

"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

I. ACTIVITY OF PUBLIC INSTITUTIONS	2
PARLIAMENT	2
1. Acts of major importance	2
2. Nominations	2
3. Dismissals	2
4. Legislative policies	2
GOVERNMENT	4
1. Acts of major importance	4
<i>Decision concerning measures to prepare the domestic economy and social sector for autumn-winter 2011-2012</i>	4
2. Dismissals	4
3. Decisions	4
4. Sittings. Decisions	5
<i>National Strategic Planning Committee</i>	5
<i>National commission on liquidation of 2010 flood consequences</i>	5
<i>Meeting with CNP members</i>	5
II. ECONOMIC POLICIES.....	7
1. BANKING SYSTEM.....	7
<i>Improving condition of bank sector on background of sensitive differences between banks</i>	7
2. Public funds	7
<i>Execution of various components of the budget</i>	7
3. External position of country	8
<i>Debts are on the rise</i>	8
III. TRANSNISTRIA	9
<i>EUBAM to help building confidence</i>	9
<i>Response of Moldovan MFAEI to statements by Russian Foreign Ministry official</i>	9
IV. FOREIGN RELATIONS.....	10
1. European integration	10
<i>Opening of negotiations concerning the EU-Moldova Common Aviation Area Agreement</i>	10
2. Bilateral cooperation	10
<i>Republic of Moldova – USA</i>	10
<i>Republic of Moldova - Poland</i>	11
3. Multilateral cooperation	11
<i>Republic of Moldova – Council of Europe</i>	11

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I. ACTIVITY OF PUBLIC INSTITUTIONS

PARLIAMENT

The spring-summer session of the Parliament closed on July 28, with deputies being expected to resume plenary sittings in September.

1. Acts of major importance

Law concerning the National Integrity Commission. The commission will control declarations on incomes, estate and personal interests, is entrusted to notify criminal or fiscal organs in case of discordances or false data, and will publish declarations of dignitaries on its website. The Parliament and president of Moldova will nominate members of the commission by respecting some requirements relating to education, clean criminal record, and political non-affiliation the last several years, etc.

Note by ADEPT: According to independent surveys on the draft law concerned (anti-corruption survey by CAPC), authorities will be unable to fulfil all goals of the law, as the document does not explain clearly the procedure of examination and resolution of conflicts of interests. At the same time, changes undertaken by deputies when they passed the draft law in the final reading encourage the politicisation of functions of this commission, with a collegial organ made of representatives of parliamentary majority being empowered to make decisions. A better solution would be to ensure independence and inviolability of commission members, by selecting them upon an open contest, after attending integrity tests, and their mandate should be unlike the one of the Parliament and should not be ceased but in case of deliberate violation of law.

2. Nominations

Veronica Jurmingschi was nominated member of the Management Board of the Bank Deposit Guarantee Fund.

3. Dismissals

The Parliament took notice of resignation of PCRPM MPs elected in local public administration:

- **Elena Bodnarenco;**
- **Serghei Filipov.**

4. Legislative policies

Law on approval of the single classifier of public functions. The key purpose of the law is to objectively differentiate public functions accordingly to complexity level of tasks and management and decision responsibility level, as well as to set a general framework for civil servants' professional development system and minimum requirements towards public functionaries. The regulation will be enforced concomitantly with a new remuneration system for public servants, which was not approved yet.

Package of laws concerning the simplification of the basic principles regulating entrepreneurial activity –“GUILLOTINE 2+”. Deputies approved the law concerning the regulation of business activity, the law concerning the implementation of the one-window approach for entrepreneurial activity and the law concerning the modification of some legislative policies worked out to implement a new round of the draft “GUILLOTINE 2+”, which aims to simplify business conduct conditions by annulling or reducing the number of documents and procedures of authorisation, conduct and control of entrepreneurial activity.

Law on modification of some legislative regulations (dissolution of specialised law courts). By approving this law, the Parliament decided to dissolve economic law courts (district economic court and Economic Court of Appeal) and the military court, and law courts (judges) and courts of appeal will take over their competences. Talks related to the necessity of dissolving economic courts lasted almost two years, and the Parliament failed twice in 2010 to adopt the draft law concerned. This proposal was motivated by the fact that economic courts are very corrupt and they are to blame for many ECHR judgements, but the arguments were not proved, with the Supreme Court of Justice turning down some of them. Law enforcement organs and legal experts raised concern with the new regulations, which bring new tasks for law courts, while the latter are short of competent staff in the area of economic litigations.

Decision concerning the establishment of a special commission to modify and complete the legislative framework on decentralisation and consolidation of local autonomy. The commission is made just of deputies representing the ruling alliance. The commission has 6 months to consider decentralisation policies and recommend solutions to adjust them to Constitution, European Charter of Local Self-Government. As well, the commission will ensure parliamentary control on drafting and enforcement of local self-government decentralisation and consolidation policies.

Note by ADEPT: A special commission with the same name, competences and functioning terms was set up on summer 2010, but its results are unknown and unavailable.

Decision approving the national anti-corruption strategy. The new strategy is based on international recommendations and standards in the area, positive and negative experiences gathered during the implementation of the previous strategy. A basic purpose of the new strategy is to reduce the corruption perception and to build a system which would discourage corruption: risks would exceed eventual benefits.

In order to reach its goal, the strategy sees a series of priority steps aimed to reduce tolerance towards corruption, adjust the normative framework to international anti-corruption standards, enhance transparency of institutions and organisations, including funding for political parties, strengthen the national integrity system and capacities of law enforcement organs and judiciary to combat corruption, as well as to boost efficiency of inspection organs. The strategy will be enforced via action plans and their costs will be covered by allocations for public authorities funded from state budget and budgets of administrative territorial units, as well as by external assistance.

Acts on ratification (adhesion) of some international documents:

- Memorandum of Understanding between the Government of the Republic of Moldova and the Council of Europe concerning the Council of Europe Office in Chisinau and its legal status;
- Protocol between the Government of the Republic of Moldova and the Cabinet of Ministers of Ukraine concerning the modification of the August 11, 1994 Agreement between the Government of the Republic of Moldova and the Government of Ukraine on the mutual recognition of rights and regulation of property-related relations;
- Financing agreement between the Republic of Moldova and the International Development Association for implementation of the „Governance e-Transformation” Project;
- Financing agreement between the Republic of Moldova and the International Development Association for implementation of the Strengthening the effectiveness of the Social Safety Net Project.

GOVERNMENT

1. Acts of major importance

Decision concerning measures to prepare the domestic economy and social sector for autumn-winter 2011-2012.

In accordance with the approved decision, ministries and other central administrative authorities will do the following:

- Set up commissions to organise, monitor and control preparations for the heating season;
- Introduce a strict control on consumption of energy resources;
- Organise the uninterrupted energy supply to facilities of vital importance;
- Oblige subordinated budgetary institutions to strictly control the respect for funds foreseen in own budgets for consumption of energy resources;
- Take necessary measures to pay off debts of budgetary and subordinated institutions for energy resources and public services and honour current payments on time;
- Calculate and approve quantitative limits for consumption of energy resources and communal services, distributed on months, control execution of consumption limits by subordinated institutions.

The document includes recommendations for local and regional public administration authorities and introduces obligations for heads of budgetary institutions, ministries and competent agencies.

2. Dismissals

- **Gheorghe Trocin** was relieved from the office of deputy minister of finance, as he was nominated member of the Chamber of Auditors;
- **Nicolae Concescu** was relieved from the office of head of the Soroca territorial office of the State Chancellery, representative of the Government in the area, upon his demand.

3. Decisions

Decision concerning the limits of staff units and staff-related expenses in budgetary sector for central and local public administration authorities for 2011. The Government set the limits of staff units and staff-related expenses from all funding sources for central public administration authorities (including Parliament and President of Moldova) and local public administration authorities. Local public administration authorities are recommended to set limits of staff units and staff-related expenses for 2011 for subordinated institutions, in accordance with the limits foreseen for administrative territorial units. Central public administration authorities are due within one month to work out a normative framework on structure and limited number, so that to adjust it to the new decision, report the staff from decentralised public services in areas, including auxiliary staff of public authorities.

Decision concerning some measures relating to optimisation of management and privatisation of public property. The Government took notice of the report on management and privatisation of public property in 2010 and warned ministries and other central administrative authorities in connection with inefficient management of state property. As well, it approved an action plan aimed to improve the management and privatisation of public facilities and empowered the Ministry of Economy to coordinate the implementation of this plan and instructed it to report actions every half-year.

Decision approving the regulation concerning the delivery of services of the telecommunication system of local public administration. The regulation establishes general conditions for providing services of telecommunication system of public administration authorities, sets necessary funds and technical-material sources, as well as security norms. Basic services of the system include protected interdepartmental information exchanges for public authorities and services providing connection and access to state information systems and resources called Governmental Intranet; services providing public authorities with access to global Internet resources; e-mail services of public administration authorities.

Decision concerning the exhibition of the national relict “Flag of Stefan the Great”. The Government allocated about 300,000 lei from the reserve fund for the temporary importation of the national relict “Flag of Stefan the Great” from Romania to Moldova and its exhibition at the National Museum of Archaeology and History of Moldova during August 24 – September 12, 2011. The Interior Ministry and Ministry of Culture will ensure the security and integrity of the relict, in line with the contract on lending for temporary exhibitions signed between the Romanian National Museum of History and the Moldovan National Museum of Archaeology and History.

4. Sittings. Decisions

National Strategic Planning Committee

Prime minister chaired a sitting of the committee, which considered strategic priorities relating to reform actions to be taken by October, with approved measures aiming to enhance productivity and competitiveness, as well as to improve business environment and attract new investments. Prime minister instructed institutions involved in negotiations to prove maximum responsibility for an accurate fulfilment of assumed commitments, with the purpose to encourage the disbursing of the 20-million-dollar budgetary assistance provided by the World Bank to Moldova, noting that this amount is already foreseen in the State Budget. Also, the committee considered the list of priority projects to be financed by the E-Moldova Fund, selecting five projects worth 12.4 million lei to start this year with the financial support of the World Bank in the framework of the Governance e-Transformation Programme.

National commission on liquidation of 2010 flood consequences

A sitting heard reports on stage of works conducted to build homes for victims of the summer 2010 floods. According to data provided by the Ministry for Regional Development and Construction, 706 homes should be built for victims of natural disasters and 567 of them are now finished, including 514 in Cotul Morii, 34 in Nemteni and 19 in Obileni villages. Victims of natural disasters already live in 433 houses. As well, the sitting heard problems related to construction of engineering infrastructure and social-cultural facilities in the area concerned. Prime minister was angry with the work of institutions in charge, noting that the deadline for building works is not respected and urging them to speed up necessary procedures, so that to finish the homes by late August. Premier Vlad Filat instructed local public authorities to take all actions needed to provide children with access to education, by organising their transportation to neighbouring education institutions.

Meeting with CNP members

Prime minister convoked the National Council for Participation (CNP) in an ad-hoc sitting to discuss the establishment of a National Reform Committee sought by civil society representatives during consultations with the premier. The National Reform Committee will

be made of whole cabinet of ministers, representatives of civil society, employers, trade unions, academia, and businessmen. Vlad Filat believes that such a committee is necessary to ensure a multidimensional participation of society, enhance transparency and raise recommendations regarding reform priorities, as well as to find best ways to implement reforms. Participants expressed diverse opinions, inclusively about inopportunity to set up one more supra-governmental body which efficiency and competence are hard to forecast and assess.

II. ECONOMIC POLICIES

1. Banking system

Improving condition of bank sector on background of sensitive differences between banks ...

According to banking statistics and media reports, just one out of five commercial banks in Moldova, which reported losses for 2010 was suffering losses on June 30, 2011. The highest net income recorded by a commercial bank in 2010 – about 260 million lei – dropped down to 151 million lei in the 1st half of this year, and this result was recorded by the same bank, Moldova-Agroindbank. However, this bank is capable to exceed the net income for 2010 till the end of this year.

Eximbank, BCR Chisinau, ProCreditBank, Universalbank and FinComBank are the five banks which reported losses for 2010. As of June 30, 2011, all these banks except for one of them have recovered and reported profit. Universalbank is suffering losses so far, being the only bank in Moldova which reported losses, as of June 30, 2011. [Surveys](#) by research centres provide a deeper description of condition of commercial banks from perspective of some performance, efficiency, solvency indicators, etc. Moldova-Agroindbank (MAIB) reported the highest profit of about 260 million lei for 2010. The net income of this bank for the first half of 2011 exceeded 151 million lei, according to [accounts released](#) on the official website of the bank. Victoriabank (VB) and Moldindconbank (MICB) reported an income of 78 million lei and more than 55 million lei respectively, and are part of the Top-3 banks with highest revenues along with MAIB, as of June 30, 2011.

However, experts note that the net income is not an absolute indicator and it does not reveal the efficiency of a bank to a certainty, so that it should be compared with other indicators. According to a bank efficiency rating worked out by the rating and estimation agency Estimator-VM for the 1st quarter of 2011, MAIB, VB, BCR Chisinau, MICB and Banca Sociala were part of the Top-5 efficient banks in Moldova. To note that Eximbank reported a higher net income than BCR and Banca Sociala did, but it was not included in the bank efficiency top. A deeper [report](#) concerning the banking performance rating was released by independent think-tank Expert-Grup.

On the other hand, the international financial magazine *Euromoney* rated Moldova-Agroindbank as the No.1 bank in Moldova. The bank was rated on the basis of several indicators such as dimension, return, customer care, market share of credits and deposits, profitableness, capitalisation, retailing and corporate segment, project financing, risk management, cost-income relation.

2. Public funds

Execution of various components of the budget ...

According to accounts by the Ministry of Finance for the first half of 2011, the execution of national public budget issued a deficit of about 1.36 billion lei. Deficits were reported for three components of the national public budget: state budget, social insurance budget, and budget of administrative territorial units. The mandatory health insurance fund was the only one to achieve a surplus of resources.

Incomes worth 8.12 billion lei were collected to the state budget in the first half of this year, by 8 percent more than in the similar period of last year, but by one percent less than planned. State budget expenses amounted to about 9.27 billion lei, by nearly 8 percent more than in the similar period of 2010, and covered 86.5 percent of the planned expenses.

Incomes worth 3.75 billion lei went to budgets of administrative territorial units, by 0.4 percent more than planned. Expenses from these budgets exceeded 3.9 billion lei, which covers about 75 percent of expenses foreseen for the first half-year. Incomes to the state social insurance budget exceeded 4.4 billion lei, which is by 0.8 percent more than foreseen for the first half-year. Expenses from this budget accounted for 4.6 billion lei and were executed 99.1 percent of the planned amount.

Thus, the execution of the state budget for the first half-year issued a deficit of 1.14 billion lei, social insurance budget had a deficit of 188.2 million lei, and the budget of territorial administrative units issued a deficit of about 180 million lei. The mandatory health insurance fund was the only component of the national public budget to achieve a surplus (151 million lei).

3. External position of country

Debts are on the rise...

Data released by the National Bank of Moldova and Ministry of Finance reveal that the state debt of Moldova amounted to about 19 billion lei (1.7 billion dollars) on June 30, 2011, of which the foreign state debt accounted for 13.66 billion lei or about 70 percent and the internal state debt amounted to 5.37 billion lei. The external state debt increased by about 57 million lei this year and the internal debt rose by 64 million lei, according to the Ministry of Finance.

More than 527 million lei went to the foreign state debt service in the first six months of this year, of which 442 million lei to reimburse the basic amount. An amount of 210 million lei went to the internal state debt service in the first half-year. Minister of finance had earlier assured that Moldova's internal state debt would not exceed 5.6 billion lei and the foreign debt would account for about 1.2 billion dollars in 2011.

III. TRANSNISTRIA

EUBAM to help building confidence

Deputy Prime Minister Eugen Carpov met the EUBAM head, General Udo Burkholder on July 21, 2011 and discussed issues related to the Transnistrian section of the Moldovan-Ukrainian border in the light of EUBAM initiatives aimed to increase confidence-building actions between the two banks of the Nistru river. As well, the parties discussed the possibility to resume the circulation of cargo trains in the Transnistrian sections of Moldovan railways. They noted that technical problems relating to circulation of cargo trains have been settled and customs experts are expected to work out technological schemas for cargo transportation via railway sections from the Transnistrian region. Udo Burkholder noted that EUBAM supports Chisinau's approach regarding the resumption of circulation of Moldovan trains in the Transnistrian sections, as well as initiatives released at the last „1+1” meeting in Bender on July 12. This would be both an economic relaunch and a step forward building confidence between people from both banks of the Nistru.

Response of Moldovan MFAEI to statements by Russian Foreign Ministry official

The [press service](#) of the Ministry for Foreign Affairs and European Integration (MFAEI) has explained some aspects of statements delivered by an official representative of the Russian Foreign Ministry concerning the external economic activity of Transnistria-based businesses. According to the spokesman for the Russian Foreign Ministry, Alexander Lukashovich, “the agreement concerning the participation of Transnistria in external economic activity is defined by statements delivered by Moldova during negotiations with the World Trade Organisation, which say that Moldova joins the organisation as a single economic area... In addition, some references were made to the May 8, 1997 Moscow Memorandum on the Bases for Normalisation of Relations between the Republic of Moldova and Transnistria, as well as to other customs agreements.” According to Lukashovich, the 2005 agreements between Moldova and Ukraine concerning checking rules for Transnistrian exports had “the effect of an economic blockade for the Transnistrian region, the least at the beginning.” Therefore, Russia's position in the Transnistrian settlement process contributed to block attempts to extend the Moldovan economic jurisdiction on the Transnistrian region, Lukashovich told a briefing in Moscow.

Moldova's MFAEI does not warm the assessments by the Russian Foreign Ministry, which says that the joint decision of Moldova and Ukraine to introduce a new customs regime at the border between the two countries starting March 2006 aimed to set up a so-called “blockade” or “to unilaterally extend the Moldovan legislation” on the region, and assures that it aimed to adjust export-import deals to international standards. In order to prevent any negative effects on Transnistria-based economic agents, the customs regime introduced in 2006 brought simplified business registration procedures, a tax refunding mechanism, as well as the possibility to enjoy directly the trade preferences provided by the EU and the CIS to Moldova. More than 800 Transnistria-based businesses have got registered with Moldovan authorities until now, and statistics confirm that their trade relations with foreign partners develop and do not face any obstacles from Moldovan authorities. Transnistria-based businesses are free of any payments to national budget, except for fees for customs issuance and origin certificates.

IV. FOREIGN RELATIONS

1. European integration

Opening of negotiations concerning the EU-Moldova Common Aviation Area Agreement

During July 27-28, Chisinau hosted the first round of negotiations concerning the European Union-Republic of Moldova Common Aviation Area Agreement, after the EU Transport Council gave green light on June 16 to the European Commission to negotiate with Moldova.

The teams of negotiators were headed by Moldovan Government's Secretary-General Victor Bodiou and Klaus Geil, Director-General for Mobility and Transport of the European Commission. The parties agreed that the signing of the agreement will advantage both people and air companies. The accession of Moldova to the common aviation area will enhance competitiveness in the field, diversify air services and reduce prices of air tickets, improve management of air traffic, implement European standards in air transportation sector, environment and security of passengers. The agreement will aim at gradual implementation of EU aviation rules and procedures by Moldova concomitantly with the gradual opening of the local aviation market and its integration into the common aviation area.

The [press service of the Government](#) quoted the chief negotiator on behalf of the European Commission, Mr. Klaus Geil, as saying that the accession to the common aviation area is an invitation for Moldova to join the club of European countries, which requires efforts and internal reforms, adding that the European Commission is ready to provide the necessary assistance.

The negotiations will be held in three rounds, with the next two rounds being scheduled for September and November 2011. The Moldovan Government has earlier said that it hopes to sign the agreement till the end of 2011.

Note by ADEPT: The signing of the EU-Moldova Common Aviation Area Agreement is expected to help liberalise the aviation market in Moldova, which is now dragging on, as authorities advantage a single state-owned air company, Air Moldova.

2. Bilateral cooperation

Republic of Moldova – USA

Moldovan Prime Minister Vlad Filat and US Ambassador to Moldova Asif J. Chaudhry signed several important documents in late July regarding cooperation between Moldova and the United States: the Joint Action Plan on Combating Smuggling of Nuclear and Radioactive Materials; the Memorandum of Understanding between the Department of Energy of the United States of America and the Customs Service of Moldova concerning cooperation to prevent illicit trafficking in nuclear and other radioactive material; the assistance agreement on consolidation of law enforcement institutions.

According to the [governmental press service](#), the joint action plan on combating smuggling in nuclear and radioactive materials stipulates 45 steps aimed to enhance the capabilities of Moldova to combat the smuggling in these materials both inside and outside of the country. The plan includes a commitment of the United States to help implementing it successfully. The Memorandum between the Customs Service of Moldova (SVRM) and the U.S. Department of Energy (DOE) provides a smaller bilateral institutional cooperation framework on prevention of smuggling in nuclear and radioactive materials. In particular, the memorandum says that the U.S. DOE will provide radiation detection equipment to be

used inside of Moldova, as well as at border-crossing stations, will train SVRM officers to use this equipment, and the U.S. will provide an 8.8-million-dollar financial assistance until 2015 to help reforming the justice and strengthen law enforcement institutions.

Republic of Moldova - Poland

Polish officials visited Moldova shortly after Poland took over the EU Council Presidency. Poland's Deputy Foreign Minister Jerzy Pomianowski was on a working visit to Chisinau during July 20-21 and met Minister for Foreign Affairs and European Integration Iurie Leanca and Deputy Ministers Natalia Gherman and Andrei Popov. According to the [press service of the Ministry for Foreign Affairs and European Integration](#), talks of officials focussed on European perspective of Moldova in the framework of priorities of the Polish Presidency and preparations for the September 2011 Eastern Partnership Summit in Warsaw. The deputy foreign minister of Poland, Mr. Jerzy Pomianowski, stressed that Moldova shall become a key element for the safe and stable neighbourhood of EU, and the only way for Moldovan authorities is to continue reforms.

A delegation from the Polish Sejm headed by Marshall of the Sejm Grzegorz Schetyna was on a formal visit to Chisinau on July 25. The Polish delegation attended the ceremony of inauguration of the Moldovan-Polish Parliamentary Assembly, which signed the [Statute of the Assembly and its Joint Declaration](#). The Parliamentary Assembly includes 10 Polish deputies and senators and 10 Moldovan deputies. Co-chairmen of the Parliamentary Assembly are Igor Corman, head of the Moldovan parliamentary commission for foreign policy and European integration, and Andrzej Halicki, head of the commission for foreign policy of the Polish Sejm. The Moldovan-Polish Parliamentary Assembly aims to intensify parliamentary cooperation between the two countries, inclusively by sending to each other information and documents of public interest regarding legislative activity and parliamentary procedures. As well, the Polish side pledges to support in front of European institutions in general and European Parliament in particular the recognition of a clear European integration perspective of Moldova; implementation of the Visa Liberalisation Action Plan during the Polish Presidency in EU; and adoption in September 2011 of the European Parliament's Resolution containing its recommendations to the European Council, Commission and External Action Service regarding the ongoing EU-Moldova negotiations on signing of the Association Agreement.

3. Multilateral cooperation

Republic of Moldova – Council of Europe

The Council of Europe (CoE) Commissioner for Human Rights, Thomas Hammarberg, released a [press release](#) on July 17 to describe as inadmissible the delays in executing the European Court of Human Rights (ECHR) judgments by CoE member states. Moldova is part of the group of nine countries which raise CoE concerns and are repeatedly criticised by the CoE Parliamentary Assembly for late execution of ECHR judgments.

According to Thomas Hammarberg, a prompt, full and effective execution of the Court's judgements is key for the effective implementation of the European Convention's standards in domestic law. States parties do usually pay the compensation due to the victims, but they should also redress the situation of the applicants and amend legislation or change practices which encourage new violations of human rights.

The commissioner reiterated one of the CoE Committee of Ministers' proposals ([Recommendation \(2008\)2](#)) which recommends to member states that a national coordinator be appointed to follow the execution process and to keep national parliaments informed of the execution situation and the measures being taken. This measure is expected to strengthen efficiency and credibility of the European human rights system.