

"Governance and Democracy in Moldova" is a bi-weekly journal produced by the Association for Participatory Democracy ADEPT, which tackles the quality of governance and reflects the evolution of political and democratic processes in the Republic of Moldova. The publication is issued with financial support from the Ministry of Foreign Affairs of the United Kingdom of the Netherlands, in framework of the project "Promoting Good Governance through Monitoring". Opinions expressed in the published articles do not necessarily represent also the point of view of the sponsor. The responsibility for the veracity of statements rests solely with the articles' authors.

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I. ACTIVITY OF PUBLIC INSTITUTIONS

PARLAMENT

1. Events of major importance

Draft law cancelling the right of the police to get house rent-related compensation

The Parliament approved a draft law to modify Article 40 of the law on police, in a move to cancel the right of policemen to the house rent-related compensation, if they are not provided housing. The Government says that the right of police bodies to housing was removed from legislation and the law does not stipulate any longer the obligation to provide housing or any compensation for this purpose. Although the executive assured that the draft has a technical nature, related debates fuelled bitter criticism and statements by the opposition, with PCRM deputies accusing the parliamentary majority of adopting an unconstitutional document which attempts on the rights of police organs and thus jeopardises the public security. According to reports by PCRM representatives, the cancellation of previous facilities brought more than 2,000 dismissal reports by officers and subofficers to the Interior Ministry, with similar processes being recorded in the Information and Security Service and State Guard and Protection Service. Representatives of the parliamentary majority replied that the previous regulations could not be enforced and maintaining them in force would produce appeals to law courts and ECHR decisions against Moldova. Only 45 deputies representing the parliamentary majority voted this draft law in the first reading.

2. Legislative policies

Law approving the development strategy on the non-bank financial market for 2010 – 2013 and the action plan on implementation of the strategy. The strategy sets the state policy on the non-bank financial market, makes clear the necessary reforms in the area with the purpose to ensure a sustainable development of the non-bank financial market and turn it into an efficient instrument to attract and distribute investments. According to developers, the implemented strategy will boost the transparency, the protection of interests of participants in the non-banking financial market, will reduce afferent risks and will enhance the efficiency in the area.

Law concerning the border-crossing delivery of personal information. The Parliament adopted derogation from Article 16 of the law concerning the protection of personal data, in terms of border-crossing delivery of personal information to the US Holocaust Memorial Museum and State Archive Service of Moldova. The data will be provided to consider World War II crimes, the way the majority of European states had done with the US Holocaust Memorial Museum. The US side will cover the expenses afferent to the enforcement of these regulations.

Laws on ratification of some international acts:

- The United Nations Convention concerning privileges and immunities of specialised agencies;
- The Protocol to the partnership and cooperation agreement on establishment of a partnership between the Republic of Moldova on one hand and the European Communities and member states on the other hand regarding a Moldova-EU framework agreement on general principles of participation of Moldova in the EU programmes;

Draft law concerning the industrial security of dangerous industrial facilities. The draft sets legal and economic grounds for functioning of dangerous industrial facilities in secure

and feasible conditions, and aims to prevent disasters and to train economic agents to locate, prevent and clean up consequences of accidents at dangerous industrial facilities.

3. Parliamentary control. Statements

Reports

Deputy Premier Eugen Carpov informed lawmakers in connection with the *incident which took place on March 2, 2011 in the village of Corjova, district of Dubasari*, as Transnistrian police bodies held the mayor of this village and a local councillor during manifestations dedicated to the Day of Remembrance.

Representatives of the Ministry for Foreign Affairs and European Integration released reports regarding:

- The future visa liberalisation agreement with the EU;
- The implementation of the existing Moldova-EU visa facilitation agreement;
- The takeover of the chairmanship in the International Organisation for Democracy and Economic Development GUAM by Moldova;
- The process of delimitation and demarcation of the Moldova-Ukraine border.

Questions. Appeals

- PDM MP Igor Corman asked the Ministry for Foreign Affairs and European Integration to provide information regarding respect for decision-making transparency by the ministry. His request is based on the [Report on monitoring of the decision-making transparency in competent central organs of public administration](#) worked out by ADEPT;
- PCRM MP Alexandru Petcov asked the Parliament Administration to provide information regarding the tender held to select a mobile telephony operator to provide services to the Parliament in the framework of a corporate package, as well as concerning sources to cover these expenses;
- PLDM MP Valeriu Ghilechi asked the Health Ministry to provide information regarding insulin-related problems faced by patients suffering from diabetes;
- PCRM MP Artur Resetnicov asked the Parliament administration to explain why the income declarations by deputies were not published, as well as to provide information regarding the functioning of the website of legislature.
- PCRM MP Grigore Petrenco asked the Prosecutor-General's Office to investigate the illegitimate introduction of some texts in the law on licence-based regulation of entrepreneurship and components of forgery or power abuse offences.
- PDM MP Valentina Stratan demanded information regarding respect for the law on tobacco and eventual sanctions for violation of prohibitive regulations.
- PCRM MP Artur Resetnicov asked the head of the Information and Security Service to explain the legality of telephone call by lawmaker Mihai Ghimpu and to present live the answer regarding the crossing of state border and stay of a foreign citizens (named Gadaffi) in Moldova.

Statements

- PLDM MP Tudor Deliu presented a statement by PLDM faction regarding the commemoration of the 2nd of March 1992, the beginning of battles for independence and integrity of the country.
- PCRM MP Grigore Petrenco read a statement concerning visa issue and violation of the Moldova-EU visa facilitation agreement, which entered into force on January 1, 2008.

GOVERNMENT

1. Events of major importance

Indexation of social services

The Government approved the *Decision concerning the indexation of social services and certain state social services*, introducing a 7.8-percent service indexation for 2011. In particular, starting April 1, 2011, following will be indexed: all types of pensions, established and calculated under the law concerning state social pensions; pensions established under the previous law concerning the labour length, for public functionaries; customs officers; invalidity indemnities; pensions established under the law concerning the social protection of victims of the Chernobyl disaster; pensions established under the law concerning pensions of the military and command corps and interior organs. As well, the indexation of pensions of deputies, members of Government, public servants, local elected, and customs officers will cover just the part of pension paid from the state social insurance budget. Under the same decision, starting April 1, 2011 the minimum indexed pension amounts to:

- 570.66 lei - retirement pension for farmers;
- 641.00 lei – retirement pension for other retirees;
- 456.02 lei – 1st-degree invalidity pension;
- 440.36 lei – 2nd-degree invalidity pension;
- 310.08 lei – 3rd-degree invalidity pension.

2. Nominations. Dismissals

The Government issued several decisions to execute some judgements, reinstate some heads of territorial administrative control directorates:

- Mr. Octavian Mahu (Balti);
- Mr. Alim Afonin (Soroca);
- Mr. Ion Nasalciuc (Orhei).

3. Decisions

Decision concerning the establishment of a governmental country reintegration. The commission established by executive will be in charge among others with ensuring and coordinating the promotion of a single country reintegration policy by all national institutions in Moldova; considering country reintegration initiatives by public administration authorities; considering proposals by public administration authorities aimed to make conditions for the reintegration of the Transnistrian region; coordinating actions to settle the signalled problems; raising initiatives aimed to make decisions needed to reintegrate the country. The commission will hold sittings at least once in two months or when needed be. Chairperson and deputy chairperson of the commission welcome experts, representatives of public administration authorities and civil society to help them. The commission is headed by prime minister, assisted by deputy prime minister in charge with country reintegration; it is made of all members of the cabinet of ministers, as well as of prosecutor-general's office, directors of the Customs Service, Border Guard Service, CCCEC and SIS.

Decision concerning the release of food wheat from state material reserves. The Agency for Material Reserves will release 8,670 tons of food wheat from state material reserves to bakeries selected by district/municipal councils, in order to refresh and replace them periodically. The contracts with beneficiaries of food wheat will oblige them to use the wheat just for bakery purposes and provide population in the territory with bread, while final beneficiaries will return by September 1, 2011 the food wheat released from state material reserves.

Decisions approving draft laws:

- Concerning the modification and completion of some legislative policies (fiscal and budgetary policy for this year);
- Draft state budget law for 2011;
- Draft law on state social insurance budget for 2011;
- Draft law on single social compensations.
- Draft law concerning the mandatory health insurance funds for 2011.

Decisions concerning the allocation of funds:

- The State Chancellery was allocated 100,000 lei to pay fees to the Bar "Buruiana&Partners" for the issuance of a legal audit on a litigation initiated by "Energoalians" Ltd.;
- The Interior Ministry was allocated 400,000 lei to organise and hold manifestations dedicated to the Day of Remembrance (on March 2);
- One million lei was allocated to work out a feasibility survey on construction of the Chisinau-Iasi gas line;
- The Ministry of Labour, Social Protection and Family was allocated 608,500 lei to manufacture commemorative medals "Participant in cleaning up the consequences of the Chernobyl disaster – 25 years".

4. Sitzings. Decisions***Sitting of Interministerial Strategic Planning Committee***

The sitting considered issues relating to the EU-funded budgetary support programme on energy; strategic projects within the Romania-Ukraine-Moldova Border-Crossing Cooperation Programme for 2007-2013; institutional consolidation instrument Twinning; Rural Investments and Services Project (RISP II); public policy priorities for 2012-2014 and timetable of the new strategic planning document. Seven projects worth about 12 million euros were selected in the framework of the Romania-Ukraine-Moldova Border-Crossing Cooperation Programme 2007-2013; they focus on energy sector, customs cooperation, monitoring and prevention of natural disasters. The Interministerial Strategic Planning Committee approved 5 projects to be tabled to the EU Delegation, which call for the implementation of the Strategic Development Plan 2011-2014 and international standards by the Chamber of Auditors; support to the Agency for Land Relations and Cadastre to harmonise the legislation to EU standards, support to the Transplant Agency, strengthening of administrative capacities of the Agency for Public Property. The Interministerial Committee set 7 public policy priorities for 2012-2014:

- European integration;
- Country reintegration;
- Efficient and balanced foreign policy;
- Rule of law;
- Anti-poverty fight and good public services;
- Sustainable economic growth;
- Decentralisation of authority.

Meeting with foreign investors

A meeting between prime minister and representatives of the Foreign Investors Association in Moldova brought together managers of largest foreign companies who welcomed Government's actions aimed to improve the investment climate. On the other hand, businessmen signalled a series of problems to be settled with the consent of state

institutions: sale of farm land to foreign companies; enforcement of a transparent and fair fiscal policy; ensuring an efficient legal framework and a loyal competition on market; political stability and previsibility of budgetary-fiscal conditions. Vlad FILAT demanded the deployment of representatives of the Foreign Investors Association as members of the economic council advising the prime minister, which will be established soon. The council will play a role of communication between prime minister and businessmen, it will advise draft decisions before delivering them to the Government for approval, its members will participate in governmental sittings and will be able to comment the discussed issues.

Order on support for „Hai, Moldova!” project

Prime minister signed an order to support the initiative by some nongovernmental organisations on cleaning up localities under the slogan „Hai, Moldova!” Under the order:

- The Ministry of Environment will consider the possibility to allocate from the National Environmental Fund the financial means needed to publish leaflets and rally the staff of the State Ecological Inspectorate in the process of guiding garbage collectors;
- It recommends teachers to organise environment protection lessons, to teach environmental spirit, inclusively by keeping property (in high schools, colleges, professional schools and universities);
- Students and school children are invited to help collecting garbage on April 16, while students from geography faculties are invited to participate in garbage location works;
- The Service for Civil Protection and Emergency Situations of the Interior Ministry will provide the assistance needed to endow volunteers for sanitation works;

II. ECONOMIC POLICIES

1. Prices and inflation

Prices growing continuously...

According to NBS the consumer price index (CPI) in February compared to January 2011 was 101.2%, and to February 2010 - 105.5%. Thus, from 1 January until 1 March 2011 prices grew by 2.3%. The increase of average consumer prices in February compared to January this year was driven by increased prices of food products - by 1.1%, non-food products - by 0.2% and of tariffs for public services - by 2.6%.

During the analyzed period more significantly increased the prices for potatoes - by 14%, vegetables - more than 4%, milk and dairy products - by 3.5%, fresh fruits - 3%, vegetable oil - 2.5 % and various grits - by more than 2%. The services rendered to population in the reported month noted a higher increase of tariffs for: housing maintenance services - by more than 5% (including tariffs for central heating - by 21.5%, the supply of natural gas by centralized pipeline network - by 5.5% and drinking and technical water supply - 3%). In fact, agricultural prices have increased most of all for the year 2010 (by about 43% compared to 2009), which has also generated the growth for other food products. The biggest increase was recorded for vegetable products - about 58%, and for those of animal origin by about 5%. According to a [report](#) by the World Economic Forum, the more restricted resources of fundamental elements, such as food, are the major threats for this year. The strong growth of food and energy prices already raised warning signs of inflation in many countries and the situation will further deteriorate due to increased incidences of extreme weather phenomena, increased need of resources and widespread financial speculation.

2. Labour market

In 2010 salaries of Moldovans have been eroded by inflation...

According to the [NBS data](#) the 2010 average monthly wage in the national economy was about 2972 lei (about 250 USD) and in 2009 it rose in nominal terms by 8.2%, but in real terms (adjusted to CPI) the salary rose by only 0.7%. We could conclude that the revenues of the population were thinned by inflation that has exceeded 8% for 2010, so that the population's purchasing capacity has decreased. Highest wage levels have been recorded in such activities as: banking and financial services - 6368 lei, electricity and heating, gas and water - 4857 lei, transport and communications - 3914 lei, real estate transactions - 3755 lei, constructions - 3248 lei etc. Below the national average line were the salaries in: education - 2361 lei, hotels and restaurants - 2315 lei, agriculture, hunting and forestry - 1640 lei, pisciculture - 1620 lei. The average monthly salary in public sector reached the absolute value of 2552 lei, which is 15% lower than the national average, while the salary in real sector was about 3211 lei. The good news for public employees, particularly those in education, is that from April 1 and September 1 they will increase by 12,5%. However, practically the income of employees in state institutions will remain lower than what they had one year ago.

3. International Economics

Asian countries are credited with the highest growth rates over the next 20-30 years...

According to a [report](#) by economists of Citigroup such economies like Nigeria, India and Iraq will have the highest economic growth rates till 2050, as quoted by the newspaper EConomist. Below is a graphical representation of the ten economies of the world (mostly Asian) which according to forecasts will have stable economic growth between 6.5 to 9.5% in the next 20-30 years.

1: Nigeria

Annual growth rate: 8.5%;

GDP 2050: USD 9.500 billion;

Nigeria's labour force will increase with 123% over the next four decades, and quarrying industry will increase its share in GDP, capitalizing the country's natural resources. The private sector is relatively developed, but improvements are needed in the health system, including for increasing the life expectancy.

2: India

Annual growth rate: 8%;

GDP in 2050: USD 86.000 billion;

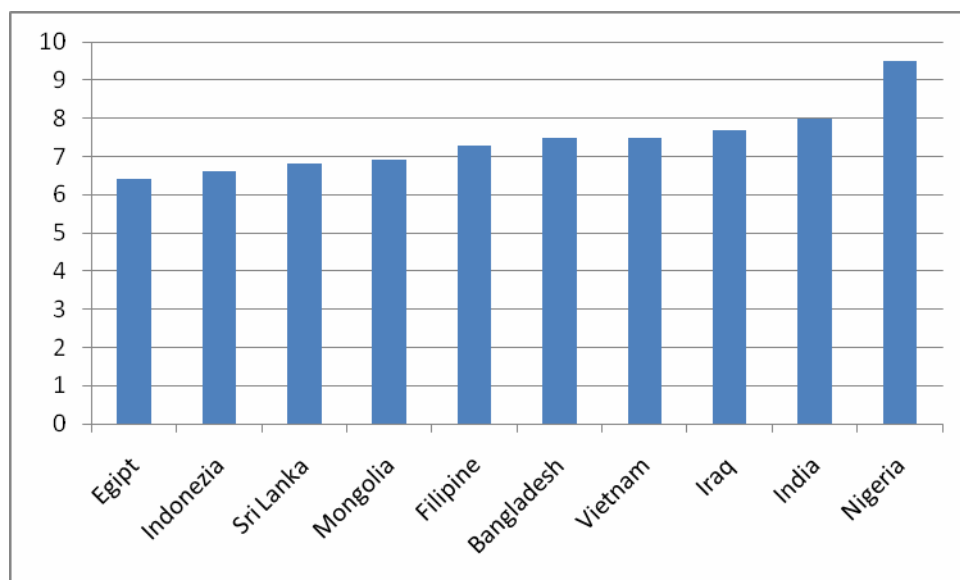
India has the potential to become the world's largest economy by 2050, but it should focus on infrastructure development and to allow the lower castes and women in rural areas to have access to education.

3: Iraq

Annual growth rate: 7.7%;

GDP in 2050: USD 2.200 billion;

Country's after war recovery can lead to an annual growth of 11.7% over the next five years. In the next four decades the working population will increase with 143%, and the oil and natural gas resources could finance massively the investments in infrastructure.



III. TRANSNISTRIA

Incentives for the resumption of negotiations in "5+2" format

On **March 1, 2011**, Transnistrian region was visited by the Envoy of the German Ministry of Foreign Affairs in charge for the Eastern Europe, Caucasus and Central Asia, Patricia Flor, in order to assess the possibility to resume negotiations for the settlement of Transnistrian problem. Patricia Flor mentioned that Germany is ready, along with the EU, to provide assistance, including by participation in implementation of various projects. To find some functional approach, Patricia Flor proposed to study the experience of German unification, which would allow getting acquainted with the stages of the process. In response, the head of Transnistrian diplomacy, Vladimir Yastrebnchak, mentioned that those have to be called to the resumption of negotiations who have ceased them in February 2006 - the representative of the Republic of Moldova, Vasile Șova - without explaining the reasons. Also, in order to resume negotiations, it is necessary to restore the situation that was before their cessation, that is the admission of international trade of Transnistria without the involvement of Moldova. According to Yastrebnchak, "Moldova has undertaken a series of measures to make pressure on Transnistrian side and violates the agreements signed previously. Following the actions of Moldovan side, including in customs regulations, which were supported by Ukrainian leadership, Transnistrian export companies have suffered significant losses; the social-economic situation in Transnistria has deteriorated immediately... Measures of pressure continued by Moldovan leadership adversely affect the Transnistria's ability to fulfil social commitments before the population, limiting citizens' rights and opportunities." In the same vein, the meeting of Patricia Flor with Transnistrian leader, Igor Smirnov, the latter said that the shares offered by the EU to Moldova for preferential export of goods are used as a tool of economic blackmail against Transnistria. According to Smirnov there are no premises for unification of Transnistria with Moldova, because these are two incompatible entities which have no common interest.

On **4 March 2011**, the Head of OSCE Mission to Moldova, Philip Remler, had a meeting with Transnistrian leader, Igor Smirnov, which tackled the same issue - the resumption of official negotiations in "5+2" format. In the same way, Transnistrian leader replied that negotiations may be resumed only on the basis of the principle of equality of parties and only after the removal of barriers for the Transnistrian exports, introduced after the interruption of negotiations by Moldovan side on 28 February 2006. Moreover, Igor Smirnov mentioned that Chișinău's inability to overcome the political crisis does not provide the necessary framework for negotiations. However, the Head of OSCE Mission Philip Remler mentioned that during recent consultations in Vienna a number of participating delegations concluded that negotiations must have an official status so that any eventual signed commitments would have the same status. According to Remler it would be great if already in the current year the progress would be made as far as the free movement of citizens is concerned, so that they would enjoy the protection of officially signed documents.

On **8 March 2011**, the head of Transnistrian diplomacy has met with the delegation of Moldova Group of the OSCE Parliamentary Assembly, led by Walburga Habsburg Douglas, stressing that in the process of Transnistrian settlement nothing special happens even on the level of working groups. Besides re-launching the passenger train Tiraspol-Chisinau-Odessa, practically nothing has been done, in particular the rail traffic for transportation of goods through the territory of Transnistria was not restarted, and the barriers for foreign trade in the region were not removed. The head of Transnistrian diplomacy stressed that only the resolution of these problems could boost the resumption act of negotiations in "5+2" format.

Provocations on the Remembrance Day for the beginning of the armed conflict in 1992

On March 2, 2011, during commemoration of 1992 events, regarded as the beginning of armed conflict between the two banks of Nistru, Transnistrian militia arrested the mayor of Corjova, Valeriu Mițcul, and the Councillor, Iurie Coțofană. The incident happened at 11.30 in front of the village church during the ceremony commemorating the victims of war on Nistru. Approximately 30 Transnistrian militiamen intervened to apprehend the two on the grounds that "on the territory of Transnistrian Moldovan Republic it is forbidden to raise the flag of Moldova".

The two arrested men were tried and sentenced to eight days of administrative imprisonment. According to Transnistrian militia the two were guilty of organizing a meeting under the flag of the Republic of Moldova and because they showed resistance to Transnistrian militia. Conflicts of this kind occur in Corjova on various occasions, since the Moldovan authorities consider that this locality is under its jurisdiction, and the Transnistrian ones consider that Corjova is not a separate locality, but just a suburb of Dubăsari, which is under the Transnistrian jurisdiction. Moldovan authorities have condemned the behaviour of Transnistrian militia for violating the citizens' legitimate rights, qualifying them as a provocation meant to damage the conflict settlement process. Moldovan authorities also mentioned that Tiraspol administration is the one fully responsible for illegal actions that took place in the Security Zone and the subsequent consequences of these provocations. In this context, according to Moldovan authorities "the incident again highlighted the deficiencies in the ability of current peacekeeping operation to respond to crisis situations, thus confirming the need to initiate the dialogue on a transforming the operation into a multinational civil mission with international mandate". In order to relax somehow the situation, Transnistrian leader decided on March 5 to release the two detainees as a sign of goodwill and on the occasion of soon celebration of March 8. On 11 March, the Director Information and Media Department of the Russian Federation Ministry of Foreign Affairs, Alexandr Lukashevich, declared that "the incident in Corjova confirm once again that it is necessary to resume official negotiations in "5+2" format in order to settle the unresolved issues".

Transnistrian administration accuses destabilization of the situation on the eve of Joe Biden's visit

The incident in Corjova of March 2, 2011 has been interpreted by Transnistrian administration as a provocation by Moldovan authorities, planned the visit in Chișinău on March 11 of the US Vice-President, Joseph Biden. The head of Transnistrian diplomacy, Vladimir Yastrebchak, mentioned that Chisinau provoked the incident in Corjova to draw attention to the attention of US Vice-President, during his visit to Chisinau, and to have a pretext to raise the issue of transforming the peacekeeping mission of Russia in a civil one with international participation and to invoke the need of Transnistria's disarmament, etc. In this context, in an interview to American newspaper "The Wall Street Journal", Yastrebchak said that US Vice-President is likely to form a distorted opinion about Transnistria if he will communicate only with Moldovan authorities. According to Yastrebchak, "if US Vice-President can not visit Tiraspol as a capital of an unrecognized state, then nothing prevents him from meeting with representatives of Transnistria as a party in the conflict".

Transnistrian leadership unhappy with Joe Biden's visit to Moldova

On March 12, 2011 Transnistrian leadership has issued a press release announcing that it doubts about the status of impartial observer of the US in the process of normalizing the relations between Moldova and Transnistria. Communication refers to the Protocol of 27 September 2005 which established the "5+2" format, which refers specifically to the rights and obligations of observers in the negotiation process, which would be violated by

statements made by US Vice-President, Joe Biden, made on March 11 in Chisinau. Specifically speaking, the Transnistrian leadership is unhappy with the following statements of US official:

- US supports the Transnistrian settlement, and not any one, but one that would ensure the sovereignty and territorial integrity of the Republic of Moldova. (According to Transnistrian leadership that Biden's statement would be contrary to the positions of Chisinau and Tiraspol, and to the positions of guarantor countries - Russia and Ukraine, which consider that the final wording of the settlement has to be accepted by the conflicting parties);
- The conflict should be resolved in short terms. (Transnistrian consider that US want to burn the stages of the settlement process, ignoring the need to respect the equal status of parties in the negotiation process between Chisinau and Tiraspol);
- The point of view expressed by Joe Biden reiterates the theses from the report of Senator Richard Lugar made public on 8 February 2011 (<http://lugar.senate.gov/issues/foreign/pdf/report/Moldova.pdf>) and comes to undermine the dialogue initiated by Russian President, Dmitry Medvedev, with European leaders on European security.

According to the statement, the US official statements ignore the realities that were established in the region during the last 20 years and this makes the conflicting parties short of manoeuvring room that is needed for the settlement. On this occasion, Tiraspol reminded to Joe Biden about the bad role the US position has played in the region in November 2003, when the Kozak memorandum was rejected.

Efforts to resume the activity of working groups

On March 5, 2011 the political representatives for the Transnistrian settlement have met in order to re-launch the activity of bilateral groups of experts. During the meeting Moldovan side has submitted to Transnistrian one a regulation on the activity of working groups. According to Transnistrian side it is interested in the activity of groups concerning the economics, infrastructure, auto and rail transportation, ecology. In this context, the Transnistrian side has shown interest in free movement of people and goods, stressing that Transnistria does not charge any more the duty of 100% on imports of Moldovan goods, expecting that Moldova also will cancel the duty of 8-20% on importing Transnistrian goods. In this context, the head of Transnistrian diplomacy rhetorically asks - who maintain the barriers on the movement of goods and who classifies the goods from Transnistria as import?

Transnistria is going to review its concept of budgetary and tax policy

Transnistrian authorities are going to review the budgetary and tax policy for the next three years. The new design provides a simpler and more transparent tax system, which would increase the budgetary revenues, attract investments and create additional jobs. On this occasion it is planned to change the administration of taxes for small and medium business, as well as for foreign economic activity. In this context, it is planned to simplify the accounting rules for small business, providing for enhanced fiscal discipline and incentives for not hiding the income. At the same time, it is provided to raising taxes to transportation service providers. The new concept provides for three times reduction of the tax for dividend payments, from 15% to 5%, expecting that it will make traders get rid of using the income redistribution schemes. It also provides to increase the single social tax by up to 24% in order to attract resources to Pension Fund that is facing an acute crisis.

Russia will resume humanitarian assistance for Transnistria

During his visit to Moscow, President of the Supreme Soviet of Transnistria and the leader of "Obnovlenye" movement, Anatoly Kaminsky discussed with the Chairman of the Supreme Council of the ruling party in the Russian Federation "Edinaya Rossia", Boris Gryzlov, the issue of resuming its humanitarian aid of the Russian Federation to Transnistria. Kaminsky was informed by Gryzlov that the issue of resuming the humanitarian aid is practically solved, recalling that in the period 2007-2010 the total amount of Russian humanitarian support to Transnistria was \$ 55 million, the money were intended for 137,000 Transnistrian pensioners, hospitals and kindergartens. Previously cut off the aid for Transnistria, accusing the administration in Tiraspol of embezzling the aid. Unlocking the Russian support for Transnistria has always been an element of internal political struggle in Transnistria. Currently, on the eve of presidential elections in Transnistria, scheduled for December 2011, this struggle is particularly acute. The fact that the leader of "Obnovlenye" movement is contributing to the resumption of Russian support is seen as a small pre-electoral victory of this party, who announced that he will propose his counter-candidate to Smirnov in presidential elections to be held in December.

The draft amendment to the Transnistrian constitution is voted in first reading

On March 9, 2011 the Transnistrian Supreme Soviet adopted in first reading a draft amendment to the constitution after receiving the opinion of the Legal Department of the Russian State Duma and after approval in the Committee on CIS affairs and relations with compatriots. This kind of coordination took place due to the interest of Transnistria to harmonize its legislation with that of Russia, which in turn wishes Transnistria prosperity and agreed to consider and support the changes in Transnistrian constitution as the guarantor in the conflict settlement process. The final version of the draft was prepared by a conciliation committee and provides for establishing the institution of government and the position of Prime Minister and to transform the Supreme Soviet into a professional legislative body. Transnistrian leader Igor Smirnov is not satisfied with the version passed by the Supreme Soviet, saying there are things yet to be resolved. Smirnov has no reason to rush, since the proposals of the Soviet may lead to inflated bureaucracy. Therefore, Smirnov proposes that the institution of government to be served by civil servants of the presidency that is run by him. According to Smirnov, amendments to Transnistrian constitution must anticipate the further course of events and protect the Transnistrian statehood. He also mentioned that he would not accept that as a result of constitutional amendments to undermine the existing balance between the three branches of power. Also, Smirnov reiterated his negative attitude to the introduction of proportional electoral system. In this regard, Smirnov's position runs counter to the stated purpose of constitutional reform - to bring the norms of Transnistrian constitution in compliance with those of the Russian Federation.

IV. COMMENTS

The Myth about the Story ...

Igor Botan

The Success Story vs. the Ukrainian Syndrome

The European tour of the U.S. Vice-President, Joseph Biden, included the Republic of Moldova together with Finland and Russia, thus honouring the invitation to visit our country made by Moldovan Premier Vlad Filat about a year ago. In an interview given to the Russian press, Joe Biden explained the reason of his visit: "I will visit the Republic of Moldova, because this country is a democratic *success story*". Obviously, nobody can refrain himself from seeing with his own eyes a *success story* and, especially, from supporting it in order to become its co-author eventually. Because the myth of the *Moldovan success story* outlined on the eve of the 20th anniversary of independence of the Republic of Moldova, Joe Biden's visit to Chisinau marked the beginning of a huge PR action linked with this anniversary forthcoming, with half of the year before the proper event. In the consistent part of his discussion with Moldovan officials, also reflected in his public speech, Joe Biden referred to the things the Moldovan leadership should be concerned with in order to write the text of *the success story*:

- promote economic and institutional reforms;
- fight against trafficking in human beings;
- settle Transnistrian conflict, taking into account the new EU approaches, but which would ensure the sovereignty and territorial integrity of the Republic of Moldova;
- European integration; and
- transform the Republic of Moldova into a role *model* within the regional context.

Moldovan diplomacy deserved, not without reason, eulogistic appreciations for the performance to convince the U.S. administration, after having done so in relation to the EU, that the Republic of Moldova is a *success story*. This provides an unexpected opportunity to the Republic of Moldova to breaking the deadlock, reforming its state institutions and society, and re-launching its economy in order to return to normality. The problem is that currently there is no certainty that this opportunity will be used. Moreover, there are indicators proving that the Republic of Moldova could rather reproduce the Ukrainian scenario, than become a role *model* for other states, as Joe Biden suggested during his visit. In this sense, *the success story* is an equivalent to a joke circulating in some circles - *the West has lost Ukraine to Russia because of rivalries and bickering between Democrats, now it will try to recover at least Moldova by persuading Moldovan Democrats to do not argue, but to implement reforms*. Apparently, this task will be also very difficult, but not because of Westerners.

Indeed, let us imagine that Moldovan representatives are invited to deliver a credible *success story*. The beginning should probably refer to the forgery of the elections held on April 5, 2009, which caused the *Twitter revolution* on April 7 ... And here would come the first problem related to the fact that nobody has demonstrated until now that the elections of April 5, 2009 were forged. There is no plausible evidence, confirmed by judicial bodies, that those elections were falsified, there are only justifications as regards the legitimacy of the protests held on April 6-7, 2009, related to the harassment of the opposition leaders, previous limitation on some rights, abuses committed by law enforcement agencies, etc. Then, what can be said about the conclusions of the Special Parliamentary Commission as regards the events of April 7, 2009? Nothing special, just that there was established the chronology of

the events, however, it remained unclear who transformed peaceful protests into violence and barbarism, as well as who bears responsibility for failing to discourage such acts and to protect public goods. It is a sad beginning of *the success story*, if not a discouraging one.

Further, what are the actual achievements *the success story* is built upon, other than government takeover by the Alliance for European Integration (AEI) and pushing the Party of Communists of the Republic of Moldova (PCRM) to the opposition? It is difficult to answer this question too. In the conditions AEI was, is and it is unknown yet for how long it will be in a continuous suspense due to its provisional government linked with its inability to find a solution for the election of the head of state, seems to be more than strange to talk about a *success story*. There is no doubt that AEI legitimacy is confirmed during the two early parliamentary elections, but the AEI establishment proved to be just a simple resistance formula of its components against the revenge desire of PCRM, unable to ensure political stability and systematic implementation of reforms. In these circumstances, it seems that the *success story* was born from the EU's expectations to ensure stability on a segment from community borders, providing it with reasons to make advances to the Republic of Moldova by political and financial crediting of AEI. This crediting contributed to economic stabilization and partial recovery of losses in 2010, caused by the economic collapse in 2009. Therefore, the consistent part of *the success story* is due to grants and loans provided in advance. As regards the reforms promoted following election commitments, as well as those made to foreign partners, so far, everything is reduced to *optimization* intentions or actions needed a long time ago. However, the interventions, which are not often calculated, due to lack of compensatory mechanisms on the background of permanent quarrels among the AEI leaders, can only undermine the social optimism of the citizens, antagonizing the affected social groups. Here, probably, no talks would be about tangible successes for a long time.

Finally, how could look like the final part of the *success story*? Even the AEI leaders compete to answer this question. One of them said that the AEI would be on the way of falling apart and that there is a possibility that one member party of the alliance will ally with PCRM. In response, the leader of the concerned party says, "fighting against Communism served as shelter for maintaining the tentacles". Thus, one can conclude that after AEI restoring the things have changed dramatically in that the AEI resistance to PCRM is not an undeniable objective and can not serve as a *raison d'être* for the alliance. While everything is possible in the Republic of Moldova, however, is it possible that a *success story* begins with the *revolutionary* removal of PCRM from governance in order to end with its triumphant return?

Is there any alternative for the *success story*?

From the above-mentioned it seems obvious that we still deal with the myth of "the Republic of Moldova – a *success story*". This myth is very profitable for the Republic of Moldova, because it brings political support and generous financial support from EU, the U.S. and other development partners. The assurance for the persistence of this myth is the AEI functionality, a difficult thing to imagine after the last resonant scandals within its framework. An eventual disintegration of the AEI would mean an imminent and triumphant return to power, in one formulation or another one, of PCRM. The party concerned is under preparation, proving that while in opposition it is able to maintain the confidence rating to a very high level, which is not quite hard due to the ongoing strife within the AEI. Moreover, recently PCRM proves a worthy of praise behaviour. As an opposition party, PCRM is coherent; it seems competent and responsible, after having abandoned the boycotts, while remaining on critical positions, up to virulence, towards AEI.

It should be added to the above-said that it seems that PCRM succeeded to overcome the syndrome of exclusiveness, gradually involving itself in negotiations, then in consultations

with two out of the three parties of the AEI. In these circumstances, nobody would be surprised if an eventual dissolution of the AEI would result in a coalition with the imminent participation of PCRM, it cannot be otherwise. The only problem is that any possible governing alliance with the participation of PCRM leads to the shipwreck of the myth of *the success story*. This is due to two reasons:

- from the outset *the success story* was built upon the revolutionary removal of the PCRM from power, therefore, it would be a nonsense to speculate the respective story with an eventual participation of PCRM;
- recently PCRM insisted and promised that its goal is Moldova's joining to "Customs Union of Belarus, Kazakhstan and Russia", therefore it would be a nonsense again that the myth of *the success story*, developed to attract Western aid to the Republic of Moldova, resists and contributes to the achievement of the stated purpose by PCRM.

If there is no alternative for the *success story*, then the only solution is to rewrite it into a correction, stating that PCRM has been convicted as long as it was *surrounded by tentacles*, and when the *tentacles* came off PCRM to wrap AEI, it seems like the first one passed through purgatory. Namely on this background, PCRM constructivism becomes visible, which significantly mitigates the negative messages, which were trenchant once, towards a component of the AEI. Moreover, PCRM leader Vladimir Voronin, proves his qualities of an experienced politician, unlike his younger colleagues, when he states that it is not the right time now to demand the resignation of the cantankerous AEI. The quarrels within AEI will make alliance increasingly dysfunctional and then, naturally, PCRM will become the inevitable pivot of a new governing alliance with all proper consequences. Public opinion polls show already that the social optimism vis-à-vis the governing AEI is down and out, this summer local elections are to confirm it. Thus, only after elections will be decided what is more dangerous for the Republic of Moldova – PCRM returning to government or *the tentacles*, which came off this party.

Conclusions

- However, the most spectacular thing is recognizing that *the success story* is surrounded by tentacles. Thus, it remains to be seen what is more important to ensure the long-expected *success* – *cutting the tentacles* or maintaining PCRM in the opposition, or it is possible to provide both;
- For a small and poor country such as the Republic of Moldova, the greatest danger is to be ignored by the great powers. Currently, it is clear that the myth of *the success story* has attracted the sympathy of the EU, the U.S. and other development partners. Therefore, the chance of the Republic of Moldova is to transform *the success story* into a reality with features that affirm even some tangible successes in political stabilization and social and economic development;
- If Moldovan authorities succeed to transform *the success story* into a reality, then EU and the U.S. will become its co-authors. Nothing could strengthen more the ties established between the Republic of Moldova with EU and the U.S. than the common quality of co-authors of a regional success. If not, then those who were drawn in supporting a deflated myth would rush to forget it as if it is an ugly nightmare, which initially was taken for a beginning of a *story*...

Reflections on the budget for 2011

Iurie Gotisan

We can already see that the approval of the state budget for 2011, even at this stage, i.e. by the government, is a welcome gesture as such. Being primarily a political document and than a economic one, the budget projection understandably provoked disputes not only between government and the opposition, but also between parties in AIE. And if during previous years, the complaints from the opposition were in particular about the insufficient allocation of financial resources to local public authorities, favouring those local administrations where then the ruling party had a majority, now the complaints come both from this direction and from the dimension of allocations for the ministries, which are headed by members of different political parties, and it became quite natural for everyone to pull at his "cake".

However, beyond political tricks, taking also into account the socio-economic situation, the budget is more or less rational. Undoubtedly it has several shortages, it is not perfect and it cannot be so, but in terms of its role in the discussions that authorities had and will have in particular with IMF, the budget has major advantages: first of all, it exists, and secondly, it can be modified at any time, for according to the annual budgetary laws it is allowed to adjust the budget. At the same time, it becomes clear that government doesn't quite believe either in the strength of the chapter of budgetary revenues, and for that reason it sought to introduce changes in fiscal policy by raising some indirect taxes (excises, VAT).

Of course the costs on several dimensions and chapters were "chopped", sure there si short of money, and there are many problems and priorities, so it was really impossible for us to do according to the saying "may the wolf be fed, and the sheep remain whole". The money are as much as, according to forecasts, Moldovan economy could generate over one year. For the economic fall in 2009 happened not only under the impact of financial and economic crisis, but also because following the weakness of a model of economic growth based on debt, large external deficits, poor resource allocation. So where should we have high incomes from, all the more so that tax evasion (estimated at about 15% of GDP) is enormous, and this also swallows huge financial means, which otherwise could eventually get into budget.

In general, it is a rather social budget, as it was also the case for the last years. It could not be different, as the finance minister also said, and its social dimension will prevail for another several years, because it is very difficult to subject the resource allocation model to structural changes. In fact, the social costs are expected to reach over 42% of the total expenditures, compared to 44% for 2010. However, the economic costs increased, particularly for capital investments, up to almost 15% of the total, compared with about 12% in 2010. It is a very important aspect, by the way, stressing the structural changes that will bring profit and added value in the future, i.e. in long run.

According to the draft budget for 2011 it will double the capital investments in constructions up to about 1.9 billion lei. The money will be allocated in priority to transportation and road industry, housing and public utilities. The increase of resources allocated to the Ministry of Transportation and Road Infrastructure (1.3 billion lei) shows that 2011 will be the 'richest' year so far in terms of expenditures for public investments. Sure these will be directed into several categories, including the salaries of the workers in this field, and about 800 million lei were allocated to the road fund for maintenance activities, which is over 25% more than in 2010. It is important to use these resources in rational and transparent way and based on legal norms. Actually, the budget for roads is 6.5% of total expenditures, which is quite consistent. Moreover, the increase of costs could be compensated by attracting extra-

budgetary funds (Road Rehabilitation Project funded under the Compact Programme, the World Bank projects, etc.).

There are also some other positive things in the construction of budget, which have to be outlined as such: stagnation of the level of main duties and taxes, focus on exports, which would contribute to economic growth planned for 2010 etc. A very important aspect is that the system of education and science have been allocated over one billion lei from the budget. And even if the resources to cover the teachers' salaries are prevailing, good money were allocated for activities for the maintenance of schools and educational institutions, capital investments etc. Logically speaking, these in fact would be for medium and long term the priorities for a competitive economy that wishes to be competitive before the foreign investors - that is the education system and infrastructure. As several studies and analysis show if there is no proper infrastructure and an educational system to provide skilled labour force, then the foreign investors would not rush-in the country.

Turning back to political disputes on the budget, some of them focused on changes in fiscal policy, particularly the increase of excise duty for cigarettes and alcohol beverages. Sure fiscal policy measures can not please, especially when they are applied in a rather unfavourable economic situation or when the manufacturing sector has not yet recovered following the effects of economic crisis. However, the economic group interests may be also at stake, so to say, since they may be "affected". Yet, the revolutionary measures in tax policy, as they have been characterized by some politicians, could hamper the interests of those who stimulate the tax evasion - a phenomenon which here is estimated at hundreds of millions lei.

These are measures of indirect taxation of people who afford exorbitant costs outside of declaration on income and which directly affects the interests of some economic groups. In fact, this area embodies the shortcomings of Moldovan society, system deficiencies, often investigated lately by media: theft, illegal connections between state and private sector, lack of honesty of some public officials, etc. And probably only by defining by law the great tax evasion, even as an attack on country's economic security, the struggle in this regard could be efficient. So far, the group interests or group clients, which lately are associated with political interests and corrupt systems, make it impossible to progress in the struggle against this phenomenon.

At the same time, as far as possible the government should in the future think of reducing the social security contributions (SSC), which are excessive, so that a good part of employers might leave the "underground", as well as individuals who usually try various ways to evade the payment of various taxes, including those for the social security system. These conditions require fiscal consolidation, which involves the reconstruction of public expenditures, including social ones. This is the perspective for judging upon the reform in the sector of public salaries and the system of pensions. In addition, we must not forget about the care of the state for the budgetary deficit, which according to forecasts for 2011 is not likely to exceed 2% of GDP, but in the absence of efficient resource allocation policies the deficit raises serious questions about the borrowing abilities of the state under conditions of an international environment that is increasingly unstable and hostile.