



Spring School

“Good governance as an essential tool for economic development”

EUROPE 2020-MOLDOVA 2020 - Are we on the right track?

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Europe 2020 - main points

- adopted in 2010 as response to the crisis
- aims to turn EU into a smart, sustainable and inclusive economy
- Europe can succeed if it acts collectively, as a Union
- puts forward three mutually reinforcing priorities:
 - Smart growth: developing an economy based on knowledge and innovation.
 - Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
 - Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

Europe 2020 - objectives

- **Employment** – 75 % of the population aged 20-64 should be employed.
- **Research and development** – 3% of the EU's GDP should be invested in R&D.
- **Environment & Energy** – The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).
- **Education** – The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.
- **Poverty reduction** - 20 million less people should be at risk of poverty.

Evaluation

- The strategy has established the basis of the results that should come through in the coming years
- Strategy's targets express the longer-term direction necessary to sustain Europe's future and serve as benchmarks to guide policy
- The EU targets were transformed into targets at national level of Member States
- Mixed progress has been achieved so far
- EU's economic governance has been significantly strengthened
- The EU is on course to meet or come close to its targets on education, climate and energy but not on employment, research and development or on poverty reduction
- The reasons for having a Europe 2020 strategy are equally pressing in 2014 as they were in 2010, as convergence process has slowed as a result of the accumulation of imbalances
- An review of the strategy needed, so that the right post-crisis policy priorities can be set for the EU
- It is required a EU-wide consultation on the next stages of the EU's post-crisis growth strategy.

National Development Strategy “Moldova 2020”

- Approved by Law nr. 166 of July 11th, 2012
- First document of long-term strategic planning
- Comes to present a vision of the long-term sustainable development of the Republic of Moldova
- Is based on the resolving of critical problems that impede the country’s economic development
- Aims to fix the “mechanism” not to change it
- Intermediary evaluation is in 2015, the final evaluation is in 2020

Strategy's seven development priorities

- 1. Aligning the education system to labor market needs in order to enhance labor productivity and increase employment in the economy.
- 2. Increasing public investment in the national and local road infrastructure, in order to reduce transportation costs and increase the speed of access.
- 3. Reducing financing costs by increasing competition in the financial sector and developing risk management tools.
- 4. Improving the business climate, promoting competition policies, streamlining the regulatory framework and applying information technologies in public services for businesses and citizens.
- 5. Reducing energy consumption by increasing energy efficiency and using renewable energy sources.
- 6. Ensuring financial sustainability of the pension system in order to secure an appropriate rate of wage replacement.
- 7. Increasing the quality and efficiency of justice and fighting corruption in order to ensure an equitable access to public goods for all citizens

Strategy impact on economic development

- The *base case scenario* - a continuation of trends of the last decade (development with the same economic, social, political phenomena, with rising remittances and the same pace of reforms)
- It estimates an average annual GDP growth of 4.7% during 2012-2020
- *The alternative scenario* - The annual supplement to the additional GDP growth will emerge gradually, but will accelerate rapidly and sustainably, from 1.1% (2015) to 2.1% (by 2020)



Impact on income and poverty

- the annual income per capita by 2020 will be on average 12% higher compared to the base case scenario and 79% higher compared to 2011.
- the poverty level will be reduced to approximately 16% by 2020 (In 2010, the poverty rate was 21.9%)
- 149,000 people out of poverty

Evaluation

- the education system in Republic of Moldova continue to be a preference for higher education
- National Agency for Higher Education and Research Quality Assurance is going be founded
- Elaboration of strategies “Education 2020” and “Research and development of the Republic of Moldova until 2020”
- Adoption of Energy Strategy of the Republic of Moldova until 2030 (05.02.2013)
- Justice Sector Reform Strategy for 2011-2016 is in the process of implementation; are adopted a range of important laws regarding the judges’ status, judges’ selection and promotion etc; distrust in the institution’s independence from the political factor is maintained
- Little progress in laws implementation

Evaluation

- In the *Global Competitiveness Index 2013-2014* Republic of Moldova ranked 125th out of 148 in business development
- the economic situation registered some improvement
- The GDP growth in 2013 was caused by circumstantial effects and is not underlain by a qualitative leap
- The growth is not balanced and unevenly distributed across the economic sectors
- The national economy continues to struggle with the traditional constraints: inefficient justice and public institutions; unfavorable business environment; high level of corruption.

Republic of Moldova European integration: what next?

- Although 2013 has been a year of crises in some of its partners, reflecting political instability and difficult socio-economic conditions, the EU has continued to support efforts to enhance democratic governance, build security and support sustainable and inclusive development.
- The "ENP annual package" underlines that the success of the policy is dependent on the ability and the commitments of governments to reform.

Moldova's European integration: domestic and foreign policy tasks

- Republic of Moldova Government Program „European Integration: Freedom, Democracy, Welfare” 2011-2014 states: European integration is a fundamental priority of the domestic and foreign policies of the Republic of Moldova
- The Government of the Republic of Moldova pledges to make consistent efforts to implement the reforms needed by Moldovan society and requested by the international community
- Domestic reforms are the base of success, so all tasks are traced in accordance with European standards and criteria
- The EU-Republic of Moldova Association Agreement (including DCFTA) was initialled – **the task is to sign both**


Association Agreement EU-Moldova

- does not provide for EU accession
- Its implementation is interdependent with the Strategy Moldova -2020 implementation
- covers the main domains of short and long term reforming in main problematic domains of the Republic of Moldova: political dialogue and reform and cooperation in the field of foreign and security policy; justice, freedom and security; economic and other sector cooperation; trade; financial assistance and anti-fraud and control provisions.
- provides for alignment of the national legislation to the European requirements with the view to facilitate the economic integration with EU and implementation of the necessary sector reforms



Next steps according to ENP Country Progress Report 2013

- intensify the fight against corruption at all levels, particularly by ensuring the full functioning and independence of the National Anti-corruption Centre
- conduct parliamentary elections, scheduled for the end of November 2014, in line with European and international standards for democratic elections
- vigorously advance reforms in the justice and law enforcement systems, by ensuring effective implementation of the justice sector reform strategy and the related action plan, finalizing reforms to the prosecution system and pursuing structural reform of the Interior Ministry
- consolidate the system of protection of human rights and fundamental freedoms
- continue work to ensure media freedom and plurality of the media landscape

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- continue to make progress on sector reforms and regulatory approximation to EU law, to implement the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA)
 - improve the business and investment environment and work to increase the competitiveness of the Moldovan economy
 - continue the reform of education, including vocational and education training, to bring it into line with the needs of the labor market
 - continue to engage pro-actively with Transnistria
 - deepen reform of the public administration and implement the decentralization strategy in an inclusive manner, including by involving civil society

To conclude...

- The EU needs EU-wide consultation on the next stages of the EU's post-crisis growth strategy
- The EU keep up its engagement with its partners
- EU Commissioner Štefan Füle: *“Events over recent months have demonstrated that our neighborhood remains a region where the EU needs to focus its attention and resources. Popular aspirations for a better life and for enjoying basic human rights and fundamental freedoms remain strong. And while willingness to reform cannot be imposed from outside, the EU has a special responsibility to support those partners that are engaged in the difficult and demanding path of transition towards democracy and more inclusive societies”*
- Republic of Moldova should continue the reform path, so that once the Association Agreement signed, Moldova should be ready to fully benefit from opportunities provided to this end

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5. ENP Country Progress Report 2013 – Republic of Moldova, Brussels, 27 March 2014