

ACADEMY OF SCIENCES OF MOLDOVA

Institute of Legal and Political Research

Center for Legal Research

Center for Strategic Research

Policy brief

**REPUBLIC OF MOLDOVA – EUROPEAN UNION
ASSOCIATION AGREEMENT AT 1 YEAR AFTER
RATIFICATION**

Part III: Conclusions and Recommendations

July 27, 2015



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From the list of challenges and problems from previous study (Part II: Shortcomings and challenges), can be drawn some fundamental **conclusions**:

1. After picking the most attractive fruit of the Eastern Partnership (eg liberalized visa regime), Moldova reduced the intensity of reforms under the EU-Moldova Association Agreement.
2. The implementation of the Moldova-EU Association Agreement is largely compromised by the situation in the banking sector in Moldova.
3. International and the EU donors have adopted the strategy of “let’s wait and see” and postponed the financing of Moldova until the reforms are done.
4. For many Moldovan citizens, that the International Monetary Fund, World Bank and European Union decided to freeze financing for the Republic of Moldova was a huge surprise. In fact, we should not have any surprises at all. Since March 2015 Moldova received a warning ultimatum like “reforms or sanctions”. On March 4, 2015 the United Nations and other development partners in Moldova presented to the Prime Minister of the Republic of Moldova a Briefing Book on key development challenges and recommended responses to address them. It contains 30 policy notes on issues such as human rights, justice and public administration reform, and gender equality, amongst others. Finally, the Report sets out the list of immediate reforms to be undertaken by the Government within the next 100 days. Accordingly, June 12, 2015, after the expiration of those 100 days, the Government had to give a Report on the implementation of reforms. Or, June 12, 2015 is the day when the Government decided that it is much easier to capitulate by resignation.
5. Implementation of the EU-Moldova Association Agreement can be a success only if cumulative variables are present, most important being: confidence of foreign partners and funding. In such circumstances it is difficult to identify on what relay Moldovan political class and how it intends to apply the provisions of the EU-Moldova Association Agreement, given that:
 - 5.1. Moldova’s exports to Russia and Ukraine decreased by 31% and 20% respectively in January-November 2014;
 - 5.2. In the first quarter of 2015 exports fell dramatically by 67% to Ukraine and by 50% to Russia;

- 5.3. Remittances fell by 20% in the last quarter of 2014;
- 5.4. In the period of January-April, 2015 remittances were down 30%;
- 5.5. The Moldovan currency depreciated by 20%.

- 6. We believe that the suspension of funding is just one of the sanctions that the European Union and international lenders can charge Moldova. There is a real danger that one day visa liberalization regime might be cancelled.
- 7. The Government to be invested in the near future will inherit a difficult situation requiring immediate efforts with concrete actions and results.

In this context, in order to boost the process of applying the provisions of EU-Moldova Association Agreement, we propose some **recommendations** to the Government to be invested:

- 1. To re-considerate the **National Action Plan 2014-2016** for implementing the Republic of Moldova – European Union Association Agreement, identifying the problematic areas that are requiring special attention.
- 2. To notify the relevant EU institutions and its representatives in Moldova that the Government intends to review the National Action Plan 2014-2016 for implementing the Moldova – European Union Association Agreement, by **extending the period up to 2018**.
- 3. **To organize a conference** with national and international representatives, within which to address the issue of implementation of the Association Agreement, identifying gaps and needs that have to be adjusted.
- 4. The Government Plan of activities (of the new Government to be invested) should include a distinctive compartment “**Strengthening the banking sector**” which will contain some fundamental provisions such as:
 - a. Liquidation of the 3 commercial banks „Banca de Economii” S.A., BC „Banca Socială” SA and BC „Unibank” SA.
 - b. Opening the banking sector from Moldova to investors from the European Union.
 - c. To increase bank deposit insurance by gradually achieving the EU standards (currently in Moldova the deposits are insured maximum 6.000 lei – 300 Euro, versus EUR 100,000 in the most European Union countries).

- d. Addition regulation of foreign loans. To complete the National Security Strategy of the Republic of Moldova with a separate section on “Financial and Banking Security”.
 - e. To amend the National Security Strategy of the Republic of Moldova with a separate section “Financial and Banking Security”. Responsible institution: Academy of Sciences of Moldova and the Ministry of Justice.
5. To achieve a comprehensive reform in **preventing combating corruption**:
- a. Reorganization of the National Anticorruption Center using as a model the similar Center (National Anticorruption Directorate) from Romania.
 - b. Election the head of the National Anticorruption Center from the experts of EU countries (especially from such a countries as: Germany, the Netherlands, Sweden, Denmark, Finland, Norway etc.).
 - c. Adoption of the packages of laws concerning the National Integrity System.
 - d. Implement a system of professional integrity testing of civil servants and judges, relied more on indirect methods.
 - e. Reform the system of whistle-blowing.
 - f. Developing a matrix of indicators and measurements referring to the corruption various segments.

At the same time, we would like to share a series of **recommendations for the European Union and the development partners in Moldova**:

1. If the European Union has evidences that the funds allocated to Moldova for the implementation of the Moldova-EU Association Agreement are used irrationally, it should reconsider the mechanism of granting funds as follows:
 - 1.1. Divert funds to other sectors, which for the moment are qualified as a success story;
 - 1.2. To allocate the funds on the tender basis;
 - 1.3. To allocate the funds in the form of grants.
2. As it has been previously mentioned, the main cause of failure of implementing the provisions of the EU-Moldova Association Agreement is the crisis in the banking sector, we have a suggestion for the European Union – to come up with the initiative to create in Moldova the Financial Intelligence Service – a fraud investigation agency specialized in the banking sphere. In this respect, the EU could provide financial and logistical support.

3. The European Union should extend the program EUHLPAM – the European Union High Level Policy Advice Mission to the Republic of Moldova for the rest of 2015 year and possibly for 2016 year (as it is active only until June 2015).
4. The European Union should identify some measures that would have a direct impact on Moldovan citizens and would provide a perspective of tangible benefits. This is because the visa liberalization regime is practically the only advantage felt by Moldovan citizens after one year from the application of the EU-Moldova Association Agreement. One of the suggested measures with huge resonance is that European Union should analyze the possibility to offer employment opportunities in UE for Moldovan citizens. We believe that the cost of this step for the European Union will be insignificant, while for the Moldovan citizens it will have a tremendous positive impact.

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