

"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.

## CONTENTS

<b>I. ACTIVITY OF PUBLIC INSTITUTIONS .....</b>	<b>2</b>
GOVERNMENT .....	2
1. Documents of major importance .....	2
<i>Decision concerning salary rise for budgetary employees.....</i>	<i>2</i>
2. Nominations. Dismissals .....	2
3. Decisions .....	2
4. Orders .....	3
<b>II. ECONOMIC POLICIES .....</b>	<b>4</b>
1. Prices and inflation.....	4
<i>Inflation rate – more or less acceptable... ..</i>	<i>4</i>
2. Macroeconomy .....	4
<i>GDP goes up, but those who are downstairs shall feel it as well... ..</i>	<i>4</i>
3. Banking system.....	4
<i>Banks tempered their activity in May ... ..</i>	<i>4</i>
4. Foreign trade.....	4
<i>Imports exceed exports... ..</i>	<i>4</i>
<b>III. TRANSNISTRIA .....</b>	<b>6</b>
<i>Waiting for official “5+2” negotiations.....</i>	<i>6</i>
<b>IV. FOREIGN RELATIONS .....</b>	<b>8</b>
1. Bilateral cooperation .....	8
<i>Republic of Moldova - Russia .....</i>	<i>8</i>
<i>Republic of Moldova - Ukraine.....</i>	<i>8</i>
<i>Republic of Moldova - Poland .....</i>	<i>8</i>
2. Multilateral cooperation .....	9
<i>Republic of Moldova – CEI.....</i>	<i>9</i>
<i>Republic of Moldova – BSEC.....</i>	<i>9</i>

This issue is based on inputs from: Igor Botan, Corneliu Gurin, Elena Prohnitchi, Iurie Gotisan

# I. ACTIVITY OF PUBLIC INSTITUTIONS

## GOVERNMENT

### 1. Documents of major importance

#### ***Decision concerning salary rise for budgetary employees***

The decision sets new tariff and function-related salaries starting June 1, 2011 and improves the single tariff network. Salaries of more than 107,000 employees of cultural, health and social assistance, sport, scientific and innovation institutions, other budgetary institutions, as well as personnel with complex professions and specialties from education institutions whose remuneration is based on the single tariff network will be increased. About 20,000 military and employees of national defence, state security and public order bodies will enjoy function-related salary rises. In order to cover salary rises, the wage fund will be completed with 98.1 million lei, and salaries will grow by 8.5 percent on average.

### 2. Nominations. Dismissals

- Vladimir Grosu was nominated deputy minister of justice.
- Oleg Țulea was relieved from office of deputy minister of youth and sport, as his mandate of member of the Parliament was validated.
- Gheorghe Cimpoies was confirmed as principal of the State Agrarian University.
- Victoria Melnic was confirmed as principal of the Academy of Music, Theatre and Fine Arts.

### 3. Decisions

#### ***Decision concerning the exemption of some economic agents from dividends or defalcation of some net profit collected in 2010 to the state budget.***

Under the decision, the Government agrees to exempt a number of enterprises from defalcation of some net profit collected in 2010 to the state budget, with the purpose to ensure a stable activity of some economic agents:

- State-owned enterprise "Fabrica de Sticla din Chisinau";
- State-owned printing enterprise "Tipografia Centrala";
- State-owned enterprise "Combinatul Poligrafic din Chisinau";
- State-owned company "Posta Moldovei";
- State-owned winery "Combinatul de Vinuri de Calitate Milestii Mici";
- State-owned enterprise "Centrul de Carantina, Identificare, Expertize si Dezinfectare a Productiei";
- State-owned enterprise "Aeroportul International Marculesti"; and from dividends afferent to year 2010 for:
  - Joint stock society "Moldexpo";
  - Joint stock society "Armo-Beton";
  - Joint stock society "Cricova";
  - Joint stock society "Barza-Alba".

***Decision concerning the public-private partnership project aimed to supply water to some localities in the development regions North and Centre of the Republic of Moldova.*** The decision indicates the waterline Soroca-Balti as key facility for the public-private partnership project, with the purpose to maintain and extend its branches to supply water to localities in districts of Soroca, Floresti, Drochia, Riscani, Singerei and Telenesti. The agency Apele Moldovei is nominated central public authority in charge with preparing reference terms needed to work out a feasibility survey on viability of the project, and the State Chancellery will provide the support needed to find extra-budgetary funding for feasibility survey.

**Decision approving the Action Plan for implementation of the Reform Concept of the Interior Ministry.** The action plan stipulates the drafting of legislative and normative policies aimed to build the legal framework needed to promote the reforms. Following are the key objectives: to improve the structure of the central administration of the Interior Ministry and its subdivisions; to modify the structure of the Police Department, Criminal Prosecution Department and Carbineer Troops Department; to demilitarise the central administration of the Interior Ministry and the police; to build a carbineer service by employing personnel under contracts. The plan is to be implemented in 8 steps and aims to fulfil commitments assumed by our country in the framework of the national programme on implementation of the Moldova-EU Action Plan on visa liberalisation.

**Decision approving the Action Plan for redressing the situation in the home building sector for 2011-2012.** The action plan was approved to combat effects of the world economic-financial crisis on building sector, remedy difficulties related to the imperfect dwelling building investment process. The plan stipulates actions aimed to fulfil four objectives:

- To control the dwelling building sector;
- To provide a legislative and normative framework on dwelling building sector, including unfinished apartments;
- To redress the dwelling building sector;
- To build and implement a dwelling building crediting mechanism.

**Decision concerning admission plans for higher, professional and secondary professional education in 2011.** As many as 50,151 persons overall will be admitted in 2011, of them 28,291 (56.4 percent) will be funded by government and another 21,860 (43.6 percent) will pay for their education:

- Higher education institutions (cycle I) will enrol 22,780 persons;
- Secondary education institutions will enrol 10,338 persons;
- Secondary professional institutions will enrol 14,340 persons;
- Private higher education institutions are expected to enrol 4,155 persons under pay-for contracts;
- 2,693 seats will be available for master's degree.

**Decision awarding the industrial park status to the joint stock society Tracom.** The industrial park is built under an authorisation on free-of-charge use of a 32.26-hectare field awarded to the joint stock society Tracom and nomination of this enterprise as administrator of this field for a 30-year term. According to a feasibility survey, the necessity of building the industrial park is linked to several factors, including the very inefficient use of enterprise's assets, the very old technological equipment, and others. The engineering industry, electronic industry and information technologies industry are key sectors to be developed as part of the park.

#### **4. Orders**

The Government (prime minister) issued orders aimed:

- To ensure anti-fire security during preparation and conduct of the cereal harvesting campaign in 2011;
- To find urgent, complete, clear and accurate answers regarding the analysis on fulfilment of previous tasks of the Government;
- To consider situation of certain regressing enterprises, companies and free economic enterprises and recommend solutions to redress them;
- To take necessary actions aimed to implement the investment project on modernisation of the state-owned enterprise „Aeroportul International Chisinau”.

## II. ECONOMIC POLICIES

### 1. Prices and inflation

#### ***Inflation rate – more or less acceptable...***

According to [NBS data](#), the consumer price index (CPI) in May was 100.6 percent compared with April 2011 and 107.0 percent compared with May 2010 (for information, CPI in May 2010 was 100.1 percent compared with April 2011 and 107.9 percent compared with May 2009). Prices increased by 4.9 percent this year (in May 2011 compared with December 2010). Therefore, the *inflation rate* for the first five months of this year *is about 5 percent*.

The rise of average consumption prices in May compared with April 2011 was particularly related to dearer manufactured goods by 0.5 percent and tariff for public services by 1.2 percent. Dearer food products were a consequence of the rise of prices of fresh vegetables and fruits in particular. Prices of industrial products in general increased by 1.1 percent in May 2011, compared with April and by more than 5 percent compared with December 2010. Prices of following manufactured goods increased the most in the period concerned: building materials by 2.2 percent, fuels by 1.8 percent, and household chemical products by 1.5 percent. Tariffs for following public services for population increased in May: electricity for householders by more than 6 percent, interstate railway transportation by more than 5 percent, and foreign tourism and leisure services by about 4 percent.

### 2. Macroeconomy

#### ***GDP goes up, but those who are downstairs shall feel it as well...***

Moldova achieved an 8.4-percent economic growth in the 1<sup>st</sup> quarter of 2011, which is a pretty high level among countries in the region. The Gross Domestic Product exceeded 16.78 billion lei. The gross value added in the commodity sector increased by 8.2 percent compared with the similar period of last year. The gross value added in the service sector increased by 6.7 percent. Taxes on products contributed with about 18 percent to the GDP. The final consumption increased by nearly 10 percent. The gross fixed capital formation exceeded by about 25 percent the level recorded in the similar period of the precedent year, contributing with more than 12 percent to the GDP in the period concerned. Commodity and service exports and imports increased by more than 30 percent and approximately 26 percent respectively. IMF estimates a 4.5-percent economic growth for Moldova for 2011.

### 3. Banking system

#### ***Banks tempered their activity in May ...***

Value of intra-bank credits/deposits dropped 4.8-fold in May compared with April, down to 32 million lei, compared with about 154 million lei in April. The average nominal rate for the bank instruments concerned increased by 1.6 percent up to 8.5 percent a year. The medium credit/deposit contract term was 35 days, compared with 9 days in April. Banks carried out securities sale deals worth 1.8 million lei only in May, and did not perform any purchase deals, compared with 2.8 million lei in April. The average nominal rate on securities increased by 0.67 percent in May compared with April, up to 11.33 percent a year.

### 4. Foreign trade

#### ***Imports exceed exports...***

According to the same [source](#), Moldova's **exports** accounted for about 176 million dollars in April 2011, by nearly 4 percent less than the last month and by about 78 percent more than in April 2010. Exports turned over 654 million dollars in January-April 2011, by 63 percent more than in the similar period of 2010. Commodity exports to the European Union (EU-27)

amounted to 331.6 million dollars (by 65.7 percent more than in January-April 2010), covering about 51 percent of overall exports (about 50 percent in January-April 2010). CIS member countries absorbed about 38 percent of Moldova's exports (more than 39 percent in January-April 2010), which is equivalent to about 247 million dollars. Exports of goods made in Moldova to this area increased by about 57 percent compared with January-April 2010.

**Imports** in April 2011 exceeded 421 million dollars, by nearly 8 percent less than the precedent month and by 44 percent more than in April 2010. Imports exceeded 1.52 billion dollars in January-April 2011, by about 44 percent more than in the similar period of the precedent year. Imports from the European Union (EU-27) amounted to over 643 million dollars (by 44 percent more than in January-April 2010), covering more than 42 percent of overall imports (the same share was recorded in January-April 2010). Imports from the CIS area were worth 541 million dollars (by 44.5 percent more than in January-April 2010), which is equivalent to 35.6 percent of overall imports (35.4 percent in January-April 2010).

The serious difference in evolution of exports and imports contributed to a **trade balance deficit** of about 866 million dollars in January-April 2011, by over 211 million dollars (32.2 percent) more than in January-April 2010. Moldova's trade balance with the European Union (EU-27) had a deficit of about 312 million dollars (246.2 million dollars in January-April 2010) and 294 million dollars with the CIS.

### III. TRANSNISTRIA

#### ***Waiting for official “5+2” negotiations***

In order to clarify some facts before the June 21-scheduled meeting in Moscow, which is expected to give green light to resumption of the official „5+2” negotiations, Ukrainian and Russian foreign ministers met in Odessa on June 6. According to the Russian Foreign Ministry, both Russia and Ukraine are strongly decided to resume the political settlement of the Transnistrian conflict. While meeting his counterpart in Odessa, Russian Foreign Minister Sergei Lavrov noted that “the parties play the decisive role in resuming the negotiations. Many efforts are required to approach their positions and prevent the transformation of negotiations into a dispute related to the unitary state on one hand and independence on the other hand. In fact, a compromise is needed.”

According to Minister Lavrov, Russia and Ukraine agree that the solution shall be found in the framework of “the territorial integrity of the Republic of Moldova and guaranteeing of a special political status for Transnistria.” As well, Lavrov stressed that the parties shall be treated on an equal footing during negotiations. In his turn, Ukrainian Foreign Minister Konstantin Grishchenko stated that Ukraine and Russia are interested in resuming the official „5+2” negotiations during the June 21-scheduled meeting in Moscow. Moldovan Foreign Minister Iurie Leanca did not attend the Odessa meeting despite expectations, so that nor the political representative of Transnistria, Vladimir Yastrebcheak, could participate in the talks.

In all likelihood, the absence of Moldovan Minister Iurie Leanca at the meeting in Odessa produced a diplomatic confusion during a reception organised by Russia’s Embassy to Moldova on June 11, on occasion of the National Day of Russia. Thus, the host of the reception, Russian Ambassador Valery Kuzmin gave the floor to Vladimir Yastrebcheak, whom Chisinau regards as the political representative of Transnistria in the negotiation process, but the Russian ambassador introduced as “head of the Transnistrian diplomacy”. In those circumstances, several Moldovan and foreign diplomats including Moldova’s Deputy Foreign Minister Andrei Popov left the reception hall.

Moldovan higher-ranking officials reacted after a couple of days in connection with the confusion occurred during the reception at the Russian Embassy. On June 13, Prime Minister Vlad Filat described the gesture of Russian Ambassador Valery Kuzmin as “an offence against Moldovan nation,” regretting the incidence and approving the reaction of Moldovan diplomats who left the reception hall. The premier stressed that he would not like to believe that Russia has premeditated this action. He called for calm, given the approaching day of 21<sup>st</sup> of June, when the “5+2” negotiations on settlement of the Transnistrian conflict are expected to start in Moscow. Interim President Marian Lupu also called for calm and invited the sides to prevent an exaggerated tensioning of the incident. According to Lupu, there was an unhappy, out-of-the-way and uncoordinated incident, and the departure from reception was not related to the incident, as it took place after delivering a speech but before the speech of Vladimir Yastrebcheak.

Moldovan diplomats also commented the incident later, after the spirits calmed down. In particular, Deputy Minister for Foreign Affairs and European Integration Andrei Popov was quoted by INFOTAG news agency as saying that the departure from reception “was an appropriate reaction to actions of the ambassador, who gave the floor to Transnistria’s representative, introducing him as head of the Transnistrian diplomacy.” In his turn, Moldovan Minister for Foreign Affairs and European Integration Iurie Leanca stressed that the gesture of Russian Ambassador Valery Kuzmin, „is an inadmissible and regrettable error... The Republic of Moldova has a single Foreign Minister here, in Chisinau, not there, in Tiraspol.” Minister

Leanca noted that he has discussed the happenings with the Russian ambassador, who promised to send the message of the Moldovan diplomacy to Moscow. Indeed, the Russian Foreign Ministry released an official statement on June 14 "in connection with latest speculations related to Moscow's position regarding the Transnistrian settlement," confirming Russia's unchanged attitude towards "recognition of sovereignty and territorial integrity of the Republic of Moldova, with respect for the neutrality status stipulated by Constitution." According to the statement, the Russian Federation calls "for a long-term political settlement capable to guarantee a special status to Transnistria as part of the Republic of Moldova."

On the other hand, the reaction of Chisinau perplexed the political representative of Transnistria in the negotiation process, Vladimir Yastrebeak, whom Ambassador Kuzmin introduced as "head of the Transnistrian diplomacy." He said that nothing uncommon has happened in fact. "I was invited in quality of foreign minister by other foreign embassies in Chisinau as well. In this quality I meet various diplomats in Tiraspol, Chisinau, capitals of other countries including European. I am afraid that this reaction of Chisinau sets a not too favourable background for the June 21-scheduled „5+2” Transnistrian settlement meeting in Moscow." (*According to INFOTAG Agency*)



## IV. FOREIGN RELATIONS

### 1. Bilateral cooperation

#### ***Republic of Moldova - Russia***

Diplomatic tensions hit the bilateral relations between Russia and Moldova so far. On June 8, the Russian Foreign Ministry [commented](#) the results of the June 5 local elections in a less diplomatic manner, accusing international observers including the small-scale OSCE/ODIHR election observation mission of the trend to smooth over and even hush up evidence of numerous violations, such as “electoral law manipulation before the elections, the printing of ballots in quantities far exceeding the number of voters”. The indignation of the Russian Foreign Ministry was a response to contradictory reports released on June 6 by the Central Electoral Commission and the Chisinau Electoral District Council regarding the preliminary electoral results of the PCRM candidate who ran for mayor of Chisinau municipality, Igor Dodon, tacitly supported by the Russian Federation. The [Russian Foreign Ministry](#) recommended Russian observers to collect concrete facts and to abstain from statements which “could be interpreted as immixture into interior affairs of a state or attempts to openly support an electoral candidate.”

A second diplomatic incident took place on June 10, during a reception organised by the Russian Embassy in Chisinau on the National Day of Russia, with Moldovan diplomats leaving the event, being followed by US and EU diplomats in response to the gesture of Russian Ambassador Valery Kuzmin who introduced Vladimir Yastrebceak as head of the Transnistrian diplomacy.

It seems that diplomatic disputes do not affect bilateral economic relations, which follow an ascending trajectory. According to [NBS data](#), Russia keeps being the No.1 sale market for products made in Moldova. Moldova [exported](#) more than 9,183,800 litres of wine to the Russian Federation in the first 5 months of 2011, and these exports will keep growing after the opening of the second customs terminal in Sankt Petersburg after the Briansk terminal.

#### ***Republic of Moldova - Ukraine***

On June 2 the Customs Services of Moldova and Ukraine held a [common sitting](#) in the Ukrainian city of Mogilev-Podolsk to discuss opportunities to boost bilateral cooperation. The parties agreed to transfer a Moldovan-Ukrainian border-crossing station to Umvili-Bronitsa because of “difficulties to develop its infrastructure” in Mogilev-Podolsk-Otaci. As well, representatives of customs services from the two countries signed some statements and protocols aimed to increase people and commodity inflows at border and improve cooperation between border customs bodies:

- A protocol concerning bilateral cooperation, which establishes a clear interaction mechanism for border customs bodies of the two countries;
- A protocol aimed to simplify the border-crossing procedure for citizens on summer;
- A statement concerning the priority of perishable goods in the border-crossing process;
- A statement concerning the use of “systems to early report emergency situations (crowds at border-crossing stations)”;

According to the [press service](#) of the Customs Service, the border-crossing intensity increased by 25 percent for citizens and by 21 percent for vehicles in one week, compared with the similar period of last year, due to the simplified border-crossing protocol.

#### ***Republic of Moldova - Poland***

Warsaw hosted the third meeting of the Moldovan-Polish European integration forum on June 6. Taking part in the forum was a Moldovan delegation headed by Natalia Gherman, deputy minister for foreign relations and European integration, which included representatives of the



Ministry of Finance, Interior Ministry, Ministry of Justice, Ministry of Agriculture and Food Industry, Health Ministry, Ministry of Regional Development and Construction, and the Border Guard Service. The Polish delegation was led by the state secretary for European and economic policy, Mikołaj Dowgielewicz. According to a [communication by MFAEI](#), at the opening of the forum Mrs. Natalia Gherman reported the current situation regarding the process of European integration of Moldova and Moldova-EU relations, as well as Moldova-Poland relations. The Polish side reconfirmed its support for Moldova's European perspective and encouraged Moldovan authorities to keep developing ongoing democratic reforms aimed to modernise the country in accordance with European standards.

## **2. Multilateral cooperation**

### ***Republic of Moldova – CEI***

The minister for foreign affairs and European integration, Iurie Leanca, attended the Meeting of Ministers of Foreign Affairs of the Central European Initiative (CEI) Member States in Trieste, Italy, on June 10.

According to the [press service](#) of MFAEI, during the meeting which focussed on regional cooperation for European integration Moldova supported the revision of the cooperation regulation within CEI area, which involves simplified procedure-related rules on approval of projects, as well as building the CEI-EBRD Multi-Donor Cooperation Fund to fund new macroeconomic projects for CEI member states together with EBRD.

Iurie Leanca had bilateral meetings with his counterparts from Italy, Mr. Franco Frattini, and Slovenia, Mr. Samuel Žbogar, and discussed issues from bilateral agenda, as well as relating to the European integration of Moldova.

### ***Republic of Moldova – BSEC***

The minister for foreign affairs and European integration, Iurie Leanca, attended the 24<sup>th</sup> meeting of the Council of Ministers of Foreign Affairs of the Black Sea Economic Cooperation (BSEC) Member States in Bucharest on June 8. According to a [communication by MFAEI](#), the Moldovan foreign minister stressed the necessity to keep implementing concrete development projects and harmonising this system in an appropriate manner, so that to meet interests of all BSEC member states. The deputy premier noted that the success of projects on development of transportation corridors, commercial and energy routes which could make the most of the strategic position of Black Sea member states becomes important for countries in the region, including Moldova.

Besides participation in the plenary sitting of the council, the deputy premier had bilateral meetings with his Romanian counterpart Teodor Baconschi and Serge Smessow, French ambassador in charge with the Eastern Partnership and Black Sea affairs, and discussed topics from bilateral agenda, as well as relevant issues related to the European integration of Moldova.

The Russian Federation will take over the BSEC Presidency on July 1, 2011.