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# NEWSLETTER

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## Synthesis and Foreign Policy Debates

The materials are realized by Lina Grau, foreign policy expert and programme coordinator with APE.

### TOPICS OF THE EDITION:

1. British Ambassador to Chisinau, **Phil Batson**: The major risk is that the establishment does not learn from its mistakes and continues to pay lip service to the reform process
2. Ex-Finance Minister, **Veaceslav Negrută**: "The statements of the Government differ greatly from its actions"
3. Vice-president of the Trade Union Federation of Construction, **Oleg Mirleanu**: Without a constructive social dialogue we are not going to succeed

#### The last period was marked by several important events for Moldova.



Republic of Moldova has registered an economic decline of 0.5% in 2015. The preliminary data of the National Bureau of Statistics show that the largest decreases were registered in agriculture, trade, and transport sectors. In 2014, Moldova had an increase of 4.6 percent, but "the theft of the billion" from the banking system, the depreciation of the national currency and suspension of the foreign assistance in 2015 have worsened the situation.



Romania started providing Moldova humanitarian aid consisting of 200 tons of sugar, food for disadvantaged people and 16 thousand tons of fuel oil for the emergency reserves of Moldova. The aid amounts to 16 million Romanian lei. Romania has promised also loans on favorable terms to Moldova provided the Moldovan government proves its commitment to the European reforms and restores relations with the international financial institutions.



Tiraspol has announced that it is ready to resume the negotiations in the 5 + 2 format. At a meeting in Bender with the deputy prime minister for Reintegration from Chisinau, George Balan, the Transnistrian negotiator, Vitaly Ignatiev, reproached the Moldovan authorities that the latter "sabotages" the dialogue, analyzing for too long the unilateral initiatives of Tiraspol. On the other hand, a statement of the Bureau for Reintegration read that the meeting had failed, because Tiraspol "insisted on the criminal cases opened by Chisinau to some Tiraspol leaders." Officially, the representatives of the parties involved in the 5 + 2 negotiation format have not had negotiations since June 2014.



European Commissioner for Enlargement, Johannes Hahn, said the EU will continue to support the government in Chisinau, but only if the necessary reforms are conducted. The statement was made Monday, March 14, at a joint press conference in Brussels, along with the Moldovan Prime Minister, Pavel Filip. Johannes Hahn welcomed the Moldovan government's decision to make public the so-called roadmap and the pro-European government programme "in order to allow for the Moldovan citizens to see where the current government is heading to, despite the political fragility of Chisinau that the authorities in Brussels are well aware of."



On the 14th and 15th of March, the Prime Minister, Pavel Filip, paid his first official visit to Brussels, where he attended the second meeting of the Moldova - EU Association Council and where he met with Federica Mogherini, High Representative of the European Union for Foreign Affairs and Security Policy, and Martin Schulz, President of the European Parliament. Prime Minister Pavel Filip said that the visit to Brussels was "a first step in restoring trust and dialogue with the European institutions" and promised that his government would make real reforms.



On the other hand, in an interview to the Radio Free Europe, Sigfried Muresan, MEP regretted that in Brussels, the Prime Minister Pavel Filip had no "concrete answers to concrete questions". Muresan, a member of the EU-Moldova Delegation, reminded that a government is pro-European not only in declarations, but also in deeds: "The government should move from declarations of intent to actions."



Moldova - EU Civil Society Association Platform has announced that it would monitor the fulfillment of the outstanding commitments as agreed by the Association Council meeting from March 14th.

The Governmental Commission for European Integration found out that the Chisinau authorities had failed to meet the deadlines in case of 18 actions of the roadmap for implementation of the Association Agreement. Prime Minister Pavel Filip warned that the institutions responsible for the delays will be penalized. The meeting of the European Integration Committee was held one day after the Moldovan Prime Minister's visit to Brussels, where the European officials asked him to do real reform, not just promises, if he wants to restore the confidence and get new assistance.

## **Phil Batson: The major risk is that the establishment does not learn from its mistakes and continues to pay lip service to the reform process**



**The British Ambassador to Chisinau, Phil Batson, encourages the political class in**

**Moldova to continue the reforms under the Association Agreement with the European Union, even if**



*this might affect the personal and group interests and criticizes the lack of reforms in the judiciary, saying that if the government and parliament don't do the necessary things, the economic and political situation will deteriorate further.*

■ **Lina Grâu:** How was it possible that Moldova has become very quickly from the EU's success story a country in deep crisis and instability? What went wrong?

■ **Phil Batson:** I think it boils down to political will. Those in power realized that the reforms that they had signed up to in the Association Agreement would actually hurt their interests, at least in the short-term, and I think this contributed to the whole "success story" juddering to a halt. The jury is still out on whether that political will to reform really exists. We will judge this current government on results, not rhetoric.

■ **Lina Grâu:** There has been much talk lately in the society that the authorities have simulated reforms. What's your opinion about this?

■ **Phil Batson:** Genuine and profound reforms are required across all sectors: justice, agriculture, financial sector, banking, health, education, transport, public administration. Let's take one example, the justice sector. I would say that a pernicious system has evolved

which protects the interests of an elite both within the sector and, to some extent, outside it. It is inherently reform-resistant. Just look at what happened last month with the election (I use the term loosely) of the President of the Supreme Court of Justice. Only one candidate came forward (the incumbent). Why was that? Is it that there are no other high quality judges or legal minds in Moldova? Or is it that no-one dared to come forward, to challenge the status quo or change the system? It reminds me a little of my last posting, Tunisia, where a benign dictatorship allowed a system of self-censorship to emerge where no-one would criticize anyone in case they lost their job, or incurred a surprise visit from the tax authorities. And in the end it imploded – ordinary people couldn't take any more – and it triggered the Arab Spring i.e. revolution.

■ **Lina Grâu:** What's your opinion about the situation and what are the messages that you would like to pass on to the authorities, the opposition, the political class, civil society?

■ **Phil Batson:** I think Moldova badly needs a consensus, a common goal that would unite all, the political class, the opposition, civil society, Diaspora. As my American colleague at the OSCE has eloquently put it, there's no sense of "we", no sense of "us"

or of trust between Moldovans. Society seems to be about getting what you can and now. Political debates should be around ideas and policies that would strengthen Moldova as a democratic country, where the rule of law institutions are viewed as independent and citizens can feel safe economically and socially. Moldova should become a place where its citizens would like to return to, not a place to be abandoned.

Politicians should stop dividing people by language, geopolitical preferences or other unclear criteria. So the surprise announcement by the Constitutional Court on 4 February changing the system of election of the President offers a real opportunity for the Moldovan people to elect a leader who represents all of their interests. They should select a candidate who has the gravitas, independence of mind and personal qualities to unite the country, articulate a national identity based on inclusion and a shared history. Someone who will confront Moldova's social and economic problems head-on and with honesty and not mortgage them off for the next generation of political leaders to solve. In short, someone who has the interests of all Moldovans at heart and will tackle inequalities, not add to them. Someone who is accepted equally in Balti, Ungheni, Comrat, Cahul or Chisinau.

■ **Lina Grău:** Neither in Moldovan nor in the region the situation is very calm and quiet. What do you think are the major risks for Moldova?

■ **Phil Batson:** The major risk is that the establishment does not learn from its mistakes and continues to pay lip service to the reform process. I think this government has got the message: from the thousands of people who have protested last autumn and in January, from the international community whose budget support is still frozen, and from the uncertainty of the ballot box.

If the Government and Parliament do not do the right thing, then I think the risk of economic and political instability will rise even further. And no-one wants that.

A further risk is continued, even increased, migration. 20 years ago there were 4.5 million people in this country. Today it's about half that. That sobering statistic, if nothing else, should tell the political class that something is wrong and is not the basis for a successful society or economy. And whilst 30% of GDP may be generated from the diaspora, it's no substitute for tax revenue from jobs within the country, nor does it pay for the emotional deficit that is generated every time a parent has to leave their children to find work overseas, the destruction of families and

communities, the brain-drain from the market place, and nor does it cover the costs of an ageing population who live in an appalling state – I've met many who can afford to heat their homes in winter or feed themselves, but not both.

■ **Lina Grău:** One of the biggest problems facing the Moldovan authorities is the economic crisis. How can Moldova get out of this economic crisis, given that the relations with foreign donors are suspended at the moment?

■ **Phil Batson:** Well, the answers are fairly obvious and the Moldovan authorities know them - real reforms. Reforms in all key sectors, and I mentioned earlier the reform of the judiciary, but there are other key institutions and sector like Prosecution Service, National Anti-Corruption Centre, banking system,

Broadcasting Agency, transparency in political financing. If and when this process will start producing change, and people and international partners will become confident that the reforms are irreversible, the donors will be able to adopt long term financial support strategies for Moldova.

Here I want to say that the UK Government has recently started helping Moldova with technical assistance through our Good Governance Fund announced

in 2015. We concentrate our effort on important areas such as: financial and banking sector, justice reform, the tax system, anti-corruption measures and public administration reform. I see this technical assistance – by the way not one euro goes to the government – as helping to tighten the net on corruption or malpractice, improving transparency and accountability of key institutions, and ultimately, bringing better value for money to Moldovan citizens for its taxes.

■ **Lina Grău:** In the Moldovan society there has been much talk lately about the need to renew the political class, especially on the background of the events from the last few months. Do you see any chances for a new political class in Moldova to emerge - one that is integral, of quality and committed to the European path?

■ **Phil Batson:** Of course. But only if the current political class doesn't drive them away! But actually, it's not about a new political class. We are not living in the future. We are living in the here and now. It's the duty of the current political class, indeed they have a moral obligation, to create the conditions, through wholesale reforms, which improves the lives of ordinary Moldovans, reverses the brain and labour drains, gives people a stake in a shared future and re-builds the country. Otherwise why are they there?

## ***Veaceslav Negrută: Statements differ greatly from government actions***



**F**ormer Finance Minister, *Veaceslav Negrută*, now economic expert with the Expert-Grup Think Tank, agrees with those who say that the current government rather simulates the EU-oriented reforms and, moreover, makes use of populist measures that are contrary to the spirit of these reforms.

■ **Lina Grău:** To what extent can we say that the European reforms announced by the current Government that is trying to show that it has already begun implementing reforms, are real? Does the Filip Government have the ability to solve the economic challenges facing Moldova?

■ **Veaceslav Negrută:** Moldova has some commitments under the Association Agreement and the Free Trade Agreement signed some time ago. Those commitments are also valid for the present government. It is true that in their statements they announced their commitment in this

respect. Moreover, they have even tried to accelerate their realisation, because Moldova is in big delay with the implementation of the Association Agreement. According to several studies, the level of fulfillment of commitments under the Association Agreement, before the current Government took office, was under 30 percent.

Unfortunately, we are still at the level of statements. The first signal indicating at the fact that the things go wrong is that the members of the government team speak different languages. Unfortunately, even if the Government did meet for discussions about implementation of the Association Agreement, that was just a formality. People are not contaminated yet, in a good way, by these commitments. Even if there is institutional memory in the ministries, yet the „locomotives” in various fields brake and stop the movement.

If we look closely at the developments since the current government took office, we can notice that an important element is missing that could bring clarity as to the true intentions of the Government and the deadline for achieving certain results - it's about an anti-crisis programme. Apart from a government programme that official and has a long-term character, what is missing is an anti-crisis plan. The government has no such plan and, respectively, does not apply those reforms and measures necessary to stop the deteriorating economic and financial situation and then return to the roadmap arising from the international commitments.

So, the Government doesn't have any anti-crisis plan. It lacks approaches and necessary sector analyses. In fact, the IMF mission indicated it very clearly in its press release issued at the end of its recent visit to Chisinau - what bothers is that the government members are talking about the same things in different languages. And this does not inspire credibility that they really know what crisis means and how to address it or how to implement an action plan in order to fulfill the commitments signed up to in the DCFTA and the Association Agreement.

From this point of view we can analyze certain statements that have a strong populist tinge and which are contrary to the necessary reforms in such crisis situations. It's about the Prime Minister's and the government's interference in the prices of the natural gas or electricity – areas that are not in the competence of the Government. There is an independent regulator and there exist operators who negotiate

the supply contracts, and consumers whose rights should be protected by the independent regulator. And we see it very clearly that such populist messages are bothering the development partners, thus making it more difficult for the resumption of the dialogue with them.

There are other similar messages which make it clear that when talking about reforms, the policy makers do not understand the essence of this word and the measures that are necessary. The steps made run contrary to the reform objectives in Moldova.

So we have a difficult financial situation that is the result of what happened in the banking sector. The burden in the banking sector is being projected into the bottlenecks of the public finance. We are in 2016 without having a budgetary-fiscal policy and without a budget. Even if we have a provisional budget based on the 2015 budget, the public procurement spending has already been blocked. Hence we can say that in the coming months we will witness further degradation of governance and poor quality public services. This will happen, because the public service cannot survive just on wages paid to the employees. There is need for many other things to ensure quality of services delivered to citizens.

So, there are several things that are contrary to the beautiful statements made that prevent the commitments from being fulfilled. Resumption of external funding was made conditional on some very clear elements mentioned both by the Prime Minister Dacian Ciolos in Bucharest, and the EU Council, which clearly pointed out to the expectations from the Moldovan government. So far, all these requirements and recommendations have not been part of the government's priorities agenda, while the statements are not supported by deeds.

■ **Lina Grău:** What are the signals given by the selection process of the BNM governor and the chosen candidate?

■ **Veaceslav Negrută:** First, we should say it clearly – the EU Council urged the Moldovan Government to respect three simple elements in the selection of the National Bank Governor – the process should be non-political, transparent and credible.

What we saw in autumn and during the second attempt of selecting the candidate is that the process didn't meet the three criteria required by the development partners. The competition was unclear from the start as well as the selection criteria. Also, the composition of the selection committee was not clear as well as how competent its members are to evaluate the candidates who are highly trained, successful and, I suppose, with good intentions to help Moldova. So, unfortunately, the competition cannot be qualified as non-political, transparent and credible.

We could have had a governor of BNM back at the end of October last year and even earlier – it is the prerogative of the speaker of Parliament to nominate a candidate as the law does not provide for the organization of competitions. So if they wanted to have a governor then, I think, they could have solved the problem and not let another six months to pass until they do it, while the banking sector is facing continuous problems.

The next step depends on the governor and on whether he or she will have enough space to form the team of deputy governors and change the things at the National Bank. Because what I see it happening there is either lack of professionalism or bad will that should be dealt with by competent bodies.

The administration of NBM should be depoliticized. I said it on several occasions that BNM can be the beginning of changes to better in the country. Here the

big problems started and here the things should start being corrected. In order to be able to do this, the new governor should have room for maneuver and be able to impose professionalism and independence of the National Bank.

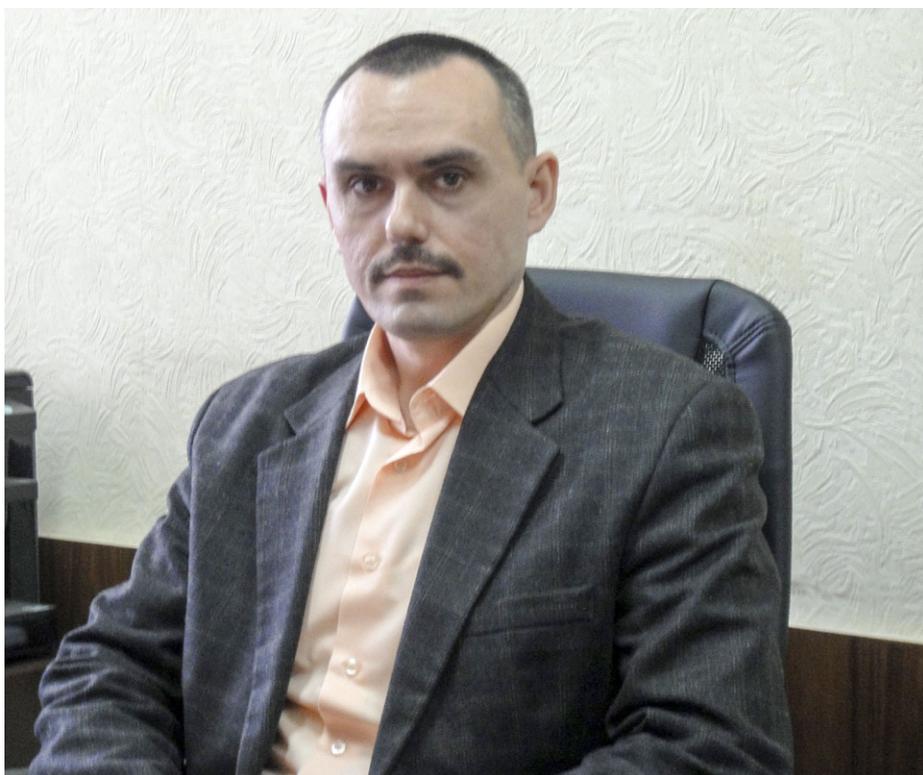
■ **Lina Grău:** You are an active observer of the political life in Moldova. What do you think about the recent decision of the Constitutional Court on the return to the direct elections of the president?

■ **Veaceslav Negrută:** It's an interesting and courageous decision. This is as much as I can say at the moment. We need to find out more and perhaps we will have the explanations of the Constitutional Court if this decision comes as a result of the unconstitutionality of the decisions taken in 2000, or it is intended to anticipate certain deadlocks or political constitutional crises in the election of the new president of the Republic of Moldova by the Parliament. Based on the explanations we could understand if this decision is really going to unblock the situation regarding the election of the President.

Sure, we've wanted to have a president elected through the vote of each citizen as this would give much more credibility to the political process in Moldova. Moreover, this would give a much stronger mandate to the President, so as the latter can be an active political actor and not just an observer with a mandate given by a dozen of MPs.

If under the current conditions the president was elected by the vote of the Parliament, big questions would appear as to the credibility of the vote and the mandate of the president voted by a majority that does not consist of factions. If the president is voted by the population, the mandate of the president becomes more credible and the development partners will probably be more open to the political processes in Moldova.

## **Oleg Mîrleanu: We are not going to succeed without a constructive social dialogue**



**A**ccording to a World Bank study, the share of the informal economy in the GDP of the Republic of Moldova is in an upward trend and accounts for approximately 50% of GDP. By inference, we can estimate the value of the informal economy for 2014. Thus, according to the National Bureau of Statistics, the Moldovan GDP in 2014 totalled 111.8 billion lei, respectively, the value of the informal economy would have been about 55, 9 billion lei, the equivalent of nearly three billion dollars.

*Oleg Mîrleanu, vice-president of the Trade Union Federation in Constructions, says the unions*

*will insist that the government puts more emphasis on the social dialogue, renounces the moratorium on the control of enterprises and comes up with amendments to the Labour Code in order to improve the working conditions of employees. An important priority is introduction of standardized work, says Oleg Mîrleanu.*

■ **Lina Grâu:** Why is standardized work at the enterprise a priority for you?

■ **Oleg Mîrleanu:** There are a lot of complaints of abuse coming from employees of different enterprises:

“We do not want supplements to the salary. Even if we get them, it is more important for us to get home healthy and be able to work the following day.” And considering these complaints, we began to appeal to all structures, all central public authorities in order to establish a system of standardized work. I’d like to tell you that it was not easy, but we managed to promote it with our tripartite committee and after certain efforts - we have started to work on this in the summer of 2010 - last year, in 2015, the Ministry of Construction approved a normative act establishing a system of standardized work in construction.

So, through this standard system we give the possibility to the social partners at the enterprise level - the employer, the employees and the trade unions - to develop their own system and establish certain norms for the employees of the unit. I think this is a great success of ours.

■ **Lina Grâu:** Are the employees in Moldova interested in such norms? On the one hand, they protect their rights and provide them with minimum guarantees, but on the other hand, people need to get organized and make demands from the employer. Most often, our people try to avoid conflicts with the employers as they are dependent financially on them.

■ **Oleg Mîrleanu:** It is true, working within the market economy conditions, people in Moldova are interested

primarily in making money and do not pay attention to their health. Once such a system of standardized work is established at the enterprise level, we are convinced that morbidity will reduce and the risk of accidents at work will decrease. This will lead also to an increase in the work capacity of employees and accordingly, to an increase in the labour productivity. So I believe that this document will bring benefits including to the state – there will be fewer cases of temporary work disability and the employees will be healthier.

At present, we are about to initiate the process of work standardization at a cement production company. If we succeed, this will be the first case of work standardization in a company producing construction materials.

■ **Lina Grâu:** What are your expectations for social reforms from the Filip Government, given that the country is facing a very complicated social and economic situation? Under these circumstances, do you think the government will be able to give the necessary attention to the social aspects?

■ **Oleg Mîrleanu:** You know that a meeting took place between Pavel Filip, before taking office, and the trade unions. The trade unions have made then a series of requests to Filip and his team, among which to include several issues in the new Government programme. And I'd like to say that in contrast with the last two or three governments, the current government included in its programme a considerable number of proposals submitted by the National Trade Union Confederation. This is a rather positive sign.

But you know it how it may happen – sometimes it is a very long way from writing it on paper and implementing things. First, we would like that the new government understand that the market economy means also an active social dialogue. The social dialogue is rather underdeveloped in Moldova, both at the central and sector levels. To get a better picture of the situation – in the last two years there was only one meeting of the Tripartite Commission at the branch level, which is very little. The social dialogue is responsible for the social justice and peace, and also for the economic development.

Of course, it will not be easy to implement the quite ambitious government programme. All the proposals regarding the improvement of working conditions, labour laws, and social protection should be discussed together and a consensus should be reached.

I'll give you an example of a mistake made by the last governments, including the current one. I don't know why the government programme contains such a measure as adoption of a new Labour Code. We do have a Labour Code which was adopted in 2003 and which was a joint product of the social partners. The document has been amended many times over the years.

■ **Lina Grâu:** Are the trade unions concerned that adoption of a new Labour Code would mean neglecting the previous agreements and the things that have been negotiated and obtained over the years?

■ **Oleg Mîrleanu:** Unlike the last two governments, the current government was a bit more relaxed regarding this

issue, establishing in its programme “adoption of a new Labour Code or improving the current one”. I am optimistic that a new Labour Code will not be adopted, otherwise all our work and the dialogue so far would be reduced to zero. Last year a survey was conducted on the impediments of the business environment. The labour legislation was ranked the 10<sup>th</sup> compared with bureaucracy, corruption and other things. This speaks for the fact that the labour legislation is not a big problem for the business environment.

Another issues that we hope at least to get started this year is establishment of specialized courts/court panels in order to facilitate resolution of individual labour disputes and collective labour conflicts. A study was developed whose authors recommend at the first stage creation of specialized panels at least at the level of appeal in Moldova in order to ensure greater efficiency of justice.

■ **Lina Grâu:** Given the existing crisis situation in Moldova's economy and society, the current Government has begun to take measures some of which are more to the benefit of employers rather than employees. A decision was adopted to suspend the control over the enterprises during the current year. Do you think these measures will be effective?

■ **Oleg Mîrleanu:** You know, if a hand or a foot hurts, you will look for the cause of the illness and then apply the treatment. Or imagine a living organism and a moratorium on the central nervous system control. Just imagine what will happen to the body. I would compare it with the effects it will have on the economy and business environment.



I think it is a hastily designed measure and it's hard to say what it bases on and what's behind it ... But in my view, as a union member, it is not thought out well. From the point of view of labour relations, I can anticipate an increase in the undeclared work, abuses by employers who know that the labour inspection will not check on the working conditions. And together with violation of the requirements for health and safety at work, or of the requirements related to the preventive health, it is possible that we have more cases like the explosion at the cafeteria "La soacra" and that the work accidents multiply. In any case, the new law cannot be regarded as positive for the Republic of Moldova.

The National Trade Union Confederation of Moldova made an appeal to the Prime Minister of Moldova, Mr. Pavel Filip, to remove from the scope of the law at least the controls made by the state labour inspectorate and by the Public Health State Surveillance Service.

The business environment may improve, but I'm sure both the state budget and the social security budget will suffer as a result of this law.

What will happen? Let me bring an example – at the moment we are

having a very unpleasant situation where a state enterprise, due to the negligence of the management, has big salary arrears. Not to mention that it has huge debts to the Social Insurance Fund and Health Insurance Fund. One person, for example, wanted to retire based on the age limit on favourable terms given the working conditions in the underground, but because the company has not paid the social security contributions since 2013, even though these contributions were retained from the salary of the employee, the National Insurance Agency refused to offer the pension to the employer for the reason that the latter had not completed the special contribution period of 10 years, despite the fact that the employer had the necessary number of working years. We are now working very closely with this enterprise to sort out the issues.

But if this moratorium on the controls of the enterprises is imposed, the situation will worsen. The employers of bad faith will abuse even more the rights of the employees, knowing they cannot be controlled. And if any controlling body wants to do control, it will be obliged to obtain prior authorization from the Ministry of Economy. It is a very strange thing that I have not heard of in any other

country. I do not know how effective this measure will be, but I would like to be able to prevent abuses.

■ **Lina Grâu:** What is your message for the Government?

■ **Oleg Mîrleanu:** My message as a union member would be the following: the current Government should recognize the importance of the social dialogue. Because only through a constructive social dialogue can we ensure the social justice and peace and together improve the economic situation. It is also important to stop the labour migration.

We face a negative phenomenon when we prepare specialists from the public money and afterwards, they leave for abroad bringing added value to other economies. And then again and again we invest into training skilled labour. So, we must stop once and for all this vicious circle.

But, again, without a constructive social dialogue and without having all three partners - government, employers and unions - at the negotiating table, we will not be able to succeed and will be doomed to act like the swan, pike and crayfish from Krylov's fable...

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