



Quarterly Progress Report no.1 / 2011

**on the Action Plan for implementing the Recommendations of the
European Commission for the future negotiations of the Deep and Comprehensive Free
Trade Area (DCFTA) between the Republic of Moldova and the European Union**

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I. BACKGROUND note on the EU-Moldova DCFTA preparations

After the Moldovan Government expressed its interest in negotiating a DCFTA with the EU, at the beginning of 2010 the European Commission presented the Republic of Moldova a questionnaire covering the main areas of the Moldovan economy; consequently the Ministry of Economy worked together with all relevant institutions on responding the questions and submitted the questionnaire back to the EC. As a follow-up, the EC Fact Finding mission visited Moldova at the end of May/ early June 2010 with the purpose of assessing the institutional capacity of Moldova to negotiate and implement a DCFTA with the EU in areas such as: trade with goods and services, TBT, NTBs, sanitary and phytosanitary, intellectual property rights, public procurement, trade facilitation, customs administration, financial services and competition.

Following the Fact Finding Mission, the EC issued on 26 October 2010 a set of recommendations to the Moldovan Government listing the thematic areas where additional progress is required; these included key and additional recommendations in 13 various thematic areas. The key priorities covered issues where Moldova needs to show progress to enable the EC to conclude that it is sufficiently advanced in its preparations for the negotiating process of a DCFTA with the EU, while the additional recommendations covered the actions aiming at facilitating the future negotiation of a DCFTA with the EU. In response to these key and additional recommendations, the Moldovan Ministry of Economy, together with the key responsible governmental institutions and the High Level EU advisers, prepared an Action Plan, with actions set for each thematic area, along with a clear timetable of implementation. The Action Plan has been approved by the Moldovan Government as the governmental decision no.1125 as of 14 December 2010, setting the frequency of progress reporting as quarterly.

I. EXECUTIVE SUMMARY

This is the first quarterly progress report made by the Moldovan Government on its preparations for the future RM-EU DCFTA negotiations. The report covers progress in the actions agreed in the Moldovan Action Plan for DCFTA preparations for the 1st quarter of 2011 and shows that there is significant progress achieved in all EC key recommendations applicable for this period, as well as progress made in many areas of the additional recommendations aimed at facilitating the future negotiation of a DCFTA with the EU. The Moldovan Government has made a clear effort to prepare, having fulfilled its commitments, and is now ready and sufficiently advanced to start the DCFTA negotiations with the EU as soon as possible.

One of the areas of key achievements is the ‘overall coordination and administrative capacity building’, as Moldova now has in place a DCFTA negotiation team (the mandate of the Association Agreement negotiators team has been extended through a governmental decision, now including also DCFTA). A DCFTA Task Force group has been formally set up to support the negotiators, and there is also a nominal list of qualified persons identified and delegated to become members of the DCFTA Task Force sessions, representing a large number of ministries and relevant institutions. The task force is fully operational, as its team has already successfully worked jointly on this progress report. It also has a mechanism for a regular Government dialogue with the private sector and civil society on the future EU-Moldova DCFTA (see details in section 1 and the DCFTA Task force structure in annex 1) and the Moldovan Government has already participated in many public awareness activities, including for the Transnistrian economic agents (with details in section 1 and 13). While Moldova has fulfilled its commitments for the 1st quarter 2011 in all the thematic areas, in some of the areas Moldova also achieved progress above what was planned for the 1st quarter, such as institutional building, quality infrastructure, financial services, competition etc.

The report is structured as follows: it starts with a background note on the EU-RM preparations and the executive summary, followed by details on progress in each of the 13 thematic areas, followed by the list of annexes. Each thematic area starts with listing the EC key and additional recommendations, followed by the actions due to be delivered in the 1st quarter of 2011, and a summary report of Moldova progress on each action. The actions and the responses are numbered as follows: first is the number of the thematic area followed by the same number as the relevant action in the Action Plan (such as action 6.9 in this report refers to the Action Plan thematic area 6, action 9) and include for reporting only the selection of actions relevant for reporting in the 1st quarter of 2011. In all the thematic areas there are details on ‘Moldova progress in the actions planned for 1st quarter 2011’, while in some areas one may also see the section ‘progress above what was planned for the 1st quarter’, as applicable. At the end there is a list of annexes, translated in English, which will be presented to the EC together with this report.

II. PROGRESS IN THE IMPLEMENTATION OF THE DCFTA ACTION PLAN

1. OVERALL COORDINATION AND ADMINISTRATIVE CAPACITY BUILDING

EC RECOMMENDATIONS:

Key Recommendations: *Moldova to confirm its commitment to implement the key recommendations mentioned in this document by submitting a clear, time-bound, implementation plan for addressing them. This plan needs to address all the different areas covered by the key recommendations.*

Actions for 1st quarter 2011:

Drafting and approving by a government decision of an Action Plan for future negotiations of the DCFTA between the EU and Moldova; the plan will include time-bound actions required to meet both key and additional recommendations.

MOLDOVA'S PROGRESS in the key actions planned for the 1st quarter:

The Action Plan has been prepared by the Ministry of Economy, in coordination with the other responsible institutions, and approved by the governmental decision nr. 1125 on 14 December 2010, published on 21 December 2010, and submitted to the EC in mid. December. It includes actions for both key and additional recommendations, sets clear implementation timetable, the responsible institutions, and the frequency of reporting (quarterly) and provides for a mechanism of updates as needed in coordination with the responsible institutions and the EC. The Ministry of Economy is nominated as responsible by this decision for monitoring and reporting the registered progress in implementing the Action Plan.

Additional Recommendations:

- *Moldova to ensure continuity in the leadership and staffing of the negotiating team for a future DCFTA;*
- *The Ministry of Economy should be responsible for the overall coordination, in close cooperation with the Ministry of Foreign Affairs and European Integration;*
- *Moldova to establish a training program for all staff involved in the DCFTA negotiations and the institutions which will implement and enforce new regulations and legislation.*

Actions for 1st quarter 2011:

1.1 Upgrading the mandate and responsibilities of the:

- a) Governmental Commission for European Integration (Government Decision No.679 of 13.11.2009);*
- b) National Delegation for the negotiations of the EU-Republic of Moldova Association Agreement (Government Decision No.102 of 09.02.2009);*

1.2. Elaborating a government decision that will determine the structure and composition of the DCFTA negotiation team, including the functioning rules;

1.3. Setting up a Task Force responsible for the technical coordination of the preparatory process for DCFTA with involvement of qualified staff and experts able to respond to the needs of the DCFTA negotiation process;

Preparing a salary scheme to top up salaries of civil servants involved in the negotiation process and subsequent implementation;

1.4. Conducting a training needs analysis for all staff involved in the DCFTA work.

MOLDOVA'S PROGRESS in the additional actions planned for the 1st quarter:

1.1 & 1.2 The Ministry of Economy proposed amendments to the governmental decision No.102 of 09 February 2009 regarding National Delegation for negotiations of the Association Agreement through which the mandate negotiations was extended so as to include also DCFTA, and also was extended the list of persons responsible for the negotiations of Association Agreement and DCFTA. In conformity with the mentioned governmental decision, the Ministry of Economy has been nominated the responsible institution for the overall process of coordination of the DCFTA negotiations, in close coordination with the Ministry of Foreign Affairs and European Integration.

In order to fulfil this task, the Trade Department from the Ministry of Economy made a comparative analysis between the Governmental Decision No. 679 of 13 November 2009 regarding Commission for European Integration and the Government Decision No.102 of 09 February 2009 regarding National Delegation for negotiations of the Association Agreement and made a synthesis of provisions and tasks. In order to ensure the continuity in the staffing of the negotiating team for a future DCFTA, the Ministry of Economy operated amendments in the text of the Government Decision No.102 of 09 February 2009 and based on the Government Decision No.1125 of 14 December 2010 regarding the approval of the Action Plan included all the responsibilities and institutions in the same document. **Note: Amendments of Government Decision no.102 of 9 February 2010 will be approved by the Government in March this year.**

1.3 The Ministry of Economy created a DCFTA Task Force responsible for the technical coordination of the DCFTA negotiations, through amending the internal order No.25 of 23 February 2011 on the establishment of the Working Group No.III "*Economic, sectorial and financial cooperation*" for the negotiation on Association Agreement and introducing the DCFTA between Moldova and EU. The DCFTA Task Force is subordinated to the EU- Moldova Working Group No. III of the Association Agreement and is composed of 4 technical working sub-groups:

1. market access and customs administration;
2. measures and barriers to trade;
3. financial services and competition;
4. consultations with private sector and civil society.

The order of the Ministry of Economy also includes annexes, such as the regulations of work for this group (eg. stipulating that the groups meet at least every 2 months or more often, as needed; and that external local and EU experts can be invited to attend relevant working meetings) and the nominal list of persons delegated by the relevant institution to be a group member. Before the DCFTA Task Force members were appointed, the Ministry of Economy circulated the profile of the DCFTA Task Force member, listing the requirements for the delegated persons and ensuring in this way a group of qualified and competent DCFTA Task Force members. The first 3 subgroups includes only state institutions, while the 4th subgroup is dedicated to Government dialogue with the private sector and civil society/ NGOs on DCFTA (See annex No.1 - DCFTA Task Force scheme; See annex No. 2 – order of the Ministry of Economy with a nominal list of members of the DCFTA Task Force).

At the moment there are on-going discussions with the UNDP Transitional Capacity Building Project on the possible options of implementing a salary top-up scheme for the civil servants involved in the negotiation process and subsequent negotiation; with the final outcome expected by the 2nd quarter of 2011. In order to implement the European Commission's recommendations for the future negotiations of DCFTA, the Ministry of Economy will be provided with 5 National Consultants responsible for five areas: market access, technical barriers to trade, sanitary and phytosanitary measures, customs and a lawyer. The National Consultants are selected by UNDP, based on the

project “Transitional Capacity Support for the Public Administration of Moldova”, and will support the Ministry of Economy in preparing feasibility studies on mentioned matters, proposals for regulatory approximation and other issues which arise from the implementation of EC recommendations.

1.4 Once the DCFTA Task Force has been created and the responsible institutions delegated over 30 persons, as members to various Working Groups, in mid. February 2011 the Ministry of Economy conducted a training needs assessment of the DCFTA Task Force members (the governmental sub-Working groups 1,2 & 3), with a summary report on the findings presented as an annex to this report. The general findings are that the average group member in the DCFTA Task Force is sufficiently senior and experienced, with an average of 8.16 years of experience in the present organisation, and has subordinated staff (an average of 8.5 persons in subordination). It has received quite good previous training on issues related to European Integration, EU Acquis, DCFTA, negotiations, with further training required to fill in the existing gaps. Generally, the biggest thematic interests are for enhancing further the knowledge about DCFTA & EU market functioning and regulations (in the areas relevant for each institution); as well as the EU Acquis (various more narrow topics are required, based on the specialisation of each institution). This report will be used during 2011 to communicate with EU and other donors on the future action No.7 on conducting training on DCFTA topics, number of donors have already consulted the report. (See Annex No.3).

PROGRESS ABOVE what was planned for the 1st quarter:

The Ministry of Economy was able to expand during this quarter also its activities for 2011 in conducting awareness-raising activities for the state institutions, the private sector and the civil society, on DCFTA'. This included various activities, e.g.. March 2011 World Bank-funded round table on DCFTA, which included business representatives from the private sector from Moldova and Transnistrian region; a Slovak Aid funded event on 17 February with IDIS/ Expert Group Moldovan NGOs, aimed to spread awareness and enhance the NGO-Government communication on the future DCFTA (a follow-up event in April 2011). Additionally, there have been talks with the UK Government who considers supporting an awareness raising event on DCFTA for the companies from Transnistrian region (end May/early June); the Ministry of Economy and Ministry of Foreign Affairs and European Integration communicate also regularly with the media on the future DCFTA.

In order to ensure a regular dialogue of the Moldovan Government with the private sector and the civil society, the Ministry of Economy has included in the DCFTA Task Force, described above under action nr.3, the working group nr. IV: ‘Government dialogue with the private sector and civil society, which includes a nominal list of 22 persons, reuniting various NGOs and business associations (see annex), which will meet at least every 2 months or more often, and can include additional experts if needed.(e.g.. representatives of key factories, if needed, at a particular stage in the negotiations).

The Moldovan authorities also count on the support to be received within the Comprehensive Institution Building Program (CIB) which has the goal to ensure an efficient institution building of the core institutions that are central in preparing the ground for implementing the future Association Agreements and the provisions of the DCFTA.

The Ministry of Economy as a coordinating institution for the DCFTA is already included in the list of CIB beneficiary key institutions. Following the signature of the CIB framework document between

the Republic of Moldova and EU on 24 November 2010, the CIB project is expected to start its implementation at the beginning of 2012.

ANNEXES: Annex No.1 - DCFTA Task Force structure, annex No.2 - Order of the Ministry of Economy setting up the DCFTA Task Force with the nominal list of the DCFTA Task Force members; annex No. 3 - Summary report on the training needs assessment of the DCFTA Task Force. Additionally, upon request, EC can receive, as well as the profile/ requirements for the DCFTA Task Force members (if needed).

2. MARKET ACCESS FOR GOODS/ TRADE STATISTICS

EC Additional Recommendations:

- Moldova to start work aiming at providing the Commission services with inclusive and detailed trade statistics for the last three years for imports from trade partners (all trade partners, EU and from each of the 10 biggest trading partners). If necessary, statistics have to be converted to the current year's tariff nomenclature.

Actions for 1st quarter 2011:

2.3. In conformity with the Memorandum of Understanding with Eurostat, the National Bureau of Statistics will submit quarterly (starting with the year 2000) the files of statistical data on exports and imports of Moldova, detailed at 8 digits level of the Catalogue of Goods, harmonized with the EU Combined Nomenclature. The information will not include the export and import operations of economic agents from the left bank of the Nistru river.

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

2.3 The National Bureau of Statistics presented to the Eurostat on the basis of Memorandum of Understanding the files of statistical data on exports and imports for the last 3 years of Moldova (2010, 2009, 2008), detailed at 8 digits level of the Catalogue of Goods, harmonised with the EU Combined Nomenclature. The information does not include the export and import operations of economic agents from Transnistria. (See annex no.4).

Currently, the Moldovan Government examines the possibilities for setting up a Joint Working group on cooperation in statistics between the central authorities of the Republic of Moldova and local authorities of the Transnistrian region (including foreign trade statistics). Additionally, the Ministry of Economy along with MF, CS, NBS, BR and local experts are looking for a possibility to elaborate a concept for collecting trade statistics for the whole territory of Moldova with a view to be able to prepare a reliable tariff offer.

ANNEXES: Annex No.4 - the statistics data report for the last three years covering imports from trade partners (all trade partners, EU and from each of the 10 biggest trading partners, electronic copy is attached).

PROGRESS ABOVE what was planned for the 1st quarter:

The Moldovan Government received a reply from the Transnistrian local authorities, who proposed to hold on 23 March 2011 the meeting of the Working Group on Economy and Trade in the framework

of the Confidence Building Measures. Therefore now the Moldovan Government looks forward to agree with the Transnistrian representatives the agenda for this event; at the moment the draft agenda proposed by the Moldovan Government includes, amongst other issues, the following items: update on the progress made in the Association Agreement negotiations, the future negotiations of the DCFTA, cooperation in the area of trade statistics and the opportunity to create a concept for collecting trade statistics for the whole territory of Moldova with a view to be able to prepare a reliable tariff offer, based on inclusive import data (with TN trade); The Moldovan Government hopes to have a constructive dialogue with the Transnistrian representatives on 23 March 2011, with the support of the OSCE and the EU.

3. TARIFF AND NON -TARIFF BARRIERS (NTBs)

***EC Additional Recommendations:** In order to benefit from the existing market access to the EU, Moldova should give a very high priority to meeting the required SPS standards. More detailed recommendations can be found under point 5 "Sanitary and Phytosanitary (SPS) Measures".*

Actions the 1st quarter:

- 3.1 Conducting an assessment of the existence of tariff and non tariff barriers to trade, as defined by the WTO commitments on market access;
- 3.2 Conducting an evaluation of the current situation regarding the use of Autonomous Trade Preferences (ATP) and informing the public and private sector about the reasons of reduced market access to the EU of certain goods;
- 3.3 Informing the private sector on the extension of the ATP for duration of 3 years (2013-2015).

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

3.1 In order to meet the commitments based in the Government Decision No.1125 of 14 December 2010, the Ministry of Economy issued the internal Order No. 27 of 1st of March 2011, through which it created a Task Force/Working Group on tariff and non tariff barriers responsible for conducting a study on tariff and non tariff barriers and is based on:

- commitments and provisions of the Republic of Moldova related to WTO;
- observations and comments of the responsible institutions regarding the existing in practice tariff and non tariff barriers and their possible elimination;

The Study on the assessment of tariff and non-tariff trade barriers, according to Moldova's commitments vis-à-vis the World Trade Organization, will present the actual situation in trade policy, highlighting the constraints and measures to be taken in order to overcome the current situation. This study, will identify the tariff and non-tariff barriers to trade and; also will include proposals, timetables and responsible institutions for legal and regulatory amendments. At present, the study is being finalised and translated into English and will be submitted to the European Commission by the end of March 2011.

3.2 The Republic of Moldova conducted an evaluation on the use of Autonomous Trade Preferences, and in particular the use of tariff quotas offered by EU for certain products and we can specify that from the entire list of products submitted to quantitative limits, eligible for export are common wheat, barley, maize, white sugar and wine of fresh grapes. The other positions represent products of animal origin that at the moment can't be exported to EU countries. For those products that are eligible for

export to EU, it is noted that tariff quotas **have been used to maximum capacity during the year 2010**. (Note: Autonomous Trade Preferences (ATP) was given to Moldova since 1 March 2008). During the year 2010, tariff quotas offered to the RM for export of certain goods to EU have been almost entirely used for such products as wine, barely, maize and wheat. The tariff quotas for export of wine have been used in proportion of 100% - 80 000 hl. The main quantity of wine, in the framework of trade preferences offered by EU, was exported to Poland – 47,5% (38 000 hl.) It was followed by Czech Republic with a share of 20,7%, Romania – 10,4%, Germany – 7,23 and other countries (Lithuania, Lithuania, Belgium, Bulgaria, Cyprus, Italy etc.) – 14, 2%. At the end of September 2010, the entire quantity for wine was distributed. Also, have been used the entire quota offered to the RM for export of maize – 25 000 tones and barley – 30 000 tones. 50% of the entire quota of barley has been exported to Italy, followed by Greece – 49,64%. The main quantity of maize has been exported also to Italy – 41,2%, followed by Greece – 41,8%, Romania – 12,16% and Poland – 4,8%. The entire quota for these products has been distributed at the beginning of November 2010. As for wheat, the quantity offered for export of this category of product was 35 000 tones. The Republic of Moldova authorised the export of 34 400 tonnes of wheat or 98, 29% from the entire quota for 2010 in the framework of autonomous trade preferences. Referring to export orientation of this product, we can mention that almost 70% (24 500 tones) was exported to Greece – 36,1% and Italy – 32,53%. It was followed by Romania with a share of 13,73%, Great Britain – 10,25% and Poland – 5,67%. During the year 2010, Republic of Moldova has not exported sugar to EU. This is considered as a temporary opportunity, generated by net superior prices, during this year, for sugar on CIS market in comparison with EU market. Moreover, the Moldavian export to CIS countries increased during 2010, in comparison with previous year, by 27,3%. The most significant increase in exports has been registered to Russia - 41%.

In order to inform the public and private sector about the reasons of reduced market access to the EU of certain goods products with limited access to the EU market during the first quarter of 2011, the Ministry of Economy along with the Ministry of Agriculture and Food Industry has organized a lot of meetings, consultations with the participation of local interested producers. It is important to note that in the MAFI regularly are held the meetings of Council on the products created in conformity with Law No 257-XVI as of 27, July 2006 on the organisation and functioning of markets for agricultural products and agro food products. The Council on the products is composed by representatives of the governmental sector and business sector; in its meetings there are discussed the main reasons of reduced market access to the EU of certain goods products with limited access to the EU market.

3.3 The private sector has been informed about discussions between Moldovan authorities and the EU on possible extension of the ATP: a press release in mid. November issued by the Ministry of Economy; various interviews and presentation given by the officials of the Ministry of Economy and Ministry of Foreign Affairs and European Integration; during the 5 regional seminars for the private sector organised by the Moldovan Chamber of Commerce in November-December 2010. Equally, during the various awareness raising events on DCFTA in the 1st quarter of 2011, the Ministry of Economy announced the economic agents about the expected extension of the ATP. This information will also be given during the regular bi-monthly meetings in the subgroup IV of the DCFTA Task Force ‘Government communication with the private sector and the civil society’, which includes representatives of business associations.

4. TECHNICAL BARRIERS TO TRADE (TBT)

EC RECOMMENDATIONS:

Key Recommendations:

- an indication of the time table for the development and adoption of the new Law on Accreditation
- clarification on Moldova's position regarding certification bodies, and an indication of the timeframe for the accreditation of certification bodies;
- develop the legal framework and design a plan for the development of measurement standards and EU compatible metrology, including a description of how traceability will be introduced and enforced.

Actions for 1st quarter 2011:

- 4.11 Promoting the draft law on accreditation and conformity assessment in Parliament for adoption (the draft law has been approved by the Government Decision nr.685 on 02.08.2010)
- 4.12 Preparing and presenting the EC of an informative note regarding Moldova's position regarding the accreditation of the certification bodies.
- 4.13 Elaborating a plan for development of measurement standards and metrology system comparable with the EU system, including the description and implementation of traceability.

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

4.11. The draft Law on Accreditation and Conformity Assessment Activity, which establishes regulatory requirements in accreditation in conformity with Regulation (CE) No 765/2008 of the European Parliament and of the Council of 09 July 2008 establishing accreditation and Market Surveillance requirements on marketing of products and abrogation of the Regulation (CEE) No 339/93, is under examination in the Parliament of the Republic of Moldova. The above mentioned draft Law on Accreditation and Conformity Assessment Activity was examined already in 3 Commissions of the Parliament. The above mentioned draft Law on Accreditation and Conformity Assessment Activity provides for EU imported products the unilateral recognition of certificates of conformity and test reports, issued by certification bodies and testing laboratories accredited by accreditation bodies, signatories to the Multilateral Recognition Agreement with the European Cooperation for Accreditation (EA). **The draft Law on Accreditation is planned to be approved by the 2nd quarter of 2011.**

4.12. In the Republic of Moldova the accreditation of the certification bodies and testing laboratories are put into action since 1993. At that time, the accreditation services were provided by the Department of Standardization and Metrology, in line with the international guidelines. Since 2003 the accreditation of certification bodies and testing laboratories has been made by the Centre of Accreditation in Fields of Products Conformity Assessment, which is designated as a National Accreditation Body (NAB) and which is the only accreditation body for certification bodies and

testing laboratories in the Republic of Moldova. In May 2005 NAB signed a Cooperation Agreement with European Cooperation for Accreditation (EA). NAB is affiliating membership of International Cooperation for Accreditation the testing laboratories (ILAC). NAB, in its activity of accrediting certification bodies and testing laboratories, ensure the use and the implementation of European and International bodies documentation, which establishes the general criteria and rules on accreditation and conformity assessment activity. NAB respects the provisions of harmonized reference standard for accreditation body - SM SR EN ISO/CEI 17011:2006 „Conformity assessment - General requirements for accreditation bodies accrediting conformity assessment bodies”, and EA and IAF documents. The criteria for accrediting the certification bodies and testing laboratories are established by reference standards and documents of European and International professional organizations, adopted at national level.

The certification bodies and testing laboratories, in order to be accredited by NAB, should comply in their activities with the national reference standards, identical with European standards, for example:

a) products/services certification bodies – reference standard SM SR EN 45011:2003 „General requirements for bodies operating product certification systems (ISO/IEC Guide 65:1996)”;

b) management systems certification bodies - reference standard SM ISO/CEI 17021:2010 „Conformity assessment - Requirements for bodies providing audit and certification of management systems”;

c) certification bodies of food safety management systems - reference standard SM ISO/TS 22003:2010 „Food safety management systems - Requirements for bodies providing audit and certification of food safety management systems”;

d) bodies for certification of persons- the reference standards SM SR EN ISO/CEI 17024:2006 „Conformity assessment - General requirements for bodies operating certification of persons”;

e) testing laboratories - the reference standards SM SR EN ISO/CEI 17025:2006 „General requirements for the competence of testing and calibration laboratories”.

Currently, in the Republic of Moldova there are accredited and operate in the fields of conformity assessment the following:

- products/services certification bodies – 25;
- management systems certification bodies – 3;
- certification bodies of food safety management systems - 2;
- testing laboratories – 123;
- inspection bodies – 3.

NAB oversees accrediting the certification bodies and testing laboratories to monitor the further implementation of requirements for accreditation. NAB supervises accrediting certification bodies and testing laboratories in order to monitor its future achievement of the accreditation requirements.

4.13. Concerning the plan for development of measurement standards and metrology system comparable with the EU system, including the description and implementation of traceability, Ministry of Economy along with National Institute for Standardisation and Metrology has developed Programme of National Basis of Standards for 2011-2015 and now is on the working phase. This Programme ensures uniformity, accuracy and traceability of measurements in Moldova in order to protect society from the harmful effects of inaccurate or false measurements. Upon request, the mentioned Programme can be provided to European Commission.

The Programme mentioned above is focused on the following components:

- Upgrading the standards of the National Standards Base (NSB);
- Creating new national references standards in accordance with country's needs;
- Conduct researches aiming to determine the standards of measurement characteristics and stability over time;
- Participation in bilateral and multilateral inter-comparisons to confirm the measurement capabilities of NSB;
- Publication of CMC tables measuring capacity for recognition of international metrology community NSB.

In this context, aiming the harmonization of the National System of Metrology to the European and international requirements the Ministry of Economy has issued an internal Order No. 4 as of 20.01.2011 and according to this, it was created the Working Group (WG) in order to cover the following tasks:

- Elaboration of the programme for transposing the European Directives (ED) in national legislation in this field, **by the end of March 2011**;
- Development of the programme for examining the regulatory framework applicable to metrology will be accomplished **by the end of March 2011**.

PROGRESS ABOVE what was planned for the 1st quarter:

The Action Plan for implementation of the Government Activity Programme „European Integration: Freedom, Democracy, Welfare for 2011-2014 year” is established that the National Standardization Body will adopt Harmonised European Standards, so as to provide criteria for transposing the Harmonized European Standards on the level of 50%.

In the context of European integration and economic cooperation between Moldova and Romania, EU member-state, these have been developed cooperation in the quality infrastructure field, through:

- i) the exchange of experience on the legislative and institutional development and implementation of Community legislation between the Ministry of Economy of the Republic of Moldova and the Ministry of Economy, Trade and Business of Romania;
- ii) cooperation between Moldovan and Romanian entities responsible for standardization, accreditation, metrology, by signing partnership agreements between National Accreditation Bodies (CAECP, RENAR), National Standardization Bodies (INSM, ASRO) and National Metrology Bodies (INSM, BRML).

The National Standardization Body, based on the proposals of the regulatory authorities elaborated, approved and implemented the National Program of adoption of the international and European standards as Moldovan standards for the year 2010. In this regard the total amount of standards harmonised during 2010 represent around **1250 national standards** compatible with the EU standards.

In order to implement the Program of adoption of the international and European standards as Moldovan standards for the year 2010 from the state budget there have been allocated financial means in the amount of 2,5 mln MDL (Governmental decision nr. 845 of 21.09.2010).

According to the above mentioned Program there have been adopted as national standards:

- 534 European standards harmonised to the Directive 2006/95/EC – Low voltage;

- 80 European standards harmonised with the Directive 2004/108/EC – Electromagnetic compatibility;
- 238 European standards harmonised with the Directive 93/42/EEC – Medical devices;
- 375 European standards harmonised with the Directive 89/106/EEC „Products for constructions”;
- 272 European standards harmonised with the Directive 89/686/EEC „Individual protection equipment”.

In the 2010 year, with the support of the World Bank project, the National Institute of Standardization and Metrology (INSM), as a National Standardization Body, has signed with the Association of Standardization from Romania (ASRO) a partnership agreement in the standardization field. The signing of this agreement has allowed to the Republic of Moldova to adopt the European standards EN translated into Romanian language (SR EN). Thus, INSM, with the World Bank support through the Implementation Unit of Competitiveness Enhancement Project has procured 2234 Romanian standards in order to adopt harmonised European standards as Moldovan standards.

In order to implement the Program of adoption of the international and European standards as Moldovan standards for the year 2011 an allocation about **3 mln. MDL** is planned from the state budget.

Regarding **the infrastructure for market surveillance** the Ministry of Economy elaborated the Institutional Plan for development of the infrastructure for 2011-2014 which will lead to:

- a. Elaboration and adoption of a Law on market surveillance harmonised with the EC Regulation 765/2008 laying down the requirements for accreditation and market surveillance relating to the marketing of products;
- b. Creation of a mechanism for cooperation and coordination of market surveillance activities of the national supervisory bodies, customs authorities and other interested bodies.

5. SANITARY AND PHYTOSANITARY (SPS) MEASURES

EC RECOMMENDATIONS:

Key Recommendations:

- *Moldova to prepare and start to implement a comprehensive food safety strategy, with accompanying operational programme and time lines, in order to establish a solid food safety system.*

EU Additional Recommendations:

- *Implement the comprehensive strategy prepared following the recommendation in the previous column in order to establish a solid food safety system. Pay particular attention to creation (if needed) and adequate strengthening of the capacities of all the relevant institutions.*

Actions for 1st quarter 2011:

5.2 Analysing the current legislation in the SPS area prior to start with the NALA, as well as reviewing the institutional capacity.

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

5.2 The National Plan for Harmonisation of Legislation for 2011th, approved by the Governmental Decision No. 1210 of 27 December 2010 sets out a total of 21 normative measures in the field of „Sanitary and Phytosanitary Measures” that will transpose the relevant EU legislation into the national one. About 30 % of the actions listed in the National Program are related to SPS area (15 new and 6 amending acts). (See annex no.5 - the National Plan of Harmonisation for 2011th) in Romanian language.

PROGRESS ABOVE what was planned for the 1st quarter:

In order to accomplish the future recommendation established for the IVth quarter 2011, regarding the preparing and start working by Moldova on a comprehensive food safety strategy, with accompanying operational programme and time lines, in order to establish a solid food safety system, the MAFI along with the SVAFSAO with the support of foreign experts has prepared a first draft of food safety strategy based on the concept of the EU white paper on food safety and which includes chemical and biological safety of food of animal and plant origin as well as relevant elements of health of animal and plants. This document will be ready for consultation by the end of March 2011 and upon request will be submitted to the European Commission.

As an integral part of this strategy, it was developed a proposal for the institutional structure to implement the strategy and the functional scheme illustrating the responsibilities of the individual bodies in the system.

Additionally, MAFI is working on the legal framework including the necessary primary and secondary legislation in view to finalize the hygiene package. Whereas the list of EC regulations was transposed into the national equivalents as follow:

- Regulation (EC) 852/2004 was transposed into Governmental Decision No 412 of 25, May 2010;
 - Regulation (EC) 853/2004 was transposed into Governmental Decision No 435 of 28, May 2010;
 - Regulation (EC) 854/2004 was transposed into Governmental Decision No 1112 of 16, December 2010;
 - Regulation (EC) 882/2004 is in the process of harmonization and will be transposed into a Law.
- Afterwards, in the basis of the above mentioned Regulations MAFI elaborated secondary regulation and guidelines for the export of honey to the EU and for instance MAFI started the work on the the required legislation and guidance documents for egg and egg products, milk and fish.

ANNEXES: Annex No.5 - The Plan for Harmonisation of Legislation in SPS field for 2011th.

6. TRADE FACILITATION AND CUSTOMS ADMINISTRATION

EU RECOMMENDATIONS:

Add Recommendations:

- *Moldova to continue its efforts to ensure homogenous implementation of customs legislation throughout the territory of Moldova;*
- *Moldova to continue implementation of the Customs Ethics Policy;*
- *Moldova to continue reporting to the Commission on the implementation of the Customs Service Institutional Development Plan 2009-2011 and of any further plans for the future;*
- *Moldova to provide a copy of the latest annual reports of the Customs Service.*

Actions planned for the 1st quarter:

- 6.9 Revising the mechanism for reporting and evaluation of cases of misconduct;
- 6.10 Reviewing and improving the system of staff rotation of Customs Officials with sensitive jobs;
- 6.12 Preparing progress reports on the implementation of the Customs Service Institutional Development Plan 2009-2011 and presenting these to the EC;
- 6.13 Presenting the Customs progress reports to the EC;
- 6.14 Presenting on a regular basis the EC with information on amendments in tax and customs legislation of the Republic of Moldova;

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

Customs control throughout the customs territory as well as supervision of goods transported from Transnistria region is being ensured by the customs mobile team, empowered to detect customs frauds, including the attempts to introduce goods from the Transnistria region, without declaring these to the customs authorities of the Republic of Moldova. Following the study visits on issues related to mobile teams and border controls, to the Romanian customs authority and Hungarian customs, in February 2011, there was initiated the revision of the legal framework related to the activity of mobile teams, as well as working methods aiming to enhance the enforcement actions throughout the territory.

For the selection of customs control and detection of illegal import/export transaction through Transnistria region, the Moldovan Customs Service operates with the relevant data obtained as result of the bilateral pre-arrival information exchange on goods and means of transport, which are crossing the state border of the Republic of Moldova and Ukraine. As of January 2011, thanks to technical adjustments, the pre-arrival exchange of information mechanism was substantially improved and ensures the confirmation of all the exchange of data between Moldovan and Ukrainian customs regarding import/export transaction.

6.9 The Moldovan Customs did the following activities in order to revise the mechanism for reporting and evaluating of cases of misconduct:

- in order to improve the mechanism for reporting the cases of violation of the code of ethic of the customs officers, Moldovan Customs revised the Regulation on trust line of the Customs Service, approved in May 2008.
- the Moldovan Customs operators of the hot line for public complaints had improved their hotline management skills through participating in the round table on functioning of the governmental anticorruption hotlines, organised on February 4, 2011, by the Anticorruption Alliance together with the Centre for Combating Economic Crimes and Corruption and Transparency International, supported by the East-European Foundation through SIDA funding. Most of these problems could be overcome by adopting Rules on the functioning of the governmental hotlines; during the round table the experience of operating the hotlines of governmental institutions were presented and the provisions to be eventually included in a prospective Regulation on the functioning of the hotlines of the public administration authorities were brought to discussion.
- the Civic Council of the Customs Service was set up in October, 2010 as a result of a project on fighting corruption and increasing the trust of citizens, especially economic agents, in the work of customs service, launched within the partnership between NGO IDIS „Viitorul” and Customs Service with the support of East-European Foundation preparing to start trust line of the Council on which acts of corruption can be announced.

6.10 The Moldovan Customs Service is currently working on reviewing and improving the system of staff rotation of Customs Officials with sensitive jobs. It reviewed the rotation process and developed a new Regulation stating principle of mobility of the positions vulnerable to corruption. The regulation approved in November 2010 provides for main principles of rotation, the categories of activities vulnerable to corruption and relevant procedures. Also, as of 2011 the Moldovan Customs developed a Performance Management concept, including a new employee assessment mechanism and a remuneration system based on individual results.

6.12 & 6.13 The Progress Report of the Customs Service of the Republic of Moldova for 2010, as well as the annual activity Plan for 2011, have been approved and published on the web page of the Moldovan Customs. (See Annex no. 6 and annex no.7).

6.14 The Moldovan Customs presents on a regular basis to the EC the information on amendments in tax and customs legislation of the Republic of Moldova.

PROGRESS ABOVE what was planned for the 1st quarter:

- Progress started in action 6.1 planned for the 2nd quarter on 'making a study regarding the customs formalities fees and bringing these in accordance with the WTO and EU provisions. The study has been initiated on customs formality fees which have to be aligned with the WTO and EU, and the draft is being currently consulted with the national and international experts, with it expected to be finalised as planned during the 2nd quarter 2011.
- The Strategy of professional training of Customs Service of the Republic of Moldova for 2010-2013 (See annex no. 8) was approved and is being implemented according to the annual training plans.
- Relevant information on the treatment of conflicts of interests in the customs authority, reflected in the Transparency International Report is presented in electronic format as (See annex no. 9).

ANNEXES: Annex No. 6- the Progress Report of the Customs Service of the Republic of Moldova for 2010, Annex No. 7 - the annual activity Plan for 2011, Annex No. 8 - the Strategy of professional training of Customs Service of the Republic of Moldova for 2010-2013, Annex No. 9 - relevant information on the treatment of conflicts of interests in the customs authority, reflected in the Transparency International Report.

7. RULES OF ORIGIN (RO)

EC RECOMMENDATIONS:

Additional Recommendations:

- *Ensure adequate involvement of Moldovan Customs in certification and verification of origin of products coming from the Transnistrian region.*
Ensure that RoO are uniformly applied throughout the entire territory of Moldova.

Actions for 1st quarter:

- 7.6 *Enforcing on an on-going/permanent basis the provisions of the Governmental Decision nr. 815 of 2005 (revised in 2006, 2008) and the Governmental Decision 1001 of 2001 (revised in 2002-2008) on the whole territory of Moldova;*
- 7.7 *Implementing on a continuous basis the recommendations relevant for the rules of origin certification and verification from EC and EUBAM;*
- 7.8 *Strengthening of Customs Audit functions specifically regarding the verification of the origin of goods;*

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

7.6. As of 01.07.2006 the Moldovan Customs Service took over from the Chamber of Commerce the functions of rules of origin certification on the whole territory of Moldova; this includes the enforcement on an on-going/ permanent basis of the Governmental Decision nr. 815 of 2005 (revised in 2006, 2008) and the Governmental Decision 1001 of 2001 (revised in 2002-2008), which regulate specifically the trade in goods and services to/from Transnistrian region and the certificates of origin for exports from Transnistrian region. These certificates allow the access of all companies from the Transnistrian region (both permanently registered and with temporary registration) to obtaining the preferential certificates of origin, as long as these companies provide sufficient information, documents and physical access to the company premises. If the relevant requirements are not voluntarily met by the exporter, than the certificates of origin are not issued for neither companies from the right or left bank of Nistru river. The Moldovan Customs traditionally organises in the first half of each year round table sessions for the economic agents from the regions, explaining the rules of origin certification for exports; the next sessions are planned during the 2nd quarter 2011.

7.7. The Moldovan Customs follows on a regular basis the recommendations relevant for the rules of origin from the EC and EUBAM. There were no such additional recommendations received during the 1st quarter of 2011.

During 2010 the Customs Service followed the EUBAM recommendations made in the special report of 25.11.2010. These included following an ST-1 certificate, a request has been made to Ukraine for this; also the Moldovan Customs followed the EUBAM recommendation for indicating the 'random' reason for the post-issuing of the certificate of origin; this recommendation has been addressed with the regional customs divisions during an internal seminar on 26-28 January 2011.

7.8. The Moldovan Customs works on an ongoing basis on strengthening the Customs Audit functions regarding the verification of the origin of goods. During the 1st quarter of 2011, there have been conducted 15 inspections/ audits for rules of origin certificates' verification, made jointly by customs officers from the sections of post-customs audit and the sections of the rules of origin. These controls targeted in particular the verification of the origin of raw materials used for goods to be further exported. It would be welcome to have additional training for officers from the rules of origin sections, who need more knowledge in accounting, finance and audit referring to origin; as in the context of staff rotation the training courses from 2007 and 2008 need to be repeated.

PROGRESS ABOVE what was planned for the 1st quarter:

- Moldova initiated the amendment procedure of the Government decision nr. 1001 from 19 September, 2001 in respect of goods exported by companies from the Transnistrian region through the

railway crossing points out later placed on the Transnistrian segment of the Moldovan-Ukrainian border.

- During the Republic of Moldova-Ukraine-European Union trilateral meeting, held in Chisinau on 27 January, 2011, the Ukrainian State Customs Service support has been requested in the implementation of the Moldovan Customs Service to declare the process by which the Transnistrian economic agents of the raw material introduced through the Transnistrian segment of the Moldovan-Ukrainian state border.

- Following the working session held on February 21, 2011 to discuss the Government Decision. 1001 of 19 September 2001 "The declaration of goods by traders from the eastern region of Moldova" on the export of goods by the Transnistrian economic agents through our railways, with the exit crossing points located on the Transnistrian Moldovan-Ukrainian border, and it was agreed on the need to identify solutions to optimize procedures for production and export routes through this region, in compliance with national and international standards. In addition it was agreed to develop concrete proposals on resumption of freight traffic on the sections of railways in Transnistrian economic agents throughout RM.

8. SERVICES AND INVESTMENT

EC RECOMMENDATIONS:

Additional Recommendations:

- *Moldova to implement the actions listed in the Strategy for the Development of the Non-Banking Financial Sector 2009-2011, and to specify the actions to be undertaken under the Implementation Action Plan, including a time frame.*
- *Moldova to define tasks, working methods and information channels for financial crisis management.*

Actions for 1st quarter 2011:

8.7.b) develop a draft Law concerning amendments to the Contraventions Code;

8.8. Development and approval of a Memorandum of Understanding, which will determine the responsibilities of involved public authorities

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

8.7.b) On March 3, 2011 the Parliament of Moldova adopted the draft Law for approval of the Strategy for development of non-banking financial market for 2011-2014 and the Action Plan for implementation of the Strategy for development of non-banking financial market for 2011-2014; on February 17, 2011 the Parliament of the Republic of Moldova adopted the draft Law for Draft Law concerning amendments to the Contraventions Code of the Republic of Moldova nr.218-XVI din 24.

8.8. On February 17, 2011 members of the National Committee for Financial Stability has signed the Memorandum of Understanding on Maintaining Financial Stability, that determine the measures to fight the causes of systemic financial crisis, to establish efficient procedures of authorities interaction and to realize a coordinative approach to bring full confidence in the financial institutions.

“Crisis management”

In order to ensure the achievement of the objectives traced in the Memorandum of Understanding on Maintenance of Financial Stability related to crisis management the NBM will initiate the development of internal regulations concerning its commitments within the National Committee for Financial Stability. During the talks with the IMF mission held in March 2010, and following the Crisis Preparedness Report (as of March 23, 2010), it was recommended to create a committee for crisis management at governmental level. Thus, following the IMF recommendations, as well as for the purpose to ensure an adequate coordination between the public authorities, clear delimitation of responsibilities, as well as in order to achieve certain prompt actions in case of extraordinary financial shocks, by the Government Decision No. 449 as of June 02, 2010 the National Committee for Financial Stability was created. This committee includes representatives of decision-making public authorities involved in managing the crisis situations, including the Governor of the NBM.

The Committee's attributions are focused on managing financial crises, on proposing policies and measures to be taken in order to protect the depositors, on the capitalization and recapitalization of banks, etc.; on restoring credibility in the banking system's safety; on proposing additional and immediate measures to be taken in case of extraordinary crises in the financial system. In order to execute the provisions of the Government Decision No.449 as of June 02, 2010, as well as of the commitments within the Supplementary Memorandum of Economic and Financial Policies (as of June 30, 2010), the National Committee for Financial Stability shall conclude a Memorandum of Understanding between the authorities involved in managing the crisis situations in the financial sector.

In this regard, with the technical assistance obtained from the International Monetary Fund in September 2010, the National Bank of Moldova elaborated the draft Memorandum of Understanding on Maintenance of Financial Stability. The draft was discussed during the meeting carried out at the National Bank of Moldova on September 7, 2010 with the participation of the IMF and competent authorities' representatives.

The final draft of the Memorandum was submitted to competent bodies for consideration and proposals. The relevant proposals and objections were taken into account while drafting the final version of the Memorandum. Given Moldova's commitments within the Supplementary Memorandum of Economic and Financial Policies, negotiated with the IMF in early February 2011, on February 28, 2011, the Memorandum of Understanding on Maintenance of Financial Stability was signed by the members of the National Committee for Financial Stability.

PROGRESS ABOVE what was planned for the 1st quarter:

Non banking sector: Legal Framework

Regarding the implementation of the Action Plan of the Strategy of Non-Banking Financial Market Development for the period 2010-2013 the National Commission of Financial Market covered future actions for 2011 through the following steps:

- Elaboration of the draft Law "On the National Commission of Financial Market" in accordance with the international principles and practice. The provisions of the new draft law have to ensure equilibrium between a strong and efficient supervision and the market freedom that will lead to the non-banking financial market development;
- Elaboration of the draft Law "On capital market", harmonised with the EU Acquis. The task of the draft law is to create the legislative framework necessary for the development of the capital market through development of an adequate mechanism for the protection of rights

and interests of investors and consumers on the capital market, creation and maintenance of equitable, efficient and transparent markets and reduction of systemic risks;

- Elaboration of the draft law "On facultative pension funds". The objectives of the new draft law are as follows: to trigger the development of the facultative pension funds, to promote public confidence in facultative pension funds, to increase the level of payments in pension funds, to bring the Moldovan legal framework in line with the EU regulations and best international practice;
- Development of the draft Law for changing and amending the Law nr.407-XVI from 21 December 2006 "On insurance" and the Law nr.414-XVI from 22 December 2006 "On compulsory motor third party liability insurance" in which there were transposed provisions of the EU Directive 2009/138/CE on the taking-up and pursuit of the business of insurance and partially the provisions of the Directive 2002/92/CE on insurance mediation. The amendments to legislation are aimed to improve the regulatory framework in the insurance sector in order to support the development and evolution of the internal market of insurance services, to increase the quality of insurance products and services and to ensure a better level of consumer protection;
- Development of the draft Law for changing and amending the Law nr.139-XVI from 21 June 2007 „On savings and loans associations". The proposed amendments foresee the increased responsibility of the associations' managers, protection of association members' rights, and consolidation of Central Association's functions aimed to promote a sustainable development of savings and loans associations.

Banking sector

In order to accomplish the commitments undertaken by Moldova with International Monetary Fund (IMF) based on the draft of the Memorandum of Economic and Financial Policies between Republic of Moldova and the IMF, the Ministry of Economy along with Ministry of Finance, National Bank, has elaborated the procedure for amending and supplementing Law No. 1466-XIII of 29, January, 1998 concerning the regulation of repatriation of funds, goods and services from external economic transactions.

The draft law provides for the provisions aiming at relaxation of requirement for repatriation of funds, goods, and services obtained from external economic transactions by extending the repatriation period and reducing penalties for noncompliance.

Capacity building

In order to implement the EC recommendations and cover the action plan, established for 2011-2012, Moldovan authorities started to implement and to enforce the relevant rules regarding the proper functioning of supervisory and enforcement authorities, and crisis prevention mechanisms, in a manner consistent with the relevant EU Acquis. Thus, a number of events were organised:

- During February 21 – 24, 2011 a training course on the implementation of International Financial Reporting Standards (IFRS) was conducted for the NBM employees by the banking consultant from the Office of Technical Assistance, Treasury Department of the United States. Within this training, there were discussed course topics related to the financial instruments (IAS 39), categories of financial assets, effective interest method, impairment of financial assets, repossessed assets, loans commitments, derivatives and embedded derivatives.

- On February 28, 2011, at the NBM held a meeting with the participation of the commercial banks, focused on the implementation process of International Financial Reporting Standards (IFRS), the perspectives of applying the prudential requirements in the context of Basel Committee - Agreement on Basel II capital and providing data to the Credit Bureau. For the purpose of alignment of the commercial banks to the IFRS, starting with 2012, it was discussed the issue on the corporate governance optimisation in order to improve the internal policies and regulations. The banks were informed on the financial reporting model developed by the NBM based on the international requirements (FINREP), specifying the way of IFRS application. At the same time, it was discussed the issue related to the necessity of undertaking by the commercial banks of a number of actions concerning the capital compliance under the risk perspectives and provisions of Basel II Agreement. These actions shall refer in particular to improving of assets' quality and capital management.
- Starting with February 28, 2011, the National Bank of Moldova is organising two-week training for the commercial banks regarding the implementation of International Financial Reporting Standards (IFRS). The training is conducted by the banking consultant from the Office of Technical Assistance, Treasury Department of the United States. Within this training course topics related to the financial instruments (IAS 39), categories of financial assets, effective interest method, impairment of financial assets, repossessed assets, loans commitments, derivatives and embedded derivatives are being discussed.

In order to facilitate the business registration procedures the Ministry of Economy is planning by IV quarter 2011 to simplify through providing a single charge of business registration, which would include all actions taken related to this process and at the same time removing certificate request of debt to the budget.

9. INTELLECTUAL PROPERTY RIGHTS (IPR)

EC RECOMMENDATIONS:

Additional Recommendations:

- Moldova to change legislation so as to ensure that the protection is indeed limited in time

Actions for 1st quarter 2011:

9.4 Evaluating Moldova's legislative framework regarding the protection and ensuring of the confidentiality of data in the process of registration, testing and approval of pharmaceutical, agro-chemical and phytosanitary products which contain chemical elements; as well as identifying the legislation to be amended further.

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

9.4. Moldovan authorities initiated the creation of an interdepartmental Working Group (AGEPI, Ministry of Agriculture and Food Industry, Ministry of Health, Medicine Agency, Center for Legal Harmonization) as to ensure an efficient coordination between responsible authorities in order to fulfil the EU recommendations. The responsible authorities started identifying the legislation necessary to be modified. The Working group will elaborate a plan of actions which is to be put in place with the terms set out in the Action Plan approved by Government Decision no.1125 from 14.12.2010 and will assess the current regulatory framework in the field as to identify legislative and normative acts necessary to be modified.

As to other IP related issues, there is an urgent need for enhancing the institutional capacities of the CMOs and to increase the transparency of their activities by building up websites aimed to make available to the right holders, users and general public the relevant information (including the remuneration collection mechanism, distribution scheme, statistical data, the list of right holders represented by the CMOs, contracts with foreign CMOs, etc.) in particular, in the light of entering into force, on 1st of January 201, of the Law no. 139 of 02.07.2010 on copyright and related rights.

In order to ensure the efficient implementation of the new Law the following sub-law acts are under preparation:

- Draft Regulation on collective management of copyright and related rights
- Draft Regulation of the AGEPI Mediation Commission

In this context, the AGEPI launched public consultations on implementing regulations, in particular related to the collective management system, involving all interested stakeholders. Moreover, as provided by the new Law 139/2010 on copyright and related rights, the process for the elaboration of a Law regulating the AGEPI activity has been launched.

PROGRESS ABOVE what was planned for the 1st quarter:

In order to recognize and to protect mutually geographical indications which are originating in the territories of the Republic of Moldova and European Union based on Government Decision no.307 from 23.04.2010 there were initiated negotiations on the Agreement between the Government of the Republic of Moldova and the European Community on protection of geographical indications for agricultural products and foodstuff.

Regarding this process the Ministry of Economy has issued an internal Order no. 112 of 28 May 2010 concerning public consultation on the Annexes to the draft Agreement between the Government of Moldova and the European Community on the protection of geographical indications of agricultural products and foodstuffs.

Per general, it was held 5 rounds of negotiations on the draft Agreement between the Government and the European Union on protection of geographical indications for agricultural products and foodstuffs. At the last round of negotiations held on 17 February, 2011 in Bruxelles, the parties has agreed to sign the Agreement in near future with establishment of a transitional period of 5 years from the date of entry into force of this Agreement for local producers in marketing the products within the internal market and export to third countries.

10. PUBLIC PROCUREMENT

EC RECOMMENDATIONS:

Additional Recommendations:

- *Moldova to complete the action plan for Public Procurement development for the years 2010-2013 including approximation to EU procurement legislation;*
- *Moldova to ensure continuing legislative alignment with the EU Acquis.*

Actions for 1st quarter 2011:

- 10.1 Approval of the Action Plan for the Development of Public Procurement for 2010-2013, after consultation with the European Commission. The Action Plan will not only cover*

legislative approximation, but also institutional reform, administrative capacity building and other related issues;

10.2 Elaborating a timetable of harmonising the national legislation in this area to the EU Acquis:

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

10.1 The Action Plan for the Development of Public Procurement 2011-2013 was developed by the Public Procurement Agency and submitted to the Ministry of Finance for examination. The institutional reform proposes to establish regional offices of the Public Procurement Agency by integrating the 32 district officers as regional officers of the Agency. Appointing officers in the regions would enable the staff in the Agency in Chisinau to attend to other methods of enforcement (e.g. on site inspections, preparing guidelines, etc.). However, this initiative would require additional technical equipment, the provision of intense additional training and office space for these subdivisions. After internal consultations and the consultation with the European Commission, the Action Plan for the Development of Public Procurement 2011-2013 is planned to be approved during the 2nd quarter of 2011. Upon request, the Action Plan of the Procurement Agency for 2011-2013 will be submitted to the European Commission.

10.2 A calendar plan for adjusting public procurement legislation to the EU Acquis is at the stage of development, which will take into consideration the recommendations of international experts assisting the Government Procurement Agency in this field, in accordance with contract terms of reference / Twinning project started on 18th November 2010.

The Centre for Legal Approximation, based on proposal of the Ministry of Finance of the Republic of Moldova, has included in the National Plan for Harmonisation of Legislation for 2011 the draft Governmental Decision concerning the approval of the list of goods and services in the public procurement field (position 27) that will transpose into the national legislation the Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts. The deadline for the presentation of the Decision to the Government of the Republic of Moldova for approval is the 3rd quarter of this year.

Additionally, in the framework of the EU funded project „Support to the implementation of Moldova – EU Agreements”, the international experts have developed the Sectorial Guideline for Legal Approximation „Public Procurement Law and Policy – Law Approximation to EU Standards in the Republic of Moldova”. The Guideline identifies the relevant EU legislation in the field of public procurement, the degree of its transposition into national legislation of the Republic of Moldova and the short and medium term approximation priorities.

11. COMPETITION

No actions planned for the 1st quarter 2011.

PROGRESS ABOVE what was planned for the 1st quarter:

Currently, NAPC finalises the draft of the new law on Competition, elaborated according to the principles of the EU Acquis. At the end of March it is planned to launch the draft law for public discussions with all the interested parties. The draft of the new law is based on the art. 101 and 102 of the European Union Functioning Treaty. It contains provisions which will clearly define the role and

functions of the competition authority, provisions concerning the main competition infringements, including cartels, sanctions, individualization of penalties, leniency, etc.

After the drafting of the law, secondary legislation is going to be drafted and approved. This will be done based on the recommendations of European experts, stated in the report "Legislation and policy in the field of competition. Harmonization of the legislation of the Republic of Moldova to the European Union standards in competition field" until 2014. For the elaboration of secondary legislation, NAPC will receive technical assistance from the European Union through a Twinning project "Support to Implementation and Enforcement of Competition and State Aid Policy", which will be launched by the end of March, 2011. The project provides the elaboration of regulations for implementing the Law, inclusively concerning cartels, sanctions, vertical restrictions, merger control, abuse of dominant position and investigative methods.

NAPC drafted and presented a Law on State Aid to the Government of the Republic of Moldova, which has been approved on November 4th, 2010. This draft law is going to be sent to the Parliament of the Republic of Moldova for examination. After the approval of the law by the Parliament, the regulations for implementing the law will be drafted. In this sense, in the framework of the Twinning project it is proposed to elaborate 8 main regulations so that the state aid law is functional.

The Twinning project "Support to Implementation and Enforcement of Competition and State Aid Policy" which will start by the end of March 2011, list the necessary actions for the institutional capacity building of NAPC:

- Assessment of the impact on internal and external environment concerning the functions of NAPC;
- Assessment of internal procedures and elaboration of a strategy for NAPC activity;
- Training of the NAPC staff, of judges and of regulation authorities as well as of other public authorities, on competition and state aid subjects;
- Elaboration of a Competition Manual for training the new staff, etc.

12. SUSTAINABLE DEVELOPMENT

No actions planned for 1st quarter 2011.

PROGRESS ABOVE what was planned for the 1st quarter:

The provisions of the ratified Conventions are generally observed by the Republic of Moldova. As to the in-depth analysis of the degree of implementation, this is the subject of detailed reports presented yearly by the Ministry to the ILO. At the same time, a common problem linked to the implementation of the provisions of the ratified conventions is the reduced capacity (given the insufficient number of staff/personnel) of the Labour Inspection for an efficient control and (as well as to provide) observance of the conventions. The Republic of Moldova does not have a specific plan of ratification of other ILO conventions. The given procedure is initiated in dependence of need and internal or external conjunction. The Republic of Moldova has ratified 39 ILO conventions, eight of them being fundamental.

13. GENERAL ISSUES

EC RECOMMENDATIONS:

Key Recommendations:

- Without prejudice to the 5+2 negotiating process, Moldova to continue its efforts to ensure implementation of the future DCFTA over its entire customs territory.

- Moldova to step up its efforts to inform 'TN' "authorities", economic operators, and population on the negotiation of the future DCFTA and its implementation.

Actions for Q I:

13.1. To use the framework of meetings on Transnistrian conflict settlement between the political representatives from Tiraspol and Chisinau in promoting interaction between both banks of Nistru on the subject of the implementation of the future DCFTA.

13.2 To include the subject for the implementation of the future DCFTA in the activity's plans of working groups, particularly on the Joint Working Group on Economy in the framework of the Confidence Building Measures.

MOLDOVA'S PROGRESS in the actions planned for the 1st quarter:

13.1 At the meeting of political representatives in the Transnistrian settlement process from Moldovan and Transnistrian sides, which took place on 4th March 2011, there was discussed the subject of the future negotiation and implementation of the EU-Moldova DCFTA.

In the context of earlier precedent on non-acceptance of this document's examination by the Transnistrian side, on 29 December, 2010 the political representative for the Transnistrian settlement from Republic of Moldova requested support from external partners in order to establish a constructive dialogue on the economy working group to examine and implement the Recommendations on the DCFTA.

13.2 In the earlier time, the Moldovan Government proposed on several occasions, including through letters sent to the Transnistrian representatives, to have meetings of the Joint Working Group on Economy and Trade in the framework of the Confidence Building Measures on 16 and 23 December 2010, however the Transnistrian representatives did not respond to these proposals in useful time. At present, the Moldovan Government received a reply from the Transnistrian part, who proposes to hold on 23 March 2011 the meeting of the Working Group on Economy and Trade in the framework of the Confidence Building Measures. Therefore now the Moldovan Government looks forward to agree with the Transnistrian representatives the agenda for this event; at the moment the draft agenda proposed by the Moldovan Government includes, amongst other issues: update on the progress made in the Association Agreement negotiations, the future negotiations of the DCFTA, as well as cooperation in the area of trade statistics.

The Moldovan Government looks forward to have a constructive dialogue with the Transnistrian representatives on 23 March 2011, with the support of the OSCE and EU. Additionally, there is another event planned in Odessa on 25-26 March, with EU and UNDP support, on 'trade and economic relations between Moldova and Transnistria: problems and perspectives'; where the Moldovan Deputy-Minister of Economy will also attend to discuss about the future DCFTA with the key stakeholders and representatives of the Moldovan and Transnistrian businesses. This is a good opportunity to follow-up on the earlier 5-6 November 2010 event in Odessa, supported by the UK Government, where the Moldovan and Transnistrian businesses had a very fruitful communication on issues related to trading with the EU and the future DCFTA. The Moldovan Government is interested to participate actively in such events, as cooperation on economic matters is very important for the future EU-Moldova DCFTA.