

# Analysis of Moldovan Political Situation and Reforms 2019-2021

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## Abstract

Moldova is among the European Union's Eastern Partners one of the closely integrated countries enjoying benefits of Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DCFTA). Among the EU's Eastern Partners Moldova, together with Ukraine and Georgia has clearly been among the most successful in conducting reforms necessary for closer integration with the EU.

Moldova has a working democracy with competitive electoral environment, and the freedoms of assembly, speech, and religion are mostly protected. However, Moldovan political system is still a developing one, where democratic institutions remain weak and progress in establishing rule of law and protection of freedoms has been uneven. Nevertheless, it could be said that Moldova has achieved moderate success, although there also have been relapses, in implementing many key reforms necessary for developing country's political systems and economic performance and integrating more closely with the EU.

The result of presidential elections in December 2020, where pro-European Maia Sandu won, and the results of recent public opinion polls show growing support for pro-European political forces. The new President Maia Sandu has called for action to stop corruption and the expropriation of state assets, strengthen anti-corruption institutions and involving the EU in their investigations and establishing an independent judiciary. Currently there are political disagreements, whether there is a need for an early Parliamentary election. If there will be early Parliamentary elections in 2021 there is the possibility that a new Government could be formed, which is ready to implement substantial pro-European reforms to improve Moldova's democratic governance and market economy. If the Government is formed by present Parliamentary majority, the progress with reforms could be slower.

Moldova is a small lower-middle-income economy by global standards, but at the same time being among the poorest countries in Europe, it has made significant progress in reducing poverty and promoting economic growth since the early 2000s, although the distribution of

this wealth has been uneven in society. A closer integration with EU has anchored successive governments' policy reform agendas and made possible increasing closer cooperation with EU in economic field. However, the country's economy remains dependent of agricultural exports and is weakened by the great number of its people working abroad. During the last year Moldova has been also seriously affected by COVID-19 crisis, which has led to drop of GDP by several points. However, if Moldova succeeds overcoming political and economic obstacles and continues on a pro-European course, it can achieve progress in Government controlled territory in building democracy, better governance and more productive and diversified market economy, even if the problems with reintegration of Transnistria persist.

## Introduction - General Situation of Moldova

Moldova is a small lower-middle-income economy country in global scale. Although it is among the poorest countries in Europe, it has made significant progress in reducing poverty and promoting economic growth since the early 2000s. A closer integration with Europe has anchored successive governments' policy reform agendas, but reforms have faced implementation challenges. A polarized society, low productivity, demographic challenges, and a high vulnerability to both climate-related and external shocks are Moldova's biggest economic challenges.<sup>1</sup>

According to Freedom House, Moldova has a competitive electoral environment, and freedoms of assembly, speech, and religion are mostly protected.<sup>2</sup> However, Moldova is a country that has a political system where democratic institutions remain weak and progress in the protection of justice and freedoms has been insufficient. Also, pervasive corruption in the government sector, links between major political parties and powerful players economic interests, and major deficiencies in the rule of law continue to hamper democratic governance.<sup>3</sup> According to its Global Freedom Score Moldova has score 60 from 100, similar result to Ukraine and Georgia.<sup>4</sup>

Moldova's population is estimated to be 2020 at 3,5 million people. However, it is estimated that over a million of its population is working abroad, both in West and in declining numbers in Russia. Moldova's large-scale out-migration, combined with decreasing fertility rates, has led to an alarming decline in the population and increased the share of elderly people. This puts pressure on the pension system and limits the available labour force and the country's long-term competitiveness.<sup>5</sup>

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1 – The World Bank in Moldova <https://www.bbc.com/news/world-europe-17601580>

2 – Freedom in the World 2020. – Freedom House <https://freedomhouse.org/country/moldova/freedom-world/2020>

3 – The World Bank in Moldova <https://www.bbc.com/news/world-europe-17601580>

4 – Freedom in the World 2020. – Freedom House <https://freedomhouse.org/country/moldova/freedom-world/2020>; <https://freedomhouse.org/explore-the-map?type=fiw&year=2020&country=SDN>

5 – The World Bank in Moldova <https://www.bbc.com/news/world-europe-17601580>

Moldova's general development remains hindered by inability to move forward with reintegration of Russian controlled separatist enclave in Transnistria, leadership of which enjoys some benefits due to Moldova's close relation with the EU, but are unwilling to support reunification of the country or follow Moldova's policies.

## Overview of Recent Political Development in Moldova

Last Parliamentary elections were held in Moldova on 24 February 2019. Candidates from four parties were elected to Parliament: The Party of Socialists (PSRM, 35 mandates) the Democratic Party (30 mandates), the ACUM electoral alliance of Dignity and Truth Platform (DA) and Party of Action and Solidarity (PAS) 26 mandates, and the Șhor Party (7 mandates).<sup>6</sup>

Non-conclusive attempts to form a government followed parliamentary elections and lasted for 3 months. At the beginning of June 2019, a complex political and constitutional crisis unfolded in which a new government was voted in by the Parliament but not recognised by the old caretaker government, with the Constitutional Court supporting the latter. This situation was eventually solved in mid-June 2019. The annulment of the relevant Constitutional Court decisions followed.<sup>7</sup>

The new Government (ACUM and PRSM) was formed only on June 14, 2019 and was led by pro-European reformist Prime Minister Maia Sandu. In the programme agreed between the two coalition parties, the new government expressed its commitment to implementing the reform agenda as enshrined in the EU-Moldova Association Agreement. Some of its first decisions included cancelling the previous mixed electoral system, advancing the banking fraud investigation and adopting decisions to help depoliticise state institutions and fight corruption.<sup>8</sup> However, this Government was dissolved already in November 2019.<sup>9</sup> The Socialist dominated Government of Ion Chicu was then in power till the end of December 2020 (in the end it had support of only 51 MP-s of 101 Member Parliament).<sup>10</sup> The Socialist President Igor Dodon and Socialist Government continued to implement with lessening enthusiasm some reforms necessary for EU integration, but in foreign policy they sought closer relations with Russia and also enjoyed support of the Russian Government in return.<sup>11</sup>

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6 – 2019 Moldovan parliamentary election. – Wikipedia  
[https://en.wikipedia.org/wiki/2019\\_Moldovan\\_parliamentary\\_election](https://en.wikipedia.org/wiki/2019_Moldovan_parliamentary_election)

7 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

8 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

9 – Alexander Tanas. Moldova's fledgling government felled by no-confidence vote. – Reuters 12.11.2019. <https://www.reuters.com/article/us-moldova-politics/moldovas-fledgling-government-brought-down-by-no-confidence-vote-idUSKBN1XM1G4>

10 – Moldova's pro-Russian prime minister Ion Chicu resigns. – Euronews. 23.12.2020.  
<https://www.euronews.com/2020/12/23/moldova-s-pro-russian-prime-minister-ion-chicu-resigns>

11 – Moldova: parliament approves a new government linked with pro-Russian socialists. – OSW Analyses. 14.11.2019. <https://www.osw.waw.pl/en/publikacje/analyses/2019-11-14/moldova-parliament-approves-a-new-government-linked-pro-russian>

Before leaving office, Socialist led Government pushed through several ideologically motivated and populist decisions, like lowering the retirement age to 62, declaring Russian the second official language, and limiting the powers of the president, trying to tie hands of newly elected president Maia Sandu. However, on 21 January 2021 the Constitutional Court annulled the granting of the status of Russian as the state language as discriminatory against other minority languages.<sup>12</sup>

The Moldovan Presidential elections were held on November 2020. Voters had the possibility to either elect a new president or re-elect the incumbent Socialist Igor Dodon. Because no candidate received a majority of votes in the first round, a run-off between the top two candidates, Maia Sandu and Dodon, was held on 15 November 2020. Maia Sandu won the second round with 57.72% of the vote, becoming the first female President of the country and the first winner from the Party of Action and Solidarity (PAS).<sup>13</sup>

The new President took office on 24 December 2020. As result of the presidential elections, the Ion Chicus Government resigned on 23 December 2020 and was replaced by Acting Prime Minister Aureliu Ciocoi on 31 December of 2020. Under the Moldovan legislation, the cabinet of Acting Prime minister is to be in power till the new cabinet members are sworn in office. Also, the Moldovan president is obliged to initiate consultations with the parliamentary factions for the creation of a new cabinet.<sup>14</sup>

Maia Sandu and PAS party would have preferred the Parliament itself to dissolve, asking for this purpose the opinion of the Constitutional Court, stating that she will not appoint a new head of government until the Constitutional Court has given an overview of all possibilities for initiating extraordinary parliamentary elections.<sup>15</sup> The first step was thus made for launching early parliamentary elections.

However, as of 18 January 2021 the Moldovan Constitutional Court ruled that the parliament can be dissolved only in the conditions provided for in the Article 85 from Moldova's Constitution. Under the Article 85 of the Constitution, the Moldovan parliament can be dissolved only if it is impossible to form the government or the procedure of laws' adoption is blocked for three months.<sup>16</sup>

According to the Article 85 of Moldovan Constitution - Dissolution of Parliament, in case of

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12 – Moldovan top court declares unconstitutional law on functioning of languages spoken in Moldova. – MOLDPRES. 21.01.2021. <https://www.moldpres.md/en/news/2021/01/21/21000400>

13 – 2020 Moldovan presidential election. – Wikipedia 2021. [https://en.wikipedia.org/wiki/2020\\_Moldovan\\_presidential\\_election](https://en.wikipedia.org/wiki/2020_Moldovan_presidential_election)

14 – Moldovan president appoints Aureliu Ciocoi as acting prime minister. – MOLDPRES. 31.12.2020. <https://www.moldpres.md/en/news/2020/12/31/20010401>

15 – The Constitutional Court Declares the Parliament Self-dissolution Impossible. – ZDG. 18.01.2021. <https://www.zdg.md/en/?p=6131>

16 – Moldovan parliament cannot be self-dissolved. – MOLDPRES. 18.01.2021. <https://www.moldpres.md/en/news/2021/01/18/21000257>

impossibility to form the Government or to block the procedure of adopting the laws for 3 months, the President of Moldova, after consulting the parliamentary factions, may dissolve the Parliament. The Parliament may also be dissolved, if it has not accepted the vote of confidence for the formation of the Government, within 45 days from the first request and only after the rejection of at least two requests for investiture.<sup>17</sup>

On 26 January 2021 President Maia Sandu convened a meeting of the newly created Security Council and called for action to stop corruption and the expropriation of state assets, strengthen anti-corruption institutions and involving the EU in their investigations, establishing an independent judiciary, end political persecution of local government leaders and better address COVID-19 (so-called 10 points).<sup>18</sup>

On 27 January 2021 President Maia Sandu put forward her first candidate Natalia Gavrilita for the office of Prime Minister<sup>19</sup>, but her cabinet proposal received zero support votes of the parliament on 11 February 2021. The President Maia Sandu then repeatedly put forward Natalia Gavrilita as candidate for the position of PM.<sup>20</sup> To counter Sandu's move, on the same day, PSRM informed that it had put forward its own candidate for the office of prime minister, Mariana Durllesteanu, who is backed by 54 lawmakers. Moldova's Constitutional Court had made earlier decision on 6 August 2020, that if there is an absolute formalized parliamentary majority, the Moldovan president is obliged to nominate the candidate put forward by this majority for the office of prime minister.<sup>21</sup> On 23 February 2021 Constitutional Court ruled that the decree, according to which the Moldovan president repeatedly delegated Natalia Gavrilita to form a new government, was unconstitutional. In the ruling, the Constitutional Court asked the parliamentary factions and the president to resort to new consultations for the nomination of a prime minister.<sup>22</sup> It is therefore not yet clear, whether the new Government will be formed by this Parliament or there will be early elections. If there are early elections, the Socialists are currently supported by roughly a third of the electorate and ACUM coalition (DAS+DA) roughly by 40% of the electorate, while other parties have much lower support.<sup>23</sup>

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17 – The Constitutional Court Declares the Parliament Self-dissolution Impossible. – ZDG. 18.01.2021.  
<https://www.zdg.md/en?p=6131>

18 – Moldovan Supreme Security Council holds meeting in new composition. – MOLDPRES. 26.01.2021  
<https://www.moldpres.md/en/news/2021/01/26/21000514>

19 – Moldovan head of state puts forward Natalia Gavriliță for PM office. – MOLDPRES. 27.01.2021.  
<https://www.moldpres.md/en/news/2021/01/27/21000575>

20 – Moldovan president repeatedly puts forward Natalia Gavrilita for PM office. – MOLDPRES. 11.02.2021.  
<https://www.moldpres.md/en/news/2021/02/11/21001044>

21 – Nominated PM of Moldova Natalia Gavrilita fails to receive MPs' vote of confidence. – MOLDPRES. 11.02.2021.  
<https://www.moldpres.md/en/news/2021/02/11/21001035>

22 – Constitutional Court declares Moldovan president's decree unconstitutional. – MOLDPRES. 23.02.2021  
<https://www.moldpres.md/en/news/2021/02/23/21001401>

23 – Opinion polling for the next Moldovan parliamentary election. – Wikipedia 2021.  
[https://en.wikipedia.org/wiki/Opinion\\_polling\\_for\\_the\\_next\\_Moldovan\\_parliamentary\\_election](https://en.wikipedia.org/wiki/Opinion_polling_for_the_next_Moldovan_parliamentary_election)

## EU-Moldova Political Dialogue and EU Aid

The EU-Moldova Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DCFTA) and the revised Association Agenda continued to guide EU-Moldova bilateral relations. The EU and Moldova pursued political dialogue through the Association Council, the Association Committee, the Association Committee in Trade Configuration, and the subcommittees. On the economic and financial side, Moldova has continued making progress on implementing reforms in line with the AA/DCFTA. However, challenges in the domain of the rule of law continue to affect the overall business and investment climate.<sup>24</sup>

The EU-Moldova political dialogue was influenced by internal political developments, the level of achievement of the key reforms' agenda, related to the functioning of democratic institutions, justice and respect for human rights, but also by the COVID-19 pandemic crisis.

The EU-Moldova political dialogue progressed fast from the summer and autumn of 2019, when the Government was led by Sandu, and when priority was given to reform in the justice sector, via the launch of the process of integrity evaluation of actors in the justice sector and promoting an agenda focused on overcoming arrears in the implementation of the Association Agreement. Later, under the Chicu Government, the implementation of the EU-Moldova Association Agenda slowed down, with no planning document available by 2020.<sup>25</sup>

For the new Government, the negotiation of a new Association Agenda, development of a new Action Plan to implement the Association Agreement and inputs to finalise the new deliverables of the Eastern Partnership post-2020 are probably the key priorities of the political dialogue, which could also provide opportunities to reset Moldova's European agenda and also achieve more financial support from the EU.

In February 2020, the EU activated new requirements to measure the level of political will in implementing key reforms aimed at the rule of law and respect for human rights. However, the COVID-19 pandemic led the EU then to adopt an attitude of "strategic pragmatism" towards the Moldovan authorities.<sup>26</sup>

According to The EU Neighbours East project, in collaboration with ACT LLC 2020 opinion poll 63% of people in Moldova trust the European Union, compared to 33% who trust the EAEU. 82% of Moldovans are aware of the EU's financial support, 58% of whom consider the support to be effective. 74% of Moldovans believe the relations with the European Union

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24 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

25 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

26 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

are good.<sup>27</sup>

Originally the 2019 funding package for Moldova, a total of € 42.4 million was allocated to the following areas: EU4MOLDOVA: Startup City Cahul; Clean Water for Cahul; Improving energy efficiency in Moldova; Eastern Partnership Civil Society Facility 2019–2020. Moldova also benefits from regional programmes for the Eastern Partnership region, supporting Small and Medium Size Enterprises, energy, transport, environment, access to finance, growth as well as the overall business environment and rule of law.<sup>28</sup>

EU financial assistance was resumed in the second half of 2019, with the EU providing over EUR 53 million in direct budget support and EUR 60 million in macro-financial assistance, consistently applying the principle of strict conditionality. However, the Republic of Moldova missed the last tranche during Socialist Government, of EUR 40 million, of the macro-financial assistance due to the non-fulfilment of the outstanding conditions on time. In response to the COVID-19 crisis, the European Commission initiated a reorientation of more than EUR 87 million to address the socio-economic consequences of the pandemic. Another EUR 100 million as anti-crisis macro-financial assistance (Omnibus) will be expected to be transferred to the Republic of Moldova by the summer of 2021 if the conditions set by the EU are met.<sup>29</sup>

## Foreign Policy

Cooperation with the EU in the field of foreign and security policy showed in 2019 an increasing trend of the **alignment rate of Moldova to EU declarations and decisions** (85.7%). By mid-September 2020, the alignment rate to EU declarations was 88%. However, the earlier Socialist Government of Moldova chose often not to align itself with EU statements and decisions targeting the Russian Federation, China (Hong Kong) and Belarus. Moldova had to finalise the national mechanism for early warning and response to hybrid security threats.<sup>30</sup>

Immediately after the presidential elections 2020, Maia Sandu announced that her goal is the withdrawal Russian troops from Transnistria and replacing them with OSCE observers.<sup>31</sup> Sandu also announced a desire to join the US-initiated Three Seas Cooperation and renewed relations with neighbouring Romania and Ukraine. In reaction, Russia stated that Sandu's

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27 – Opinion Survey 2020: Republic of Moldova. – EU Neighbours. East. 16.06.2020.  
<https://www.euneighbours.eu/en/east/stay-informed/publications/opinion-survey-2020-republic-moldova>

28 – European Neighbourhood Policy and Enlargement Negotiations Moldova. – European Commission.  
[https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/moldova\\_en](https://ec.europa.eu/neighbourhood-enlargement/neighbourhood/countries/moldova_en)

29 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

30 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

31 – Moldova's new president calls for Russian troops to withdraw from territory. – BBC News. 30.11.2020.  
<https://www.bbc.com/news/world-europe-55135213>

decisions (demanding the withdrawal of Russian troops, changing the status of the Russian language) will complicate the solution of the Transnistrian problem.<sup>32</sup>

It could be concluded that Moldova's main political forces have differing foreign policy priorities, Socialists (PSRM) favour closer links with Russia, while ACUM has clearly EU and Western orientation. Future will show, which tendency will prevail in Moldovan politics.

Situation remains complex in **Transnistria**, a breakaway region of Moldova in which ethnic Russians and Ukrainians together outnumber ethnic Moldovans. The separatist enclave has enjoyed de facto independence since a brief military conflict in 1992, though it is internationally recognized as a part of Moldova. Its government and economy are heavily dependent on subsidies from Russia, which maintains a military presence in the territory. Political competition is limited, and the dominant party is aligned with powerful local business interests. Authorities closely control media and civil society activity.<sup>33</sup>

Moldova's long-time goal is **reintegration of Transnistria with Moldova**. The solution to end conflict is sought by OSCE led **5+2 format**, which includes representatives of Moldova, Transnistria, the OSCE, the Russian Federation, Ukraine, the European Union and the United States. The goal of the 5+2 talks is to work out the parameters of a comprehensive settlement based on the sovereignty and territorial integrity of the Republic of Moldova within its internationally recognized borders with a special status for Transnistria within Moldova.<sup>34</sup> In 2019 consultations were resumed in the format of the 5+2 standing conference in Bratislava (9–10 October 2019), including on the promotion of confidence-building measures in the format of the Bavarian conferences (4–5 November 2019). The new Declaration on Negotiations in the Transnistrian Settlement Process in the 5 + 2 Format was adopted by the Council of Foreign Ministers of the OSCE (5–6 December 2019). To synchronize the national positions regarding the negotiation process, in 2019 the activity of the Coordination Mechanism on the Transnistrian issue was resumed. In Moldova accordance with the Programme of activities for the reintegration of the country, 35 projects were carried out in 2019 and additional, 42 projects were approved by the end of 2020.<sup>35</sup>

Special Representative of Swedish OSCE Chairperson-in-Office Ambassador Mayr-Harting, who visited Moldova and Transnistria in January 2021, welcomed the start of constructive meetings in the beginning of this year at the level of the Chief Negotiators and the expert Working Groups. He also said that there is willingness of parties to focus on the full and

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32 – Moscow says call to leave Moldovan breakaway region 'irresponsible'. – EURACTIV.com with AFP. 02.12.2020. <https://www.euractiv.com/section/global-europe/news/moscow-says-call-to-leave-moldovan-breakaway-region-irresponsible/>

33 – Transnistria. – Freedom House. 2020. <https://freedomhouse.org/country/transnistria/freedom-world/2020>

34 – Press releases and statements related to the 5+2 negotiations on the Transdnestrian settlement process. – OSCE Mission to Moldova <https://www.osce.org/mission-to-moldova/119488>

35 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

continuous implementation of the eight “Berlin-plus package” issues and to identify new joint confidence-building measures to deepen trust between Moldova and Transnistria. He welcomed Transnistria’s agreement to eliminate the checkpoints installed in the context of the pandemic, which will greatly contribute to reducing tensions.<sup>36</sup>

## Visa Freedom, Customs and Border Control

Six years after **the liberalisation of the visa regime**, 2.3 million citizens travelled to the EU on the basis of biometric passports, with over 8.5 million border crossings when leaving the country. Thus, over 70% of the citizens of Moldova have travelled to the EU at least three times in the last six years. The problem remains high number of unfounded asylum applications from Moldova citizens.<sup>37</sup>

The Parliament has approved in first reading the draft of the **new Customs Code**. The adoption and implementation of the new Customs Code is one of the six conditions set to access 100 million EUR from EU OMNIBUS macro-financial assistance. At the beginning of 2020, the Government updated the procedures for electronic customs clearance of goods, thus adopting new regulations that will reduce the time allocated to customs procedures. The process of **electronic customs clearance** of goods has been facilitated and a large infrastructure project is being implemented for the rehabilitation of six customs posts at the Moldovan-Romanian border.<sup>38</sup>

The **border management activity** was ensured through joint patrols on the perimeter of the Moldovan-Romanian and Moldovan-Ukrainian borders. At the same time, border crossings were equipped to meet the challenges of the pandemic generated by COVID-19, with support provided by development partners. Illegal trafficking in goods, including cigarettes, drugs and weapons increased compared to previous years indicating increased vulnerabilities in the effective management of the state border. No new joint checkpoints have been launched on the Transnistrian segment of the Moldovan-Ukrainian border.<sup>39</sup>

The **EUBAM mission** continued to assist the Border Police and Customs Service in implementing the integrated border management and in strengthening and extending the joint control of the Moldovan-Ukrainian border. On 31 July 2020, the Government of the Republic of Moldova approved the start of negotiations with the European Commission and the Government of Ukraine to extend the mandate of EUBAM until 30 November 2023.

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36 – Visit of Special Representative of Swedish OSCE Chairperson-in-Office maps out priorities for Transdnistrian settlement process for 2021. OSCE. 29.01.2021. <https://www.osce.org/chairmanship/477025>

37 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

38 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

39 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement . – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

Cooperation with the EU agency FRONTEX continued according to the Cooperation Plan for 2018-2020. A new cooperation plan for 2021-2023 is to be negotiated.<sup>40</sup>

## Rule of Law

The **rule of law** remains a challenge, given the controversial initiatives of the Superior Council of Magistracy (SCM), an organisation within Moldova's judicial branch tasked with guaranteeing the independence of the judicial authorities<sup>41</sup>, as well as the judges who have been proposed to be appointed to leadership positions at the Court of Appeal and Supreme Court. However, progress has been made in promoting a new strategic planning document in the justice sector and in promoting changes to the Constitution related to the independence of the judiciary and judges, and in promoting a new strategic planning document in the justice sector.<sup>42</sup>

In the field of **human rights**, the National Council for Human Rights started its work. The Council is composed of five civil society representatives, delegated by the National Platform of the Eastern Partnership Civil Society Forum. The first meeting of the NHRC was organised online on September 15, 2020. The number of complaints about human rights violations increased during the reference period. Moldova continues to be frequently convicted at the ECHR for cases of torture and ill-treatment, which shows continuing problems in Moldova's prisons.<sup>43</sup>

**Public administration reform** has not made significant progress. Public administration reform efforts continued, with a focus on the reorganisation of governmental subordinated institutions, public agencies and state-owned enterprises (SOEs). A new **Law on government procedure** was adopted in July 2018 and its implementation started, inter alia, through regular meetings of the Secretaries General of the Departments. A new **Law on administrative procedure** was also adopted and came into force in April 2019. The timeline for the expected territorial reform remains uncertain. Some progress has been achieved in terms of **dialogue between the government and local authorities**, especially via the Congress of Local Authorities. A law aimed at **unifying the salary system**, bringing more equity and transparency in public pay, entered into force in December 2018. However, replacements of key positions in public administration in the pre-electoral period raised

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40 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

41 – Venice Commission calls on Moldova to ensure judiciary independence. – Emerging Europe. 29.11.2019.  
<https://emerging-europe.com/news/venice-commission-calls-on-moldova-to-ensure-judiciary-independence/>

42 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

43 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

concerns over its independence.<sup>44</sup> As of 2020 the promised but unfulfilled changes include the completion of the reorganisation of several administrative authorities and public institutions subordinated to ministries.<sup>45</sup>

In the field of **home affairs**, achievements include the resumption of direct EU budget support for police reform and the adoption of a new National Anti-Drug Strategy for 2020–2027. The implementation of the National Strategy for Public Order and Security and the Strategy for Police Development ended in 2020, its results are assessed, and the development of new post-2020 strategic documents in the targeted areas has started.<sup>46</sup> The General Police Inspectorate implemented its 2016-2020 **Police** Development Strategy, supported by the EU.<sup>47</sup>

On **cybercrime and cyber security**, the competent law enforcement authorities have proven to be a valuable partner for Europol in investigations into cyber criminality. National governmental CERT (computer emergency response team) has been established. However, cooperation between the public sector and private sector – as provided for in the 2001 Budapest Convention on Cybercrime – needs to be developed.<sup>48</sup>

The regulatory framework for **aliens and their integration** has been complemented, including in the context of simplifying the residence permit issuance for citizens of EU Member States which is facilitating investment. The controversial regulations related to the so-called “**citizenship through investment**” were annulled by the Parliament, only the applications submitted up to that stage being still reviewed.<sup>49</sup>

## Fighting Corruption and Fraud

The Transparency International **corruption perception index** worsened in 2019 compared to 2018. Moldova Rank 115/180.<sup>50</sup> Corruption is seen by Moldovans and internationally as an endemic and systemic issue in Moldova. As result, Moldova has instituted a number

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44 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

45 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

46 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

47 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

48 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

49 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

50 – TI Corruption Perceptions Index 2020 <https://www.transparency.org/en/cpi/2020/index/mda>

of specialised institutions, mandated to counter and prevent corruption and also made efforts to prosecute persons involved in corruption. However, there are some worries that this impressive institutional anti-corruption framework of Moldova is not yet capable of adequately enforcing anti-corruption laws, especially in the cases of high-level corruption.<sup>51</sup>

The **General Prosecutor's Office** initiated important cases on the name of persons with leading positions in the justice system in connection with illegal financing of certain political parties, as well as applied seizures on goods considered to be of illegal origin.<sup>52</sup> However, the activity of the General Prosecutor's Office did not provide the expected results on investigating the major corruption cases related to the Bank Fraud and "Russian laundromat". The Parliament adopted new regulations on the application of sanctions for **money laundering** and a draft strategic planning document in this area was drawn up for the next five years.<sup>53</sup>

The **National Anti-Corruption Centre** is a specialised anti-corruption body with several strategic and investigative mandates. It works together with the National Integrity Commission, which tests and vets public officials and researches potential conflicts of interest among public officeholders.<sup>54</sup> An e-declaration system was established by the National Integrity Authority and became mandatory in January 2018, together with a mechanism for filing civil servants' assets and conflict of interest statements.<sup>55</sup> At the end of 2019, the staff of the National Anticorruption Centre (NAC) initiated 640 criminal cases, with a total of 1893 cases in criminal proceedings, including outstanding cases from previous years. Of those initiated against civil servants in 2019, most cases involve police inspectors (45), heads of autonomous institutions within the authorities (28), directors and deputy directors of state-owned enterprises (18) and mayors and deputy mayors (11).<sup>56</sup>

**The Anti-Corruption Prosecutor's Office** is Moldova's judiciary's specialised anti-corruption prosecutor, working with the investigators at the National Anti-Corruption

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51 – Overview of corruption and anti corruption in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. – Transparency International. <https://knowledgehub.transparency.org/helpdesk/overview-of-corruption-and-anti-corruption-in-armenia-azerbaijan-belarus-georgia-moldova-and-ukraine>

52 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

53 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

54 – Overview of corruption and anticorruption in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. – Transparency International <https://knowledgehub.transparency.org/helpdesk/overview-of-corruption-and-anti-corruption-in-armenia-azerbaijan-belarus-georgia-moldova-and-ukraine>

55 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

56 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

Centre to establish cases.<sup>57</sup> The Anticorruption Prosecutor's Office however initiated the criminal investigation into the privatisation of Air Moldova SA, received 552 notifications on allegations of crimes and sent files to the courts, on which the criminal investigation was carried out directly by prosecutors, targeting five judges, four prosecutors, eight lawyers, 23 employees of the Ministry of Interior and 11 of the Customs Service.<sup>58</sup> However, the Anti-Corruption Prosecutor's Office underwent institutional changes at the end of 2019, which significantly slowed down the progress on investigating the cases known as "Russian laundromat" and "the Banking fraud".<sup>59</sup>

**The Agency for the Recovery of Criminal Property** is one of the institutions mandated to seize assets obtained through criminal or corrupt means.<sup>60</sup> Despite substantial investments, the agency has had somewhat limited results. The Agency applied, in 2019, seizure of goods worth 2.6 billion MDL.<sup>61</sup>

Additionally, Moldova has an **ombudsman institution** and an **Office for Prevention and Fight Against Money Laundering**.<sup>62</sup>

**EU-Moldova cooperation in the field of anti-fraud** continued based on cooperation agreements between the NAC, the Customs Service and the Court of Auditors with the European Anti-Fraud Office (OLAF). The activity of the National Integrity Authority (NIA) and the Agency for the Recovery of Criminal Assets (ARO) has been strengthened compared to the first half of 2019. However, both NIA and ARO continue to show low efficiency. The biggest challenge in NIA's activity is related to the extended control of the conflict of interests and of the formal assets held by persons affiliated to the subjects of the declaration and to the evaluation of the assets at real market prices. ARO's work also needs to be strengthened through the adoption of a National Strategy on the Effective Recovery of Criminal Assets.<sup>63</sup>

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57 – Overview of corruption and anti corruption in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. – Transparency International <https://knowledgehub.transparency.org/helpdesk/overview-of-corruption-and-anti-corruption-in-armenia-azerbaijan-belarus-georgia-moldova-and-ukraine>

58 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

59 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

60 – Overview of corruption and anti corruption in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. – Transparency International <https://knowledgehub.transparency.org/helpdesk/overview-of-corruption-and-anti-corruption-in-armenia-azerbaijan-belarus-georgia-moldova-and-ukraine>

61 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

62 – Overview of corruption and anti corruption in Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. – Transparency International <https://knowledgehub.transparency.org/helpdesk/overview-of-corruption-and-anti-corruption-in-armenia-azerbaijan-belarus-georgia-moldova-and-ukraine>

63 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

The **new Law on procurement** in the energy, water, transport, and postal services sectors was approved, a document that will regulate in more detail the procedure of awarding sectoral procurement contracts in these important areas for the security of Moldova. At the same time, the adoption of the law was one of the conditions for the disbursement of the second tranche of the EU macro-financial assistance program.<sup>64</sup>

The **law of “de-offshorisation”** was voted by Parliament only in the first reading. The purpose of the law was to prohibit the participation in public procurement of companies residing in “offshore” areas. The adoption of this legislation would have increased the degree of transparency and reduced tax evasion. The last purchase of buses in Chisinau provoked heated debates, after it was found out that the economic agent who won the tender resided in such a jurisdiction.<sup>65</sup>

## Media Freedom

The **new Audiovisual Media Service Code** aimed at transposing the EU Audiovisual Media Services Directive entered into force in January 2019. To make progress on media de-monopolisation, the Sandu Government announced in June 2019 several immediate measures, including a review of the Audiovisual Code and liberalising the advertising market.<sup>66</sup>

According to IPRE report, **limited progress was made in the media sector** during last years and the technical actions implemented did not contribute to increasing press freedom or solving the problem of the monopoly on the advertising market linked to mass-media. Low editorial independence, media concentration in the few oligarchs and poor quality of journalism were among the main problems identified by international experts.<sup>67</sup>

According to Freedom House the **media environment in Moldova** is dominated by outlets connected to political parties. With few exceptions, nationally broadcasting television stations are owned by people affiliated with political parties.<sup>68</sup> According to Reporters Without Borders, Moldova’s media are diverse but extremely polarized, like the country itself, which is characterized by chronic political instability and the excessive influence of its oligarchs. Internet media outlets also exist. Moldova has not advanced recently in terms

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64 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

65 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

66 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

67 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

68 – Freedom of the World 2020. – Freedom House <https://freedomhouse.org/country/moldova/freedom-world/2020>

of press freedom, retaining its 91st place out of 180 countries evaluated according to the World Press Freedom Index.<sup>69</sup>

There is also serious problem of the **role of Russian propaganda and presence** in Moldovan media space, which grew significantly under Socialist Government. For example, Russian TV programs are rebroadcast by Moldovan TV stations. Russia also has a presence within the most read newspapers in the Russian language, as well as online websites and news portals with high audience figures like Sputnik.md, noi.md, point.md, and KP.md.<sup>70</sup>

## Development of Civil Society

After several delays and attempts to substantially change the draft **law on non-profit organizations**, on June 11, 2020, the Parliament of the Republic of Moldova adopted the law in final reading. It was one of the few bills voted unanimously by MPs. The Parliament has set up a consultation mechanism with civil society to improve its work. Although it was set up in December 2019, no consultation was held on the platform for nine months, with parliamentary committees continuing to send draft laws for consultation only to certain CSOs. The dynamics of the relationship between civil society and the authorities remains difficult. Decision-making transparency, citizen participation and consultation with civil society is very low both in legislative initiatives and in amendments drafted by MPs and throughout the process of adopting normative acts.<sup>71</sup>

The application of the **"2% Law"** mechanism (which allows citizens to direct 2% of their income tax to CSOs) reached its fourth year of implementation is a positive development. In total, starting with 2017, have CSOs received over 16.1 million MDL.<sup>72</sup>

## Economy

The economy has expanded by an average of 4.6 percent annually in the past 20 years, driven by consumption and fuelled by remittances. The latter account for 10 percent of GDP. Current GDP is estimated to be 11.9 billion USD and current GDP per capita is 3 395 USD.<sup>73</sup> During the year 2020, due to the COVID-19 crisis, **the GDP of Moldova decreased**

69 – Moldova. – Reporters Without Borders. 2020. <https://rsf.org/en/moldova>

70 – Madalin Necsutu. How Russia's soft media power is battling for Moldovan minds. – Euronews. 05.10.2020. <https://www.euronews.com/2020/10/05/how-russia-s-soft-media-power-is-battling-for-moldovan-minds>

71 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

72 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en); Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

73 – The World Bank in Moldova <https://www.bbc.com/news/world-europe-17601580>

**by 2.8 per cent.** Also, the exports dropped, the domestic consumption was diminished, and the imports decreased.<sup>74</sup> Thus, the balance of the state debt in 2020 was 66.9 billion lei and the share of the state debt in the GDP is 33.2 per cent. The Public Budget revenues were over-fulfilled by 1.2 billion lei and has a deficit of 11 billion lei.<sup>75</sup>

The **2021 general government budget** envisages revenues of MDL 66.9bln (€3.3bn, 30.2% of GDP), expenditures of MDL 81.3bln (36.7% of GDP) and a deficit of MDL 14.4bln (6.5% of GDP). The budget execution remains constrained by the country's financing capacity, which heavily relies on development partners, mainly the EU and IMF. **Foreign investors** are attracted to Moldova because of the low cost of labour, but face a difficult environment due to corruption, political uncertainty, and the rigid labour code.<sup>76</sup>

Efforts continued on legal approximation of Moldovan tax system with EU legislation. New rules were adopted on **value added tax** and **excise duty**, and the tax administration was reformed.<sup>77</sup>

The **2018 tax reform** included the introduction of a **single flat rate income tax of 12%** (the earlier progressive system had two different rates, at 7% and 18%), a doubling of the threshold for deduction of personal income tax to MDL 24 000 (around €1 200) and a **reduction of social tax contributions** from 23% to 18% of wages. Important fiscal measures were also adopted and promulgated in summer 2019 including a broadening of the **tax base for capital gains**, a removal of the personal exemption of the income **tax for high incomes** and an increase in the **value-added tax** for hotels and restaurants. However, the **fiscal situation of the country** then deteriorated significantly since cuts to tax rates happened simultaneously with increase in public sector wages and social packages.<sup>78</sup>

Due to 2020 **COVID-19 crisis the payment of the income tax and the local tax** have been postponed in 2020, the number of taxes and contributions related to salary payments decreased and the quota of the value added tax (VAT) for the Hotel, Restaurant and Cafe sector was reduced from 20 to 15 per cent and from 15 to 12 per cent starting from 1 January 2021.<sup>79</sup>

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74 – Moldovan PM presents report at end of mandate. – MOLDPRES. 31.12.2020.  
<https://www.moldpres.md/en/news/2020/12/31/20010399>

75 – Moldovan PM presents report at end of mandate. – MOLDPRES. 31.12.2020  
<https://www.moldpres.md/en/news/2020/12/31/20010399>

76 – Outlook 2021 Moldova. – bne IntelliNews. 19.01.2021.  
<https://www.intellinews.com/outlook-2021-moldova-199298/?source=moldova>

77 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

78 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

79 – Moldovan PM presents report at end of mandate. – MOLDPRES. 31.12.2020.  
<https://www.moldpres.md/en/news/2020/12/31/20010399>

The serious problem for Moldova as a **primarily agricultural country** in 2020 was the drought, which reduced agricultural production. Another problem for agricultural sector exports is the inability of small producers to organize production in accordance with EU requirements. For Moldovan exports it was important that the Association Agreement was updated, thus increasing the **tariff quotas** for some products (table grapes, plums and fresh cherries). There is no agreement on exports of animal products to EU yet due to non-compliance with phytosanitary requirements.<sup>80</sup>

Moldova is developing an **industrial and enterprise policy** and has adopted industrialisation strategy for 2019–2030. It includes concrete actions and measures, which cover all economic areas of the country for attracting investments, including in the energy sector, ITC (Internet Technologies and Communications), regional development, education, environment, transportation and others. The priority lies in the creation of new jobs for a qualified workforce, the manufacturing of high value products, increasing companies' profitability, as well as incentivizing competitiveness in the business environment.<sup>81</sup>

In energy, although gas and oil are still dependent on Russian imports, the **Ungheni-Chisinau gas pipeline** from Romania completed in the last year. It should be able to pass 1.5 million cubic meters of gas (length 120 km) and allows gas to pass through the EU to Moldova. In February 2020, the National Agency for Energy Regulation (NAER) approved the Action Plan for the separation of the natural gas transmission operator "Moldovatrangaz" SRL. The entire separation process is to be completed in October 2020.<sup>82</sup>

The **development of infrastructure**, including local roads, continues to be a priority, given the current state of roads in the country. In 2020, the funds of the Road Fund for public roads increased by 68% compared to 2019.

On **digital economy and society**, several strategies and programmes are being implemented. These include the National Strategy 'Digital Moldova 2020' and the Strategy for the Development of the Information Technology Industry and the Digital Innovation Ecosystem 2018–2023. 25% of the EU legislation in the field of Informational Society has been approximated so far.<sup>83</sup> As important progress, the number of **Moldova IT Park** residents reached 600 companies, of which 100 companies joined the IT park during 2020. The resident companies are founded by investors from the Republic of Moldova and 34 other countries.<sup>84</sup>

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80 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

81 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

82 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

83 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

84 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

Overall legislation aimed at achieving transparency in line with best practices on the privatisation of **State-Owned Enterprises (SOE)** needs to be strengthened. Steps were taken to improve the legal framework on **concessions and public-private partnerships**, with a law aimed at achieving approximation with EU legislation adopted in July 2018. Due to measures adopted by Maia Sandu's Government in 2019 transparency also increased thanks to the introduction of stricter requirements on accounting, reporting and external audit in large SOE and joint stock companies. Measures were also carried out to transform SOEs with administrative functions into public agencies and to privatise others. Despite this, transparent and efficient oversight responsibilities and an effective ownership policy are yet to be implemented.<sup>85</sup>

**Public financial management (PFM)** reform continued, with further improvements of the medium-term and annual budget planning. The 2019 budget was consistent with the agreed deficit target with the IMF, was adopted and published on time.<sup>86</sup> The draft **Budget Law** was approved by the Parliament of the Republic of Moldova on December 19, 2019. There was a tendency to maintain the budget approval discipline, which started in 2019. Moldova successfully completed the **three-year Programme** concluded with the International Monetary Fund (IMF) in 2016. The major achievement of this Programme was the restructuring of the banking sector. In July 2020, the Government of the Republic of Moldova initiated negotiations for a new program with the IMF.<sup>87</sup>

Improving **governance in the financial sector** is one of the areas that will be included in the new programme with the International Monetary Fund. Strengthening **the independence of the National Bank of Moldova (NBM)** and reforming the non-banking financial sector will be the goals pursued by the authorities by summer 2023. Although both development partners and national experts continue to emphasize the importance of actions to increase the independence of the National Bank, some initiatives of political actors, on the contrary, seeks to diminish it. For example, at the initiative of the then President of the Republic of Moldova Dodon, the Parliament approved a Law that will allow the reallocation of NBM profit to partially cover state debt, created as a result of the banking fraud discovered in 2014. Political influence is observed even via the delay in the appointment of NBM deputy governors.<sup>88</sup>

According to a recent report, in 2019, **lending to individuals** recorded an average growth rate of about 40% compared to 2018, reaching a share of 34% of total bank loans - an all-

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85 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

86 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

87 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

88 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

time high for Moldova. Thus, every third active adult already has a bank loan or a nonbanking loan (double of the amount of a few years ago).<sup>89</sup>

The activity of the **Competition Council** focused on areas such as advertising on the audio-visual market and fuel prices. However, the activities planned in the National Strategy in the field of Competition and State Aid have not been reported and evaluated, and another planning document in the field has not yet been prepared as of October 2020. The allegations of **advertising cartel** were raised after several television stations submitted a notification informing the Competition Council in 2018 about the anti-competitive actions of the advertising companies. The Competition Council initiated the market analysis. However, after almost two years of investigation, the Competition Council drew up a report stating that no evidence had been found to confirm cartel agreements between the “Casa Media” Companies (formerly owned by Vladimir Plahotniuc) and the “Exclusive Sales House” (belonging to the PSRM MP Corneliu Furculiță).<sup>90</sup>

There are some developments in **the implementation of the Deep and Comprehensive Free Trade Area Agreement with the EU (DCFTA)**. On **technical barriers to trade and market surveillance**, horizontal legislation was adopted. Work on approximation of sectoral legislation is in progress, although there are certain delays caused by the complexity of the legislation, lack of capacity and financial resources. As regards **sanitary and phytosanitary standards**, the new organisational structure of the National Food Safety Agency was approved in June 2018 following the reform of central public administration. Legal approximation according to the AA/DCFTA is in progress, although with substantial delays on animal health. **Laboratory diagnostic** capacity for monitoring and surveillance of animal diseases as part of official controls remains weak.<sup>91</sup>

The effects of the pandemic generated by COVID-19, as well as the severe drought faced in 2020 by Moldova are key factors that will affect the **level of trade with the EU**, especially in the case of agricultural products included in the list of goods exposed to the circumvention mechanism. The negotiation, signing and implementation of the Agreement on Conformity Assessment and Acceptance of Industrial Products (ACAA) remains yet to be finalised. As mentioned earlier in 2020, Annex no. XV-C of the Association Agreement was updated, thus increasing the tariff quotas for some products (table grapes, plums and fresh cherries). Although the measures and actions to be implemented to ensure the export products of animal origin (chicken and category B eggs) have been agreed, this right has not yet been obtained from EU.<sup>92</sup>

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89 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

90 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

91 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

92 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.

The trade facilitation measures which allow to keep the EU market open to goods from Transnistria have been reviewed twice since January 2016; on this basis the EU-Moldova DCFTA's provisions have been applied on the entire territory of Moldova.<sup>93</sup>

## Social Sphere

The new Law on **employment** promotion and unemployment insurance entered into force in early 2019. It includes new employment services for employers and jobseekers as well as new active labour market policy measures. The new law also transfers the payment of unemployment contributions to the National Social Insurance Office.<sup>94</sup>

The outgoing Socialist Government reported the **increases made in the social benefits** on the year 2020. The re-examination of pensions for 23 000 beneficiaries was carried out in two phases. The pensions were indexed two-fold for 682 000 beneficiaries. The survivor pension for children increased by 28 per cent and for the first time ever, allowances were provided in the case of the death of one of the spouses. The level of the minimally guaranteed monthly income, used for at the calculation of the right to social benefit for each child, was increased from 50 to 75 per cent. The indexation of the level of minimally guaranteed monthly income grew by 4.8 per cent.<sup>95</sup>

As the 2020 year was extremely difficult because of the COVID-19 pandemic and the **health system** was subjected to a big pressure. Thus, it was decided to increase the salaries by 70 per cent medical personnel, as well as the one-off allowance for young specialists.<sup>96</sup> The help of development partners was crucial in keeping the public health system afloat. The EU provided financial assistance to the Republic of Moldova, reorienting 87 million euros to support anti-COVID-19 measures, and providing 30 million euros as assistance to the health system. De facto, the COVID-19 virus and the pandemic caused by it highlighted the low capacity and weak resilience of the national public health system in the Republic of Moldova.<sup>97</sup>

## Regional Development

The field of **regional development** has made significant progress in adjusting policy

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<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

93 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

94 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final  
[https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

95 – Moldovan PM presents report at end of mandate. – MOLDPRES. 31.12.2020  
<https://www.moldpres.md/en/news/2020/12/31/20010399>

96 – Moldovan PM presents report at end of mandate. – MOLDPRES. 31.12.2020  
<https://www.moldpres.md/en/news/2020/12/31/20010399>

97 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

documents and changing the approach to the sector - from reducing disparities to increasing competitiveness and promoting sustainable development. At the same time, the institutional reforms remain outstanding, through which the management of the **National Regional Development Fund** will be ensured by a specialised Agency, but also the return to the subject of **territorial-administrative reform** considering the priorities of regional development.<sup>98</sup>

At the beginning of 2020, the National Regional Development Coordination Council (NRDCC) approved the **new Concept of regional development** in the Republic of Moldova. It envisages changing the approach to regional development by “increasing the competitiveness and sustainable development of each region, adjusting disparities and increasing people’s quality of life”. The new concept also moves from “balanced socio-economic development and direct support for the socio-economic development of disadvantaged areas” to “action to increase the competitiveness and sustainable development of each region to increase the quality of life of citizens.”

This change will lead to the change of approach in the use of Resources from the NRDF, but also to a change in the perspective of the development partners, focusing on: a) making better use of the potential of the most important urban areas to generate growth and employment and stimulated development; b) supporting the socio-economic revitalization and restructure smaller or isolated areas by identifying and benefiting from traditional activities; c) increasing the conditions for the absorption of innovations and the skills needed to manage and manage the development processes. Based on good practices taken from urban revitalization, funds were allocated from NRDF resources to implement projects that follow this concept.<sup>99</sup>

## Environment

Two governmental decisions were adopted in June 2018, one on the establishment of the **Environment Agency** and one on the creation of the **Environmental Protection Inspectorate**. On **climate change**, Moldova’s international commitments under the Paris Agreement have shaped the country’s legal and strategic framework in this field. The low emissions development strategy until 2030 and the 2015–2020 climate change adaptation strategy are under implementation.<sup>100</sup> The Republic of Moldova has completed the adjustments to the **Second National Determined Contribution** (NDC), a document that establishes the level of reductions in greenhouse gas emissions. Thus, by 2030, these

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98 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

99 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020. <http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

100 – Joint Staff Working Document Association Implementation Report on Moldova. Brussels, 11.9.2019 SWD(2019) 325 final [https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/67202/association-implementation-report-moldova_en)

would decrease by 70% compared to 1990.<sup>101</sup>

## Conclusion

Moldova is a small country in complex geopolitical environment. Although it is among Europe's poorest countries, it has managed to develop in good pace and its economy has expanded by an average of 4.6 percent annually during the past 20 years until the COVID-19 crisis hit and economy stagnated.

Moldova is a country with working democratic institutions and free elections. A closer integration with Europe has been for most of the time an established goal for governments' policy reform agendas and has achieved mixed success, as the reforms have faced implementation hurdles because of political disagreements, corruption, and bureaucratic inefficiency. However, conducted reforms have helped to spread prosperity and European harmonized legal norms in Moldova and have opened new avenues for its citizens through visa-free travel in EU.

However, Moldova's main political forces have differing foreign policy priorities, Socialists (PSRM) favouring closer links with Russia, while ACUM bloc (Party of Action and Solidarity and Dignity and Truth Platform) having clearly Western orientation of politics and in general greater commitment for conducting reforms necessary for developing the country and for developing closer relations with the EU. Although there has been in general a continuity in country's efforts to integrate with EU, the pro-European and pro-reform Maia Sandu Government which was in power from June to November 2019, was succeeded by a Socialist Government with pro-Russian leanings and was in power from 2019 November till the end of 2020.

The political climate in Moldova remains turbulent. After the November 2020 Presidential elections won by Maia Sandu the country's goal to move in the Western direction has again been confirmed. In February 2021 Moldova is governed by an interim Government and whether the new Government is formed by this Parliament or there will be early elections is not yet clear. As the result of presidential elections in December 2020 and recent public opinion polls show growing support for pro-European political forces, it could be hoped that, if there would be early parliamentary elections, a new Government can be formed, which achieves substantial progress in reforms to improve country's living standards, democratic governance, and economy. If the Government is formed by present Parliamentary majority, the progress with reforms could be slower.

Among the EU's Eastern Partners Moldova, together with Ukraine and Georgia has clearly been among the most successful in conducting reforms necessary for closer integration with the EU. The EU-Moldova Association Agreement, including a Deep and Comprehensive Free Trade Area (AA/DCFTA) and the revised Association Agenda continue to guide EU-

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101 – Shadow Report: Six year of implementation of the EU-Moldova Association Agreement. – IPRE. 12.10.2020.  
<http://ipre.md/2020/10/12/raportul-alternativ-sase-ani-de-implementare-a-acordului-de-asociere-ue-moldova/?lang=en>

Moldova relations. Independent and stronger institutions are key for the further successful democratisation of Moldova and structural reforms are crucial to enable growth, create jobs and reduce poverty which will, in turn, strengthen Moldova's resilience. However, as the EU assessments show, a lot remains to be done in the future, especially in the fields of rule of law, good governance and developing working market economy that allows free competition for all its participants. If Moldova succeeds overcoming those obstacles and continues a pro-European course, it is expected to develop more perfect democracy based on European values and better governance and more productive and diversified market economy.