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NEWSLETTER

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Synthesis and Foreign Policy Debates

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TOPICS OF THE EDITION:

1. The minority government in Chisinau established with the vote of the Party of Communists. Ex-Prime-Minister Iurie Leanca quits PLDM and announces creation of a new political project.
2. Priorities of the parliamentary parties – between the European integration and the Eurasian integration.
3. 2015: Economic prospects in a complicated regional and internal context. An editorial by the ex-minister of Finance, **Veaceslav Negruță**.
4. Briefing Book handed in to the new government by the development partners: recommendations or ultimatum? The main theses of the document, an interview on the topic with the Swedish ambassador, **Ingrid Tersman**, and an opinion of the director of the Foreign Policy Association, **Victor Chirilă**.

The last period has been marked by a series of important events for the Republic of Moldova.



The EU Foreign Policy High Representative, Federica Mogherini, and the European Commissioner for Neighbourhood Policy and Enlargement, Johannes Hahn, as well as the officials of the White House, have welcomed the inauguration, on February 18th, of the Moldovan government led by Chiril Gaburici. They underlined the need for further reforms, continuation of the pro-European course of the Republic of Moldova and rapid implementation, for the benefit of citizens, of the Association Agreement with the EU. The Western partners have particularly emphasized the reforms related to the justice and financial sectors and fighting against corruption.



During his first visit to Brussels on February 26th-27th, the Prime Minister Chiril Gaburici assured that Moldova will honour its commitments under the Association Agreement and that the European integration and continuation of the reforms will constitute the foundation of the activity of the new Government.



The Romanian President Klaus Johannis said during his first official visit to Chisinau that Romania has "great expectations and hopes" that the new government will continue the pro-European course supported by the voters in the elections from November 30th, 2014. After his visit to Chisinau, Klaus Johannis paid a visit to Berlin. He has discussed among other subjects the issue of the Republic of Moldova with the German Chancellor Angela Merkel.



Angela Merkel said Moldova will receive substantial support from the EU, stating that the Association Agreement is currently in the process of ratification in the Bundestag. Regarding concrete measures in order to help Moldova, Angela Merkel said: "As regards Moldova as a member of the Eastern Partnership, the Association Agreement was signed with the EU, which is in the process of ratification in the Bundestag. In addition, Moldova will receive substantial assistance from the European Union". The German Chancellor stressed that the Europeans are "very closely connected politically to Moldova". "So, we will help Moldova. We have supported the "5 + 2" talks and now, given the situation in Ukraine, which is extremely difficult, the attention has increased," said Merkel.



The first gas deliveries from Romania through the Iasi-Ungheeni pipeline started on March 4th. The pipeline is seen as an alternative to the exclusive dependence of Moldova on the Russian gas, but in order to become a real solution, the pipeline has to be extended to Chisinau. According to the authorities, the works will begin in 2017 and will require investments of 110-150 mln Euro, of which 10 mln will be allocated by the EU.

The minority government in Chisinau vested with the Communist Party vote



In February, the cabinet and government program proposed by Leanca did not receive the investiture vote of the Parliament.

The minority coalition formed of PLDM and PDM and supported by the Communist Party has voted for a new government headed by Chiril

Gaburici. *The Parliament has begun its legislative work after a break of more than two and a half months since the November elections. The political events occurred against the sharp depreciation of the national currency and a severe financial crisis resulting from frauds at the Savings Bank, Unibank, and the Social Bank, from which a fabulous amount for Moldova of over one billion euros has disappeared.*

The Republic of Moldova continues to be governed by a minority coalition of 42 seats, consisting of the Liberal Democratic Party (PLDM) and the Democratic Party (PDM), despite the mediation efforts and the call of the Western partners to co-opt the Liberal Party (PL) onto the government coalition, which would have institutionalized a pro-European majority coalition with 55 out of 101 seats in the Moldovan Parliament. Neither the visit from late January of the three representatives of the European political families (the German Christian-Democrat Elmar Brok, the German Social-Democrat Knut Fleckenstein, and the British Liberal Democrat Graham Watson) nor the discussions with Christoph Heusgen, the foreign policy adviser to the German Chancellor Angela Merkel, were not in a position to change the decision of PDM and PLDM not to co-opt PL onto the government coalition.

On February 18th, Chiril Gaburici presented in the Parliament virtually the same composition of the Cabinet and the same pro-European government programme, which had been proposed one week before by Leanca. The Gaburici Cabinet was vested in Government with the vote of PLDM, PDM, and PCRM.

Lurie Leancă: *The Government investiture with the vote of the Communist Party is a major setback in the process of European integration*



Leanca said the investiture of the government with the PCRM vote means a major setback in the process of the European integration of Moldova and a de facto return to power of the communists. In a statement made after the investiture of the Gaburici government, Leanca has criticized severely the decision of PLDM, led by Vlad Filat, to associate with the Communists. One week after the vote, Leanca has announced his decision to quit PLDM and launch his own political project which will be supported including through the citizens' donations.

"In times of crisis a minority government is irresponsible. Three pro-European parties have won a majority in Parliament and have tested the patience of the people for two and a half months. The financial situation has deteriorated,

as well as the situation in the region. Today, we have a minority government because a parliamentary majority with the PL participation was not preferred. PLDM and PDM will have to pay with major compromises to the Communists for the vote cast by the latter in support of government. PLDM and PDM will have to negotiate every step with the Communists. As of today, Voronin is leading the parade in Moldova," said Leanca.

According to Leanca, Moldova had the chance to obtain the EU associated status, but the latter was sacrificed, as well as the interests of citizens, Moldova having lost its credibility in the relations with the development partners.

Vladimir Voronin: *We want leadership positions in several institutions*

The leader of the Communist Party, Vladimir Voronin, has made public the conditions set by PCRM in order to support the minority government. The first condition referred to the neutrality status of Moldova. "The Government actions must be directed towards strengthening the sovereignty,



i.e. fighting against the unionist tendencies and correcting the previously adopted documents which diminish the sovereignty of the Republic of Moldova," said Voronin. The communists have requested to adopt a law on the neutrality status of Moldova, in addition to the constitutional provisions.

In addition, PCRM wants to correct certain provisions of the Association Agreement with the European Union regarding the neutrality and the economic part. "This correction should be made in parallel consultations with our Eastern partners with whom we have signed strategic agreements," said Voronin in an interview posted on the PCRM website.

The communist leader also said that during the negotiations with the Alliance for European Moldova (AME) they have discussed about the possibility of the PCRM to be part of the government. "We either get one third of the government executive bodies or obtain control over the executive power. We refuse to come to power but we require that the opposition gets all its rights back. I mean the control positions. We support the minority government but we will put it under the control of the opposition. We will participate in the formation of the state budget, including in the issue of local investments. This is our position" concluded Voronin.

"We want leadership positions in several institutions under parliamentary control. Our party will propose specialists for these positions," said Voronin in a broadcast on public radio. It is about the Court of Accounts, the Broadcasting Coordinating Council, and the Supervisory Board of the Teleradio-Moldova. "Just let them try not to offer us these functions," warned Voronin.

Parliamentary priorities – between European and Eurasian integration

The leaders of the parliamentary factions have presented the priorities of their parties for the next four years.

Zinaida Greceanii: The socialists want to denounce the Association Agreement with the EU, favouring the Eurasian integration

Zinaida Greceanii spoke on behalf of the Socialist Party (PSRM), which has most of seats (25) in the current parliament. According to the chairman of the faction, the Socialist Party will be in active opposition and has already prepared a package of socio-economic anti-crisis measures. The number one priority of PSRM is denunciation of the Association Agreement with the EU.

Zinaida Greceanii: We have several priority objectives which are a matter of principle for PSRM: denunciation of the Association Agreement with the EU, which turned out to be a millstone tied around the neck of the country, and holding of a national referendum on the country's foreign policy vector in order to demonstrate the real option of the citizens. Another priority includes maintaining of the neutrality status of Moldova. If the Moldovan government turns the country into a NATO polygon, it will very soon lose its integrity and even existence.



Greceanii has called for creation of a parliamentary commission to investigate into the schemes and individuals involved in the embezzlement of tens of billions of lei in the banking system, as well as for urgent actions in order to stop the devaluation of the national currency. Further depreciation of the national currency will escalate the economic crisis, which will result in an increase in the number of the unemployed and exodus from Moldova.

Zinaida Greceanii: We also must stop and rethink the reform which is closing down schools and hospitals, leaving thousands of professionals without jobs and people without access to services. We must resume the negotiations over the exports to the Russian Federation. If we do not export agricultural products to the Russian market this year, we risk that our agriculture will disappear.

I would like to inform you of another important goal. PSRM announced the creation of an inter-parliamentary group for Moldova's integration into the Eurasian structures. The members of PSRM, which account for a quarter of MPs, have already joint this group. The group will have its own political agenda dedicated to establishing diplomatic and political relations with MPs from the Russian Federation, Belarus, and Kazakhstan.

Moldova has only one chance to escape from the captivity of oligarchy and colonial capitalism - to abandon the

Western vector and restore the good relations with our traditional partners in the East where we have export market, energy and century-old traditions. The socialists will fight for this geopolitical solution in Moldova. Sooner or later this will happen, it's just a matter of time.

Valeriu Streleț: The major challenges in the way of the European integration are yet to come

Valeriu Streleț, deputy chairman of the Liberal Democratic Party (PLDM) has presented the priorities of his party represented by 23 MPs in the Moldovan parliament.



Valeriu Streleț:

The political circumstances are at a point of maximum tension and the anti-European political forces from inside and outside will

diligently exploit the existent difficulties in order to get the maximum profit out of the people's current problems.

It is particularly important to follow firmly the political course in the name of which we have started the big changes. That wasn't simple to do until now but we understand that crucial moments are waiting for us ahead. Moldova's European integration has not reached yet, unfortunately, the point of irreversibility, even if I did believe in this on July 3rd last year when we ratified the Association Agreement with the EU. We are now convinced that the Europeanization cannot be achieved just by signing and ratifying documents.

This deep process must be confirmed by consistent actions and concrete steps in promoting reforms. We must be resolute in

the rapid and step-by-step implementation, without deviations and delays, of the agenda of the Association Agreement, which would bring tangible benefits to ordinary people. Only this way the anti-European propaganda promoted by the numberless Moscow TV and radio stations will break their swords and suffer defeat.

The list of tasks is long and the landmarks of the roadmap for the implementation of the Association Agenda is indicating to us that we are already late. We are not being criticized yet, but we know we have a lot to catch with.

The priorities include stabilization of the national currency and of the situation in the banking sector; voting of the budgets – the state budget and the social security and health budgets; real fighting against corruption by eliminating the political influence and protectionism, by decriminalizing the bodies fighting against corruption and the deep reform of the Prosecutor's office; further implementation of reforms in the justice sector; revision of the broadcasting legislation to ensure transparency of the ownership and prevent concentration of political influence in the field; strengthening of the national defence capacity in the context of the regional security challenges and plenary implementation of the permanent neutrality status of Moldova by removing de facto the foreign troops from the sovereign territory of the country.

Violeta Ivanov: We will be fully engaged and will not passively observe what is happening in the Moldovan society

The Party of Communists (PCRM) with 21 seats in the parliament aims at playing an active role in politics, positioning itself as a constructive opposition, according to the chairman of the parliamentary faction, Violeta Ivanov.

Violeta Ivanov: At present, Moldova is facing a deep crisis in all spheres of the social and economic life. Our country stepped into 2015 without having adopted the fiscal policy, the state budget and the social and health insurance budgets. There are more and more cases of salary and pension arrears, disastrous problems with the national currency, including in the finance and banking sector, on the medicine market. All state institutions have virtually been paralyzed for the last six months.



In such circumstances and given that the welfare of the people is the aim of the PCRM presence in Parliament, as a constructive opposition, we have consciously chosen the path of dialogue in order to unblock the work in Parliament.

When asked "What is the cause of the failure of the political institutions of the country?" the answer is simple: today, we have a situation where the populist rhetoric, petty intrigues and personal interests of politicians have precedence over the welfare of the state and of the Moldovan people.

Communist Party remains faithful to its promise to strengthen the statehood, sovereignty and neutrality of Moldova, advocating for peaceful reintegration of the country, strengthening of the society and protection of the Moldovan citizens' rights and freedoms and addressing the full spectrum of social and economic problems.

We will be fully engaged and will not passively observe what is happening in the Moldovan society.

Marian Lupu: The issue of the European vector should be removed from the ideological sphere and placed in a pragmatic framework

For the Democratic Party (PDM) with 19 MPs in the parliament, the priority is to continue the European course, says the chairman of the Democratic Party, Marian Lupu.



Marian Lupu: Moldova should continue the European path as this is how the citizens decided in the last elections. The mandate of the PDM is a mandate

for the development of Moldova, and namely its European development.

And when I talk about the European future I would like to draw everybody's attention to the fact that the European integration is primarily a matter of domestic policy. We talk about the need for European modernization of all functional systems in the country: the economy, social sphere, democratic issues etc.

Last year we signed and ratified the Association Agreement with the EU, and now we are strengthening this important achievements. We have important tasks and ambitious objectives. More than ever before we are forced to talk about good governance, administrative performance, transparency of institutions, judicial independence, and fight against corruption. We should not just talk, but act and draft laws in order to achieve these objectives.

I believe this Parliament can make the European path a matter of broad political, trans-ideologic and cross-party consensus. The European vector should

not be a matter of rupture, an issue to polarize society, rather a common cause to consolidate our citizens. Rapprochement to Europe is a logical and natural thing and steps have been made in this directions for a period of more than ten years - smaller or larger, slower or faster, more timid or more determined. To be honest with ourselves, deputies present in the current Parliament from absolutely all parliamentary factions have worked actively at a stage or another of their public life for the European vector.

Let's get the issue of the European vector out of the ideological sphere and place it in a pragmatic framework. If we, the members of Parliament do it, the citizens will do so too.

Mihai Ghimpu: The European course cannot be achieved without a pro-European majority

Mihai Ghimpu, the chairman of the Liberal Party which has 13 MPs in the current Parliament, said his party is in opposition to the minority government and warned that without a parliamentary pro-European majority the Republic of Moldova will not be able to continue the European course.



Mihai Ghimpu: We have come to Parliament after seven months of inactivity of Parliament and three months of inactivity of

Government, without a parliamentary majority. That means empty promises to the citizens. The political, economic, and social situation depends on whether or not there is a pro-European and pro-reform parliamentary majority with at least 51 votes. How can we overcome this difficult situation in the given geopolitical context?

The lack of political stability was the main factor of the destabilization of the national currency and banking sector. That is why we need a parliamentary majority - as nobody believes in a government unless it is backed by a parliamentary majority. How can the government program be implemented under these conditions? These are just empty promises.

How can we fight against corruption? This issue does not depend so much on the Government, which deals with the economic issues, as on the Prosecutor's office, the National Anti-Corruption Center and the parliamentary majority that assumes to combat corruption, fight poverty, make reforms and continue the European course. And this parliamentary majority is not there.

What do those who helped us and gave us the Association Agreement, free movement, support, grants, think of us? ... We have not been able to decide for a period of three months of whether to form a majority with PL or the communists. It is high time for a parliamentary majority in this country - be it with PL or with the communists! People need to know that there is a majority that is accountable for everything that happens.

And another important thing is that Moldova is in danger - a situation that we had in 1940, when on June 28th this territory was occupied. The war in Ukraine, as well as the Russian military occupation of our territory on the left bank of the Nistru for 20 years - are these arguments not clear enough to understand that we cannot defend ourselves and that we cannot guarantee peace to people without NATO? NATO means shield and security umbrella. Salvage of the Republic of Moldova is in the realization of our slogan: "With PL in the NATO and the EU family!"

Editorial

by Veaceslav Negruță



2015: Economic prospects in a complicated regional and internal context

External Context

It's not quiet in the world. Small and larger battles, open and sophisticated wars will cause certain fluctuations on the oil and gold markets, and respectively of the quotations of the major international currencies—particularly of the USA dollar and Euro.

The region is severely affected by the open military operations in Ukraine. The fire will not cease completely in 2015, while this instability will determine the economic activities in the region. The trade flows, the volume of international services, including the transportation services, will be negatively influenced. Accordingly, the economic activities on the “traditional markets” will continue to be blocked.

The dynamics of the economic activities with the European Union countries will slow down, risking to

become less intensive. The Association Agreement has been ratified by only a few European countries, while the DCFTA is being implemented provisionally. The duplicitous nature of the foreign policy, especially in the period after the elections from 30th of November, is creating difficulties and tensions in the relations with the development partners. Unlocking and re-launching of the active dialogue with the development partners from the international financial institutions is not a priority on the agenda of the new Government.

Domestic Context

Lack of clarity in the domestic political agenda will dominate the politics, economics and other aspects of the social life. The lack of benchmarks in reforming the society will discourage the structural reforms as well as the economic, social, institutional and other reforms to follow the logic of

things established by the Association Agreement with the European Union. The government, which has been directly involved in the negotiations over the recent years in various sectors, does not longer exist. Accordingly, you cannot speak about implementation. At the same time, the government won't have enough political space and support in order to negotiate and sign a new program of economic and financial policies with the IMF.

The local elections that are scheduled for this summer will bring more surprises just because of the uncertainty of the governance.

The year 2015 will be the year of the 3 governments. Dissatisfaction of the society will increase and the government will be sacrificed because it will not be able to appease it. A new government will be formed in order to calm the people down, while the minority alliance will govern in order

to avoid early elections. Only this way the current minority government will be able to maintain its political unity.

Several topics of public interest will constitute increased areas of risk and social discontent: the Savings Bank of Moldova (BEM) and the banking system, the Chisinau International Airport, and the list of 13 other companies belonging to the state which may undergo the same scenario as the one applied in the case of BEM. Certain international investigations could unveil major financial problems in Moldova as a result of which certain restrictions of protection (safeguarding) may be imposed to Moldova.

Prices

The prices will increase significantly compared to previous years, while the inflation will exceed 10 percent. The National Bank of Moldova (BNM) may not observe these trends, even though the latter were influenced by the BNM early this year. To a big extent, the inflation will not be of monetary nature (will not have to do with the monetary mass or the BNM policies), rather will be caused by the confusing messages of the BNM followed by its interventions on the currency market.

Due to the slowdown of economic activities in the region, the prices for some products imported into the Republic of Moldova will increase by over 40 percent. We will also have import of inflation against the depreciation of the Moldovan Leu.

Only the limited purchasing power, which will have a negative trend, will determine the slowdown or depreciation of the price evolution in the second half of the year.

Exchange rates and the Moldovan Leu

The evolution of the Moldovan Leu against the dollar will depend mostly on the position of the US dollar on the international market. After a period of evident consolidation there can be expected a weakening of the dollar against a slight recovery of the oil prices. Accordingly, the pressure on the Moldovan Leu may decrease because of the relative weakening of the dollar.

Also, there are three other factors which determine the decrease in the foreign currency inflows and which will influence decisively the quote of the Moldovan Leu against the US dollar:

1. The volume of exports, respectively the foreign currency inflows from exports; In 2015, the exports will decrease by about 5-10%;
2. The remittances of foreign currency will be decreasing by about 20% due to the stagnant economies and the depreciation of the Russian currency. Accordingly, there will be registered a loss of value of the revenues denominated in US dollars;
3. Blocking and/or limitation of grants and loans offered by major development partners. The uncertain political situation, the duplicitous domestic and foreign policy, as well as the disastrous situation in the banking sector, are just a few reasons why the development partners will limit the foreign funding. In addition, the lack of a relevant Government roadmap in line with the commitments under the Association Agreement with the European Union could block at least 40-50 percent of financial package committed for 2015.

The range of variation of the MDL against the US dollar could be between 19-26 MDL per dollar.

Public finance

In the public finance the major problem will be the financial hole caused especially by the liabilities that go back to 2014 (outstanding debts of all-level budgets in the fiscal year 2014 for goods, works and services) and the commitments expenses which are not financially covered. The year 2015 will be a year in which the executive will surprise us with:

1. Increase in the tax burden - increase in taxes and fees in order to cover the growing hole;
2. Spending cuts may be imposed (blocking of expenses) due to the impossibility of honouring them. In particular, a good part of programmes initiated with the help of the development partners will be blocked, and the largest blockages will be on the capital expenditures. They may also include the transfers to other budgets, such as those of the administrative-territorial units, social security and health insurance budgets. These budgets will immediately feel the decline in the economic activity and, respectively, the payments to the above-mentioned budgets;
3. In addition, a major pressure has already appeared on both the external debt servicing (due to exchange rate of MDL /US dollar and MDL/ Euro), and the internal debt due to increased interest rates on the securities issued by the Government -from 4 % last years to 12% already in 2015). Also, there will be additional pressure because of the assumption by the government of the debts guaranteed for the three commercial banks in difficulty.



In such cases, the budget deficit (cash) could reach a record of 3% (and that's just due to the lack of resources to finance the deficit), while the accrual deficit could exceed 12-14% of GDP.

Fiscal Policies

Contrary to the provisions and statements of the "Government Programme" presented, the fiscal policy is going to be tightened. The tax burden will increase considerably against the decrease in the economic activities. The only chance not to increase the tax burden will be to drastically reduce the costs and cancel the facilities granted in big amounts over the past two years. Recovery of the financial stability will be costly and to the detriment of the enterprises and population. Economic growth is going to stop.

The data adjustments will cost more if an anti-crisis plan is late to be put in place. Unfortunately, such a plan is not part of the philosophy of the new government. The delayed adoption of fiscal policies has already created new pressure and contributes to the increase in the budget hole. The "lost revenues" in 2015 are already of millions. The tax burden will affect primarily those businesses which do not have the protection of certain interest groups and are not part of various tax relief schemes.

Public debt

In 2015 the public debt will increase significantly and its servicing will become an enormous burden, even if relatively few loans will be contracted. Two major factors determine this:

1. Depreciation of the MDL against the US dollar and the Euro. Accordingly, the Government will have to spend more MDL in order

to buy dollars and euros for the external debt service. For some loans, the deadline of the grace period is expiring and respectively, their servicing is beginning. Here we anticipate an increase in the expenditures of over 30-40% for the external debt servicing;

2. Increase in the interest rates of the domestic bank lending from 4 to 12% will determine an increase in the burden of the internal debt servicing.
3. In addition, there is a high risk that the 6.5 billion MDL (while the gate is open for 9.5 billion MDL) in loans granted by the BNM to the 3 banks in difficulty will be taken over by the government based on the guarantee provided (if the commercial banks do not pay back the billions borrowed from the BNM). Thus, the state domestic debt could raise from 7.2 billion to 16 billion MDL. Heavy burden!

Servicing of the domestic debt could increase many times - twice on account of the total amount doubled and at least 3 times on account of the interest rates that tripled in the last few months.

Statistics and the GDP growth

The Republic of Moldova has had an impressive growth in 2013 and 2014 even though all around had great difficulties in staying in the plus area of the GDP growth.

I tried to compare the data provided by the official statistics with other data which could confirm or contradict such growth. There is a discrepancy: while the GDP is increasing (officially), the consumption of electricity, natural gas, and fuel is in decline. What is then the basis of the GDP growth?

I understand that we have technologies that consume less electricity, natural gas and fuel. But are they already that widely used in the country so that the GDP increases while the resource consumption decreases?

Services are an important component in the GDP structure. Here we observe a significant increase in certain services, particularly in the financial intermediation services. This would be an explanation of the Moldovan economy growth, in the condition of a decline: exorbitant turnovers driven from banks to banks, out and in, which inflate the aggregate indicators on services, without actually creating added value for the rest of the economy. There are some other elements of this type which will be explained later.

Conclusions

GDP will decrease by 3-5%;
 Inflation will exceed 10 percent, back to double digits;
 The public debt will rise to account 50% of GDP, even if the access to loans is going to be limited. This will be due to the currency depreciation and doubling of the domestic debt;
 Exports will fall by 5-10%;
 Remittances will drop by over 20%;
 The budget deficit - more than 3% (cash) and over 12% (accrual);
 Withdrawal of FDI in net values;
 foreign investments could only come from off-shore zones;
 No reforms, big isolation, poor dialogue with all partners;
 Moldova needs an anti-crisis plan!
 Fall of governments. My prognosis is that 2015 will be the year of the three governments.

Briefing Book of the Development Partners: Recommendations or Ultimatum?

Moldova's development partners have developed and submitted to the new government in Chisinau a comprehensive document that describes the situation in 29 key areas and comes up with recommendations for concrete measures that have to be taken by the Moldovan authorities in the area of European reforms. At the top of the list of recommendations are the fight against corruption, continuation of the judicial reform and ensuring a well-regulated banking sector. Recommendations refer also to such areas as education and health, water provision, forestry, reforming of the pension system, the Transnistrian settlement, the police reform, agriculture and energy security.

The actions required are grouped into immediate priorities, i.e. the next three months, short term, i.e. next year and medium-term, i.e. up to five years, and long-term.

The document is unique for Moldova and was immediately perceived by analysts as a sign of concern of the development partners and as an attempt to prevent the minority coalition government in Chisinau from diverting from the European reforms.

The ambassador of Sweden to Chisinau, Ingrid Tersman, said at the meeting with the Moldovan Government leadership where the document had been presented, that Moldova needs rapid and tough actions. Sweden, which is along with Poland the initiator of the Eastern Partnership, has been offering constant financial support to the

Moldovan government in Chisinau. Since 2011, for instance, Sweden has provided support in the amount of over 52 million US dollars.



Ingrid Tersman: "We all have expectations and especially your citizens who want stability, economic growth, and transparency, firm decisions in the fight against corruption, a well-functioning justice and a favourable environment for local and foreign businessmen. When they see the first results, the citizens will have confidence in your actions. It is high time for tough decisions. Sweden will continue to be a reliable partner of the Moldovan authorities and of all those who want reforms and work for reforms and you will see that our support will not be delayed, but only in exchange for reforms. "

The head of the EU Delegation to Moldova, Pirkka Tapiola, says that many of the recommendations contained in the document proposed by the development partners are closely linked with the provisions of the Association Agreement. Pirkka Tapiola reminded the government

leadership that during his recent visit to Brussels the Prime Minister Chiril Gaburici had committed to continue the reforms under this Agreement:



Pirkka Tapiola: "During the transition from commitments to real actions, you will need support, spirit of leadership and considerable political will. The informative note is intended to assist you on this path. It is a roadmap with very concrete steps on the short, medium and long term. I can assure you of all the support from the development partners in this regard. I hope we could lay the foundations of a very close coordination between us and your Government for the development of Moldova".

The document handed in to Prime Minister Gaburici comes from the embassies of Germany, the USA, Sweden, Switzerland and the European Union Delegation as well as from donor organizations such as the World Bank, the US Agency for International Development, Austrian Development Agency and the Swiss Agency for Development and Cooperation.

Ingrid Tersman: Our message to the government was: “Please work hard on the reforms. When you do it, we will be here to support you”

The ambassador of Sweden to Chisinau, Ingrid Tersman, elaborates on the Briefing Book of the development partners submitted to the Government and on the expectations of the western partners from the new coalition in Chisinau.

■ **Lina Grâu:** The Informative Note that you handed in to the Government on March 4th is being discussed by experts and civil society and most of them say it is a warning to the ruling coalition. What was actually the message and the intention of the development partners?

■ **Ingrid Tersman:** First of all I would like to say that we call it Briefing Book. It was decided a few months ago to develop this together between a number of development partners. This is a joint effort by several of us and a joint message to the new government of what we hope and expect. At the same time it is an overarching but also a very detailed document, covering many areas where we see that reform and modernization is needed and actions that we propose have to be taken or should be taken. The paper which is on more than 50 pages comes with recommendations which are put in different time frames. Some issues, we think, are important to be tackled immediately by the new government and others can wait a little bit longer.

I would say that this is the collective view of the development partners on the reforms that are needed for the country. Some have already

been agreed upon between the European Union and Moldova within the framework of the Association Agreement. Our message was to step up reforms. May I say personally that the time has been lost and that it is high time for hard work to really get the key reforms going that will modernize Moldova. And I think that we all know what reforms are needed. It is, of course, the justice sector and the prosecution system reform, very sincere and devoted work on the anti-corruption as corruption in Moldova is a painful feature which hinders the country and citizens' development.

So, this was, in a sense, an offer to the Government. This is our joint analysis and if you follow this and work according to the schedule, you will modernize the country step-by-step and if you decide to do this the development partners will be there to support the country and its citizens.

■ **Lina Grâu:** The document is very complex and contains very concrete objectives that have to be met in the short, medium and long term. How do you plan to monitor whether the authorities perform according to the schedule?

■ **Ingrid Tersman:** What we did last week was to hand the document to the Prime Minister and the next step would be for the Government to study the package –the Briefing Book- because it is, as you said, big and comprehensive and it takes time to go through it all. We are looking

forward in a few weeks to very good discussions with the Government on the content of the Briefing Book and then we will see how we take it forward. This is for us a really good line to follow and we will monitor, of course, the work of the new Government. I know the government has a lot of challenges but they need to be tackled.

I also believe that in the case of the new government, this is the time to make difficult policy choices and actually start with difficult reforms. It is much easier at the beginning of the mandate than later, when the Government is facing elections.

So, our message to the new Government was: “Get down to hard work and we will be there to support you. These are the actions to be taken. We are all in agreement on that.”

■ **Lina Grâu:** What is the connection between the future instalments of the European financial assistance and these recommendations?

■ **Ingrid Tersman:** The EU financial assistance is always contingent on reforms and on how the country is meeting the criteria that have been agreed upon between the EU and Moldova in this case. I believe that there are now discussions going on between the World Bank and the Government on the need for firm actions in the banking and financial sector and I think the WB wants to see prompt actions so that the support

to the country could continue. And the support of the WB is linked to the support of the EU.

The same refers to the Swedish support on the reform cooperation. We have very clear directions from the Swedish Government. Swedish support will be given on conditional reforms. That is a very serious task for us to ensure that the programmes that we work on with the Moldovan counterparts deliver the results that we have agreed upon.

■ **Lina Grâu:** The experts whom I have talked with are sceptical about the ability of the new government in Chisinau to achieve the plan of reforms presented by the development partners. Do you think the Moldovan society is able to put pressure on the government in order to make these difficult reforms?

■ **Ingrid Tersman:** First of all, I will not make an assessment of the Government that has been in office

for a short period of time. They have difficult challenges and we know that. I believe it is very much up to the Moldovan society, the civil society, media and citizens to really ask the elected officials for accountability. It is just the same in my country. What happens if the elected officials, government do not deliver what citizens want or what the officials have promised? The latter are voted down out of office. Now we have just had elections, and it is important that the Government shows its commitment to reforms for the citizens and that really delivers on what the needs of the citizens are. And we know that Moldova is a poor country and that the region is fragile. I believe that reforms it is what is needed to stabilize the situation and help the country to become more resilient and also to build trust of the citizens in the elected officials.

■ **Lina Grâu:** What is the risk for Moldova if it misses the European chance?

■ **Ingrid Tersman:** I think Moldova has very few choices. Moldova needs to become a successful country where the citizens have a decent life. I believe Moldova needs to modernize. We can call it EU reforms or EU approximation or good governance, actually it does not really matter how you call it. The most important is that the society continue to modernize and that the state structures and the state system are accountable to citizens, that there is predictability for the businesses in the country be they Moldovan or international, so that there is trust to invest in the country for the economic growth. And, of course, there is need for adjustments to the international standards, which in many cases are EU standards, so that Moldovan goods can be marketed on the international markets, including the EU markets. And this is, of course, a process that takes time. But this process needs to be speeded up and if this happens we are here to assist.

Victor Chirilă: Moldovan political class is afraid of deep European reforms

Victor Chirila, executive director of the Foreign Policy Association, believes that the Briefing Book of the development partners is a signal of their concern about the situation in Moldova which is worsening – there is a slowdown of reforms and there is no sufficient political will to continue the European course and implement the Association Agreement.

■ **Lina Grâu:** Which of the areas on which the Western partners



developed recommendations have drawn your attention?

■ **Victor Chirilă, Executive director of the Foreign Policy Association:**

From my point of view, all the 29 areas included in this document are important. First, I think the most important for Moldova and the EU at the moment is the stability and transparency of the financial sector. Second- fighting against corruption; third – the justice reform, which

is closely related to combating corruption; fourth – the central and local government reform; fifth – the Transnistrian issue.

■ **Lina Grâu:** Why do you think the Western partners came up with this document? Such a thing happened for the first time in Moldova.

■ **Victor Chirilă:** This happened because the EU noted that the situation in Moldova is getting worse. There has been a slowdown in reforms, especially starting with the second half of the last year. The EU is concerned that there is no sufficient political will in Chisinau to continue the European course and implement the Association Agreement. Thus, the ambassadors decided to come up with these recommendations in order to clarify the priorities and the way both partners should work together so as to maintain the pace of transformations in Moldova and advance towards the European standards.

■ **Lina Grâu:** Can Moldova advance without this document?

■ **Victor Chirilă:** I think they could advance without such a document but, again, the situation has really deteriorated and the EU has decided to make his own picture of the situation in our country and come up with some clearly formulated recommendations, focusing on concrete progress. EU has realized that there are too many discussions around reforms but no results. A special case is the justice sector reform. For example, the document makes reference to the laws aiming at preventing the corruption of the judiciary which were approved in 2013 but which have not brought tangible results so far.

■ **Lina Grâu:** Does this document mean that the EU is conditioning

the financial assistance that will be provided in future to Moldova?

■ **Victor Chirilă:** The financial assistance provided by the European Union to the Republic of Moldova is already subject to real progress in implementing reforms. And the justice reform is a clear example in this respect – the funds earmarked for the justice reform have been reduced twice - from 15 to 13 million Euro. In both cases the signal was very clear that the EU can no longer tolerate lack of results in the implementation of reforms.

I think the document in question is to some extent warning the Moldovan authorities on the reforms and on the EU's readiness to commit to support the Republic of Moldova and the current Government in the implementation of reforms provided that this government and this alliance put in place the recommendations that the EU has made through its ambassadors in Chisinau.

■ **Lina Grâu:** Is there any guarantee that these recommendations will be implemented? Are there mechanisms to verify that the Government is indeed making efforts to move towards the direction requested by the European partners?

■ **Victor Chirilă:** The guarantees should be the promises made by the parties in power when they voted for the current Gaburici government. Also, other guarantees are the Association Agreement with the EU that the Moldovan government signed last year and the association agenda agreed with Brussels. But we see that these guarantees are not always respected by Chisinau.

Therefore there is a number of institutional tools designed to

ensure that these guarantees and promises are fulfilled. And I refer to the Association Council, the Association Committee, and the Association Parliamentary Cooperation Committee which were established by the Association Agreement signed with the EU. So, there is a series of documents giving guarantees as well as institutions established by Chisinau and Brussels in order to implement these guarantees. What is needed is political will on behalf of the Moldovan political class. However, unfortunately, this political will is not very convincing for either Brussels, or the Moldovan society.

■ **Lina Grâu:** From your point of view, has the Moldovan government the capacity to implement this document?

■ **Victor Chirilă:** I have strong doubts that this roadmap will be put in place by the Republic of Moldova. On one hand, there is no real political will in Chisinau and solidarity among the members of the Alliance for European Moldova. On the other hand, there is no clear understanding of the situation by the Government of the Republic of Moldova and the Prime Minister Gaburici personally. At least, that is the perception of the society at the moment.

In addition, I have the impression that at the moment the pro-European political class is primarily concerned with its own survival. The last parliamentary elections showed that, in fact, the support for these parties is declining. The financial crisis caused by the loss of a billion euros by Moldova emphasized the crisis of our pro-European political class. Therefore, I do not think that the pro-European parties in power are interested now in deep reforms. In fact, we can even say they are afraid of deep reforms as the latter require sacrifices which could

weaken even more their popularity. So, the current political class is not ready to make sacrifices demanded by the society and the reforms agreed with the EU.

■ **Lina Grău:** Does the society in general and the civil society in particular have a say in advancing with these recommendations aiming at improving the citizens' standards of living? Will they do it?

■ **Victor Chirilă:** People always have a say. The problem is that our people are accustomed to the fact that they decide the fate of the country only once every four years. There is no well-developed civic involvement in our country.

Also, the civil society represented by different NGOs is not always cohesive and coherent in its approach. It becomes increasingly divided as a result of the infiltration of large economic and political interests. All these, of course, cause an even bigger fragmentation of NGOs, which makes them less efficient in their dialogue with the parliamentary parties and the ruling political class.

The document of the development partners reflects a real interest of the EU to strengthen the role of civil society. A concrete example is the EU recommendation to create a high-level working group for the judicial reform that would be represented by the civil society together with the USA and EU representatives. So, it is a proof that

the EU wants civil society to be present in such decision-making working groups that are important for Moldova when it comes to the reforms designed to change the situation in our country.

■ **Lina Grău:** How important is this document for the European course of Moldova and the internal reforms in the country?

■ **Victor Chirilă:** This document should be the work program of the current government, but also of the future ones, because it focuses on real reforms that should convince the society and European partners of qualitative changes occurring in Moldova, which can be felt by both citizens and the development partners that have committed to support financially, politically and technically the reform processes. The watchword of this document is to implement the reforms agreed between Brussels and Chisinau.

To some extent, I think this document is not only a roadmap for the current government, but also a warning and an ultimatum given to the current political class in Chisinau on the need to foster reforms. Otherwise, our relationship with the EU could decrease in intensity, be undermined and fall into obscurity in Brussels for many, many years.

■ **Lina Grău:** What does this obscurity mean for Moldova in the current regional context? What are the risks

for Chisinau in case it opts for another vector than the European one, not necessarily in words but by failure to fulfil the commitments to its European partners?

■ **Victor Chirilă:** It would be a very bad development for our country if our relationship with Brussels cools down, because it would deprive us of the political support needed to cope with the pressure that comes from the East – economic and political pressure. I think that Chisinau cannot afford such a development.

Do our politicians understand this? Certainly, they do. But now it seems that they put the country's interests below their own interests of survival and protection of their business, which, of course, don't meet the EU expectations. Thus, we are now in a deadlock that we can overcome only through the wisdom of our politicians and also through a more active involvement of the society.

But unfortunately, our society is confused now more than ever. It is disappointed by the political class and it is not ready to support the changes that should be made. It is, indeed, an extremely dangerous situation for all of us, because this disgust for the realities in Moldova could cost us a lot and could also decrease the pressure on the political class by the society to do the necessary reforms.

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