to ensure functionality of the National Council for Public Administration Reform, inter alia by convening the Council in regular meetings.	10-11 March 2016	Achieved without deficiencies

The National Council for Public Administration Reform was set up by Government Decision no.716 as of 02.10.2015 at the recommendation of development partners in order to boost the implementation of reform activities in this sector. The Council was conceived as a high-level platform for decision making and taking commitments regarding the strategic directions for the public administration reform, taking into account that the reform is a complex one and it includes several components managed by different authorities and it also includes the high-level administration, both at central as well as local level. Thus, the Council is headed by the Prime-minister and is composed of the heads of two line parliamentary committees, five members of the Government and the Secretary General of the Government, its meetings are called at least once every three months. Since its creation and for five months now, no meeting of the Council took place, the main cause being the instability of the Government.

The first meeting of the National Council for Public Administration Reform took place on 11.03.2016. The development partners attended and the main subject on the agenda was the development of the Strategy for Public Administration Reform (PAR). At the meeting, the need for a monthly meeting of the Council was established for the period of PAR Strategy development, until its approval. The second meeting of the Council took place on 12.05.2016, the draft PAR Strategy was presented and the public consultation process for its finalisation started. Still, currently no target date and priority subjects are established for the following Council meeting.

Although the Council format is the one suitable for establishing reform priorities and taking

institutional commitments for their implementation, and its action would facilitate the reform activities implementation and monitoring, as well as the dialog with the development partners in this area, a more active attitude from the secretariat of the Council, currently being in the responsibility of the State Chancellery, is needed in order to establish the agenda of the Council and ensure its operation.

2.2. State Chancellery to update and approve the Roadmap/Strategy on Public Administration Reform in consultation with civil society and development partners, including, recommendations of the SIGMA study findings.	April 2016	In progress positive
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Following the decision taken at the first meeting of the National Council for Public Administration Reform, the process of the PAR Strategy development was launched in April 2016. Initially, it was planned to update the Roadmap for public administration reform, which is a summary document with general provisions drafted in 2014 but was not completed until now. However, considering that in March 2016 SIGMA report on public administration in Moldova was finalized, it was considered appropriate to develop a strategy according to the regulatory framework and considering the report's records and recommendations to improve public administration. Because the process of development, consultation, finalization and promotion of a comprehensive strategy takes time, it was not possible to complete the action in April 2016 according to the agreed deadlines.

The goal of the public administration reform strategy is to establish the general framework for the public administration reform for 2016-2020, both at central and local levels, and focuses on five components: (i) raising accountability of public administration, (ii) developing public policies, (iii) modernizing public services, (iv) public finance management, and (v) human resources management.

The draft PAR Strategy was presented at the meeting of the National Council for Public Administration Reform on 12.05.2016 attended by the development partners; after meeting a public consultation process for finalizing Strategy⁶ was launched. Thus, during the month of May public consultations have been organized with representatives of the development partners, civil society, local authorities, academia.

In the process of consultations, advisory notes, comments and proposals have been received from over 60 public authorities and institutions of all levels and development partners; these have been taken into account in the strategy finalization process. The approval of the Strategy in the Government meeting is planned for July 6, 2016, after this the action plan for its implementation is to be developed and approved within two months.

Although the document is correlated with the results of the public administration evaluation conducted by SIGMA and reflects the reform needs and priorities for the entire public administration sector, the success of its implementation depends on the political support of the Government for the implementation of the Action Plan of the Strategy.

2.3. State Chancellery to launch an independent study to the institutional capacity of the State Chancellery (functional analysis, business processes, coordination role etc.)	March 2016	Achieved without deficiencies
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At the request of the State Chancellery, on 29.05.2016, UNDP Moldova launched the procedures to select a team (that would include international expertise) to conduct the institutional and functional analysis of the State Chancellery and the Prime-minister's office. In May, 2016, the team from Ernst & Young Baltic⁷ was selected, composed of four international consultants, it started its activity during May 19-25, 2016.

⁶ <http://particip.gov.md/proiectview.php?l=ro&idd=3188>

⁷ <http://www.undp.md/tenders/archive2016.shtml>

According to the company's initial report, which includes the methodology and agenda for functional analysis, submitted to the State Chancellery at the end of May, the final report with rationalization/reorganization recommendations for the State Chancellery functions is planned to be completed by July 14, 2016. A first draft of the final report was sent to the beneficiary for consultations on 25.06.2016.

2.4. State Chancellery to draft the Action Plan for modernization reform of the public services for 2017 – 2021

**July
2016**

**In progress
positive**

By the Order of the Secretary General of the Government as of 03.05.2016, the E-Government Centre was appointed as responsible for developing the Action Plan for modernisation of public services for 2017-2021 by July 1, 2016. In the process of Action Plan development, the priorities established in the PAR Strategy for 2016-2020 on the modernization of public services component will be taken into account, this component also being in development.

Recommendations:

- Ensure the periodical meetings of the National Council for Public Administration Reform, at least according to the provisions of the Government Decision establishing it (every three months), by agreeing at each meeting the time frames and the subjects to be discussed at the next one, at least in general outlines. Besides observing the meetings calendar, it is crucial for this Council to have a determining role in promoting, implementing and, later, monitoring and evaluating the PAR Strategy implementation.
- The State Chancellery to publish the minutes of the National Council for Public Administration Reform meetings on its website and to make the decision-making process in the public administration reform more transparent.
- Develop a realistic Action Plan after the approval of the strategy, involving all interested parts and estimating required costs, to increase the responsibility of institutions which will implement its provisions, thus ensuring the proper implementation of the strategy.
- State Chancellery to ensure that the legal time frame for developing, endorsing, public consultations and approving the Action Plan of the reform for modernization of public services for 2017-2020 is observed. The Action Plan will be based on the priorities established in the Central Public Administration Reform 2016-2020, the component on modernization of public services.

3. Enhance transparency of political parties financing and accountability of elected candidates

Summary of general progress

All 4 monitored actions are positively implemented. Among them 1 action is permanently ongoing, 2 actions expired in June and 1 expires in July.

The Ministry of Justice satisfied its role and enforced legislation on the registration and operation of political parties. Transparency of political party funding aims to eliminate the use of funds from sources that may hide obscure interests. In this regard, the financing of parties from the public budget is a solution that requires reporting on how these resources are used under statutory purposes. The Government has provided funding in the state budget for the support of political parties. In turn, the Central Electoral Commission (CEC) has fulfilled its commitments to develop mechanisms for monitoring the transparency of political party funding. CEC is currently engaged in a communication process with the parties to train them on how to handle the new reporting requirements. Because of the complexity of the new provisions on party funding record, CEC is going to postpone for two years sanctioning parties for failing to comply with the new Regulation. CEC has also taken steps to review electoral legislation as a result of the transition to the direct election

of the President of Moldova.

Summary of individual actions

Action	Target date	Stage
3.1. Ministry of Justice to ensure the right of political parties to register and operate.	ongoing	In progress positive

In the period March-May 2016, the Ministry of Justice registered two political parties: the Party "Right"⁸ (24.03.2016) and the Party of Action and Solidarity⁹ (26.05.2016). Registration was carried out in accordance with Law no.294 on political parties. It wasn't announced any rejection of party registration by the Ministry of Justice.

3.2. Government to secure in the 2016 Budget Law funds for political parties financing, as provided by law.	March 2016	In progress positive
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In accordance with Article 27 (1) of the law on political parties, the Government provided in the draft state budget financial resources for political parties amounting to 39 million 850 000 lei, representing 0.13% of the expected budget revenue. That amount falls within the maximum amount of 0.2% percentage share of the state budget revenues allowed for financing political parties, representing 65% of it. According to the draft budget law, the Ministry of Finance will allocate this amount for party financing to the CEC through the State Treasury. CEC has developed a mechanism of distribution of financial resources among political parties in accordance with Regulation on the financing of political parties (law adopted on 12.23.2015). Half of the amount will be proportionally distributed to parties according to the results obtained at the last parliamentary elections of 30.10.2014 and half of the amount proportionally according to the results obtained in the last local elections of 06.14.2015. CEC transfer mechanism provides that money will be transferred to parties' accounts in 12 equal monthly installments, according to the established share. Resources that were not transferred in time due to delay in state budget adoption will be transferred cumulative to each party after the adoption of the state budget in the final reading.

3.3. Central Election Commission to identify weaknesses and gaps in the electoral legislation, drafting amendments to the Electoral Code and related legislation within the inter-institutional working group by the Central Election Commission on 11.09.2015.	May-July 2016	In progress positive
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In order to ensure public monitoring of parties compliance with the state budget financing provisions, CEC published a range of party financial evidence documents models regarding: membership fees; donations from individuals; donations in the form of property, goods and services; costs of subsidies from the state budget; report on financial management. To facilitate public monitoring of party funding, CEC has organized specialized workshops dedicated to filling in the "Report on the financial management of the parties". At the same time, CEC has initiated the process of creating a special module within the State Automated Information System "Elections", through which will keep the accounts of political parties and ensure transparency of their funding.

A number of non-parliamentary political parties have expressed disagreement with the Regulation on the funding of political parties, considering that its purpose is to "eliminate political competition by creating difficult and also illegal conditions for their activity." Four of

⁸ <http://www.e-democracy.md/parties/dreapta/>

⁹ <http://www.e-democracy.md/parties/pas/>

them - Liberal Reformist Party, Party "Democratic Action", the National Liberal Party and People's Party of Moldova sued CEC for the introduction in the above mentioned Regulation provisions that go beyond the law on political parties. In order to convince political parties of the need for funding transparency in line with CEC regulations, CEC examines the possibility of delaying for a period of two years the application of penalties set out by Article 87 of the Regulation. This period, according to the CEC, would be sufficient for all political parties to practice the new rules on party financing and transparency of its records.

3.4. Central Election Commission to identify weaknesses and gaps in the electoral legislation, drafting amendments to the Electoral Code and related legislation within the inter-institutional working group by the Central Election Commission on 11.09.2015.	June 2016	In progress positive
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CEC started developing proposals to amend the electoral legislation and related documents to eliminate gaps and introduce the recommendations of international institutions which monitored last parliamentary and local elections. According to CEC, the priorities in this regard have been revised to meet the new circumstances related to Constitutional Court ruling of March 4, 2016, which provides for direct election of the president. CEC examined the legal framework for presidential elections, restored by the Constitutional Court decision, and decided to draft a law amending Title IV of the Electoral Code "Elections of the President of the Republic of Moldova"¹⁰. The draft law produced by CEC was supported by almost all parliamentary activities, whose representatives signed this legislative initiative. The project was voted in first reading on 14.04.2016.

Recommendations:

- Amend the Law on political parties to include the provisions of CEC Regulation on the financing of political parties that refers to donations and sanctions for non-compliance with the Regulation. These provisions are subjected to disputes, being considered new rules but not regulations for the application of the existent legal norms;
- Cap annual donations to political parties so that individuals can donate no more than 4-5 average salaries, and legal persons around 20 average salaries, in accordance with international practices;
- Review criteria for financing political parties, so that to motivate the financing from private sources;
- The Central Election Commission to formalize its intention to postpone the enforcement of sanctions for non-compliance with the financial reporting requirements.

4. Media freedom

Summary of general progress

Out of the 3 monitored actions, 1 has been achieved with deficiencies, 1 is in progress positive and 1 has not been launched.

The situation with freedom of the media continues deteriorating, as confirmed by national¹¹ and international¹² reports. Information about the beneficial owners of private broadcasters, made public in November 2015 as a result of amendments to the Audiovisual Code, demonstrates the existence of media concentration, which media

¹⁰ <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3166/language/ro-RO/Default.aspx>

¹¹ Memorandum on Press Freedom in Moldova, <http://bit.ly/28MSnsj>, Report on external media pluralism in Moldova in 2015, prepared by APEL, <http://bit.ly/28Oue6X>.

¹² Freedom of the Press, Country Report, <http://bit.ly/28QjB2h>.

organizations had been warning about for quite a long time. Unfair competition in the advertising market is another problem faced by local media. The actions from chapter 4 come to address these problems, but the proposed indicators of success were formulated in an inconsistent manner. For instance, the two first are aimed to amend the current Audiovisual Code, while the third action intends to adopt a new Audiovisual Code. We consider that the adoption of a new Audiovisual Code should be the main indicator of success for achieving the three proposed actions. This measure is one of the major drawbacks of all governments since 2011 until now, and the situation has not evolved substantially during March-June 2016. The draft of new Audiovisual Code, registered in Parliament in 2015, has not been submitted to the Parliament for adoption until the end of June. Meanwhile, the Parliament approved amendments to the existing code in order to limit the concentration of media ownership, which besides being unilateral and not solving problems in the field, did not meet legal requirements on transparency in decision-making.

Summary of individual actions

Actiona	Target date	Stage
4.1. Parliament to adopt the amendments to the Audiovisual Code in order to exclude the monopoly in the media, restricting the possibility to hold more than 2 broadcasting licenses.	March 2016	Achieved with deficiencies

Amendments were adopted by Law no. 11 of February 26, 2016, shortly after the draft law was registered and without prior public consultations. The goal of the law, i.e. to reduce monopoly in the media (from 5 to 2 broadcasting licenses per media owner), has not been reached, because the law still allows media owners to invest in an unlimited number of broadcasters, even though they will formally hold only 2 broadcasting licenses. The restrictive provisions of the law will enter into force gradually, on expiry of the period of validity of broadcasting licenses and not to a certain date, benefiting more media groups who hold valid licenses issued until after 2020. If adopted a new Audiovisual Code the situation will change, as it contains more extensive provisions on controlling and limiting ownership concentration in broadcasting.

4.2. Audiovisual Coordinating Council, Government and the Parliament to draft and adopt amendments to the national legislation, mainly to the Audiovisual Code, introducing concepts in accordance to the EU legislation (Audiovisual Media Services Directive of the EU) and EUMS best practices in order to promote fair competition on the media market, aiming inclusively at limiting the concentration of media ownership and preventing intentional disruption of opposition oriented outlets.	June 2016	Not launched
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We should mention first that there is a difference in the formulation of this action in the Romanian and English versions, Romanian version excluding the combination of words "limiting the media concentration ". While admitting that this is an unintended omission, this objective is essential for the content of draft laws to developed and adopted.

Broadcasting Coordinating Council (BCC) has developed draft amendments to the Audiovisual Code to supplement it with concepts of audience share and audience measurement. They have not been submitted to the Government and Parliament, because a draft of new Audiovisual Code has been already registered in Parliament, which lists those terms and includes provisions needed for establishing a mechanism for control and limitation of media ownership concentration.

However, the action 4.2 provides the adoption of amendments to the Law on advertising and Competition law in line with provisions of the new Audiovisual Code. In this respect, it is not clear why the BCC has been designated responsible for the development of these drafts that

refere to other regulatory areas than broadcasting. No amendment draft to the Competition law providing express regulations on Competition Council powers in regulating the broadcasting market, has been published until 30.06.2016. This draft is conditioned on the adoption of the new Audiovisual Code. Meanwhile, after the Ministry of Justice has submitted to public consultation a a draft of new law on advertising published in May 2014, the legislative process on the bill has been stopped.

4.3. Parliament to adopt the appropriate legal framework which will allow the development of the local media market, local broadcasters and promotion of the local media products in accordance with the CoE and OSCE expertise.	July 2016	In progress positive
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The action has been formulated vaguely. The indicator proposed, namely the adoption of the new Audiovisual Code, is insufficient for the development of the domestic media market. Further actions are needed to encourage investments in local media market development and the protection of the local information space. The draft of new Audiovisual Code was registered in Parliament on 03.05.2015 by a group of MPs PL, but was actually developed in 2011 by media experts from civil society. When registering the draft a number of documents required for its examination have not been submitted, such as the informative note, the opinions of ministries and other authorities, the table of comments etc. The draft has been subject to expertise provided by the Council of Europe, OSCE, the European Broadcasting Union and has been also subject to public consultations in 2015 and 2016. On 29.06.2016 the parliamentary commission on media decided to submit the draft to the Parliament to be approved on first reading, after which it will be completed / amended so that to correspond to the current situation in the field. It is important that civil society, media experts to participate in the discussion of amendments to be proposed afyter the first reading to prevent the adoption of amendments that could distort the spirit of the Code.

Recommendations:

- *Speed up the adoption of the new Audiovisual Code, with organization public consultations after its adoption at first reading;*
- Amend the Competition Law in line with the new Audiovisual Code. In particular, it is necessary to explicitly include broadcasting market in the fields where the Competition Council intervenes;
- The Government to approve the new law on advertising and to send it to the Parliament for adoption.

5. Justice Sector Reform, in particular ensuring the independence, effectiveness, transparency and accountability of the judiciary and law enforcement agencies

Summary of general progress

Out of 8 monitored actions, 4 have been achieved without deficiencies and 4 have been achieved with deficiencies.

The actions included in this area are mostly overdue actions from the Justice Sector Reform Strategy (JSRS). The draft law on reorganization of the court system is an important progress, though delayed. The adoption and promulgation of law is an important achievement, although was not preceded by sufficient public discussions, and its provisions on termination of mandates of all chairmen and deputy chairmen of courts from 1 January 2017 are not justified. The amendments to the law on Bar have been approved by the Government and they include a number of improvements, except admission to the profession, which is still a poorly regulated area and grants too much discretion to the Licensing Commission. The law on limiting the

judges' margin of discretion includes important improvements, but also problematic provisions; in particular, it creates preconditions for unjustified restriction to public hearings. All these laws, especially the one on reorganization of the court system, require increased attention in implementation; otherwise the spirit of the law is likely to be distorted in practice.

An important draft law on amending the Constitution in the part related to the court system was registered in the Parliament, aimed to strengthen the independence and self-administration of justice. It is important to have it adopted in the autumn 2016 and be followed by amendment of relevant laws, in particular the law on the Superior Council of Magistracy (SCM) and the law on the status of judges. Amendments in criminal legislation concerning minors are desirable and raise no difficult questions.

Summary of individual actions

Action	Target date	Stage
<i>5.1. Ministry of Justice to appoint the members of the Disciplinary Board of Judges according to Law no. 178 of 25.07.2014 on the disciplinary responsibility of judges and the Regulations regarding the selection of the civil society representatives in the Disciplinary Board of Judges, approved by the Minister of Justice, Order no. 91 of 01.02.2016</i>	<i>March 2016</i>	<i>Achieved with deficiencies</i>

On 04.05.2016, three new members were appointed as civil society representatives in the Disciplinary Board of Judges (with a delay from the deadline set in the roadmap). They were chosen as a result of a public contest in accordance with new rules established by the regulatory documents mentioned in the title of the activity. The activity has been formally achieved. However, only five candidates participated in the contest organized by the commission for selection of civil society representatives in the Disciplinary Board of Judges, out of which three candidates were pre-selected, and then selected for the position. The small number of candidates for this position could be caused, firstly, by the fact that the time-limit for the public contest was only 6 working days (17-25 March 2016). On 02.06.2016 another public contest was announced for the selection of substitute members, representatives of the civil society, with a similar time-limit, of 7 working days. Secondly, the position of representative of the civil society of the Disciplinary Board is not very attractive. The admissibility stage introduced by the Law no. 178, increased significantly the workload of the members of the Disciplinary Board, which are also members of the Admissibility Panels, and the salaries and the working conditions (working space, computers etc.) of the civil society representatives are insufficient.

Another problematic aspect is the selection of more members than are provided by the Law no. 178. Since there were other two active members from the civil society in the Disciplinary Board, the selection of 3 more members led to a number of 5 civil society representatives in the Disciplinary Board. It is contrary to Law no. 178, which provides for 4 civil society representatives in the Disciplinary Board, unless the provisions of the previous law are applied. Thus, the members were selected under the new law but in a number provided by the old law, which is inconsistent.

<i>5.2. Parliament to adopt the law on reorganization of the judicial system (map of the courts).</i>	<i>March - April 2016</i>	<i>Achieved with deficiencies</i>
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The draft law on reorganization of the court system (no. 68 of 29.02.2016) was adopted in the first reading on March 11 and in the second reading on 21.04.2016, and promulgated and

published in the Gazette on 01.07.2016 (Law no. 387 on the reorganization of the court system).

The law no. 387 is necessary and it is a high-priority action under the JSRS, which was supposed to be adopted back in 2013. Adoption of the draft law is an important achievement. However, it provided, without justification, for termination of mandates of all chairmen and deputy chairmen of courts from January 1, 2017 (article 4 p. (1) of the law) and organization by that time by the SCM of contests for the positions of chairmen and deputy chairmen. This provision is unjustified and might further increase the judges' resistance to reform. The termination only of mandates of chairmen and deputy chairmen of the courts that are merged or are liquidated would have ensured greater continuity and gradual implementation of the reform. At the same time, the law allows those whose mandates are being terminated to participate in two further contests for the position of chairman or deputy chairman (article 4 p. (2)). This provision might mean that the "loyal" chairmen/deputy chairmen will keep their positions. The above-mentioned concerns can be diminished only if the SCM organizes fair contests and appoints chairmen and deputy chairmen of courts strictly according to the criteria provided by law, based on candidates' merits. Also, the merger of the 5 courts from Chisinau raises some questions regarding its necessity and methodology, which could lead to more resistance to the reform. Discussions on this issue could reduce the tensions and the resistance to the reform.

Not least, the reform is ambitious and requires a complex approach for proper implementation. Resistance to the court map reform is strong enough both within the judiciary, including among members of the SCM, which is a key institution for proper implementation of the law, and within other public authorities. The specifics of this reform require constant efforts from the authorities of promotion and explanations regarding the benefits of the reform to the judges and to the people, in order to prevent poor understanding of the reform and manipulation of the public opinion. Otherwise, there is a risk that the reform will remain only on paper or that the reform will be distorted. Final and transitional provisions of the draft law provide for the Government to develop, within 2 months after the law enters into force, a plan for the process of construction of new buildings and/or renovation of existing buildings. By 30.06.2016 no initiative in this regard had been made public. External technical assistance, including financial, for the MJ and SCM is extremely important for a proper implementation of the Law no. 387.

5.3. Parliament to adopt amendments to the law on the status of judges.	March-April 2016	Achieved without deficiencies
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Draft law no. 306 on amending and supplementing some legislative acts was registered in the Parliament on 28.08.2015. The draft law contains amendments to the Law on judicial organization (institution of examining magistrate) and the Law on the status of judge (supplements to the reasons for suspension of judges). The draft law was adopted in the second reading on 09.06.2016, with delay.

The draft law provides important and necessary amendments, aimed to improve the institution of investigative judge (but they are not included in the roadmap). Instead, amendments regarding suspension of judges are rather technical, aimed to clarify some gaps from the legislation. They should be operated together or after amending Law no. 154 on selection, performance evaluation and career of judges, which provides (article 23 p. (3)) for dismissal of judges for failing performance evaluation, automatically, after the first failure. These provisions are contrary to international standards on the independence of judges (for details, see the Opinion on the Law of the Republic of Moldova on selection, performance evaluation and career of judges, no. JUD -MOL/252/2014 [RJU], developed by the OSCE/ODIHR, 13.06.2014). It is unclear why these amendments to the Law on the status of judge were considered of high priority and included into the roadmap.

5.4. Parliament to adopt amendments to the Criminal Code, Criminal Procedure Code and Execution Code in order to exclude cases of arrest of minors who could be re-educated.	March - April 2016	Achieved without deficiencies
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The Parliament adopted in the second reading the draft laws no. 309 and 82 on May 26 and 03.06.2016, respectively. In the context of the action, draft law no. 309 provides for limitation of the period of detention of minors to 4 months during criminal investigation and 4 months during criminal trial. Draft law no. 82 requires judges and prosecutors to exempt from criminal liability the minors whose behavior can be corrected by educational measures of constraint. The monitoring of compliance with educational measures of constraint shall be the responsibility of probation bodies, and the special education and reeducation institutions were excluded from the mechanism of juvenile justice. The assessment might be changed after publication of the final text in the Gazette.

5.5. Government to adopt draft amendments to the Constitution of the Republic of Moldova in respect of the initial term of appointing judges and the selection of judges of the Supreme Court of Justice, as well as specifying the role of the Superior Council of Magistracy in the self-administration of judiciary system, its composition and competences.	March 2016	Achieved without deficiencies
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The draft law on amending and supplementing the Constitution (the judiciary – articles 116, 121, 121¹, 122 and 123) was approved by Government Decision no. 430 of 11.04.2016, received positive opinion from the Constitutional Court, opinion no. 6 of 19.04.2016, and registered in the Parliament on 03.06.2016 under no. 187. According to that opinion, the draft law does not exceed the limits of review provided by the Constitution (article 142 p. (2)) and can be sent to the Parliament for examination. After the Constitutional Court issues its opinion, no intervention in the text of the draft law amending the Constitution is allowed. The draft law can be adopted at least 6 months after presentation of the initiative to amend the Constitution (after 3 November 2016).

The draft law is necessary and appropriate. It has been developed to implement action 1.1.6 p.6 and action 1.1.9 p. 3 of the JSRS. The draft law includes important provisions for the independence, accountability and professionalization of judges and the SCM. In particular, of importance are provisions on annulling the initial term of appointing judges for 5 years and on unifying the method of appointing judges in all courts by the President of the country upon SCM proposal. This amendment creates conditions for reducing the influence of politics in appointment of judges to the Supreme Court of Justice (SCJ), currently appointed by the Parliament. Judges' immunity is reduced to functional immunity, which should contribute to increasing judges' accountability. The draft also includes into the Constitution the obligation to consult the SCM about the state budget for courts; change of the SCM composition by excluding membership of the Prosecutor General and the SCJ Chairman; extending membership from "law professors" to "representatives of civil society with experience in law" and establishing a single term of 6 years for members of the SCM. Another provision of the draft law is that the SCM shall exercise its powers directly or through its specialized bodies, which will enable a clearer definition of the role and competence of the specialized bodies of the SCM.

At the same time, the draft law excludes from the Constitution the requirement on length of service in the position of judge of at least 10 years to be appointed into the SCJ. The explanatory note contains no arguments to exclude this condition. We believe that the SCJ is very important for ensuring a uniform judicial practice, and SCJ judges must have proven experience as a judge. Exclusion of the condition on experience as a judge should have been at least justified in the explanatory note to the draft law. Also, the draft law

provides that judges will be “an important part” of the SCM. This provision is in line with relevant international standards. However, it is important to ensure that this provision is subsequently interpreted as a substantial part of the SCM, not a minority.

5.6. Government to approve the draft law amending the law on lawyers by increasing the transparency in the process of accession to the lawyer profession, increase the liability and guaranteeing the responsibility of the lawyers by financial support	March 2016	Achieved with deficiencies
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The draft law on amending the Law on Bar was approved by Government Decision no. 555 of 05.05.2016 and registered in the Parliament on 10.05.2016 under no. 198. The initial draft was prepared at the request of the Ministry of Justice by the Union of Lawyers. Subsequently, it was presented to the MoJ, where more amendments were introduced. However, the draft law does not answer the most pressing problem of transparency in acceding to the profession of lawyer: there is no clear and transparent procedure for admission to the profession and no objective criteria for assessing the results of the bar exams. Currently, members of the Lawyers’ Licensing Commission admit candidates to the bar at their own discretion. Also, the draft law provides equal penalties for lawyers and trainee lawyers, which is not justified, and there are no time-limitations provided for the disciplinary procedures.

5.7. Government to approve the draft law on reducing the limits of discretion (liberty of interpretation) of judges in the civil, criminal, and contravention cases	March 2016	Achieved with deficiencies
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Draft law no. 171 was adopted in the second reading on 02.06.2016. The draft law limits the discretion of authorities in criminal proceedings and civil proceedings, but extends the discretion in the application of some administrative sanctions. In some cases, the judges’ discretion is unjustifiably limited. For example, judges will no longer be able to annul interim measures on their own initiative, although this procedure allowed judges to annul the incorrectly applied interim measures. Also, courts must declare closed hearings when there is a chance to disclose information relating to intimate aspects of life, that violate professional reputation or other circumstances that could harm the interests of the trial participants, public order or morality. In this case, limiting the judges’ discretion could lead to a violation of the principle of publicity of court hearings. These gaps are important enough to justify the return of the draft law to the Parliament for reexamination. The assessment could be changed depending on the final text of the law published in the Gazette.

5.8. Ministry of Justice to develop and present for public consultations strategies for modernization of the probation system and penitentiary.	May 2016	Achieved without deficiencies
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The action no. 5.8 has been achieved. The action is poorly described in the Roadmap, being limited only to proposal for public consultations. It seems that most efforts (development of strategies) for the implementation of this action were realized prior to the Roadmap, including with the involvement of civil society representatives. The Ministry of Justice proposed for consultation three documents that prescribe public policy initiatives in the field of probation and penitentiary system, starting April 13, 2016.

The implementation of strategies for modernizing the penitentiary and probation systems is not an area that could create resistance in society. However, it might prove to be complicated to implement the strategies due to lack of resources. According to the action plan for implementation of the Probation System Development Strategy for 2016-2020, implementation costs will be covered from the state budget, within the approved budget. Neither the strategy, nor the action plan provide for exact amounts needed for implementation or potential source of where they will be collected to the budget.

Recommendations:

- *Court map: 1) The MoJ, in collaboration with the SCM, shall develop as soon as possible an action plan on implementation of the law on reorganization of the court system. This plan should include steps for implementing the law, including organization of contests, plans for construction/renovation of buildings, transfer of judges and court staff, informing the society about the steps of court system reorganization; 2) Ensure efficient communication between key authorities that are to implement the court system reorganization reform (MoJ, SCM, the judiciary and the Ministry of Finance) and to develop a common approach on communication with the society about the implementation of reform.*
- *Bar: Establish the process for the qualifying examination for lawyers, providing for a clear and transparent procedure and objective criteria of evaluation in the qualification exam; Reduce the fine stipulated for trainee lawyers in the draft law on amending the Law on Bar; Introduce fixed deadlines for control of disciplinary notifications and for examination of disciplinary cases against lawyers (draft law on Parliament's agenda);*
- *The President shall return the draft law on reducing the margin of appreciation to the Parliament in order to reexamine some issues, particularly regarding the courts' ability to annul ex officio the interim measures and declare closed court hearings;*
- *Reduce the workload of the Disciplinary Board members by eliminating the admissibility procedure, increase salaries and create working conditions for civil society representatives in the Disciplinary Board in order to make this position more attractive for professionals. Amend the Rules on the selection of the representatives of the civil society in the Disciplinary Board of Judges in order to provide a larger period, of at least 10 working days, for the public contest;*
- *Amend the Law no. 154 on selection, performance evaluation and career of judges, particularly in order to regulate the consequences of judges failing performance evaluation in line with international standards on the independence of judges;*
- *The Parliament shall adopt the draft law no. 187 on amending and supplementing the Constitution (the judiciary system – articles 116, 121, 121¹, 122 and 123), in line with legal procedures and after the expiry of the term of 6 months from the presentation of the initiative on amending the Constitution. The draft law is to become one of the Parliament's priorities in the field of justice;*
- *Carry out a study to assess implementation costs for the strategies of modernizing the probation and penitentiary systems and organize common campaigns with representatives of development partners to ensure the implementation of strategies.*

6. Reform of the Prosecution

Summary of general progress

Out of the 3 monitored actions, 2 have been achieved without deficiencies and 1 has been achieved with deficiencies.

The actions included in this area have been overdue for some time from the JSRS. In March 2016, the new Law on Prosecution was promulgated and published, and it will enter into force on 1 August 2016. In April 2016, the Constitutional Court approved amendments to the Constitution regarding prosecution, and the Government sent the draft law to the Parliament for adoption. In May-June 2016, the Government approved the legislation needed for effective implementation of the Law on Prosecution. The only concern raised in relation to the three actions is unilateral amendment by the Ministry of Justice of the draft law on amending the legislation related to the Law on Prosecution, which is contrary to the commitment assumed by action 6.3. These amendments broaden the competencies of the specialized prosecution office to combat organized crime. They were initially rejected by the working group on prosecution

reform, and they create risks of corruption and distract the specialized prosecution's attention from fight with organized crime. It is recommended to abandon this amendment, to vote and publish as soon as possible laws related to the Law on Prosecution, and the Government to allocate sufficient funds to pay, from 1 August 2016, salaries according to the new Law on Prosecution (which were increased significantly).

Summary of individual actions

Action	Target date	Stage
6.1. Parliament to submit the adopted Law on Prosecution for promulgation to the President.	March 2016	Achieved without deficiencies

The Parliament sent the new Law on Prosecution to the President for promulgation, and on 16.03.2016, the President promulgated it. The Law was published in the Gazette on 25.03.2016. The draft law received expert opinion from the Venice Commission and was subject to public consultations before adoption.

6.2. Government to initiate the procedure for amending the Constitution, which relates to the Prosecution reforms (i.e. art 124 and 125 of the Constitution).	March 2016	Achieved without deficiencies
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On 12.04.2016, the Government requested the opinion of the Constitutional Court regarding amendments to articles 124 and 125 of the Constitution. These amendments are in line with the concept that is at the basis of the new Law on Prosecution. On 19.04.2016, the [Constitutional Court approved](#) this amendment to the Constitution. On 03.05.2016, [the initiative was registered in the Parliament](#) (no. 188). According to article 143 of the Constitution, this draft law can be adopted by the Parliament only 6 months after the presentation of the initiative to the Parliament (after 3 November 2016).

6.3. Government to adopt the related framework to the Prosecution Law as approved by the justice sector reform working group.	April 2016	Achieved with deficiencies
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The working group on prosecution reform prepared two draft laws to implement this action. The first one amends the regulatory framework related to the Law on Prosecution, and the second one refers to the internal organization of specialized prosecutions. The last draft law was developed in order to guarantee the administrative independence of specialized prosecutions.

Before sending to the Government the draft law on related legislation prepared by the working group, the Minister of justice unilaterally introduced amendments in it, unreasonably broadening the prosecution's competence of combating organized crime (for details, see action 1.6). These changes had been previously rejected by the working group unanimously. On 27.05.2016, the Government approved the draft law on amending related legislation, and on 17.06.2016 it was approved by the Parliament in the first reading (draft law no. 243). The second draft law was approved by the Government on 15.06.2016. The two draft laws were adopted by the Government too late, which makes impossible, for administrative reasons (delayed election of the head of the Prosecution for Combating Organized Crime and Special Cases, development of proper organizational structures for these prosecutions, employment of staff, etc.), efficient operation of the two specialized prosecutions after entry into force of the Law on Prosecution, i.e. from 1 August 2016.

On 27.05.2016, the interim Prosecutor General approved the organizational structure of the Prosecutor General's Office, which does not fully comply with the Law on Prosecution.

Recommendations:

- *The Parliament shall adopt the draft law no. 243 on amending legislation related to the Law on Prosecution in the version developed by the working group on prosecution reform;*
- *The draft law no. 243 on amending legislation related to the Law on Prosecution shall be adopted and promulgated as soon as possible, so that the law could be published at least several weeks before the Law on Prosecution enters into force;*
- *The Government shall allocate funds so that, starting with 1 August 2016, prosecutors could receive the salaries according with the new Law on Prosecution;*
- Review the organizational structure of the Prosecutor General's Office in line with the Law on Prosecution.

7. Resuming negotiations for the signature of a Cooperation Agreement with IMF

Summary of general progress

Out of the 6 actions monitored, 3 have been achieved without deficiencies, 2 have been achieved with deficiencies and 1 is in progress positive.

The actions related to the audit conducted in banks under special supervision were finalized. Currently the Action Plan based on the findings and recommendations of the audit reports is in development. In order to launch negotiations with the IMF, the measures for the financial system reform and those aimed at ensuring bank stability, foreseen in section 8 of the Roadmap, are to be implemented.

We think that signing the agreement with the IMF within the terms established by the Roadmap will not be possible if the current dynamic of the actions regarding the banking sector reform is maintained. Some of the legislative acts that are to be approved are behind schedule compared to the target dates established by the Roadmap, for some of them additional assistance was requested, or their development hasn't yet started. Considering the fact that the IMF negotiations mission will arrive between 5-15 July, in order to conclude an agreement with the IMF, at least the NBM needs to prove firm commitment to reforms, as well as the irreversible character of the actions initiated.

Summary of individual actions

Actiona	Target date	Stage
<i>7.1. National Bank to consult with IMF measures to be taken following the audit reports for the 2 banks, placed under special supervision.</i>	<i>March-April 2016</i>	<i>Achieved without deficiencies</i>

Following the audit of two of the three banks which are under special surveillance, consultations with the IMF were carried out in order to coordinate measures that should be taken. The audit reports are not public and have not been consulted in the monitoring process of the Roadmap.

<i>7.2. National Bank to develop an action plan following the audit recommendations/findings for the 2 banks, placed under special supervision.</i>	<i>March-April 2016</i>	<i>Achieved without deficiencies</i>
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Currently, the Action Plan was developed by the National Bank. According to the NBM's

communiqué, the diagnostic studies have not detected risks for the financial stability of banks, but identified areas to be strengthened related to the corporate governance and internal control system, transparency of shareholders and affiliated persons and of the lending activity.

7.3. Complete the audits of the third bank under special supervision.	March-April 2016	Achieved without deficiencies
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Following the audit of the third bank which is under special surveillance, consultations with the IMF were carried out in order to coordinate measures that should be taken. The audit report is not public and has not been consulted in the monitoring process of the Roadmap. However, it is not clear why the audit process for all three banks under special supervision took so long (it started in October, 2015), while in the EU, the controls of banks ten times bigger take 1-2 months.

7.4. National Bank to develop an action plan following the audit recommendations/findings for the third bank.	April 2016	Achieved with deficiencies
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Currently, the Action Plan was developed by the National Bank, but its consultation with the IMF is not finalized. Respectively, the final version may vary, and at the moment the document is not implemented.

7.5. Government to undertake all necessary steps in order to launch negotiation for a new Cooperation Agreement with IMF (Memorandum of Economic and Financial Policies)	April-May 2016	Achieved with deficiencies
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The last visit of the IMF mission was focused on financial system reforms and ensuring the safety and soundness of Moldavian commercial banks. At the moment the execution of all actions in the roadmap on banking reform were not finished. The measures necessary for the financial system reform and ensuring bank stability in Moldova are to be implemented within chapter 8 of the Roadmap.

7.6. Government to launch negotiations and signature of the Cooperation Agreement with IMF.	June 2016	In progress positive
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Considering the bureaucratic IMF agreement negotiation and signing procedures, this action, had an unachievable target date a priori. Thus, its implementation, even with a several months delay is welcomed.

According to the last IMF press release, the next IMF mission will take place in the period of July 5 to 15, will be held discussion on the possibility of a new agreement. The signing of the agreement is conditional upon several measures included in the roadmap that are currently in progress or not launched. The most important ones are aimed at increasing the bank shareholders transparency, improving corporate governance in commercial banks and strengthening the NBM independence and regulatory functions.

Recommendations:

- Speed up the implementation of provisions included in chapter 8 and their finalization by the end of June. This will allow the IMF negotiation mission to conduct its activity and in July, should an agreement be signed, it will meet the deadlines established by the Roadmap.

8. Strengthen the independence and supervisory powers of the National Bank and of the National Commission for Financial Markets

Summary of general progress

Out of the 8 actions monitored, 2 have been achieved without deficiencies, 1 has been achieved with deficiencies, 3 is in progress positive, 2 have not been launched with the target date for July.

The reform of the financial and banking system of Moldova is a crucial one and it is a fundamental condition for resuming the cooperation with Moldovan authorities invoked by all development partners. Over the monitoring period several actions were implemented, among which the most important are related to appointing a new governor, adjusting the legal framework in order to strengthen the NBM and NCFM independence, as well as transferring the central depository under the NBM. Nonetheless, the reform process is slow, and the implementation of several actions is behind schedule or has not even started. Here we can mention the slow process of appointing the other members of the NBM management bodies and the development of legislation on financial stability as well.

Summary of individual actions

Action	Target date	Stage
8.1. Parliament to finalize the procedure for appointing a Governor to the National Bank of Moldova (NBM) via a transparent competition, and to appoint the Governor to the NBM	March 2016	Achieved without deficiencies

After several months without a fully functional management, from February through March, 2016, a second attempt to identify the suitable candidate for the NBM Governor position through a public contest was made. The Contest Committee was purely consultative, the the Speaker of the Parliament having the final decision on proposing a candidate. This candidate identification approach is an innovative one, both for Moldova and globally (usually, these processes are less transparent and participative). As a result, a candidate with a relevant professional profile has been selected as governor of the central bank, and he was voted for by the majority of the parliament members. The new governor, Mr. Sergiu Cioclea, started his mandate on 11.04.2016.

However, we have to mention certain aspects of the selection process that could be improved and that could be taken into account when organizing similar committees in the future:

- The committee limited its actions to the evaluation of candidates' professional skills, without going into details regarding their integrity due to the lack of relevant information, but also due to the lack of independent experts on integrity verification and anticorruption policy in the committee.
- The list of candidates' evaluation criteria was consulted and approved only after all the candidates files have been collected - we consider this was too late and it allowed, at least in theory, the criteria to be adapted to the profile of a certain candidate.
- The president of the Banks Association of Moldova was part of the committee, and he represents the interests of interested entities. Thus, he was in a potential conflict of interests in the evaluation of candidates to head the institution that will regulate the activity of commercial banks.

8.2. Parliament to appoint new members to the NBM's management bodies in order to fill-in the existing vacancies (two deputy governors and four independent members of the NBM's Supervisory Council)	March-April 2016	In progress positive
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Although a new governor was appointed, this does not solve the situation regarding the full functioning of the central bank. During March-June 2016, no progress was registered in appointing the other members of the NBM management bodies, both for the Board (2 deputy governors), as well as the Supervisory Council (4 non-NBM-staff members). Currently, a contest was announced: application submissions for the NBM Supervisory Council, procedure that expires in July.

8.3. Parliament to adopt the financial-banking legislative package (amendments to the NBM and NCFM Laws, draft law #14) agreed with the IMF and WB.	March 2016	Achieved without deficiencies
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Law no. 62 voted on 08.04.2016 and published in the Gazette on 06.05.2016 (the financial package, draft no. 14) involves the amendment and additions to several legislative documents, namely the Law on the National Bank of Moldova and the Law on the National Committee for Financial Markets and the Law on the Capital Market.

This law, named aslo "the financial package", was developed based on the recommendations of the Financial Sector Assessment Programme (FSAP) from 2014, and its objective is to strengthen the independence of regulators in the banking sector (NBM) and the financial non-banking sector (NCFM), to increase protection of their employees from potential intimidation from affected parties, as well as to create the single central depository that is to be established, supervised, controlled and regulated by the NBM. Basically, the package includes three core provisions, and namely:

1. Strengthening the institutional independence of NBM and NCFM: other authorities' involvement in the NBM and NCFM activity is prohibited

These provisions target the interdiction to "approve, suspend, annul, censure, postpone or condition the entering into force of NBM and NCFM documents, to issue ex-ante opinions on their documents, or in any other way influence the issuing of the final document of these authorities. In this context, the elimination of the requirement for the regulatory documents issued by NBM and NCFM to be endorsed by the Ministry of Justice was voted in order to eliminate the Government's ability to intervene in the activity of these institutions. Basically, these provisions are correlated with recommendations of the Basel Committee and the financial sector assessment report produced by the World Bank and the IMF, and are to eliminate a major gap that affects the NBM and NCFM independence, this will ensure a better alignment of the institutional framework to the international best practices in this sector.

2. Strengthening the independence related to the NBM and NCFM staff

These amendments aim to increase the level of legal protection for the NBM and NCFM staff in case they are taken to court by the regulated entities (or affiliated individuals) for certain decisions or measures adopted in good faith and within their supervisory and regulatory functions in the banking and financial non-banking sector. Generally, such measures are welcomed due to the huge legal risks that central banks and their staff meet with in exercising their duties. In the case of NBM and NCFM, strengthening the staff's legal protection is currently especially important, since both institutions have to promote a series of important systemic reforms that could affect many interests. Even if including such guarantees is recommended by the Basel Committee, as well as the World Bank and the IMF, the approved wording somewhat distorts those provisions. According the Basel

principles of efficient bank supervision, the employees of a regulatory institution should have legal protection for cases when they are taken to court for acts committed or not committed in good faith. However, in the approved wording, the focus is on full protection except for the acts committed on not committed in bad faith. This generates the risk that the NBM staff (and the NCFM staff in case of a similar amendment to the NCFM law) can be exempted from punishment, considering that acts committed or not committed in bad faith are hard to prove in court, thus undermining the principle of the regulator's accountability.

3. Creating the single central depository

The amendments to the regulatory framework on the capital market provide that a single central depository is to be created which is to be established, supervised, controlled and regulated by the NBM. The importance of such a an instrument for Moldova is crucial, considering the quite fragmented infrastructure system for depositing financial instruments, which undermines the efficiency of property rights protection and, accordingly, undermines the country's investment attractiveness. In this regard, the Government took the commitment to submit the draft law on the Single central depository to the Parliament within 3 months from the publication of Law no.62 (Official Gazette no. 123-127 as of 06.05.2016).

8.4. NBM and the Parliament (with support of IMF) to engage an independent external review of the banking supervisory process at the National Bank of Moldova.	July 2016	Not launched
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During March-June 2016 were not registered any steps in order to identify and contract an independent assessment of the banking supervisory process at the NBM.

8.5. National Bank to draft the Action Plan for the implementation of the Financial Sector Assessment Program (FSAP) recommendations.	March 2016	Achieved with deficiencies
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After about 2 years since the World Bank and the International Monetary Fund financial sector assessment program for Moldova (FSAP) closed, the NBM finalized the development of the implementation Action Plan for recommendations emphasized in the final report. The main FSAP recommendations focus on reducing the main risks and vulnerabilities of the country's financial sector, and namely: (i) increasing the quality of financial sector supervision, (ii) shareholders transparency, (iii) strengthening the competencies of supervisory authorities in applying the adequate legislation in this field, (iv) strengthening the depositors protection system. Also, the recommendations are based on the need to improve the current legal and institutional financial crisis management framework.

Although the NBM has developed the plan, we can consider it being very late. Taking into account all the past years developments in the financial banking sector, the fact that the authorities needed 2 years and a large scale banking crisis to get back to the implementation of FSAP recommendations is concerning.

8.6. National Bank to draft and consult with IMF on the Legal, Institutional, and Regulatory Framework in Times of Financial Stability - Legal tools for Systemic Banking Crises (Bridge Bank legislation).	March-May 2016	In progress positive
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Currently, the development of the legal, institutional and regulatory framework for financial stability (the *bridge bank* legislation) is one of the main actions meant to strengthen and reform the financial and banking system of Moldova. Moreover, the cooperation with the

development partners and its resuming, especially with IMF, depends on the high quality implementation of this action. Currently, the development process of this law is underway, at the same time the assistance and expertise from IMF and development partners being requested.

However, we express our concern regarding the slow progress in the reforms of the systemic crisis prevention framework in spite of the difficult financial and economic situation that Moldova is currently in. We especially point out that the National Committee for Financial Stability remains a non-operational structure, and the communication and coordination between the main institutions responsible for ensuring financial stability in the country is deficient. Moreover, the NBM - the main institution on which the financial stability depends - has an unclear status and mandate in this regard (ex: the term of financial stability is missing from the Law on NBM).

8.7. Parliament to adopt relevant legislation related to Legal tools for Systemic Banking Crises (Bridge Bank legislation).	June-July 2016	Not launched
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This action represents a continuation of previous action and will start only once finishing drafting the legislation on legal instruments for systemic banking crises (bridge bank law).

8.8. NBM to draft (with the support of IMF) a special legislation on the Central Depository	May 2016	In progress positive
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The development of special legislation on the single central depository is derived from the amendments operated to the NBM law together with the approval of the financial package (action 8.3 of this document) on 08.04.2016.

The Government took the commitment to submit the draft law on the Single central depository to the Parliament within 3 months from the publication of Law no.62 (Gazette no.123-127 as of 06.05.2016). The Single central depository is an important pillar of any financial system because it channels all financial instruments, the accounts of securities holders in entities of public interest in one single place, as well as provides clearing, settlement services and other related operations. The importance of such an instrument for Moldova is crucial, considering the quite fragmented infrastructure system for depositing financial instruments, which undermines the efficiency of property rights protection and, accordingly, undermines the country's investment attractiveness. Thus, in developing this law, all deficiencies of the current system of keeping the securities holders registry have to be taken into account, as well as a healthy development of Moldova's capital market should be ensured.

Recommendations:

- It is absolutely necessary to monitor how the other members of the NBM management bodies will be appointed, both for the Board and the Supervisory Council. All members of the management bodies should have the relevant professional experience, should not have any political affiliation and should be individuals of integrity.
- Speed up the development of legislation on legal instruments on the central depository and legal tools for systemic banking crisis management, considering their complexity and limited time for the entire procedure. Also, in developing this law the fact that the National Committee for Financial Stability remains a non-operational structure has to be taken into account and that the coordination between the main institutions responsible for ensuring financial stability is deficient.
- To observe the amendments made to the NBM law starting with the approval of the financial package on 08.04.2016, specifically the development of special legislation on the single central depository within 3 months from the publication of Law no. 62 in the

Gazette. The importance of such an instrument for Moldova is crucial, considering the quite fragmented infrastructure system for depositing financial instruments. In this law's development, all deficiencies of the current system of keeping the securities holders registry have to be taken into account, as well as a healthy development of Moldova's capital market should be ensured.

- Fully and qualitatively implement the actions from chapter 8 of the present Roadmap, which are a prerequisite for starting negotiations with the IMF and resuming cooperation with the other development partners, by ensuring an efficient collaboration between the Government, the NBM and the Parliament.

9. Ensure thorough, impartial investigation of the cases of fraud that affected the banking system in 2014, also with a view to recovering the diverted funds and to bringing those responsible to justice.

Summary of general progress

Out of 2 monitored actions, 1 is in progress positive and 1 - in progress negative, but both have exceeded their target dates.

The banking frauds investigation is slow and with no important results up until now. The Investigation started by the General Prosecutor's Office is not transparent, the number of files that were sent to court as well as who are the people involved is unclear. Still, the commencement of the second phase referring to the Kroll investigation is commendable. It implies a more thorough investigation as well as the implementation of a strategy to recover the assets that disappeared from the three banks.

Summary of individual actions

Action	Target date	Stage
<i>9.1. National Bank will grant all necessary support to Kroll investigation with a view to recover the diverted funds.</i>	<i>Ongoing</i>	<i>In progress positive</i>

The NBM maintains a continuous dialogue with Kroll company and "Steptoe and Johnson" international legal firm in order to continue the investigation of banking frauds and recovery of the embezzled funds. Also, the development and implementation of an efficient investigation plan is pursued, as well as a strategy to recover the assets in the benefit of Moldova. However, considering that the investigations launched by Kroll company are not public, certain results or actions could not be evaluated within the Roadmap monitoring process.

<i>9.2. General Prosecutor's Office to ensure a timely advancing of the cases to courts and swift processing of the international requests for legal assistance from Latvia, Russia and the US.</i>	<i>Ongoing</i>	<i>In progress negative</i>
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Currently, the General Prosecutor's Office launched an investigation to establish all persons involved, as well as the money flow in the banking system frauds. Also, the General Prosecutor's Office is taking measures working with other countries in order to establish the entire chain of financial transactions involving the funds embezzled from the three liquidated banks. Still, the investigations of the General Prosecutor's Office are conducted in a rather non-transparent manner, making their evaluation impossible.

Recommendations:

- Ensure a thorough investigation of the frauds from the banking system in order to bring the culprits to justice and recover the embezzled funds.
- Speed up investigations on banking frauds launched by prosecutors, as well as the dialogue with partners from the countries where these funds have been transferred to. Maintain a constructive dialogue between all stakeholders: the NBM, the Prosecutor's Office, the Kroll company.
- Increase the transparency (within the legal limits) of investigations of banking frauds. Public information will increase public confidence about the correctness of the measures taken.

10. Restoring an attractive and stable business and investment climate

Summary of general progress

Out of 10 monitored actions, 7 have been achieved without deficiencies, 3 are in progress positive.

Generally, the implementation of this chapter's actions is meant to create a regulatory framework that would benefit the business environment. Thus, although efforts are made to promote a favourable business environment by adopting new laws, developing draft legislative documents, the Government approving strategic documents or updating action plans, the process is slower than the targeted in the Roadmap. Moreover, taking into account the fact that these actions are long-term, the immediate effects are either small or hard to measure.

Summary of individual actions

Action	Target date	Stage
<p>10.1. Parliament to amend the legislative framework in order to improve business climate, including:</p> <ul style="list-style-type: none"> - draft law for amending and supplementing the Law no. 451-XV of 30.07.2001 on licensing of entrepreneurial activity; - draft law for amending the Law no.235-XVI of 20.07.2006 on the basic principles of regulation of the entrepreneurial activity; - draft law on amending the law on the license activity of entrepreneurs and the law regulating by authorization the activity of entrepreneurs. - draft law on amending the law on state registration of the legal entities and individual entrepreneurs (art, 2, 4, 5,7) and the law on the regulating by authorization the activity of entrepreneurs. - draft law on metrology; - draft law on national standardization; 	<p>March-April 2016</p>	<p>In progress positive</p>

Although some laws were adopted, this action has not been achieved on time. Thus, depending on the level of progress we can offer the following categorization:

Adopted draft laws:

- Amendment of Law no.451-XV dated 30.07.2001 on regulating the entrepreneurial activity through licencing – the draft provides bringing the law in line with the Transportation Code. Through this regulatory document the road transport licencing

for a fee for a period of 8 years was introduced. This amendment, favours the transporters, but there are some issues coming up in licencing, because the Licencing Chamber requests some additional documents regarding the transported object;

- The law amending the Law on state registration for legal entities and individual entrepreneurs and the Law on regulating the entrepreneurial activity through authorisation. The draft aims to make the operation of the registration single-stop-shop more efficient, as well as establish a single tariff for registration procedures. Also, the law provides that the „functions” of the single-stop-shop are extended and it is transformed into a mechanism through which the state provides consultations, assistance and information to economic operators. Among the potential benefits of implementing this law are: reducing the economic operators’ time and effort for registration and reducing the possibility of corruption.
- The Law on Metrology and the Law on national standardization – these are legislative acts approved in the context of DCFTA implementation. These laws aim to create a legal framework which is harmonized with the Community Acquis, this allowing for further implementation of other EU Directives. Thus, a new operational framework on metrology and standardization, rallying economic operators from Moldova to European practices will be established.
- The draft regarding the Law on regulating entrepreneurial activity through licencing and the Law on regulating entrepreneurial activity through authorisation was voted in the first reading in the Parliament and is currently in examination before the second reading. The draft law involves the development of regulatory principles through permissive documents. The provisions included in this law will serve as basis for the future permissive documents revision process that is to be accomplished by: reducing the number of permissive documents, their replacement with other mechanisms or the highest possible simplification for the procedure of obtaining permissive documents. A first revision step is planned to annul about 100 permissive documents;
- The draft regarding the Law no.131 dated 08.6.2012 on state inspections of entrepreneurial activity was approved within the Government meeting dated June 15, 2016. The draft aims to reduce the number of inspections and ensure their proportionality. In this regard, the draft contains several proposals, among which: reducing the number of documents used in inspections, conducting inspections only following a risk assessment, applying restrictive measures only in cases of severe violations, extending the privileges of the law on state inspections over the customs and fiscal sectors, granting priority to electronic documents, ensuring connectivity between documents related to inspections and the State registry of inspections. Should this law be implemented, there is a problem related to the lack of funds for the improvement of the State registry and extending its possibilities;
- There were no changes to Law no.235-XVI dated 20.07.2006 on main principles regulating the entrepreneurial activity. In the meeting from 27.04.2016 the Government Decision on the amendment and supplementation of several Government Decisions according to Law no.235-XVI dated 20.07.2006 was approved, and the aim of this decision is to improve the RIA development and strengthening mechanism. Among the benefits of this document are: the simplification of RIA development process and increasing transparency of the RIA process.

<p>10.2. Ministry of Economy to develop the necessary secondary legislation related to:</p> <ul style="list-style-type: none"> - Law on market surveillance; - Law on the rights of consumers at the concluding of contracts - Law on metrology; - Law on national standardization; 	<p>April-May 2016</p>	<p>In progress positive</p>
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The implementation of action 10.2 resides in adopting the legislative acts foreseen in 10.1, as well as some laws voted previously. Although, in some cases, the primary legislation was adopted in due time, the implementation of action 10.2 did not fit the established timeframe. The main cause is that the timeframe given for the development of these documents, which are highly complex, was too short.

In total, the development of 10 regulatory acts is planned; these are currently remitted for advisory notes and comments. On market supervision, there are 5 documents currently remitted and awaiting comments, they refer to: the Coordinating Council on customer protection, risk assessment methodology for non-food products, approving risk levels for non-food products, the regulation on the information exchange system for dangerous products and the regulation on cooperation of market supervision institutions and Customs Service. On metrology there are 3 acts, 2 of them are regarding the regulation on the organization of the National Institute of Metrology (NIM) and the tariffs for services provided by NIM, and the third regulatory act is to establish the list of legal measuring means and metrological means. On standardization, one act refers to the regulation on the organization of the National Institute of Standardization (NIS), and another one refers to the tariffs for services provided by NIS.

10.3. Government to re-launch the privatization process.	Ongoing	In progress positive
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During February-April, the Public Property Agency conducted a new round of public property privatization. The informative notes were published in the Gazette no. 38-42 as of 19.02.2016 and posted on the website of the Public Property Agency. At this round, property in amount of MDL 1.76 billion was put up for sale, however, the assets sold only amount to MDL 313 million. Thus, the income is only 17.8% of the total value of the property put up for sale.

It is worth mentioning that a part of the assets were traded at a lower value than the initial prices. As a result, the income was about 2.7% lower, compared to the income that could have been collected if the assets have been traded for the initial prices. For example, the sale of shares held in the joint stock companies: „Amelioratorul”, „Aeroport Catering” and „Magazinul Universal Central „UNIC” would have brought the state an income of MDL 267.1 million, however, trading at reduced prices allowed the state to collect an amount of MDL 258.3 million. Still, the sale of the other property: The Horodiște engineering networks centre (Călărași), The Dezghingea shopping centre (Comrat), The „Zarea” Hotel (Chișinău) and „The Car repair and exploitation company” was for prices higher than those initially established.

10.4. Ministry of Economy to update the Roadmap for improving the competitiveness of the Republic of Moldova.	March 2016	Achieved without deficiencies
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There was a delay in updating the Roadmap. This exercise was planned for March 2016, but was actually performed at the Government meeting on 27.04.2016. The roadmap includes the policy matrix, the implementation of which should increase national competitiveness. Also, one of the objectives of the Roadmap is to strengthen Moldova’s economic capacity for the successful implementation of the DCFTA agreement with the EU.

The implementation degree for this document was of 49% in 2014, and in 2015 it reached 54%. The main causes invoked for the modest achievement of established objectives was the insufficient funds and inconsistency in delegating responsibilities to public authorities. Besides, in the future, the same causes could affect the implementation of the roadmap.

10.5. Ministry of Economy to promote the legislative initiative establishing a consultative nature of state controls carried out in small and medium sized enterprises for 3 years after their establishment.	March 2016	Achieved without deficiencies
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The provision on the consultative nature of state control for SMEs is part of the law on SMEs. The draft law was approved by the Government on 30.03.2016 and was submitted to Parliament. Draft law on SMEs was voted in first reading and now is being examined before the second reading. Basically, this provision will favour the SME sector development.

10.6. Government to launch and conduct an inspection survey study (on the feasibility of all the public authorities in charge with competences of state control).	March-May 2016	Achieved without deficiencies
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The inspection survey was performed and research results were presented to the Government. The research conclusions were used to formulate proposals for amendment to the Law on state control over business activity.

10.7. Government to strengthen the capacities of the National Food Safety Agency, by appointing the Director of NFSA.	March 2016	Achieved without deficiencies
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According to Government Decision no. 32 as of 02.03.2016 Gaberi George was appointed as head of NAFS. Appointment of a new chief of NAFS was made without deviation from the law. Mr. Gaberi has rich experience and his professional profile is compatible with function of NAFS head.

10.8. Government to approve the new National Strategy for investment attraction and exports promotion for 2016-2020.	March 2016	Achieved without deficiencies
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At the Government meeting from 02.03.2016, the National Strategy for attracting investments and promoting exports for 2016-2020 was approved. The approval of this document was imperative in the situation where the previous strategy had expired in 2015, and Moldova did not register progress in attracting investment, and accessing external markets continues to be cumbersome. The main objective of the new Strategy is to capitalize on Moldova's export potential, mainly by attracting investments, both foreign, as well as domestic. The strategy implementation would allow for a better mobilization of investment capacity in order to increase exports, and, implicitly, stimulate economic growth.

10.9. Government to approve the Action Plan for 2016-2018 for the implementation of the National Strategy for regulatory reform of the entrepreneurial activity for 2013-2018.	March 2016	Achieved without deficiencies
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The actions on the Plan refer mostly to the revision of the business regulatory framework. The weakness of the Plan is that some of the measures are not financially covered. There are no funds from the national budget to cover actions on increasing the regulators' capacity by implementing technological and communication solutions. Although, the informative note annexed to the document mentions that the support of the international organizations is expected for the implementation of these measures, a probable lack of funding could create risks for implementation of the Action Plan.

10.10. Ministry of Economy to draft the law on the state enterprises and municipal enterprises in order to adjust the corporative management rules to the best practices of public property management.

**April
2016**

**Achieved
without deficiencies**

The draft law was sent to the Government with delay. The statutes of municipal companies based on the Government Decision on approving the Template-Regulation of municipal companies no.387 dated 06.06.1994, includes several gaps related to the insufficient reflection of the founder's functions in appointing and dismissing the administrator or in how the net profit is used. This law aims to eliminate these legal gaps. At the same time, the general objective of the draft is to harmonize public policies on state and municipal companies' administration and to bring the administration of public companies in line with the general corporate governance regulations.

Recommendations:

- Speed up the adoption of the draft law that would improve the business environment and the development of secondary legislation to the laws recently adopted (the Law on metrology and the Law on national standardization etc.).
- Include some measures in these documents, that have certain financial coverage and to make communication between state institutions more efficient in the process of their development.
- Reform the state structures so that they can provide quality public services. The main problem in implementing the legislation is related to the reduced quality and capacity of public institutions, and in this context the propagation of positive effects associated with the application of legislative/regulatory acts is reduced.

11. Improving transparency and investment conditions in the energy sector

Summary of general progress

Out of 5 monitored actions, 2 have been achieved without deficiencies, 1 has been achieved with deficiencies, 1 is in progress negative and 1 – has not been launched.

During March-May, the main developments in the energy sector targeted the electricity tariffs, but also adopting a new methodology on price formation for oil products (31.05. 2016).

On May 12, this year, the National Agency for Energy Regulations (NAER) adjusted tariffs for electricity distribution and supply, which finally lead to a decreased price for the end-consumer (by 11%). The modifications were based on the current tariffs methodology, which provides for annual adjustments before April 1. The calculations included the modified exchange rates, inflation, but also the new prices for electricity¹³. As a result of adjustments, the tariff for end consumers was reduced by 11%. However, new increased tariffs are to be approved by NERA starting with January 2017. This commitment was taken by the Moldovan Government in the agreement with the Red Union Fenosa JSC distributor on recovering debts, concluded on June 3, 2016.

A new electricity supply contract was signed for the period of April 1, 2016 – March 31, 2017 between SE Energocom and Energocapital, the company registered in Transdnistria. The latter company proposed a price lower than the previous one (4.89 cents per kW/h compared to 6.795 cents per kW/h), the offer from the Ukrainian company DTEK Energo (according to the information available, the price was of 4.7 cents per kW/h) being rejected. We find that due to

13 <http://anre.md/ro/content/anre-actualizat-tarifele-pentru-serviciile-de-distributie-%C8%9Bie-%C8%99i-de-furnizare-energiei-electrice>

the lack of transparency in renewing the contract with the Transdniestrian region supplier and rejecting the offer of the Ukrainian supplier, the price negotiated was not the most advantageous.

The legislation on electricity and natural gas accordingly is in the final stage of the Parliament adoption process, only a few months away from its adoption in the first reading¹⁴. It was adopted by the Parliament on 27.05.2016. The new legislation corresponds to the commitments taken by Moldova as a member of the Energy Community and reflects the provisions of the Association Agreement, being developed with the assistance of the external partners. However, the two laws were adopted exceeding the Roadmap target date established for March 2016. In reality, this legislation should have been adopted much sooner according to the commitments towards the Energy Community (by January 2015). The new laws allow for a liberalization of electricity and natural gas markets, attracting investments on the electricity and natural gas markets, consolidating the line regulator, but also creating the legal and technical prerequisites to facilitate interconnectivity with the European energy market.

Summary of individual actions

Action	Target date	Stage
11.1. Parliament to adopt the new Electricity and Natural Gas Laws in line with the 3rd Energy Package (Directives 2009/72/EC and 2009/73/EC).	March 2016	Achieved without deficiencies

The law on electricity and the one on natural gas were adopted in the second reading on 27.05.2016. According to the informative notes published on the Parliament website, the two laws partially take on the provisions of the Third Energy Package¹⁵

The draft law on electricity adopted in the Parliament was developed during 2014, with the involvement of relevant sector institutions and stakeholders (Ministry of Economy, NAER, the operators, etc.) with the participation of experts from the Energy Community Secretariat, with external technical assistance (EU, USAID). The law will foresee a better organization and regulation of the electricity sector. The implementation of the new law creates stimuli for the development of competitiveness on the energy market and attraction of new participants (connecting renewable energy producers). Significant investments are to be directed towards energy sector infrastructure development through development plans that become mandatory for transport networks, system and distribution operators.

Also, the new Law extends the NAER functions, which is to undertake actions for monitoring and certification of transport and system operators. As a result of the implementation of this law, the liberalization will be possible and the integration of participants from the market as well (producers, suppliers, distributors, consumers etc.) and also the extension of the electricity sector, including by joining the European network of transport system operators (ENTSO-E). At the same time, the new legal framework creates the necessary prerequisites to grant a certain supply of electricity for the end-consumer, with real, transparent, predictable, non-discriminating and justified tariffs, ensuring quality services, including the universal service. At the same time, the consumers will incur some costs derived from the electricity companies in order to implement the development programs, that could lead to a tariff increase up to 1,28% (0,02 lei/kW) during the following period. Also, the Law includes some loose specifications on the regulation of NAER control and monitoring activity. Likewise, there are some vague

14 The draft law on electricity (no. 430) was adopted in the first reading on February 26, 2016, and the one on natural gas (no. 432) on December 29, 2015.

15 The Third Energy Package includes the following European legislation: *Electricity*: Directive no. 2009/72/CE on common norms for the domestic electricity market; Regulation nr. 714/2009 on network access in cross-border electricity exchanges; *Natural Gas*: Directive no. 2009/73/CE on common norms for the domestic natural gas market; Regulation (CE) no. 715/2009 on network access for natural gas transportation

provisions (such as in Art. 7 p.2(f) “approving sufficiently in advance”) regarding the NAER timeframes for approving tariff methodologies before their enter into force.

The draft law on natural gas adopted in the Parliament includes provisions that once implemented, can contribute to a functioning that is more efficient, transparent, competitive and safe in the natural gas sector, ensuring a better integrated market, but also one that is interconnected with the European one.

The new law defines the status of a vulnerable consumer, as well as, introduces the “take-or-pay” concept. A series of provisions clarify the NAER independence from the political factor (Government, Parliament, etc.), but also establishes the timeframes for consulting the documents approved by NAER. In another train of thought, the law provides clearer measures to promote competitiveness on the natural gas market. Thus, NAER has the function to monitor that there is competition in the sector and to notify the Competitiveness Council if certain actions against competitiveness are identified. Also, the Law requires that the environment requirements, especially regarding the impact of natural gas transportation networks over the environment are observed.

Both laws foresee a wide range of functions for NAER, and this is why additional and urgent efforts are necessary in order to ensure full independence and strengthen the Agency’s institutional capacity. Adopting the two laws corresponds with the obligations taken by Moldova as an Energy Community member, but also in relation with the Association Agreement provisions in the energy sector.

It is necessary to mention that due to the cumbersome period linked with the adoption of the two laws, confusion was caused regarding the periods established for public consultations. The draft laws development procedures were initiated in 2014 and continued during 2015. National and foreign experts were involved in preparing the drafts. However, some violations of the legislation on decision-making transparency, e.g. the public consultations on the draft laws, lasted less than 15 working days required, have been observed.

11.2. Ministry of Economy to sign a new electricity supply contract in more favorable terms as of 01.04.2016.	April 2016	Achieved with deficiencies
<p>A new electricity supply contract was signed, with a price 28% lower than the previous one (4.89 cents per kW/h compared to 6.795 kW/h). The term of the contracts is from 01.04.2016 to 31.03.2017.</p> <p>Although the contract with Energocapital was reviewed (founding members from Transdnistria and offshore), the latter buys electricity produced by the Cuciurgan power plant from the unpaid for Russian natural gas, and in the end, this leads to increasing the MoldovaGaz debt to the Russian Gazprom concern. Similarly, there are questions regarding the decision of the Ministry of Economy to reject other offers. According to the information available, another bidder (the Ukrainian supplier DTEK Energo) allegedly proposed a price of 4.7 cents per kW/h, which is about 0.2 cents per kW/h less than the price offered by Energocapital.</p>		
11.3. National Energy Regulatory Agency to establish the mechanism on the recovery of tariff deviations accumulated in the electricity sector and ensuring its adoption.	April 2016	In progress negative

The Moldovan Government reached an agreement (on 03.06.2016) with the distributor Red Union Fenosa JSC on recovering debts accumulated based on the deviations between the buying price for electricity and the tariffs not being properly adjusted by NAER during 2015. Based on the agreed arrangement, the amount of tariffs deviations (about MDL 1.7 billion) will be recovered by adjusting the tariffs starting with January 1, 2017, for 4 years. NAER is to

establish the recovery mechanism for electricity tariff deviations.¹⁶

The discussions regarding the dispute between the Government and Red Union Fenosa have been facilitated by Dirk Buschle, Deputy Director of the Energy Community Secretariat.¹⁷ As a result of the mediation ensured by the Energy Community, an arbitration case against Moldova within the International Centre for Regulations of investments disputes of the World Bank was avoided.

11.4. Parliament and the Government to launch consultations with the European Energy Community and development partners for an external independent review of the National Agency for Energy Regulation, its competences and capacity for consolidating the independency of the Agency.	March 2016	Achieved without deficiencies
<p>On May 20, this year, the Speaker of the Parliament and the Prime-minister have sent a request to the Energy Community Secretariat. The Secretariat confirmed the receipt of request and expressed its availability to provide the necessary assistance for the NAER evaluation.</p>		
11.5. National Energy Regulatory Agency to develop a roadmap on the liberalisation of the gas and electricity markets in order to properly inform the population, operators and other stakeholders about the timelines and steps to be taken.	March-April 2016	Not launched

The development of the new roadmap on the energy market liberalization has not yet been initiated. This delay is related to the cumbersome adoption of the electricity and natural gas laws, only adopted on 17.05.2016.

Recommendations:

- Speed up the development of the roadmap on electricity and natural gas liberalization, considering the fact that the laws on electricity and natural gas are already adopted. NAER should ensure a maximum transparency of the roadmap development process, involving all stakeholders (civil society, business environment, etc.)
- Initiate as soon as possible the process for development of the mechanism on recovering accumulated tariffs deviations. NAER should ensure the mechanism is consulted with stakeholders (relevant NGOs, consumers and companies associations, etc.) before it is finalized and approved.
- The Ministry of Economy should publish information on the negotiations for signing an electricity supply contract between Energocom and Energocapital, and provide the detailed argumentation behind the reasoning for rejecting offers from other suppliers (such as DTEK Energo from Ukraine).

12. Cooperation with civil society

Summary of general progress

Out of the 3 monitored actions, all 3 are in progress positive.

The actions under the Roadmap in this area are parts of the programmatic commitments of the last four Governments in office ([Leancă2](#), [Gaburici](#), [Strelet](#), [Filip](#)). At the same time, all three measures are unachieved commitments from the [Civil Society Development](#)

¹⁶ The Ministry of Economy, Press-release, June 6, 2016, <http://mec.gov.md/ro/content/ministerul-economiei-si-grupul-gas-natural-fenosa-au-semnat-un-aranjament-pentru>

¹⁷ Energy Community Secretariat, Energy Community Secretariat welcomes settlement of dispute between Gas Natural Fenosa and Moldova, 6 June 2016, https://www.energycommunity.org/portal/page/portal/ENC_HOME/NEWS/News_Details?p_new_id=13002

[Strategy](#) for 2012-2015. Out of these three measures provided by the Roadmap, two are aimed to strengthen the presence of the non-profit sector in the decision making process. The third measure proposes the implementation of a fiscal mechanism through which individuals could redirect annually a part of their income tax (2%) to a non-profit or religious organization that conducts public benefit activities. The action will contribute to strengthening the financial sustainability of civil society organizations (CSO) through diversification of sources for fundraising to support their activities.

Summary of individual actions

Action	Timeline	Stage
12.1. Government to re-launch the cooperation mechanism with civil society on permanent basis.	March 2016	In progress positive

The action provides for the re-launch of the National Participation Council (NPC), created under Government Decision no. 11 in 2010. In the reporting period, the permanent mechanism of cooperation has not re-launched. However, at the initiative of the Speaker of Parliament, on 27.04.2016 a trilateral working group (Parliament, Government, CSOs) was created, which has the mandate to propose ways to re-launch cooperation with civil society both at the level of the Parliament and the Government. The working group analyzes the re-launch of the NPC as one of such options. The mechanism approved by CSOs is to be presented at the annual conference “Cooperation between the Parliament and civil society” of 4-5 July 2016 and proposed to authorities for approval. Although the action is worded to suggest that the mechanism will be relaunched by the Government and no action has been taken by the Government in this respect, after discussions with the public authorities it was indicated that activities 12.1. and 12.2. are viewed and examined in parallel, through the trilateral working group. Consequently, the activity is qualified in progress positive. See more comments in activity 12.2.

12.2. Parliament to review its mechanism of cooperation with civil society and to set up a new platform for the civil society participation at the stage of draft laws discussions.	March 2016	In progress positive
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The above-mentioned working group (*action 12.1*) evaluates existing and potential new mechanisms of collaboration between CSOs and the Parliament at the stage of law drafting laws. By 30.06.2016, there had been six meetings of the working group, where four scenarios were discussed in terms of realizing future cooperation with civil society, including at the level of permanent parliamentary commissions. They mainly discuss the former NPC as a model of cooperation, but also strengthening of existing mechanisms (direct collaboration of CSOs with parliamentary commissions) and the absence of an institutionalized mechanism. On 22.06.2016, the working group has sent the draft document which includes the proposed scenarios to the representatives of the Parliament. The document was published on Parliament's website for public consultation till 30.06.2016.¹⁸

Although in the past, the creation of institutionalized bodies of CSOs to coordinate the consultation process proved to be a relatively positive practice, currently its implementation involves several risks. One of these risks can be the non-involvement of the CSOs that will not be part of the umbrella institution in the consultation process. It will reduce the CSOs' efforts to contribute to decision making and thus limit the consultation process. Another potential risk is the overload of the institution, which can be used as a reason to reduce the number of acts

¹⁸<http://parlament.md/TRANSPAREN%C8%9AADECIZIONAL%C4%82/Reuniunidelucru/tabid/106/Id/12/language/ro-RO/Default.aspx>

subject to public consultation and can favor mimicking of the consultation process. One of the models proposed and supported by the Legal Resources Center from Moldova (LRCM) is improvement of the current cooperation mechanisms through genuine implementation of Law no. 239 of November 13, 2008 on transparency in decision making. Cooperation of permanent commissions with stakeholders through ensuring the publicity of the consultation process and maintaining correspondence with organizations interested in relevant areas will ensure participation in the stage of drafting laws. It will enable quicker reaction to the draft laws proposed for consultation by specialized organizations that have resources and expertise in specific areas, without needing the intermediation through umbrella institutions.

The decision-making process regarding the future mechanism of cooperation between the Parliament and the civil society is not clear enough. It is dangerous to make a decision based on the level of participants' support at the conference on 4-5 July 2016, because the process might be manipulated or dominated by persons interested in a certain scenario even if it is poorly justified. We believe that the Parliament should decide on the scenario, but this decision should be well-informed and reasoned.

12.3. Parliament to adopt the “2% Law” (amendments to the NGO Law and Tax Code allowing tax payers to redirect 2% of the taxes from the state budget to NGOs) as a measure to additionally support the activity of the civil society.	April – May 2016	In progress positive
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The draft law no.49 on amending some legislative acts, conventionally labeled as “the 2% Law”, was registered in the Parliament on February 22, 2016. On May 27, 2016 the draft was voted in the first reading, in the version proposed by civil society representatives. In the next period (June-July), the draft law is to be subject to re-examination in specialized standing committees (economy, budget, finance and legal) and adjusted with the recommendations of the Government opinion of April 25 and those that some MPs presented at the plenary meeting where the draft law was voted in the first reading. So far, recommendations do not distort the essence of the 2% mechanism.

In order for the measure assumed under the RPAR to reach its intended objective (support of CSO activities), along with the adoption of the draft law in the second reading, the inter-ministerial working group led by the Ministry of Finance has to be re-launched. The working group will have the mandate to develop the implementation mechanism for the 2% Law, in the form of a Government decision. For the 2% Law to be applied in 2017, it is necessary to adopt the implementation mechanism by August 31, 2016, because the process of registration of organizations willing to benefit from the 2% will have to start in September 2016.

Recommendations:

- Strengthen the collaboration of the Parliament and the Government with civil society by improving transparency in decision making, including by improving and genuinely implementing the Law no. 239 of 13 November 2008 on transparency in decision making;
- Adopt the Law on 2% in the version proposed in the first reading, with recommendations on improvement brought by Government opinion of April 2016;
- Re-launch the inter-ministerial working group led by the Ministry of Finance and to develop the implementation mechanism (Government Decision) of the 2% Law by 31 August 2016, so that the 2% Law could be applied in 2017.

13. Accelerate the implementation of the EU-Moldova Association Agreement, including its DCFTA part

Summary of general progress

Out of the 4 actions monitored, 2 have been achieved with deficiencies, 1 has been achieved without deficiencies and 1 is in progress negative.

Developments in this area mostly portray an equivocal picture of the actions planned. Thus, during the reference period sustained efforts have been made in order to compensate for the deficiencies registered for the previous periods. In this regard, a calendar of the arrears for the actions overdue from 2014-2015 and foreseen in the AA National Action Plan was developed, although new overdue actions are accumulated for the current period (actions planned for 2016).

Also, an Action Plan was developed, directed at implementing a set of measures to improve the trade of the Transdnestrian region with the EU without it being seen as a mechanism allowing the Transdnestrian part to monitor the implementation of this Action Plan. Under these terms the developments of this document's implementation remain uncertain. At the same time, common meetings of the Parliament and Government were organized in order to coordinate the process of AA/DCFTA implementation. In order to consolidate the role of the Parliament in the AA/DCFTA implementation process the Parliamentary council for European integration was established. Still, even under these circumstances, the institutional interaction between the Government and the Parliament is not clear.

Summary of individual actions

Action	Target date	Stage
13.1. Government to implement the Calendar on liquidating the arrears in the implementation of the AA/DCFTA.	March 2016	In progress negative

In order to advance the AA/DCFTA implementation process a Calendar on liquidating the arrears containing all actions with deadlines during 2014-2-15 that have not been implemented (not public). According to the authorities, this calendar was "70% implemented" (as of May 30, 2016) and consequently, the objective to implement within the deadlines has not been achieved. At the same time, in the conditions of limited transparency an individual evaluation of the implementation degree for this document was not possible.

Even though efforts are made to liquidate the arrears for previous periods, new arrears keep accumulating for the current period (from the actions planned for 2016). Consequently, either a new Calendar that will include the arrears for 2016 will be necessary, or a realistic re-evaluation of the target dates when the Action Plan for the implementation of the EU-Moldova Association Agreement should be developed.

13.2. Government to draft a Roadmap for ensuring the DCFTA application on the entire territory of the country.	March 2016	Achieved with deficiencies
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It should be mentioned that at the Bavaria reunion from October 30, 2015, the idea of creating a trade facilitation concept for the trade with the EU in the Transdnestrian region under the DCFTA was agreed upon. Subsequently, a set of *Measures for improving trade in the Transdnestrian region with the EU* was developed (not public) and coordinated with all the stakeholders involved, and on December 18, 2015 it was recorded by the Decision no.1/2015 of the EU-Moldova Association Council.

In order to implement the above mentioned document, an Action Plan was developed (not public) in coordination with both the EU as well as the Transdnestrian side and is to be implemented by the Transdnestrian side in cooperation with the EU. At the same time, there is

no mechanism to allow the Transdniestrian side to monitor the implementation of the said Action Plan. In absence of necessary tools, the developments related to the implementation of this document remain uncertain.

13.3. Government and Parliament to improve institutional coordination aimed at ensuring efficient and smooth legal approximation of the national legislation in accordance to the AA/DCFTA commitments.	March - April 2016	Achieved without deficiencies
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Starting from the terms used in the wording of this action (namely “improving”) we could admit to a certain positive developments in this regard through a more frequent organisation of Parliament and Government common meetings, these providing a better platform for the synchronisation of agendas as well as prioritize activities for these two institutions.

However, given that this practice existed previously as well (albeit less frequently), we cannot establish a clearly superior improvement in comparison with the the previous periods. Moreover, up until now there is no clarity regarding the institutional relations on this matter. Besides, there is currently no mechanism to ensure a convergence between the development and adoption processes for legislative acts on issues of compliance with commitments taken under the AA/DCFTA.

13.4. Government and Parliament to aggregate monitoring tools related to the legal approximation in accordance with the Legislative Programme of the Parliament based on the AA/DCFTA commitments.	March - April 2016	Achieved with deficiencies
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In order to consolidate the role of the Parliament in the AA/DCFTA implementation process and implicitly legislation harmonization, the Parliamentary Council for European Integration was created on April 14, 2016. The forum is to ensure an internal parliamentary coordination and control mechanism for the AA/DCFTA implementation. Nevertheless, there is no clarity regarding the interaction of this new body with the executive in order to ensure the necessary institutional synergy. Also, there is no tool to ensure the compliance of legislative acts with the commitments taken under the AA/DCFTA from the initial stage of development in the Government and to the final stage of adoption in the Parliament.

The multitude of documents meant to monitor the AA/DCFTA implementation process, which in most cases are overlapping, creates confusion and puts additional pressure on the monitoring process, and reporting as well.

Recommendations:

- Realistically re-evaluate the target dates for implementation of activities in the development of the new EU-Moldova AA implementation Action Plan, in order to avoid “accumulating” arrears and minimize the need to develop new Calendars on liquidation of arrears.
- Identify a viable mechanism to monitor the implementation of the DCFTA in the Transdniestrian region, taking into account the responsibility of constitutional authorities to guarantee that commitments taken under the AA/DCFTA are implemented correctly over the entire territory of the country.
- Develop/establish an efficient framework to regulate the institutional relations between the Parliament and the Government in the context of consolidating the role of the Parliament in the AA/DCFTA implementation process.
- Identify a legal expertise mechanism for the entire legislative process in order to ensure that the harmonization of the legislation with the Community Acquis is continuous and correct.
- Re-evaluate all guiding documents for the AA/DCFTA implementation in the format of a single tool, in order to exclude excessive pressure in the monitoring and reporting process during the AA/DCFTA implementation.