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## Moldova: an EU success story?

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**>>** Moldova has gone through two turbulent years and is now making some headway in democratic and economic reform. Though it is still the poorest and probably least known country in Europe its EU vocation seems here to stay. After eight years of Communist rule a change took place in April 2009; contested election results, riots in Chisinau and a political deadlock on appointing a new president resulted in new elections in July of that year. Moldova's Alliance for European Integration (AEI), consisting of four opposition parties, formed a new government. In November 2010 another national election renewed the mandate of the AEI, this time made up of three former opposition parties. These governments drastically changed internal and foreign policy. Internally, the main challenges are to find unity in the parliament over electing a new president, while moving from rhetoric to implementing democratic and economic reform. Internationally, Moldova's main driver is to stay on Brussels' radar.

Moldova is currently applauded for its reform efforts and activism in the EU's Eastern Partnership (EaP). This was emphasised in early July when President of the European Council, Herman van Rompuy, on a visit to Chisinau stated that Europe's 'more for more' principle is likely to apply. But more evidence of reform is necessary before the EU should boost funding on top of the €550 million already committed for the period 2010 to 2013. After words of praise and two years in power it is now time for the coalition to deliver. Vice versa the EU should keep track of Moldova and combine active assistance and advice with clear conditionality and benchmarks tied to democratic reform and good governance.

### HIGHLIGHTS

- Moldova needs attention and support from Europe to maintain momentum in the reform process. Results so far have been limited so it is too early to speak about a success story.
- The Alliance for European Integration government faces several reform challenges, such as finding consensus on a presidential candidate and building stability between the coalition partners.
- The EU should not exclusively support and identify with the current government while ignoring the Communist opposition that might one day be back in power and is developing its own European vocation.

»»»»» **AN EU NEIGHBOURHOOD  
SUCCESS STORY?**

On 25 May the EU released their European Neighbourhood Policy reports. Of the six Eastern Partnership countries Moldova received the best marks and seems to have surpassed Georgia (and previously Ukraine) as the best student in the class. But the EU report noted that political uncertainty and a lack of resources could cause reform to stagnate. True, because this government could easily fall prey to internal divisions or lose an election (currently unscheduled but likely in 2012) to the Communist opposition that is not far behind in the polls. Meanwhile Brussels speaks of a 'success story' and the current Polish EU presidency, which will host an EaP summit in September, is likely to present Moldova as a 'success model'. So where does Moldova stand in the main bilateral aspects of the EaP?

In January 2010 negotiations began between Moldova and the EU over an Association Agreement (AA). The document will be legally binding and is a step forward since the ties between the Union and the partner go much further than the standard Partnership and Cooperation Agreements that Brussels concluded with many third countries, though it will stop short of a clear membership perspective. By July of this year seven negotiation rounds had been held.

Whereas the AA is an important agreement for Moldova, in order for Chisinau to meet its new obligations the Comprehensive Institution Building (CIB) programme should be the backbone of reforms. In November 2010 a framework document was concluded up to 2013 and the EU made over €41 million available: the funding will include twinning, technical assistance and training. If done well this will significantly boost Moldova's bureaucratic capacity to proceed on deeper political and economic reform. Although the money will be spread over a large series of ministries and agencies the amount is significant for a small country like Moldova.

The institution building assistance should also have a positive bearing on the development of a Deep and Comprehensive Free Trade Agreement (DCFTA). However, while the AA is envisaged to serve on a political and institutional basis, and the CIB offers concrete assistance, the DCFTA seems to be largely a token offer. The main reason for this is that trade between the EU and Moldova over the last few years has increased, partly due to a 2008 EU Autonomous Trade Preference. Only a few products (mostly agricultural commodities) are currently restricted from entering the EU market; something that a DCFTA might lift. Moldova has prepared an Action Plan in readiness for negotiations that are likely to start next year. The main benefit of a DCFTA will be a likely increase of European investment in Moldova, more importantly the process of working towards the agreement requires substantial alignment with EU regulations, and thus reform.

Another essential ingredient of the bilateral EaP offer is a process of visa liberalisation leading eventually to a visa-free regime. This is an important issue for Moldova as it feels increasingly isolated after Central European countries joined the EU and were obliged to install visa regimes towards it: in particular Romanian EU membership hampers Moldovan citizens' mobility. Under the Communist government in 2007 a Common Visa Application Centre opened its doors in Chisinau and one year later the EU and Moldova devised a Mobility Partnership. The current government wants to move quickly towards full visa liberalisation and is pro-active in taking up EU regulations before Brussels requests them. An Action Plan on Visa Liberalisation was launched in January 2011 and Moldova hopes to have a legislative framework set out in the Action Plan by the end of this year so as to move on to the second and final phase of the plan's implementation.

However, the EU is not in a hurry to undertake this process quickly after a series of Western Balkan countries obtained visa-free travel to the EU, and several EU member states are inclined to create new barriers for non-EU citizens

instead of opening up borders. Because the Visa Liberalisation Action Plan was started in Moldova and Ukraine in the same period there is also a risk of the two countries being lumped together which could make resistance in the EU stronger due to Ukraine's size. It is also, next to funding, the strongest carrot the EU has at its disposal: with Moldova currently on the right track Brussels and member states will want to keep this conditionality carrot up their sleeve and will probably stretch out this process pending reforms in other sectors.

In the current configuration the revised 'more for more' principle in the ENP comes as good news for Moldova. It is also a recent trend in European thinking about assistance programmes that focus

increasingly on differentiation between partners and somewhat less on regional aspects. In a recent meeting between Moldovan Prime Minister Vladimir Filat and EU Enlargement Commissioner Štefan Füle the latter emphasised

the 'more for more' principle by arguing that a second tranche of €20 million (out of a total of €90 million for 2010-2011) in macro-financial assistance had been transferred and that the CIB programme was about to start.

A €550 million package from 2010 to 2013 dispersed through several EU instruments and mechanisms – the ENPI being the largest with €273 million – is indeed a substantial basis with which to expect a serious impact on reform. But how fertile is Moldova's soil for these funds to assist long-term reform?

#### TOWARDS LONG-TERM REFORM?

During eight years of Communist governments (2001-2009) Moldova carefully manoeuvred

between working with Moscow and Brussels while achieving little in building profitable relations with either. The current Alliance for European Integration government's name already indicates what direction it has chosen. This does not mean that the present political set-up in Chisinau is anti-Russian but it does mean that it is pro-European. The Moldovan government will want to go back to the population with good news on EU benefits and general economic development, while the EU should aim to help make Moldova into a success story among numerous headaches in the region; including Belarus, worries over the political direction in Ukraine and regional conflicts in the South Caucasus. Only Georgia still has the interest and reform potential to actually cash in on the EaP's modest benefits. Moldova is small, poor and underdeveloped and so relatively limited resources might have a serious impact.

If the government is not able to come through on reforms that benefit the population, if it does not satisfy European requests, or even worse, if political turmoil and disagreement in the ruling coalition intensifies, Moldova could quickly follow the path of the Ukraine and, to a lesser extent, Georgia also hailed as 'successes' in the recent past. A negative scenario is more likely than it first appears. The AEI ruling coalition of three parties is increasingly showing cracks. The three leaders – Marian Lupu of the Democratic Party, the speaker in parliament and acting president; Vladimir Filat of the Liberal Democratic Party, the prime minister; and Mihai Ghimpu of the Liberal party, who before the November 2010 elections was the speaker in parliament and acting president – do not see eye to eye on most issues and run inexperienced political parties that thrive largely on their personalities and individual ambitions. The coalition is basically held together by two core objectives: to keep the Communists out of government, and, to a lesser extent, to build a profitable relationship with the EU.

Keeping the Communists out might prove a serious challenge as the June elections for Chisinau's mayor showed. The AEI candidate only

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## The EU should not only throw money at Moldova but be engaged with its leaders and population

»»»»» won the second round against a Communist opponent by 1 per cent. Taking into account that popular support for the Communists is strongest in rural areas, the AEI coalition partners have something to worry about if parliamentary elections are held next year. The EU should take the political climate into account and recognise that several steps were taken to try to get closer to Europe during the rule of former Communist President Vladimir Voronin. A broad approach by the EU that involves opposition participation, for instance through national initiatives and commissions on reform matters or through parliamentary forums, could help improve Moldova's political climate while strengthening continuity in EU-Moldova relations should the Communist party return to power. The EU should not be seen as betting on one horse when it comes to Moldova's European ambitions and future.

One issue that will certainly rear its head is the disagreement over the election of a president. The Moldovan Constitution demands that the president is chosen by parliament but after several failed rounds and a badly planned referendum in September 2010 (a failed attempt to change the Constitution in order to install direct presidential elections) the process is completely stalled. The 101 member parliament is currently divided into 42 communist seats and 59 AEI seats. To obtain a 60 per cent majority the AEI would need to agree on a candidate that is acceptable to at least two Communist members of parliament. So far the two parties have not been able to come up with an agreeable candidate and thus elections are likely to be held again before 2014 – when the term of the current government runs out. This is a sign that the Communists are not out of business and will continue to play a role for the foreseeable future.

Substantial democratic reform will take time and depend on a combination of political will and appropriate legislative reform. While the Moldovan government is active in adapting regulations, the political will to actually implement change has been disappointing. Clearly the three biggest reform challenges that

Moldova faces over the coming year are in the judicial sector, police reform and the need to address widespread corruption. The latter remains endemic in Moldova's bureaucracy, business and wider society. The government's National Anti-Corruption Strategy 2011-2015 should remedy this and succeed where many earlier national plans and initiatives have failed. Here the Moldovan government will be monitored most severely by the EU and independent corruption watchdogs, not least because it is corruption that also impedes progress in judicial and police reform.

One of the biggest challenges that Moldova faces is its low capacity in governance. Ministries encounter difficulty in attracting young talent. In some ministries there is resistance to overhauling reform processes, especially in the ministry of internal affairs. As some experts note, eight years of Communist rule has ingrained a mentality of resistance to change and interference by outsiders. More importantly, Moldova's bureaucracy suffers from a lack of resources and capacity to deal with complex reform matters proposed by the EU. Often EU proposals are accepted immediately without Moldova first carefully assessing if these changes will be beneficial. This could for instance apply to the DCTFA process that requires Moldova to remove tariffs on imports; revenue that might be difficult to compensate for elsewhere. In the case of the AA both Moldova and the EU will need to understand that finalising the document is not a goal in itself. Moldova will need to be able to comply with the AA and in that sense more time might be needed instead of seeking to deliver a quick success story for the EU and Moldova's government based on formal accords.

On a positive note, the AEI government and parliamentary activity have become more transparent in their decision-making and procedures. Also work is in progress on decentralisation, while the AEI's Rethink Moldova plan seeks to outline the main medium-term priorities. These include infra-

structure, public services, the business environment, public administration, strengthening the judiciary and anti-corruption. The plan aims to identify areas where better donor coordination is required. Furthermore, the AEI has sought to involve civil society through cooperation and external advice on policy matters.

## CONCLUSION

Moldova and the EU have made a leap forward in relations over the last two years. Whereas the former Communist government took an interest in strong ties with Europe, through assistance and some reform measures, the Alliance for European Integration has made the EU dimension its primary objective. It is however too early to say if this euro-enthusiasm will hold. At some point the coalition will need to engage with the Communist opposition to unify support behind reform efforts. The EU should urge the Moldovan government to do so. The alliance itself has to show it can remain stable -not easy when it consists of three different political parties with little experience in governing.

The EU's Eastern Partnership is in need of a success story and might get it if Moldova is able to curb corruption over the coming years, reform its

judiciary in-depth and work on police reform and several human rights regulations. Success should not be measured by the number of negotiation rounds and action plans for an Association Agreement, a DCTFA or even visa liberalisation. Better indicators are the achievement of concrete reform successes and the effective utilisation of the substantial assistance funding, including the Comprehensive Institution Building programme.

The second half of the governing mandate of the AIE will tell us if it is business as usual in Moldova or if the country can move closer to European standards. The EU should not only throw money at Moldova but be engaged with its leaders and population at large if it really wants to boast a success story that one day evolves from association to full integration.

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