Parliamentary Assembly
Assemblée parlementaire
https://pace.coe.int

COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Recommendation 1605 (2003)[1]

Economic development of Moldova: challenges and prospects

Parliamentary Assembly

1. More than a decade after the beginning of the economic transition process to a market economy in central and eastern Europe, the achievements of individual countries vary considerably. Moldova's current economic and social weakness places it among the least successful in this regard. Although the country has achieved relative political stability and macroeconomic indicators are improving, the level of poverty, external debt and the size of the shadow economy are of continuous and serious concern.

2. The Parliamentary Assembly welcomes the fact that, in spite of continued economic hardship, Moldova has remained overall committed to the economic reform programme supported by the European Bank for Reconstruction and Development (EBRD), the European Union (EU), the World Bank, the International Monetary Fund (IMF) and others. This assistance remains necessary and should be expanded further.

3. The Moldovan economy has suffered greatly from the uncertainty surrounding the status of the Transnistria region. Beyond the political consequences related to the emergence of this self-proclaimed entity in 1992 – which is not recognised by the international community – the economic effects are substantial, as Moldova's budget has been deprived of tax inflows from Transnistria for over a decade, economic ties between Transnistria and the rest of the country have been disrupted, investor confidence has been undermined and tensions have occurred in trade links with certain neighbouring countries due to extensive unaccounted-for economic activities in the region and cross-border smuggling. A peaceful and rapid solution to this problem is essential for the country's economic development.

4. In order for current economic growth to be consolidated, accelerated and sustained, Moldova has to improve the business and investment climate. Genuine support to small and medium-sized enterprises for the creation of employment would constitute a major step forward. Moreover, as the restructuring and privatisation of state enterprises continues, the Parliament of Moldova holds a special responsibility to improve legislation regarding enterprises, banks and customs, including through a close dialogue involving representatives of all political parties, business associations and NGOs, and to establish a system of checks and balances capable of ensuring greater transparency in the state administration.

5. To alleviate poverty, bold measures are called for. The agreement on a national Economic Growth and Poverty Reduction Strategy must lead to a channelling of limited resources available to the poorest and most vulnerable population groups. The Assembly believes that close co-operation between the Moldovan authorities and the international aid institutions is vital to allow a speedier reform of the social protection system, notably as regards healthcare, education and the pension system.

6. The external debt service places a heavy burden on an already weak economy and impedes much-needed public investment. External debt restructuring, especially through the Paris Club of bilateral creditors, and efforts to boost and diversify exports are necessary to make more funds available for priority activities under the Economic Growth and Poverty Reduction Strategy.

1. Text adopted by the Standing Committee, acting on behalf of the Assembly, on 27 May 2003 (see Doc. 9797, report of the Committee on Economic Affairs and Development, rapporteur: Mrs Burbiene).

7. The Assembly welcomes Moldova's recent accession to the Stability Pact for South Eastern Europe and the World Trade Organization (WTO). It notes Moldova's active involvement in many Stability Pact initiatives, especially those concerning trade liberalisation and facilitation in line with WTO and European Union principles. The Assembly, in this context:

7.1. fully supports the communication "Wider Europe – Neighbourhood: a New Framework for Relations with our Eastern and Southern Neighbours", adopted on 11 March 2003 by the European Commission, in which European Union commitments to enhance preferential trading relations, the opening up of markets, investment, the lawful movement of persons, and the integration of transport, energy and telecommunications networks meet Moldova's aspirations for a closer partnership with the European Union; ii. calls on the European Community

7.2. calls on the European Community to accelerate negotiations to upgrade the trade and related provisions of the Partnership and Co-operation Agreement with Moldova, with a view to the establishment of a bilateral free trade area;

7.3. asks the European Union to consider its relationship with Moldova with the necessary flexibility to ensure a more coherent use and co-ordination of aid funds made available for regional co-operation in South-eastern Europe via the Cards, Phare, Sapard, Ispa and Tacis programmes and, to a certain extent, the European Investment Bank credit lines.

8. In the light of the foregoing, the Assembly recommends that the Committee of Ministers urge:

8.1. the member states of the Council of Europe:

a. to consider, where applicable, rescheduling or partially relieving debts owed to them bilaterally by Moldova, as is the case for the Russian Federation;

b. to conclude, as appropriate, bilateral free trade agreements with Moldova on the understanding that these should be compatible with WTO principles;

c. to join the countries of the European Union and the United States in imposing a travel ban on certain Transnistrian leaders;

8.2. the Ukrainian authorities to co-operate more actively with the Moldovan authorities to ensure more effective customs control in order to prevent cross-border smuggling, fraud and corruption, especially along the frontier with the Transnistria region;

8.3. the Moldovan authorities:

a. to establish a shortlist and a timetable for priority actions in order to prepare for an early implementation of the Economic Growth and Poverty Reduction Strategy;

b. to stimulate the development of co-operatives and small and medium-sized enterprises for food processing and other agro-industrial activities in rural areas;

c. to speed up the reform of the public administration;

d. to accelerate the implementation of the Asycuda information system within national customs and the practice of pre-shipment inspections, to provide appropriate training for customs officials on the Asycuda system and to enhance co-operation with neighbouring countries in this regard;

e. to remove export restrictions, notably on cereals and sunflower seeds;

f. to further reduce licensing requirements, the cost of product certification and the frequency of inspections, as well as to simplify the administrative procedures for company registration;

g. to elaborate a national strategy for the promotion and development of small and medium-sized enterprises and to enhance support at the practical level to start-up companies, especially via micro-loans to women entrepreneurs, as called for in Parliamentary Assembly Resolution 1328 (2003).

h. to promote the use of advanced information technologies as a means to enhance the transparency and efficiency of state procurement procedures, business-support services and payment transactions;

i. to prompt the country's banking sector to speed up the development of electronic banking;

j. to remove the obstacles to the establishment of foreign bank subsidiaries (daughter companies) in the country;

k. to introduce a deposit insurance system;

l. to review budgetary increases for security and defence structures, with a view to using budgetary resources more efficiently;

m. to improve air transport links with western Europe, notably by granting landing rights to more foreign airlines, by having the national airline enter into partnerships with one or more foreign airlines and by creating equal conditions for the activities of state and private, as well as domestic and foreign, companies;

n. to continue the restructuring of the country's energy sector in order to ensure the security and diversification of energy supplies, to increase competition in the market, to enhance energy efficiency and to reduce its debts for energy imports.

9. Given the fact that Moldova is so far the only new member state of the Council of Europe Development Bank (CEB) that has not yet received any funding from it, the Assembly calls on the Moldovan authorities and the CEB to step up their co-operation with a view to resolving the outstanding issue of Moldova's contribution, which was due following its accession to the bank, and the subsequent speedy identification of projects for financing in priority fields which could benefit from subsidies of the CEB Selective Trust Account, notably facilities for the return of victims of trafficking in human beings and measures to prevent such trafficking.

10. The Assembly recalls its Resolutions 1280 (2002) and 1303 (2002), in which it asked the Moldovan authorities to pursue co-operation with the Congress of Local and Regional Authorities of Europe (CLRAE) and to apply the CLRAE's Recommendation 110 (2002) on local and regional democracy in Moldova. It reaffirms the recommendations made in these resolutions and draws attention to the need to ensure the attribution of real competences to the local and regional authorities in Moldova, notably as concerns the management of local budgets.

11. Finally, the Assembly hopes that more constructive negotiations will lead to an early political settlement of the Transnistrian issue and the speedy and full reintegration of the region into Moldova, including from an economic point of view. It calls on the international institutions concerned to stand ready to enhance their support to this process.