

"Corruption" is the new "communism". A strategy to *un-capture* Moldova.

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Moldova is a textbook example of how corruption can become a direct threat to democracy. An oligarch has captured Moldova and exercises systemic control in the country. While the country's problems and challenges have been extensively discussed, and while the main responsibility to overcome the state of things lies on the Moldovan society, this document focuses on what can Moldova's partners in the West do to help. This document advocates for a tougher policy on Moldova, showing how this will bring benefits for the Moldovan people, and for advancing democracy in the region. It also gives concrete suggestions. To succeed, the west must see in oligarch-rule corruption the same existential risks it saw in communism 30 years ago.

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On 28 may 2018 I was publishing [an article](#) asking if an oligarch could ever build a democracy. Within three hours members of my family were arrested. This is when I understood that in Moldova, a population of three million people at the border with EU and NATO are neither free nor safe under this government. Corruption at the price of everything, even at the price of human life and dignity, is the root of it all. While it is true that the Moldovan people could do more, the same is valid for the international community. We could both do more for Moldova, and there is no other way to overcome state capture.

1. The region. How Moldova fits in the larger picture of the Eastern Partnership countries?

We speak of Eastern Europe as about the frontier of democracy. The countries in this region, symbolically, are bordering authoritarian regimes, Russia being the most prominent, and a democratic European Union. The struggles of these societies towards sustainable democracy are far from over. Apart of pro-EU rhetoric, the governments in these countries still have to prove their genuine commitment to advancing democracy with actions. Most Eastern Neighbourhood countries are either ruled by oligarchs, or are under full authoritarian rule (with Armenia the only exception). One way or the other, most are ravaged by corruption, with captured institutions and no feeble rule of law. These are deep, structural problems that are not being addressed year after year.

Reforms that should take months to implement and gradually improve the people's lives, are being persistently sabotaged and delayed, and often rolled back before they show results¹. The corrupt elites will find a way to protect their assets and advance their interests at the price of reforms.

No oligarch has ever built a democracy². Control over public institutions, patrimonialism, cronyism, clientelism, and corruption, go against the very basic principles of democracy. It is becoming clear by the day that corruption in Ukraine, Moldova, Georgia, has become the biggest threat to the independence of judiciary, the good functioning of democratic institutions and for statehood overall. In order to advance democracy in these countries, high-level corruption must be addressed effectively.

The Eastern Partnership countries are going through a generation-long period of socio-economic crisis. These countries' populations were born and grew up in poverty, and never lived in genuine freedom. Their capacity to mobilize, unite and demand change, is generally limited, sporadic and fragile, but can impress in crucial moments when the time is right to stand in defence of freedom and against corruption (examples: Ukraine, Armenia). In order to uphold and advance democracy, these societies need support in overcoming structural corruption that has penetrated administrations at all levels.

The Eastern Partnership countries are now facing a clear choice between oligarchic quasi-authoritarian rule with no rule of law and captured institutions, on the one side, and a genuine, sustainable and inclusive western-style liberal democracy. While the advocates of the former are strong and aggressive in promoting their views both inside and outside these countries' borders, the advocates of the latter are rather shy and complacent. They should step up their efforts, adjust their

¹ In Kyiv and Chisinau, Citizens Thirsty for Reform But the Governments Aren't
<https://www.atlanticcouncil.org/blogs/ukrainealert/in-kyiv-and-chisinau-citizens-thirsty-for-reform-but-the-governments-aren-t>

² Could an oligarch build a democracy in Moldova? <http://www.gmfus.org/blog/2018/05/28/could-oligarch-build-democracy-moldova>

strategy, and be more proactive in their actions. They should get more support and encouragement.

Beyond Moldova, the higher stake is the whole region. The West needs to have a balanced strategy on Ukraine, support Georgia, and encourage Armenia. A tougher policy on the present Moldovan oligarchic rule will:

- **Showcase an example** for the kleptocrats in the region. Five years ago, Moldova was being described as a “success story” to inspire pro-reform movements in neighbouring countries. The strategy was working. Moldova was the frontrunner. NGO’s, opinion leaders and pro-European politicians (in Ukraine, for example) were offering Moldova as a good example. The same strategy should now be reversed. Tough policy on Moldova will contribute to decreasing the risk of democratic backsliding of other countries in the region. A hard-line on Moldova will inspire pro-reform and anticorruption movements elsewhere to demand from the West similar treatment for their corrupt elites. This, in turn, will put positive pressure on governments and tend to discipline the officials, cutting through their resistance to reforms and genuine anticorruption.
- **Galvanize the society**, the pro-European and anticorruption forces inside Moldova. The morale of pro-European forces in Moldova is rather low. It must be boosted in order to inspire the society in its fight against oligarchic rule – toxic for democracy and rule of law.
- **Discourage** honest civil servants and non-compromised elements of the administration, the genuine technocrats, from blindly cooperating with corrupt higher officials (that might and should end up on sanctions lists). Acting in their own interest to protect their professional profile, these people will face decisions to quit their jobs, to sabotage the system from within with leaks, disobeying orders, or to openly object to bad policy and illegal orders. Either way, they would distance themselves from corrupt elites, eroding and weakening the system from within and creating pressure inside the system. Reform-minded elements of the government need to start publicly dissociating themselves from the actions of these authorities. There is pressure from outside the country and from inside the society on these authorities. More pressure needs to build up inside the administration.

2. The country. What is at stake in Moldova?

After being labelled a “success story” in early 2010s³, the Moldovan democracy has been degrading by the month in the last few years. While Armenia in 2018 has established a first ever transition of power through elections, in 2016, Moldova essentially had its first transition of power bypassing elections. Until 2016 the country had an impressive record of passing power exclusively through elections, since its independence. In 2016 the Moldovan democracy was put on “pause”. It took some time for everyone to read the signs. The attack on democracy has

³ Not a success story yet. Moldova is an increasingly popular destination for European leaders <https://www.economist.com/eastern-approaches/2012/12/10/not-a-success-story-yet>

culminated with the annulment of a popular vote for the Chisinau (capital city) mayor job in the summer of 2018 ⁴. This government has destroyed the rules of the game that were respected by all political players for 27 years. Moldova is a textbook example how corruption, if not kept under control, will expand to capture institutions and ultimately destroy democracy.

The process of state capture seems nearly completed and, at the moment, if nothing is undertaken urgently, a probable scenario for the country is a prolonged authoritarianism, with four, or maybe eight years of strongman rule where democratic checks and balances will be annihilated. This will push the country back 20 years. If the little progress is not protected, Moldova will have to start anew.

3. "Corruption" is the new "communism". What could be done?

Pressure from outside needs to be increased to help Moldova come out of state capture and show others an example.

Under the weight of corruption, the Moldovan state risks collapse. Once there is little left to save, being hawkish on Moldova bears less and less risks, but can offer returns. This paper argues that, in order for genuine western-style democracy to emerge in Moldova, the present government, that grabbed power undemocratically, must be helped to leave and give room to genuine pro-European forces that will be elected in truly free and fair elections. This would be the fastest way to boost the people's trust in their government and faith in their country, while maintaining the country's pro-European course. Being in opposition is part of the democratic process. The people presently running the country have never really been in true opposition.

In formulating an effective strategy on Moldova, the following was kept in mind:

Moldova is geopolitically and economically unimportant. With no natural resources, Moldova is the second poorest country in Europe, second most corrupt (after Ukraine). Compared to other Eastern Partnership countries, Moldova is second smallest by population (after Armenia) and smallest economy in the Eastern Neighbourhood. The country is landlocked between Romania (EU and NATO member) and Ukraine. While Ukraine struggles are far from over, it is difficult to imagine it coming back under the Russian sphere of influence. If Ukraine will stay on its pro-European path, Moldova will gravitate, geopolitically, as well as economically, in the same direction.

The West risks little and may gain much from a tougher policy in Moldova.

⁴ Democracy Is Under Major Attack in Moldova. Is Anyone Paying Attention?

<https://www.atlanticcouncil.org/blogs/ukrainealert/democracy-is-under-major-attack-in-moldova-is-anyone-paying-attention>

Moldova is a security threat for the EU, a source of corruption and money laundering, thus needs urgent tackling. At the same time, the problems that emerge from Moldova are bigger and bigger. Moldova is a transit country for money laundering. The country has laundered at least 22 billion USD of the Kremlin money – funds that are seen now in action inside the EU. One billion USD was stolen, about 14% of Moldova’s GDP (just about the size of the whole Moldovan agriculture share of GDP). The present authorities have done nothing to investigate or recover assets. Corruption feels home in Moldova. For its small size, Moldova became a too big security threat for the EU member states. Under the present government, in the summer of 2018, legislation was passed to essentially facilitate money laundering. Moldovan organized crime is a recognized security threat in Austria, France, Germany, Latvia, Poland. The citizenship by investment scheme could pose migratory and security risks for the EU⁵. Moldova has now adjusted its legislation and is an environment enabling money laundering, with the risk for terrorism and cross border crime. The country is becoming a regional security threat. It must be tackled urgently.

The strategy of “keeping Moldova engaged and in the orbit”, has not worked. In early 2016 the West had a choice – to support tacitly the most illegitimate government Moldova has ever had in exchange for stability, or to condemn it. It chose the first. Three years later, the country’s democratic freedoms and human rights are in clear decline. The Pavel Filip government has lost the chance to prove itself, having preferred to protect, maintain and advance oligarchic interests. This government has isolated the country and rolled back substantial democratic progress. It is now clear that the West’s strategy of neutrality does not work and is only helping the state captors gain time and consolidate their rule.

Moldova is the biggest disappointment. In 2013-14 Moldova was the champion of the Eastern Partnership, the most advanced in terms of reforms, the biggest per capita recipient of EU funds. The country was the first to obtain the Visa liberalization with the EU and has signed the Association Agreement with the EU. The population was hopeful and optimistic. Five years ago, Moldova’s long-term EU membership perspective was a serious topic for discussion. The present government has deprived our advocates in Brussels of any arguments in favour of potential membership. The Moldovan authorities have betrayed the trust and the hope both of the Moldovan population, and its partners in the EU and USA. The disappointment must be shown and displayed and past policy errors need to be corrected. The Moldovan society proved it can and wants to go down the European path. Its choice is being hindered by corruption and state capture.

Moldova is now an unpredictable, unreliable partner. It is true, the Moldovan authorities never really delivered as promised. However, under the present government, promises were made, commitments were taken, but Moldova did not deliver. The policies changed overnight. With no actual system of democratic checks

⁵ https://ec.europa.eu/home-affairs/sites/homeaffairs/files/what-we-do/policies/european-agenda-migration/20181219_com-2018-856-report_en.pdf?fbclid=IwAR3EzH2Y686bFyGpwyEYTWGbQxt38ASyUnnQo-X403i1xoegfrtNI3x27k

and balances, where one person decided based on their mood, Moldova is simply not a reliable partner. Moldova is already integrated into the EU and the EU needs a reliable, predictable partner. Only a sustainable democracy can ensure this, in the long run. The present authorities have defiantly and cynically ignored multiple warnings and expressions of concern from Brussels.

The elections on February 24 2019 should have served as an opportunity to improve the situation. The present regime has used the elections merely as an opportunity to legitimize their rule and keep their grip on power. The signal that was sent, once more, to the society and international community, is that they do not intend to leave and will not change their methods of governing. In case anyone else needed convincing that the present regime does not value democracy, these elections are yet another proof. We saw intimidation, violence against political opponents, evidence of vote buying, propaganda, denigration of opponents, non-transparent funding, use of administrative resources, gerrymandering, to name a few, have been reflected mildly in monitoring reports. What we are being told between the lines is that *they are not leaving anywhere*. They need help to leave.

The present system is not build on ideology, or vision. It is built on the personal interests of those who are part of it. Some want to advance in their carriers; others are willing to get corrupted, while those at the top are interested in preserving and advancing their interests and assets. It is a system that will enrich a few therefore the many need to be maintained in fear. The glue that keeps the system together is not values of any kind. It is a combination of money and fear.

Neutrality is what preserves this system. The present system is built on the full loyalty of the few, and on the neutrality, apathy, and thus inaction of the many. We should push out of comfortable neutrality as many people as possible. The civil service is the best example, where people adopt blind neutrality for some sort of self-preservation, but the general principle is observed in other fields, like business, or even NGO sector, are also relevant.

The Moldovan oligarchic system is the weakest and most vulnerable and is, thus, easiest to deconstruct. Authoritarian rule is generally opposed by a part of the population, but has genuine support in a part of society. It is valid for most regimes now labeled authoritarian –from Erdogan to Putin, from Lukashenka to Aliyev. They are disliked by some, but also have a genuine support base. Moldova's case is unique. With a negative rating that oscillated between 95% and 85% in the last decade, Plahotniuc, the oligarch who controls practically everything in the country, does not enjoy any genuine support in the Moldovan society. There are not many people who like or truly support him or his (inexistent) vision. Mostly he is either feared, or disliked. When this regime will start collapsing, no one will defend it.

Besides being deeply unpopular, **reliance on western funding** is another thing that makes this system weak and vulnerable. Although the present authorities are denying it, lack of foreign funding is a serious burden on the public finance. Simply put, the present Minister of Finance in one of his first press conferences was making

a big achievement from the fact that the country simply did not bankrupt without foreign funding. It is this serious.

The present government fails (or refuses) to see the role to advance democracy, to create preconditions for democratic freedoms to flourish and expand, to create space for independent media and civil society, to actively fight monopolies and corruption. When a government stands idle, the situation worsens. This makes it complicit. This government has shrugged its shoulders when things were worsening. It has proved lack of any will to improve things for over three years, allowing, or being proactive in determining the democratic freedoms get from bad to worse. This government has chosen to side with the oligarch that appointed it, instead of defending democracy and the public interest. Promises were made (and a few, even delivered, like the banking sector reform) just to win time and survive. There should be no hope or trust in the good will of this government.

To help Moldova be back on the path of democracy, the objective is twofold. On the one hand, **urgent measures** need to be taken in order to stop the situation from worsening. On the other hand, strategic **short- to medium term steps** need to be taken in order to gradually deconstruct the present system before it has collapsed on everyone.

The Moldovan democracy can be re-launched within two years, and here are a few ideas how to start this effort.

3.1. Urgent measures: how to stop the worsening of the situation?

Since 2016, corruption has advanced⁶, while the protection of democratic freedoms and human rights has worsened. Freedom of media, freedom of expression, freedom of speech and of access to information, freedom of peaceful assembly, is degrading under the indifferent and complicit watch, or even purposeful actions of the present authorities.

Our immediate priority should be to prevent the situation from worsening. In order to achieve this, hands on diplomacy backed by some actions and real outcomes must be used. The authorities must be shown that words will finally be followed by actions. Below several tools that might be applied:

- Investigation of **financial crimes. It will not happen in the coming months, but convincing talk about it and active preparations will serve as a deterrent.** An investigation at the international level will put the present authorities in guard and will determine them to temper their attack on democracy. Although there is no previous practice, EU should enact Article 18 of the EU-Moldova Association agreement, giving it legitimacy to act, and set a

⁶ In 2016 Moldova ranked 131st and in 2017 – 122nd in Transparency International's Corruption Perception Index. An all-time high for Moldova.

precedent on Moldova's case. I have presented extensive arguments in previous papers written in 2018⁷ and 2017⁸, as well as other work⁹.

- **International sanctions list** must be a medium-term perspective. In the immediate timespan, there should be serious talk about. We appreciate that sanctions are not a taboo any more, as they used to be two years ago. This discussion needs to advance. This, too, will serve as a deterrent and stop the worsening of the situation. Usually, sanctions are being imposed after the situation is hopelessly lost. While we cannot expect high-ranking officials to be sanctioned immediately, a signal must be sent to those who are mere instruments in perpetuating state capture. Several options may be considered:
 - **Discussions** in official meetings (on, or off the record) involving Moldovan officials or those connected to the administration must have sanctions on the table, as a hypothetical option. This will send a message.
 - To show that sanctions are a **real possibility**, a pre-emptive signal must be sent with several individuals being sanctioned over **blatant abuses. Enablers of state capture** (judges, prosecutors, law enforcement officials, among others) must be targeted first in order to deter further abuses and discourage blind complicity. The people inside the system seem to have lost their self-preservation instinct. It must be brought back to them with a few examples. The sanctions must not come as a sudden surprise. They must be preceded by loud and frequent discussions. People need to understand it is first of all their lives and careers on the line.State capture is maintained by punctual decisions of concrete people in public office that take deliberate decisions that lead to abuses of human rights, eroding our democracy to protect corruption. The perpetrators of state capture, as well as their decisions, are public record.

Option 1: over the annulment of elections. In the summer of 2018, a popular vote was annulled, preventing a pro-European opposition leader and declared opponent of Plahotniuc, Andrei Nastase, from taking office as Chisinau mayor. It was done by court decision, and was upheld in all higher courts. This has raised eyebrows in Washington and was a reason why the fragile relationship with the EU was compromised, and macro-financial assistance frozen. Judges clearly obeyed political orders. They need to be targeted by personal sanctions. This will send the signal that the oligarch cannot protect everyone and will temper the servility within the system. Belarus officials ended up on sanctions list for facilitating the falsification of elections. The blatant annulment of a popular vote by a kangaroo court decision is arguably a graver abuse.

⁷ "Too Big to Jail"? Four years of inaction in the investigation of Moldovan financial crimes: <https://alaiba.wordpress.com/2018/05/04/too-big-to-jail-four-years-of-inaction-in-the-investigation-of-moldovan-financial-crimes-policy-paper/>

⁸ What can the EU do to restore Moldovan banking sector? <https://alaiba.wordpress.com/2017/04/18/what-can-the-eu-do-to-restore-moldovan-banking-sector/>

⁹ Panoul Miliardului <https://watch.cpr.md/investigarea-crimelor-financiare-si-recuperarea-activelor/>

Option 2: the 2019 parliamentary elections were prepared and carried out in order to benefit the governing party and their satellites. Public officials within the Central Electoral Commission (CEC) committed abuses, broke laws and limited our citizens' constitutional right to vote. They had two years to prepare free and fair elections. What they did was to prepare un-free and unfair elections, with an easily predictable outcome that will disadvantage the opposition. The list of CEC abuses is long and it must serve as grounds for sanctions.

Option 3: On September 6 2018, seven teachers of Turkish origin have been effectively kidnapped by the Moldovan authorities and illegally trafficked outside the country, extradited to the Turkish authorities¹⁰. One week before that, the head of Moldovan Security Service travelled to Turkey. Moldova has extradited seven political prisoners into a regime where they will likely be subject to torture and inhumane treatment thus breaching international conventions it is part of. This is a grave human rights violation, instrumented and sanctioned by concrete individuals within the Moldovan state.

Individuals like the ones in above cases are easily identified and should be subject to sanctions. This will weaken a system where orders are only given, not discussed. It will send a message that the sanctions may not only be a hypothetical possibility, and that the next wave of sanctions might target someone higher. Sanctions will start bottom-up and will initially target lower-level officials in any case.

- **National elections**, on 24th of February 2019, were probably the most unfair and un-free in at least a decade. They were staged, mathematically. These elections must be vehemently condemned. The list of irregularities is long: intimidation, violence against political opponents, corrupting voters, gerrymandering, multiple interventions in the legislation to benefit the incumbent, and others. These were the first elections carried out under a new voting system that was approved in lack of transparency, with no consultations and was designed to benefit the oligarchic parties (Democratic Party, Shor Party, Socialist Party). Moldovas partners, with Venice Commission, among others gave a negative opinion, and criticized the new electoral system. However, it is only after elections that we have real facts – consequences of the system. It has opened access to even more corruption in politics. It has excluded hundreds of thousands of people from the diaspora. it has hurt pluralism and is keeping emerging pro-EU parties much below their true potential. Until the elections there were untested allegations, now they are facts. The immediate repealing of the mixed electoral system must be a precondition for any dialogue with the Moldovan authorities. The position should be unequivocal and the international community must not fall in the trap of consulting how to improve the present mixed system. This should serve as a deterrent from the worsening of the situation.

¹⁰Republic of Moldova Versus Seven Teachers: <https://watch.cpr.md/republic-of-moldova-versus-seven-teachers/>

- **Public statements** need to be regular, on every abuse, straightforward, simple, plain. Foreign officials need to engage the Moldovan media in delivering their concerns as often as possible. They should also engage the international media (the generously funded pro-Government lobby is active in the international press, pushing a false narrative) to tell their societies about Moldova's struggles. The pro-government propaganda is good at twisting facts and statements, especially when these are in "diplomatic language". Each critical public statement is helping our society to better understand that this government does not enjoy genuine support in Brussels and Washington.
- **Diplomatic missions local staff** are first and foremost citizens of Moldova. They need to be allowed enough space to express themselves freely. While their active participation in organizing protests might be inappropriate, these people must be allowed to express themselves as citizens. Some diplomatic missions strike a good balance between the two, allowing their staff to behave like active citizens, while still aware that a diplomatic mission employs them. The Embassy of Sweden is a good example. Other missions have succeeded to push all their staff into total self-censorship and absenteeism. In UN agencies, even a Facebook *like* can be a reason for a discussion with the communications team, and any activism is discouraged. This is not a UN procedure worldwide; it is a local interpretation of *non-partisanship*. "Liking" a journalistic investigation, or a statement that decries corruption should not be an issue, just like attending peaceful gatherings and events. These are the bright young people who did not emigrate. They constitute the fragile middle class in Moldova, are free being far from governments reach, but are discouraged by their employer from being active citizens.

3.2 Short- to medium term actions: how to improve the state of things?

The two scenarios.

In the short-to medium term perspective, we should focus on bringing back freedom into the Moldovan society. From the present state of affairs, there can only be two ways out:

- a) **A violent collapse**, with unpredictable outcomes for the Moldovan society (and no guarantees the people's lives will be improved), risks transforming Moldova in a source of more instability for the region. It is difficult to predict who will come out on top and whether Moldova will stay on its declared European path, but an entrenchment of pro-Russian forces is possible. By ever tightening the screws, resorting to intimidations and limiting civic freedoms, the present authorities are dangerously pushing the country into this scenario. Under the weight of corruption, with a government isolated from the real problems of the society, the system will collapse, as it does once in a decade.
- b) **A gradual deconstruction of the present system**, by democratic means, by eliminating corrupt elements from the administration, with a genuine change in the governance style, bringing back transparent decision making and meritocracy, restoring the checks and balances and eliminating oligarchic influence inside the Moldovan state to effectively fight corruption at all

levels. This scenario is logically most likely to maintain Moldova on its EU path.

Once in a decade we see the anger that has built up in our societies, erupt, because the people's problems are not addressed timely, and the consequences are unpredictable. This government has dangerously departed from democracy and from the general sentiment inside the society. Now Moldova is a potential source of instability and corruption in the region.

In order to determine the materialization of the second scenario, Moldova's partners need to support the pro-democracy and pro-European forces inside the Moldovan society being aware of the stakes and these two scenarios. A set of proposed actions is listed below, but these should serve merely as the start of a conversation.

- **Investigation of financial crimes** is a good tool to keep the present authorities cooperative and on the defensive. An international investigation of the theft of a billion USD from the Moldovan National Bank, and of the laundering of 22 billion USD from Russia to the EU via Moldova, has been requested multiple times by the civil society. Practically, any EU member state can start an investigation into these crimes and start requesting information from the Moldovan authorities. The end result here is to prosecute those responsible, to effectively freeze, then confiscate and repatriate the funds stolen from the Moldovan people. This will take years, but has to start. The Moldovan authorities have shown in the last four years their unwillingness to genuinely investigate, prosecute and recover assets. Keeping the Democratic Party in the defensive clears way to the political forces that are credible in their non-affiliation to the financial crimes (and neither the Socialists or Shor party are credible). The EU is in a unique position to get involved, having full legitimacy offered by the provisions of the EU-Moldova Association Agreement¹¹ that should be enacted, and having been affected directly by the money laundering towards its financial system that Moldova has essentially facilitated.
- **Sanctions** in the medium-term should stop being a threat, or a topic for discussion, and start becoming a real possibility. While the effective beneficiaries of these thefts will only be known later, those who made these financial crimes possible are known. They held public office and took decisions against public interest, or simply did not act when they had the obligation to. These people must be named and known. Some of them will testify and cooperate with an international investigation. Those who are now in public office and are obstructing the investigation of these blatant crimes must also be on sanctions lists, including their families. Their assets must be frozen and then confiscated. While the true beneficiaries of the thefts will only be known later, facts suggest these people are connected to those who now rule the country. If efficiently applied, the sanctions will create a rupture between those who hold power and sign official documents (putting them at

¹¹ The EU should enact article 18 of the EU-Moldova Association Agreement.

personal risk) and those who appointed them from behind the scenes. The Moldovan officials must understand, in words and then in actions that they will be first in line to be punished and prosecuted for the crimes they facilitate or cover up in favour of those at the top. This tool will create internal pressure and accelerate the disintegration process. As noted in the last edition of the Eastern Partnership Index, a sanctions mechanism (namely extension of the Global Magnitsky Act to Moldova) would increase the European Union's leverage *"to halt the democratic decline in Moldova and support the resumption of democratic reforms"*¹². European Parliament resolutions of 13 March 2019 on a European human rights violations sanctions regime¹³ and of 13 September 2017 on Corruption and human rights in third countries¹⁴, offer the EU the necessary legitimacy.

- **Banking sector** is one of the most visible reforms implemented by this government. Political will to push for banking reform was found only **after** the theft of the billion, and the authorities tried to present the reforms as an alternative to the investigation and asset recovery. In the autumn 2018 Sergiu Cioclea, the National Bank Governor (independent, to some extent) resigned suddenly and the parliament quickly appointed in conditions of lack of transparency and public scrutiny, a more obedient and loyal person – the former Minister of Finance Octavian Armaşu, whose activity since 2016 suggests he executes and does not discuss orders¹⁵. The National Bank's fragile independence is, again, under threat and partners must help protect it with harsh conditionalities and close watch.

Moldindconbank is the last big bank that remained non-transparent and was not sold to strategic, transparent investors. This is the bank that has laundered 22 billion USD from Russia towards EU. Unlike other cases when commercial banks were being sold to strategic institutional investors, recently the bank was passed in a dubious deal to an investor affiliated to a Bulgarian oligarch. This must raise suspicion and questions.

- **More preconditions.** IMF needs to impose so-called "political" preconditions, to fight corruption and advance rule of law, with clear indicators, similar to Ukraine's IMF programme (the precondition for dialogue being, also in this case, the annulment of the mixed electoral system). No money should come to maintain a government that is not committed to fighting corruption within its own institutions, at the highest levels. World Bank, IMF and the EU need to have a common approach to the problem and common vision. They need to complement each other in the

¹² https://eap-csf.eu/wp-content/uploads/EaP-Index-2017.pdf?utm_source=newsletter&utm_medium=email&utm_campaign=eastern_partnership_index_latest_edition_full_results_are_available_online&utm_term=2019-03-13

¹³ https://www.europarl.europa.eu/doceo/document/RC-8-2019-0177_EN.pdf?fbclid=IwAR0mPl0il_xSUR5y-4zJIBqp_T2ntc-tLS5S2aLvzMQeGpuVhXe5M5HrIs

¹⁴ <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P8-TA-2017-0346&language=EN&ring=A8-2017-0246>

¹⁵ Octavian Armasu's five sins (in Romanian): <https://watch.cpr.md/cele-cinci-pacate-ale-lui-armasu/>

conditionalities imposed. Although there is exchange of information, development partners need to be on the same page with what is happening in Moldova, and what to do about it.

Example: on July 4th, 2018, the EU announced the freezing of Moldova's macro-financial assistance over the annulment of municipal elections result (a decision which was in coming for some time), less than a week before, the [International Monetary Fund approves a new tranche](#) of 34 million USD, and one day later the [World Bank announces the disbursement of](#) 30 million USD (July 5 2018).

The two decisions have been used heavily by the pro-government propaganda to legitimize their actions and diminish the significance of the freezing of the macro-financial assistance, and the annulment of local elections results, respectively. This did not help the pro-reform agenda. Development partners have different mandates, and even a difference in vision is understood, but such situations when their actions contradict each other should be avoided.

- **Support and encourage pro-democracy State and Non-State actors.**
The West must support those actors in Moldova who advocate to protect and advance democratic standards and EU integration. Bypassing the government mechanisms of dialogue and funding, consultation platforms and financial mechanisms should reach out and cooperate directly with local authorities (with a clear preference on those not captured by oligarchic rule, and suspicions of corruption being knock-out criteria), independent media, civil society and, most importantly, entrepreneurs. Innovative funding schemes need to be elaborated and put in place.

Local authorities (non-captured, non-corrupt elements) need to be supported with foreign funds and infrastructure, in job creating projects that will improve people's livelihoods. This will give them protection from the central authorities.

Civil Society and mass media must enjoy all the support in their activism. It is strategic that there are voices who still speak up about the country's problems, who investigate its faults, and who analyse professionally the threats and weaknesses of legislation passed often in conditions of zero transparency and without any consultations. Grants to mass-media entities must be offered with a clause to strictly respect the deontological code. Truly committed, genuine NGOs need to be supported in advancing their mission. Activist NGOs and social NGOs should be encouraged to join forces, on occasions, and realize they have many common interests. NGOs doing social work have the advantage that activist anticorruption teams do not have – they have constituents, they have hundreds and thousands of direct beneficiaries. These organizations need to be encouraged to act in defence of their larger mission, to build a free, open society.

Business associations need to be encouraged to get out of their absolute neutrality in which they were pushed. Business associations used to be vocal

and critical yet constructive some years ago. They were an important voice that publicly advocated for business climate reforms and anticorruption. Most of them have been "domesticated" by present politicians. Example: our organization, CPR Moldova launched a symbolic initiative to declare the year 2019 as the year of fight against corruption. 50 organisations co-signed the address, making it one of the most widely supported in recent years. None of the big business associations subscribed, claiming, "they do not want to get involved in politics", or simply repeatedly ignoring direct contact. This would have been difficult to imagine some years ago. Earlier this year, the government passed in total lack of transparency, the fiscal amnesty that will increase the risk of corruption and money laundering, putting at risk honest businesses. No public sign of resistance came from any of the business associations. These entities are influential; they have members who employ thousands of people. They must speak up in defence of an economy dominated by law, fair play, and universal rules, not by corruption and obscure deals. Business associations (especially the three big ones – Foreign Investors Associations, European Business Associations, and American Chamber of Commerce) need to be pushed into speaking up as they used to, some years ago. This will encourage others to raise their voice.

Foreign private investors communicate to their embassies about red tape and barriers they have to cope with, or other disputes they are in with the Moldovan authorities. They look for support in their embassies. The list of punctual issues is usually large. Foreign investors have the comfort that local entrepreneurs do not – they have a diplomatic mission supporting them in crucial moments. These are big employers registered with full rights under Moldovan legislation. They should use this advantage, acting within the law, to help Moldova overcome corruption and state capture. They must understand it is in their long-term interest. This will prove to be profitable business for them in the long run. Foreign investors should act decisively. Big employers need to be an example of uncompromising attitude towards corruption. Only in such conditions should they benefit of full support from their embassies. If they choose to do their business otherwise, dealing with government officials on the side, or in half-measures, they should be on their own in dealing with the authorities when they have problems.

Entrepreneurs have two major constraints – red tape and lack of access to finance. They must benefit of funding schemes that will help them develop their businesses and overcome the multiple barriers to entry. The Moldovan economy is deeply monopolized as a result of a prolonged process of squeezing out those entrepreneurs that do not have political cover. While the great benefits of the DCFTA are recognized, internal barriers to doing business effectively keep these benefits available only for the select few. De facto state-sanctioned monopolies protect lucrative sectors, with barriers to entry and barriers to trade, at the border. Example: While grains is a top product that Moldova exports to the EU, the reality is that all proceeds from this market are engineered to benefit a single company. TransOil is a vertical monopoly that has monopolized collection, storage and export of grains. The

anti-trust agency is ignoring the problem (the same company is known to make generous contributions to think-tanks in the West that will benefit the governing party). The example is valid for multiple products Moldova exports. Monopolies, de facto protected by state authorities, are ripping the lion's share of the benefits, while the farmers are kept in poverty. Pressure needs to be put to open markets for new players.

Foreign investors and local entrepreneurs must be made aware that, in doing business with the Moldovan state (procurement, privatisations, PPPs, etc), it is first of all in their interest to have a strict adherence to all the legal procedures. The present government has shown that they are willing and ready to bend or break any law or procedure. Privatisations that happen overnight and infrastructure projects awarded with lack of transparency are just two examples. Any investor or entrepreneur is best protected against the long-term risk to their investment, or even reputation by insisting and ensuring that the legal procedure is thoroughly respected. Often, suspicions of corruption are shadowing not only public officials, but also big businesses.

The biggest risk that a local entrepreneur can take in Moldova, however, is to openly and legally finance opposition parties. Champions of such defying practice need to be identified, supported and encouraged.

Funding needs to be directed towards Small and Medium Enterprises (SMEs), especially to new entrants, to educate a new generation of entrepreneurs, with the clear vision to disrupt diverse monopolies under the pressure of new entrants. Breaking the monopolies will offer a more even access to the biggest opportunity the Moldovan economy has under DCFTA – the EU market. The EU should keep an eye not only on the aggregate trade statistics (exports amount in mln EUR), but also on the number of players per sector/product, and dialogue with the Moldovan authorities to create incentives for new players in each segment, cutting red tape being at the top of the list. This is how, in perspective, we can ensure that DCFTA benefits regular Moldovans, improving their livelihoods and budgets, and creating jobs. The monopolies are the biggest threat to DCFTA improving the peoples' lives.

- **Moldova has an active diaspora** in the European Union and North America. The diaspora organizations are a mobilizing force, and a source of inspiration. By organizing, on any platform and on any topic, as far from politics as can be, the diaspora is encouraging opposition to corruption. Funding needs to be provided to diaspora initiatives, fully bypassing the government institutions. The diaspora are funding some of their own initiatives, but with cofounding they could do more, be more present in the country, be more efficient. Donors could support ideas with the potential to mobilize, build bridges between Moldova and the world, and potentially put in place incentives for some of the migrants to return home.
- **Do not let Moldova go into isolation.** The predictable reflex of the Moldovan authorities when they feel under siege will be to isolate

themselves and the country. It is difficult to imagine their success, but they might try shut down the country further. This must not be allowed. Moldova must be kept on the EU orbit with diplomacy and funds, by engaging the genuine pro-EU forces in the Moldovan society. Moldova's development partners are stressing that they are helping the people, not the governments. The best way to do it is to resonate with the people's concerns that are clearly expressed in opinion polls. Help in combatting corruption and state capture is the best help the Moldovan people can get.

In conclusion.

In Moldova, three million people work hard so that a few families can amass unlimited amounts of money that they did not earn. This is an injustice that we should not be silent about. We should not give up on Moldova because a group of kleptocrats happened to capture it for a few years. Moldova needs help.

This document has argued in favour of a tough policy on Moldova. The country's political elite must be used as a metaphorical "punching bag" in order to help its society overcome the struggle to defend democracy, and to keep in check the neighbouring countries, where geopolitically the stakes are higher.

A tougher policy on Moldova will help region as a whole, and will accelerate the process of disintegration of a regime that has succeeded to become a security threat for the region and a source of poverty and instability for the country.

Moldova needs all the help it can get to be back on track. The efforts from within the country are substantial, but will not be enough to bring it back to on a path to sustainable democracy. Every time a government in Moldova is caught under pressure in between the metaphorical clutches (development partners from the outside and the society from the inside), it gives up to pressure, and Moldova makes a step forward.

Moldova's partners in Brussels and Washington have all legitimacy to demand results. The west has invested billions of taxpayer EUR or Dollars in the Moldovan democracy. This fragile success is under the biggest threat since the country's independence.