

Unlocking European Assistance for Moldova: with or without conditionality?

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Political changes in Moldova send extremely positive echoes abroad. The change of the law on prosecutors' office, the corrections to the electoral code to return to the proportional system, and the impetus to the investigation of "the theft of the billion", etc., generate very high expectations toward the new government. These expectations do not correlate with

the real capacity and willingness of all institutions to translate into practice the political will of the new government. The latter struggles to put first the fight against the, already ousted, oligarchic regime, but also to bring state affairs and assets in order, starting with the urgent balancing of the public budget. Certain actions, ranging from political pressure on civil servants to proposals for tax changes without public consultations, have diluted initial optimism within civil society and the business environment.

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The government's criticism is, however, inferior to the degree of political support granted for reforming the state at the root. In parallel, President Igor Dodon regularly signals critical areas in government work, such as tax revision where the public consultations are absent, and attempts to capitalize on tactical distancing from the governing partners in the ACUM bloc ([Socialistii.md, 26 July 2019](#)).

The symbol of the anti-oligarchic struggle remains visible within the ACUM bloc through continuing the "liberation of the state and the institutions of law captured by the oligarchic regime" ([Agora, 19 July 2019](#)) or by emitting the request to place the oligarch Vladimir Plahotniuc under individual international sanctions ([ProTV, 22 Iulie 2019](#)). At the same time, institutions are under the pressure of political and anti-oligarchic cleansing against the formerly loyal to Democratic Party people. On the one hand, the renewal of institutions takes time if they follow the criteria of transparency, competition and competence. On the other hand, the same process can lead to the replace of old guard with new people, but already associated with the Socialists (PSRM), the Action and Solidarity Party (PAS) and the Platform DA.

The government's gestures have rapidly cemented substantial external legitimacy so far. The close contacts of Prime Minister Maia Sandu with the European officials, established at the time when she embodied the extra-parliamentary opposition, and the channels of communication held by Foreign Minister [Nicolae Popescu](#), facilitated the revival of the dialogue with the EU ([IPN, 15 July 2019](#)). So, more than a month after it came to power, the government's representatives managed to meet with the head of the new European Parliament, David-Maria Sassoli ([Gov.md, 24 July 2019](#)), to present the case of Moldova in the informal discussions at the EU Council of Foreign Affairs ([EEAS, 15 July 2019](#)) and on two occasions to discuss with Johannes Hahn, Commissioner for European Neighbourhood Policy and Enlargement Negotiations ([Gov.md, 3 July și 24 July 2019](#)). At the same time, the Chisinau government has received political support from the Romanian MEPs from two large groups of the European Parliament, the European People's Party and the Renew Europe Group, which together hold about 38% of the new European legislative body. MEPs' main expectations from the Moldovan leadership are about "cleaning up the justice system" ([Gov.md, 25 July 2019](#)) and arranging free and fair local elections in the autumn ([Gov.md, 24 July 2019](#)). All these elements of re-launching the political dialogue with the EU contributed to the unblocking of European financial help worth more than 60 million Euro, suspended in 2018, after the Chisinau elections were invalidated ([Reuters, 4 July 2018](#)).

Faster than in 2016 - why?

Moldova repeats the exercise of re-opening the European financial assistance just 4 years after its first banning, caused by the banking system fraud, revealed after the 2014 parliamentary elections. This time, to restore the access to European funding took place at a rapid pace, without setting any (pre-)conditions. On the contrary, the EU has made a political assessment of the actions taken by the new government in the first almost two months of the mandate. In other words, the unblocking of

assistance in 2019 relies more on the credibility and intention of the government and the parliamentary majority than on exploring definitive and concrete results.

The careful assessment of the circumstances in which European assistance to Moldova was frozen and unblocked in 2015-2016 and 2018-2019 indicates a number of discrepancies in the EU approach towards Moldovan political actors (See the table below).

Firstly, the EU imposed a series of conditionality for the Democratic Party in early 2016 ([EU, 15 February 2019](#)), whose assessment was essential to restore budget assistance. When resuming budget support in 2019, the EU did not ask any specific conditionality from the PSRM-ACUM coalition ([EU Council, 20 June 2019](#)). On the one hand, the EU requirements for unblocking assistance in 2018 were addressed to the Democratic Party, suspected of canceling the results of the Chisinau elections through a controlled justice. On the other hand, the establishment of the government in 2019 took place by the failure of Vladimir Plahotniuc's attempt to perpetuate his power, subordinating the Constitutional Court and other state institutions ([3DCFTA, 19 June 2019](#)). For these reasons, the conditionality linked to EU budget assistance to Moldova seems to have lost its relevance, at least temporarily, with the defeat of the oligarchic regime. But this will be further tested when the negotiations on macro-financial assistance, halted in 2018, are resumed. This entails both political preconditions and sectoral conditionality ([IPN, 24 September 2018](#)).

The second point of differentiation is the change of attitude towards the actions of the government in Moldova. During the period of the Democratic Party, the European institutions demonstrated a strict attitude ([EU Delegation, 23 December 2016](#)), which contrasts with the friendly and non-exigent treatment of the PSRM-ACUM governing coalition. The lack of exigency on the part of the EU results from the actions of the new Moldovan authorities, considered as sufficient progress in restoring budget support in 2019. Thus, out of four aspects identified as success by Commissioner Hahn ([EU, 23 July 2019](#)), only two refers to accomplished facts, but they do not have the reform part – re-launching of relations with IMF and setting the day for local elections. At the same time, the third action is purely declarative - the promise to carry out the reforms dictated by the AA / DCFTA and the fourth lies in ongoing actions - the Parliament's initiation of investigation into the case of on billion theft from the banking sector by the Parliament, etc. Consequently, it is noticeable that the EU sympathizes with the PSRM-ACUM coalition, for its role in fighting the oligarchic regime, but also for the first steps in delivering certain reforms.

Last but not least, the speed with which the European institutions have unfrozen the budget support in 2016 and 2019, respectively, stands out. Due to the lack of conditionality, motivated by a euphoric approach to the governing anti-oligarchic forces (ACUM bloc), the EU activated its financing support in less than 2 months. In 2016, because of the enormous distrust against the Democratic Party, strongly associated with the bank fraud, the EU released the money only 10 months after it assessed that Moldova met the conditions.

Table. Chronology of the main decisions regarding the suspension of European financial assistance in 2015-2016 and 2018-2019 years

2018-2019	2015-2016
<p>July, 2018 - EU announces suspension of macro-financial assistance due to degradation of rule of law.</p> <p>27 November, 2018 - EU confirms that macro-financial and budgetary assistance is suspended. At the same time, the financial assistance (€ 106 million) is recalibrated and reorientated to projects supporting civil society, mass media, pro-reform local authorities and small and medium-sized enterprises. Four sets of conditions are imposed to restore the assistance: 1) organizing credible parliamentary elections; 2) investigating and prosecuting the banking fraud, including the recovery of stolen funds; 3) engaging in a broad reform of justice; 4) the fight against high corruption and the smooth functioning of the declaration system (EU Delegation, 27 November 2019).</p> <p>20 June, 2019 - EU Council Conclusions recommend to the Commission Europe and High Representative Federica Mogherini to develop a set of actions to support Moldova, based on the implementation of reforms as part of the Association Agreement / DCFTA. There is no condition to fulfill by the Moldovan side. (EU Council, 20 June 2019).</p> <p>23 July, 2019 - European Commission restores budget support for Moldova, allocating EUR 14.54 million to actions dedicated to free trade, vocational education and the implementation of the action plan for visa liberalization. The EU underlines as actions achieved by the Moldovan government: 1) Strong commitment of the government to implement reforms in the context of AA / DCFTA; 2) Parliament's initiation of the electoral reform agenda and the banking fraud investigation committee, including measures to depoliticise institutions and fight the corruption; 3) the appointment of local elections on 20 October 2019; and, 4) relaunching relations with IMF on 10 July 2019 (EU, 23 July 2019).</p> <p>24 July, 2019 - Commissioner Hahn signs</p>	<p>July 8, 2015 - The EU delegation in Chisinau concludes that the budget support is blocked until macro-financial stability and budgetary surveillance are secured, including by negotiating a new agreement with the IMF (EU Delegation, July 2015)</p> <p>15 February, 2016 - The EU Council adopts conclusions on Moldova, in which conditions the restoration of financial assistance with political, financial and macro-economic measures, such as: 1) depoliticizing of the institutions; 2) fighting systemic corruption; 3) increasing the efficiency of the regulatory bodies; 4) transparency in the administration of public money; 5) strengthening corporate governance in the financial sector; 6) investigation of the bank theft, punishment of responsible persons and restitution of stolen funds; 7) strengthening of justice and law enforcement, etc. (EU Council, 15 February 2016).</p> <p>23 December, 2016 - The EU announces the resumption of EUR 45.3 million budget support to Moldova for the financing of four programs: 1) stimulating rural development; 2) agriculture and rural development; 3) public finance reform; 4) Vocational education. The European side has admitted that Moldova has fulfilled conditions linked to the stabilization of the macro-economic system and the improvement of the situation in the banking system, due to which the IMF approved a new program with Moldova in November 2016 (EU Delegation, 23 December 2016).</p>

financing agreements for three programs worth EUR 40.25 million: 1) socio-economic support of the towns of Ungheni and Cahul; 2) strengthening the rule of law and anti-corruption mechanisms; 3) gender equality and mobility in academia (EU, 24 July 2019).	
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Instead of conclusions...

Although the re-launch of EU-Moldova relations is somewhat at an early stage, trust in the integrity and sincerity of the government in Chisinau has already triggered the re-launch of financial aid without further conditions. In spite of the negative precedents that led to the suspension of European assistance for Moldova in recent years, Brussels stands in favor of the PSRM-ACUM coalition without putting too much emphasis on conditionality.

The EU's expectations overlook the complications that may soon arise in relations within the parliamentary majority. Already there are clear signs that the country's president shows determination to halt the unpopular movements of Maia Sandu's government, enhancing the protagonist status for himself and the Socialists. This can precipitate the hidden animosities within the parliamentary majority, where the Socialists will gradually sharpen their rhetoric against the executive.

The conditionality should belong to the mechanism for granting any kind of European financial assistance, regardless the degree of harmony in the EU-Moldova dialogue. Inevitably, conditionality will come into play when the debate on macro-financial assistance will start.

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