



STRATEGIC FILE

No. 26 (62), December 2014 © PISM

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Reforms Wanted: A To-Do List for a Future Moldovan Government

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Pro-European parties secured a fragile majority during the November parliamentary elections in Moldova. Since it is usually the first half of the election cycle in which there is sufficient political willingness to push through painful reforms, 2015 will be an important year for Moldova. In the face of security challenges from the east, and an unprecedented window of opportunity for support from the west, the sole chance for the new coalition government to live up to its commitments is to speed up and deepen reforms in six key areas: civilian security, energy, banking, corruption and the judiciary, public administration, and media. The progress in these sectors will be critical for the overall success of Moldova's European integration, for enhancement of the state's resilience in the face of pressure from Russia, and also for winning back public trust. Meanwhile, the EU should reshape its toolkit of assistance and maintain its political and diplomatic support regardless of developments in the region.

Staying on the Reform Path

Task One: The Civilian Security Sector

The police and intelligence services emerged with badly damaged reputations after the April 2009 post-election unrest. In the public perception, those two institutions were regarded as corrupt and repressive instruments in the hands of the then governing Communist Party. Among other priorities, the pro-European coalition pledged to **reform the civilian security sector** and restore trust in these institutions. Although steps have been taken in recent years towards the declared objectives, in particular, as a side effect of the implementation of the visa-free action plan, transformations are far from complete. Russia's revamped regional ambitions and subversive tactics used against Ukraine make reform of Moldova's civilian security sector even more urgent than before. Given the dangerous regional environment, the government should work to enhance the security sector's capacity to fight both established and emerging threats, to combat organised crime, dislodge illegal formations, protect critical infrastructure, control the state borders, monitor the administrative border line with Transnistria, and prevent, in the early stages, the outbreak of externally inspired unrest in regions densely populated by national minorities.

Since 2009, the **Ministry of the Interior** has had three ministers, with replacements driven by the insufficient speed of reforms. In 2012 reform switched into a higher gear after a reshuffle at the top of the ministry's management team. Old legislation in force since 1990 was replaced with new laws, the central apparatus of the ministry was demilitarised and restructured, the police service was separated out into the autonomous General Inspectorate of Police, the transformation of border guard units to border police was completed, while the traffic police section was disbanded and after re-evaluation officers were integrated

into the newly formed patrol police. The ministry won credibility among foreign donors, who helped to start re-equipping the police and enhancing the infrastructure to ensure public order. Traffic monitoring cameras provided through a grant from the Chinese government (\$4.5 million) were installed at 41 intersections in the capital city of Chişinău, helping to reduce the number of accidents.¹ New cars (bought with EU financial assistance), more funds for gasoline, and better distribution of human resources in the regions, reduced the average time for police intervention in response to emergency call from 50 minutes to 15. As a combined effect of these measures, trust in the police in 2013 grew from 33% to 42%.²

In the coming years, these transformations should be consolidated. The future coalition should nominate a credible manager to the position of minister of the interior, as the ministry will be responsible for using €21 million of EU money for institutional capacity building until 2016, as well as a Chinese government grant of \$10 million, for extending traffic video monitoring across the country during 2015. Besides re-equipping and beefing up local police stations (as local bases for rapid intervention), and increasing border and traffic surveillance, the ministry will have to focus more in coming years on ensuring the **integrity** of policemen (through, for example, anti-corruption measures) and their **continuous professional training**, an aspect which has so far been neglected.

Since 2009, the **Intelligence and Security Service (SIS³)** has had two directors. Moreover, from October 2011 to October 2012, the position of SIS director was vacant, hardly a conducive environment for reforms in such a specific organisation. The lack of will and instability at the top hampered institutional transformations. Moldova's significant delay (compared to other fields, where EU high-level policy advisors have been working since 2010) in requesting the EU's expertise to assist with reform of the intelligence agency, serve as confirmation of this.⁴ Only in the second half of 2012 did the first session of the national commission on modernisation of the SIS take place. In the process of deliberations the accent moved from modernisation (upgrading something existent) to reform of the institution (deeper structural transformation). Almost one year later, parliament approved a strategy and action plan until 2018, for reform of the SIS.⁵

Although critics complain that, beyond symbolic adjustments (for example, a new coat of arms), little has changed, SIS activity in 2014 proves that slow improvements are underway. The intelligence service, in cooperation with other law enforcement bodies, disrupted a network in Gagauzia planning to provoke public disorder, helped to neutralise an influential criminal leader (involved in the arms trade), checked transactions with shares of *EuroCreditBank*, systematised in map form the risks and threats for Moldova's national security, and detained and expelled radical left activists from Russia and Ukraine, who were suspected of planning unrest after elections. Nevertheless, the regional environment dictates faster and deeper reforms. To this end, the new governing coalition should ensure **continuity at the top** of the SIS. The current director should be given a chance to carry out the mandate until the end of his term, and to report to parliament on the results of reform. Control of the intelligence service must not once again become the object of political trade-offs. At the same time, **parliamentary oversight** of the reforms and activity of the SIS must increase in coming years. In this light, parties which enter parliament should pay particular attention to the reputation and professionalism of their nominations to the legislative committee for national security, defence and public order.

Task Two: The Energy Sector

Despite steps taken to improve **energy security**, Moldova remains very vulnerable to external factors. Although the geography of the country's oil imports portfolio is sufficiently diverse (Russia, Romania, Austria, Bulgaria, Belarus, and Lithuania) and reliance on Giurgiuleşti—Moldova's port on the Danube—for the transport of oil products has grown steadily, dependence on Russian pipeline gas has remained at 100%. Besides, Russian-Ukrainian gas disputes constantly raise concerns regarding supplies of gas to Moldova

¹ A. Lebedev, "China va Oferi Moldovei 10 mln de Dolari pentru Instalarea Camerelor Video în Intersecții," *Diez.md*, 16 October 2014, <http://diez.md/2014/10/16/china-va-oferi-moldovei-10-mln-de-dolari-pentru-instalarea-camerelor-video-in-intersectii>.

² "Sondaj IPP: Cetățenii au Mai Multă Încredere în Poliție," *Politcom.md*, 3 February 2014, <http://politicon.md/sondaj-ipp-cetatenii-au-mai-multa-incredere-politie>.

³ Throughout the text, the Romanian abbreviations for Moldova's state institutions will be used.

⁴ Interview with EU official, Brussels, 2014.

⁵ "Strategia de Reformare a Serviciului de Informații și Securitate al Republicii Moldova pentru Anii 2014-2018," 10 October 2013, www.sis.md/sites/default/files/reforma/strategia.pdf.

during the winter season. On the electricity market, the situation was, until recently, slightly better. To cover energy demands, Moldova bought 81% (2013) of its electricity from two sources: Ukraine (DTEK, owned by Rinat Akhmetov) and the breakaway region Transnistria (the Russian controlled Cuciurgan power station).⁶ Nevertheless, the military conflict in Donbas, and energy shortages in some regions of Ukraine, forced Kyiv to reduce electricity supplies to Moldova in September. Consequently, Cuciurgan's share in Moldova's electricity imports climbed from 30% to 50%.⁷ However, contractual relations with the Cuciurgan power plant cannot be isolated from politics. In November 2005, during new wave of tension between Chişinău and Tiraspol, Cuciurgan suspended electricity supplies to Moldova. There is no guarantee that politically motivated cut-offs will not be repeated. In such circumstances, diversifying sources and routes of gas and electricity deliveries, improving energy efficiency, greater transparency, and better regulation of the energy sector are of crucial importance for the country's overall national security, and the success of its European course.

With EU assistance, Moldova was able to improve **energy efficiency**. As of 2014, 144 public institutions and 500 households switched from gas to more ecological biomass fuel heating. It reduced not only bills and CO₂ emissions (30 tonnes annually),⁸ but also contributed, along with other factors, to a reduction of gas consumption in 2013 in the domestic (-7%) and public institution (-15.8%) sectors.⁹ Moldova has to build on this success, in order to further rationalise the use of gas.

Although in 2014 Moldova completed its **gas interconnector** with Romania (Iasi-Ungheni), it can supply only a limited number of consumers and can satisfy at best 10% of Moldova's gas demand. To solve the first problem, the Moldovan government needs to conduct, in 2015, a feasibility study, and begin works on the Ungheni-Straseni pipeline, thus extending the interconnector to Chişinău, the major gas consuming area, by 2016–2017. The estimated budget is €70 million, which will probably be covered by the EU (€10 million) and international creditors (the EIB and EBRD, with €30 million each). In the meantime, the government should overcome opposition from Moldovagaz (controlled by Gazprom) and streamline the process of distribution of Romania's gas, even in small quantities, in Moldova, effectively beginning gas market demonopolisation in 2015. However, all these efforts will pay off only if, in parallel with works executed by Moldova, Romania builds two compressor stations on its territory, and upgrades the local gas transmission network, so that the pipeline is able to export 1.5 bcm (enough to satisfy Moldova's gas demand). Reverse gas flows from Slovakia to Ukraine, which are expected to reach maximum capacity in the spring 2015 (10 bcm annually), would give Chişinău opportunity to buy gas on the European market and import it via Ukraine if needed. Technically, Moldova can receive gas through the northern route, from Ukraine, circumventing Transnistria. The Moldovan government should explore this option with Ukraine in 2015.

Moldova can import **electricity** from Romania (no more than 20% of consumption), but due to technical parameters of the connections, it is distributed only in regions neighbouring Romania, and cannot reach major Moldova's consumers (such as Chişinău). Despite the existence of one 400 kW connection (Isaccea-Vulcanesti) and four 110 kW lines (Husi-Cioara, Iasi-Ungheni, Costesti-Stanca and Falciu-Gotesti), it is not enough to safeguard Moldova against energy shocks if imports from Ukraine and Transnistria are suddenly curtailed. Moreover, the interconnection line with maximum capacity Isaccea-Vulcanesti does not supply electricity directly to Chişinău, but flows first to the Cuciurgan power grid, which serves as a re-transmission centre. This very fact would augment Moldova's vulnerability in the event of an energy crisis.¹⁰ Thus, Moldova needs two other direct interconnections with Romania (Suceava-Balti and Iasi-Straseni, each with a 400 kW capacity), with "back-to-back" stations that will increase and widen Moldova's imports of electricity from Romania while maintaining the existing import connections with Ukraine. These projects are very expensive (the cost of a "back-to-back" station is estimated at €70 million), but the alternative is

⁶ "81% din Necesarul de Energie Electrică a R. Moldova a Fost Acoperit din Importuri," *Timpul*, 16 February 2014, www.timpul.md/articol/81-din-necesarul-de-energie-electrica-a-r--moldova-a-fost-acoperit-din-importuri-55294.html.

⁷ "Andrian Candu: Reducerea Importului de Energie Electrică din Ucraina nu Reprezintă Riscuri pentru Moldova," *Noi.md*, 2 October 2014, www.noi.md/md/news_id/48339/news_cat/0/eea/noi.md/md/noi.md/ru/facebook.com/facebook.com/circul.chisinau.md.

⁸ "Moldova Implementează cu Succes Reforma în Domeniul Energetic cu Sprijinul UE," *Vocea Basarabiei*, 30 October 2014, www.voceabasarabiei.net/index.php/economic/27096-moldova-implementeaza-cu-succes-reforma-in-domeniul-energetic-cu-sprrijinul-ue.

⁹ "Gazele Naturale: Procurări, Vânzări, Achitări," *ANRE*, www.anre.md/files/raport/Piata%20gazelor%20naturale%2012%20luni%202013%20web.pdf.

¹⁰ L. Barbarosie, "S-ar Putea Confrunta R. Moldova cu o Criză de Curent Electric?," *Europa Liberă*, 17 October 2014, www.europalibera.org/content/article/26642815.html.

high susceptibility to political and economic blackmail, with a negative spillover onto the entire state-building process. Hence, interconnections with the European energy market should be one of Moldova's goals, to which the EU could make an important financial contribution.

Task Three: The Banking Sector

In recent years, the reputation of Moldova's **banking sector** has been ravaged by scandals between banks' shareholders and management, non-transparent ownership, attempts at hostile takeover (including through the use of local courts), murky privatisation, and suspicions of money laundering. Four major Moldovan banks, which together control approximately 60% of the market share, were involved in one or another type of scandal. There is a bitter, ongoing dispute at *Victoriabank* (where the EBRD holds a 15.06% share), between a group of shareholders and the executive management, the latter keeping its seat due to a disputable court decision. At the same time, suspicious transactions involving 38.3% of the bank's shares took place in November, with the final beneficiary hiding behind an offshore company. In 2013, the EBRD wrote to Moldova's political leadership warning about doubtful transactions of shares in the biggest bank, *Moldova-Agroindbank*. In the same year, the state lost control of *Banca de Economii* to Russian-owned *Vneshekonombank* and several offshore companies serving the interests of Russian citizens. The Moldovan state was left with a share of 33%, and the Russian interests with 61% in total.¹¹ In 2014, an independent investigation by journalists revealed that *Moldincombank* was involved in money laundering schemes, helping to transfer illegal funds (estimated at \$20 billion) from Russia to Latvia.¹²

Problems in the **banking sector fed political conflict**, with members of both the opposition and of the pro-European coalition trading accusations relating to the protection or support of shadow businesses in the financial sector. The opaque ownership of Moldovan banks kept away foreign investors, while international financial institutions, the only source, so far, of long term money, reduced their financing of Moldovan banks. The EBRD decided in 2013 to cooperate only with commercial banks with foreign capital and which complied with international standards (such as *Mobiasbank—Groupe Societe Generale*) and cut by half its financial support to Moldovan commercial banks.¹³ The situation in the banking sector imposed significant **limitations on Moldova's economic development**, making, for instance, business loans too expensive and risky. The banking sector is the life-line of any market economy. If Moldova is to make further progress, it will be impossible to accomplish without putting in order and upgrading its banking industry. A better regulated and more transparent banking sector could have a positive impact on domestic politics too, by limiting the abusive involvement of the (external) political factor in Moldova's financial system. Moreover, as Moldova aspires to become an EU member, it should aim from early on to implement the provisions of the Single Rulebook (a set of rules of prudence for the EU's financial sector), one of the pillars of the EU's Banking Union.

In 2013 and 2014, the government tried to improve the situation by **amending legislation** on financial institutions and the law on the National Bank of Moldova (BNM). It aimed to reduce possibilities of hostile takeovers and boost the BNM's oversight capacity. For example, amendments lowered the threshold for transactions using bank shares and requiring BNM approval from 5% to 1%. Modifications also sought to protect certain decisions of the BNM from being suspended by courts (for example, withdrawing a bank's licence). However, the constitutional court overruled the latter amendment, for which it was criticised by international institutions. Despite the court's ruling, it is not the lack of legislation as such, but its deficient enforcement by specialised institutions and courts, that contributed to problems in the banking sector.

In 2014, the BNM pushed commercial banks to make public their ownership structures, an exercise that revealed that suspected beneficiaries often hide behind shell companies, friends or relatives.¹⁴ As a result, the BNM requested additional information from banks to be submitted for review, thus national bank oversight authority should follow the procedure to the end. The banking regulator also intends to create,

¹¹ In November 2014, Moldova's Supreme Court reversed the decision on additional emission of shares conducted with violations of procedure, and reinstated the government's control of the *Banca de Economii*.

¹² I. Sanduța, I. Preașca, R. Anin, M. Munteanu, P. Radu, M. Patrucic, V. Ilie, A. Giga, V. Kostic, "Spălătoria Rusească: Moscova—Riga via Chișinău," *RISE Project*, 22 August 2014, www.rise.md/articol/operatiunea-ruseasca-the-laundromat.

¹³ "Julia Otto: 'La Moment BERD Cooperează doar cu Băncile cu Capital Străin,'" *Bancamea.md*, 2 June 2014, www.bancamea.md/news/julia-otto-la-moment-berd-coopereaza-doar-cu-bancile-cu-capital-strain.

¹⁴ "Ancheta Stăpânilor Băncilor din Republica Moldova," *MoldStreet*, 27 October 2014, www.mold-street.com/?go=news&n=3328.

with the assistance of the EBRD, a digital, constantly updated public registry of banks' shareholders and an institution to examine litigation derived from decisions of the BNM. More **transparency in the banking industry** should go hand in hand with justice reform and more decisive efforts to combat money laundering. Given the scale of problems in Moldova's financial sector, the government should consider transforming the Office for Prevention and Fighting against Money Laundering within the National Anti-Corruption Centre (CNA) into an independent financial intelligence agency, with a broader mandate (beyond tackling money laundering), enhanced human resources, and streamlined process of information exchange with the Ministry of Finance, the BNM, the National Commission for Financial Markets, the Prosecutors Office, the SIS, and the Ministry of the Interior.

Task Four: Anti-corruption and the Judiciary

Corruption is the challenge most commonly singled out in EU officials' declarations on Moldova's relations with the EU. Its significance lies in its tendency to infect and thwart all other endeavours at sectoral reform. Advances in this area were also a priority for the visa liberalisation process completed in April 2014. As the Transparency International Corruption Perception Index suggests, corruption is also a concern for the public, as in 2013 Moldova was ranked 102 (out of 177 countries), a significant deterioration from 89 in 2009. The score suggests not so much that the situation has deteriorated in relative terms, rather that public intolerance of corruption is on the rise and it is becoming a measure of political performance.

Although the three-year political stalemate (2009–2012) caused a delay pregnant with consequences, the bulk of the homework is done in terms of **legislation**. The major framework was created by the National Anti-corruption Strategy for the years 2011–2015, and the Strategy for Justice Sector Reform 2011–2016. In December 2013, a comprehensive package of anti-corruption laws was adopted by parliament, allowing, among other things, tougher penalties for bribery, increased judges' salaries, and the introduction of integrity testing for civil servants. In the case of the latter, early results are already visible, with 62 denunciations of active corruption in 2014, compared to only four the previous year.¹⁵ However, inconsistency of the legislation pertains, particularly in terms of lack of synchronisation of the implementation of the two main strategies, often resulting in parallel efforts.

In respect of **institution building**, the transformation of the former Centre for Anti-corruption and Economic Crimes into the CNA was a breakthrough. In May, the government took back supervision of the institution, reversing the action that had placed it under parliamentary control two years earlier, in a bid to increase its independence. An important hurdle for the effectiveness of the CNA is that its tasks overlap those of the Anti-corruption Prosecutor Office (which functions under the General Prosecutors Office). Either their competences should be clarified, or the option of merging the two institutions should be considered.

The other institutional pillar of the anti-corruption system is the National Integrity Commission (CNI), established in 2012. In the lack of an adequate legal framework, however, the competences of the CNI also remain blurry. An indicator of this deficiency is the fact that investigations target mainly low and medium-level officials, while high-level corruption practices remained intact until recently. Furthermore, roles of the individual members of the commission need to be more specifically defined, and its human and financial resources brought in line with the necessary workload (that is, it is responsible for overseeing the compatibility of the entire public administration of the country).

The **justice system** remains severely affected by corruption, and is perceived by the public as enjoying wide-scale impunity. Recent measures have already delivered visible results, such as the cancellation of judges' immunity to prosecution for corruption, and the introduction of a new professionalism test for judges. Since 2009, 140 judges (out of 420 in total) have left their positions,¹⁶ some voluntarily, and others because they failed the test. Also, a judge was for the first time sentenced for corruption in April. Yet significant doubts remain, for instance, concerning political influence over the Superior Council of

¹⁵ "Fighting against Corruption and Reform of the Judiciary—Key Challenges to the Success of the European Integration," *Synthesis and Foreign Policy Debates*, no. 7 (101), September 2014, http://2014.europa.md/images/dox4download/rm-ue_bilateral/2014/2014-07_Newsletter_APE_FES_EN.pdf.

¹⁶ "Olanda ar putea fi prima țară care va trimite judecători în Moldova," *Tv7.md*, 10 July 2014, www.tv7.md/ro/social/olanda-ar-putea-fi-prima-tara-care-va-trimite-judecatori-in-moldova.

Magistracy (CSM). This was well illustrated by a recent case, in which the CSM proposed five judges for nomination in spite of the negative report they previously received from the SIS.¹⁷ Nevertheless, most work remains to be done in the implementation of the reform of the prosecution, which would aim at improving appointment and dismissal procedures, disciplinary measures, and demilitarisation. For the sake of consistency and effectiveness, responsibility for this reform should be shifted from parliament to the Ministry of Justice, which is also in charge of coordinating the reform of the justice system.

Transparency in the **financing of political parties** remains a matter of utmost urgency, as exposed in the recent electoral campaign. The overall campaign expenditure was unjustifiably high, and business people and oligarchs, particularly on a local level, played a concealed role.¹⁸ According to monitoring by civil society, not all of the competitors reported their incomes and spending on a bi-weekly basis, and many financial declarations submitted were incomplete and inconsistent with reality.¹⁹ There are also assumptions, that some political parties received assistance from abroad, but that such support was often registered as a donation from a Moldovan citizen. Suspicious cases, where generous donations were obviously beyond the income of the reported individual donor, must be examined by relevant institutions, not just investigative journalists.

Though a law on party financing, modifying the electoral code, was adopted in a first reading in July, further discussion—like that on overall electoral reform—was postponed until after the parliamentary elections. The bill contains important provisions, such as public funding for the political parties based on their performance in elections, strict regulations on donations, and the prohibition of financial assistance by foreign players. The new coalition should make finalising and adopting the law a priority, so it can enter into force before the local elections in 2015.

After the elections, it is unsure whether the new political elite will continue efforts to fight corruption. Thus an absolute minimum requirement would be not to dismantle the achievements so far. Yet, in a more ambitious scenario, efforts should be made to streamline the reform process by striving at more coherence of the overall legislative process, in order to avoid legal uncertainty.

Task Five: Public Administration

The EU has identified the public administration sector as being among those in most urgent need of reform in Moldova. While on the central level the reform process is almost done, the multi-aspect association agenda cannot be implemented without including public authorities at all levels. The local level, despite the existence of a legal framework for autonomous local self-governance, is underperforming due to the lack of financial means and capacity to live up to such autonomy.

Reform of **central public administration** was launched in 2005, and its implementation was finalised in February 2014. Its major components were the reorganisation of ministries and state agencies, improving the government's policy-making capacity, turning the civil service into a merit-based system, and improving the transparency of governance. According to monitoring by civil society, the last phase of reform for which guidelines were set in the 2011–2014 action plan was implemented in 80%.²⁰ Among the major achievements in this period were improvements in public access to digital services through a national e-governance platform. Better performance of civil servants was also encouraged by creating the legislative framework to raise their salaries (a 40–50% raise for management, and merit-based bonuses for public servants). However, beyond pay-based stimulation, public servants need to be further professionalised and the system has to be de-politicised. To this end, it is essential to improve standards of integrity, as well as the transparency of recruitment procedures.

¹⁷ M. Rață, "Decizia categorică a lui Timofti. E o lovitură pentru CSM," *Ziarulnational.md*, 30 October 2014, <http://ziarulnational.md/exclusiv-decizia-categorica-a-lui-timofti-care>.

¹⁸ Parliamentary Assembly of the Council of Europe, "Statement by Pre-electoral Delegation Visiting the Republic of Moldova," 7 November 2014, <http://assembly.coe.int/nw/xml/News/News-View-en.asp?newsid=5281&lang=2>.

¹⁹ Promo-lex, "Raportul nr. 3 Monitorizarea Alegerilor Parlamentare din 30 noiembrie 2014," 6 November 2014, p. 16, www.promolex.md/upload/publications/ro/doc_1415274776.pdf.

²⁰ "Reformarea Administrației Publice: Principalele evoluții în perioada 2010–2014," *promis.md*, www.promis.md/analitica/reformarea-ap-2010-2014.

In a bid to transfer power from the central government to public authorities at level 1 (towns and villages) and level 2 (regions, or *raions*), the National **Decentralisation** Strategy for the years 2012–2015 was adopted in April 2012. This should boost local authorities' autonomy in terms of services and competences, but also in respect to financial resources. A further target is consolidating the capacities of local public authorities by improving management and the quality of public services.

The successful implementation of the strategy, is, however hindered by the fact that the application of the law on **local public finances**—a key feature of decentralisation—was postponed by a year until the beginning of 2015. Only four pilot projects were launched this year, in three regions (Basarabeasca, Ocnița and Râșcani) and the municipality of Chișinău. While the official justification of the postponement was the need to further fine-tune legislation, particularly that on local taxes, the reasons were in fact political: ahead of the parliamentary elections, members of the parliament wanted to count on the support of local authorities by maintaining their financial dependence. The delay was criticised by the EU delegation and other donors, who participated in elaborating the law both with expertise and financial support. Eventually, the Swedish and U.S. governments suspended financing of decentralisation-related projects entirely, continuing to support only the capacity building of local authorities.

The experience of the pilot projects—particularly in the three regions—has so far been satisfactory, and thus implementing the law nationwide without further delay is highly recommended. Among the positive results reported are that local budgets have grown significantly, due to more prudent spending, and the sense of responsibility that came with the new competences generated more management discipline among mayors.²¹ Furthermore, the law stipulates that transfers to level 1 will be separate from those to level 2, in order to prevent a politically based distribution of funds by the regional council. The law also foresees that local public authorities will decide on the budget for social services, and will also establish development priorities. This, however, carries the risk of financial means being concentrated on development objectives (such as agriculture or building roads) at the detriment of social services.²² In order to avoid this, the planning and project management capacities of local public authorities have to be enhanced, and a system of evaluation of the main social services delivered at local level needs to be worked out.

While further implementing the strategy, the **politicisation of the decentralisation process** needs to be prevented. A case in point is the autonomous territorial unit of Gagauzia, where tensions with the central government have grown in recent years. While the official complaint of the region's leadership is an insufficient level of autonomy, the demands are in fact fuelled by divergent visions on foreign policy matters. While neither the Gagauz precedent nor the secessionist developments in eastern Ukraine should serve to discourage the full implementation of the strategy, administrative and fiscal decentralisation cannot be exploited for political reasons.

Task Six: The Media Sector

In the direct aftermath of the political changes in 2009, a series of laws were passed in 2010 to strengthen media freedom and independence. Yet, since then, the dynamics of reforms have abated, and civil society finds that most of the governments' programmes on media remain unimplemented,²³ mainly due to a lack of common vision and divergent interests of the major political parties. As such, if in its annual ENP implementation report the European Commission deemed the level of freedom of expression and media in Moldova overall satisfactory, it also drew attention to the challenges regarding the **concentration and lack of transparency of media ownership**.²⁴ Plurality of opinion is also hindered as long as advertising services are monopolised and the major media outlets remain controlled by a handful of businessmen with political interests. The most pertinent example here is Vladimir Plahotniuc, vice-president of coalition member Democratic Party of Moldova (PD), controlling the largest media trust (operating TV channels

²¹ A. Ceapai, "De ce legea privind finanțele publice locale trebuie aplicată pe întregul teritoriu al R. Moldova," *Europa Liberă*, 14 March 2014, www.europalibera.org/content/article/25297417.html.

²² A. Lupușor, "Provocările modificărilor la legea finanțelor publice locale asupra finanțării serviciilor sociale," *Expert-Group Policy Document*, June 2014, <http://expert-grup.org/ro/biblioteca/item/981-noua-lege-servicii-sociale&category=184>.

²³ P. Macovei, N. Gogu, I. Bunduchi, "Reforms in Mass Media from 2009–2013: From Promises to Actions," 2014, p. 67, www.api.md/upload/files/studiu-REFORMELE-en-WEBSITE.pdf.

²⁴ European Commission, "Implementation of the European Neighbourhood Policy in the Republic of Moldova Progress in 2013 and recommendations for action," 27 March 2014, p. 6, http://eeas.europa.eu/delegations/moldova/documents/press_corner/moldova_en.pdf.

Prime TV, Canal 3 and 2 Plus, as well as the radio station Prime FM and news portal 24h.md), and the largest advertising agency, Casa Media Plus. The situation should be improved by finally adopting the new broadcasting law and the law on transparency of media ownership (both draft laws are already in parliament), which would prevent the concentration of media-ownership and ensure pluralism of opinion. In addition, a new law regulating advertising services also needs to be elaborated.

Shortcomings of transparency of the media sector provide fertile soil for **manipulation of opinion**. The phenomenon has been intensifying with the turbulent developments in neighbouring Ukraine (first the Euromaidan protests, then Russia's aggression towards the country), on the presentation and interpretation of which political interests are conflicting. As a result, public opinion in Moldova is effectively split, particularly on Russia's annexation of Crimea or its role in the war in Donbas. Moldovans' security perception is also largely determined by the media. One of many examples is false information disseminated by the TV channel Russia 1, which aired a story on Romania and right-bank Moldova preparing an attack on the breakaway region of Transnistria. Reporting on the increased pace of the European accession process has been equally partisan, with some media outlets taking a very one-sided approach in actively highlighting the downsides of the process.

However, attempts at curtailing media manipulation are often accused of restricting the **freedom of expression**. A case in point was the suspension, on July 4, of retransmission of Russia 24 until the end of the year. While there is a wide consensus that the station distorts facts through its highly opinionated news bulletins, civil society contested the harsh step arguing that the process was not gradual;²⁵ diversion from pluralism of opinion by the TV station had been tolerated for years, and suspension came without being preceded by enough sanctions and warnings.

The election campaign also brought to the surface problems with **independence of the media**, with media institutions clearly taking sides and promoting certain electoral options, rather than presenting a comprehensive picture of the campaign. According to a report released by civil society, only one out of ten news portals monitored presented balanced reports on the electoral campaign, and the parties of the governing coalition, in particular PD, got most visibility.²⁶ The Audiovisual Coordination Council (CCA) has already sanctioned a number of television stations, which favoured one party over another in news programmes during the electoral campaign.²⁷ The highest fines were paid by Prime TV, Publika TV, Canal 3, and Canal 2 for promoting PD, but Jurnal TV also paid a more moderate fine for bias towards the Liberal Democrats (PLDM). According to the CCA, the most balanced reporting is provided by PRO TV Chişinău and public broadcaster Moldova 1. However, the independence of the CCA has to be improved, so it will more readily apply sanctions against media institutions reported as partisan by the monitoring NGOs. A permanent regulation also has to be worked out on the operation of media in the run-up to and during elections.

Furthermore, as a significant **structural change**, the reform of the state broadcaster and radio Teleradio Moldova needs to be pursued with more commitment. New members should also be elected to its council of observers, the scrutiny activity of which is now largely stagnating. Furthermore, in order to ensure unlimited access to public information and to avoid restricting investigative journalism, the press needs to be allowed access to parliament (since early this year journalists have been able to follow debates only from a separate, inadequately equipped room). Finally, complementary to legislative and structural changes, long-term solutions need to be sought via **education and professionalisation of journalists**, with a strong accent on the ethics of the job. Among the wider public there is a need for raising awareness on the role of the media, so that in times of social pressure media can take on a more responsible role.

²⁵ V. Botnaru, "Ioana Avadani: Interzicerea oricărui mijloc de informare este la fel de periculoasă pentru libertatea presei, ca și prezenta propagandei," *Europa Liberă*, 4 July 2014, www.europalibera.org/content/article/25445915.html.

²⁶ Association of Electronic Press, Association of Independent Press, Centre for Independent Journalism, Civic Coalition for Free and Correct Elections, "Monitorizare a mass-media în campania electorală pentru alegerile parlamentare 2014. Report nr. 2. 18–31 October 2014," www.api.md/upload/files/Raport_2_monitorizare_mass-media_in_alegeri_18-31_octombrie_2014_FINAL.pdf.

²⁷ Communication and Public Relations Service, Audiovisual Coordination Council, "CAA a examinat cel de-al doilea raport privind respectarea regulamentului de reflectare a campaniei electorale," 14 November 2014, www.cca.md/news/cca-examinat-cel-de-al-doilea-raport-privind-respectarea-regulamentului-de-reflectare-campaniei.

Making EU Support Count

In the light of the dynamic changes on the ground, the EU is planning to revise its neighbourhood policy, including the eastern dimension. European Commission president, Jean-Claude Juncker, asked Johannes Hahn, the new EU commissioner for European neighbourhood policy and enlargement negotiations, to work out a plan to revise the European Neighbourhood Policy within a year. It seems that, in respect to the Eastern Partnership (EaP), intentions are to shift focus towards more sectoral cooperation (in trade, energy and security), probably at the expense of political integration and support for democracy.²⁸ Moldova has gained a reputation as the most ambitious of the eastern partner states in terms of delivering on reform commitments. Yet such a new approach, reducing the EaP from a political project into mere technical cooperation, might severely cut back on this country's motivation and chances for transformation. Therefore, the EU should be ready to tailor its policy towards Moldova and maintain the positive dynamics in the country.

To begin with, the appropriate framework for implementing the Association Agreement (AA) signed on 27 June needs to be assured. To this end, the EU should insist on **setting up the Association Council** as soon as possible. Its role will be institutionalising EU–Moldova political dialogue and overseeing and monitoring the implementation of the AA. Whereas the Council with Georgia was established on 17 November, in Chisinau the issue was put off on grounds of the parliamentary elections and the changes this could generate in the domestic political landscape. Launching meetings of the council by the new government without further delay is essential. It would not only provide a platform for dialogue, but would also transfer personal responsibility for reforms onto individual members.

Furthermore, after ratification by the European Parliament on 13 November, **all Member States should ratify the AA** as soon as possible. Even though ratification in such a short time by nine out of the 28 Member States (Bulgaria, Estonia, Hungary, Malta, Latvia, Lithuania, Romania, Slovakia and Sweden) is already an achievement, for others the process might take up to two years without a special effort. Although the AA has been provisionally applied since 1 September—which means some 90% of its provisions could be started to be implemented²⁹—the completion of the entire ratification process will carry a significant message of full-hearted support by an EU with one voice.

In spite of the EU's non-antagonisation policy towards Russia, **continued political support** for Moldova is vital. Throughout the past year, the spotlight has been on Chisinau, due to developments in Ukraine and the security threat this projects on the entire region. As a consequence, the Moldovan case advanced significantly on the EU agenda, and the pace of visa liberalisation and signing the AA increased unexpectedly. Yet, if the EU wants to implement long-term changes in the country, it needs to continue with its political support beyond media trends.

For instance, the upcoming elections for the office of the *bashkan* (the leader of the autonomous Gagauzia region) in early 2015, as well as local elections nationwide in June of the same year, should be given due attention by the EU, in the form of continued declarations and high-level visits. While local elections usually command less international media attention than the parliamentary ones, it should be kept in mind that the deep divisions in Moldovan society are also along regional lines. Thus, local political leadership sometimes has an indirect impact on foreign policy in Moldova.

External pressure on reforms is also essential in order to keep the government committed. This should come in the form of declarations and progress reports, but also via more direct engagement in supporting the reforms. For instance, in order to scrutinise the justice sector—where political resistance to transformation tends to be the highest—the EU should **deploy the EU JUST mission** in 2015 for three years, to support and train judges and prosecutors.

In terms of financial support of reforms, through the Memorandum of Understanding on the Single Support Framework signed by Commissioner Hahn and Prime Minister Iurie Leancă on 6 November, the EU committed itself to allocate a maximum of €410 million of bilateral assistance to Moldova in the next three

²⁸ E. Kaca, "Is the Eastern Partnership Weakening? The Consequences of the EU Institutions' Power Shift to Neighbourhood Policy," *PISM Bulletin*, no. 133 (728), 25 November 2014, www.pism.pl/publications/bulletin/no-133-728.

²⁹ L. Barbarosie, A. Cañțir, "Iulian Groza: 'UE s-a angajat să ofere 410 milioane de euro care să ne ajute la aplicarea Acordului de Asociere,'" *EuropaLibera.org*, 13 November 2014, www.europalibera.org/content/article/26689663.html.

years. This will be spent on three priority areas, namely on public administration reform, rural and agricultural development, and reform of the police and border management. The sum is a significant increase from the €561million earmarked for Moldova during the previous seven years (2007–2013). Additionally, based on its performance, the country can benefit from financial assistance granted through the multi-country “umbrella programme” on the principle of “more for more.”³⁰ In 2014, €30 million were granted through this means, to enable public institutions and businesses to profit to the maximum from the Deep and Comprehensive Free Trade Area (DCFTA).

Yet **mechanisms of financial support need to be improved** in light of the lessons learned from the previous years. First, the EU’s ambitions to support reforms in all key sectors is unmatched by its financial capacities. Thus Brussels should better streamline its sectoral support, and even focus on specific issues within a sector, rather than attempting to transform the entire sector at once. Sometimes, less in terms of initiatives and plans, could mean more in terms of quality and transformative impact. Second, conditionality should focus on implementation of the reforms, not only the adoption of required legislation. Conditions and indicators should be more precise, while at the same time leaving space for flexibility to adjust conditions on the fly, in line with real time changes in priorities. Additional aid under the “more for more” principle, of which Moldova often benefits, should be linked to just as precise conditions as regular, pre-planned financial support. Otherwise, reward-like money has a counter-effect on the EU’s ambition to make the Moldovan authorities spend EU money more responsibly.

Although the government has introduced several online platforms for making external support more transparent, aid fragmentation in Moldova remains a problem. For its part, the EU should launch joint programming for Moldova as soon as possible. This is a mechanism that would **coordinate the donor activities** of the most engaged Member States, such as Germany, Poland, Romania and Sweden. Currently there are more than 40 aid recipient countries world-wide, for which the European External Action Service foresees starting EU joint programming by 2018, but Moldova is not yet among the confirmed states.³¹

The EU’s assistance needs to be accompanied by much **more efficient communication**. Misinformation spread by the Russian media, downplaying the positive changes the AA will bring, needs to be countered, and society and businesses should be thoroughly informed on their new possibilities in relation to the agreement with the EU. Particular attention should be paid to rural areas, where awareness and understanding of the AA is the poorest. In this context, it is important to provide wide-scale consultancy opportunities for small businesses, specifically on benefitting from the DCFTA. This can be done by joining forces with UNDP or USAID, the major donors already active on the local level in areas such as decentralisation and capacity building for local authorities. Public support for the EU in general could also be raised if the EU delegation receives funds to build out its own nationwide public diplomacy infrastructure.

Finally, divisions in the EaP between the countries committed to association with the EU (Georgia, Moldova and Ukraine), and those that reject such a path (Armenia, Azerbaijan and Belarus) are by now a political fact. Therefore, a revised EaP should set the ground for further informal **differentiation** to the benefit of the more ambitious partners. For these countries, options of **further economic integration**, going beyond the DCFTA (for instance, in terms of the flow of capital and services, or the integration of selected sectors of the economy) should be examined, based on feasibility studies, in line with the EU commitments adopted at the EaP summit in Vilnius in 2013. Such an offer would provide incentives for the political class and society in countries, like Moldova, in which motivation for reform may be lost without concrete prospects of EU membership.

³⁰ Delegation of the European Union to Moldova, “The European Union Signed the Memorandum of Understanding on the Single Support Framework with the Republic of Moldova and a New Financing Agreement to Support DCFTA Implementation,” *Press Release*, 6 November 2014, http://eeas.europa.eu/delegations/moldova/documents/press_corner/20141106_en.pdf.

³¹ M. Furness, F. Vollmeier, “EU Joint Programming: Lessons from South Sudan for EU Aid Coordination,” German Development Institute, *Briefing Paper 18/2013*, www.die-gdi.de/uploads/media/BP_18.2013.pdf.