ANALYSIS OF THE EU’S ASSISTANCE TO MOLDOVA

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Lead author: Andris Spruds
Co-authors: Renars Danelsons, Vadim Kononenko

Andris Spruds is a Research Fellow at the Latvian Institute of International Affairs and Associate Professor at Riga Stradins University and Wyszsa Szkoła Biznesu-National Louis University in Poland. He holds PhD degree in Political Science from Jagiellonian University in Krakow, Poland.

Renars Danelsons is a Research Fellow at the Advanced Social and Political Research Institute of Latvia University and Counsellor at the Legal and Consular Directorate in the Ministry of Foreign Affairs of the Republic of Latvia. He holds Master degrees in European Law from the Copenhagen Business School and in International Law and Political Science from the University of Latvia.

Vadim Kononenko is a Research Fellow at the Finnish Institute of International Affairs. He holds PhD degree in International Relations from St. Petersburg State University, Russia.
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Abstract

The European Union has intensified its political and economic cooperation with Moldova, which is one of the largest financial recipients from the EU per capita. The EU assistance is increasingly moving towards sectoral approach. Major projects focus on strengthening democratic institutions and public administration, supporting civil society, human rights and freedom of media, reforming the social assistance and educational system, and improving border control and management. The financial assistance to Moldova has proved to be generally relevant, effective and efficient for Moldova’s modernization process. However, Moldova’s domestic constraints and lack of more strategic vision on the EU side for its relations with Moldova is an essential obstacle in ensuring the EU long-term sustainable contribution to the country’s development and Europeanization.

Executive Summary

Scope of the briefing: This Standard Briefing analyses the EU external assistance to Moldova with a particular emphasis given to the implementation of the EU-Moldova Action Plan priorities and relevant financial instruments in the framework of the European Neighbourhood Policy. The paper focuses on analyzing the EU action, progress and sustainability in such areas as democratization and good governance, human rights, freedom of media, education and socio-economic reforms. Specific chapter is devoted to the EU involvement in the conflict resolution process in Transnistria and its contribution to improved border management. These are the priority areas advanced by relevant EU and Moldovan documents, such as the ENP Action Plan, Country Strategy Paper, National Indicative Program, Progress Reports and European Parliament Resolutions. The briefing concludes with general assessment of EU assistance to Moldova providing some specific recommendations.

Main finding: The European Union has intensified its political and economic cooperation with and assistance to Moldova. The European Neighbourhood Policy (ENP) Action Plan provides Moldova with a general framework and priority areas for reform agenda. Moldova is the top beneficiary in the Eastern Neighbourhood in terms of the EU financial assistance per capita. Most of the assistance is provided through the European Neighbourhood and Partnership Instrument. The major current projects aim to strengthen the democratic institutions and public administration, support the civil society, human rights and freedom of media, reform the social assistance and educational system, and improve the border control and management. Although the EU financial assistance to Moldova has proved to be generally relevant, effective and efficient for Moldova’s modernization process, certain constraints remain for long-term sustainability of this assistance.

Main conclusions:
• The EU assistance has contributed substantially to Moldova’s modernization and development. Priorities set out in the ENP Action Plan and financial assistance from
the EU largely contributed to the development of democratic institutions, the modernization of public services and border management; it significantly reduced barriers to trade and investment in Moldova, led to the convergence of economic legislation, opening of the country’s economy, promoted regional co-operation, accelerated rapprochement to the EU’s values and led to the increase in investments and economic growth. At the same time, the EU could be more active using the opportunities which are available through the European Instrument for Democracy and Human Rights (EIDHR), especially regarding the Transnistrian issue.

- The EU Border Assistance Mission in Moldova and the Ukraine is regarded as a success story in the region. However, there is still room for the EU to be more active. The EU should expand its policy of engagement beyond the scope of the border management. It includes not only increasing of the EU’s role through different financial assistance programmes but also actively negotiating with the Moldova’s government and the governments of key players in the region (Russia, Ukraine and Romania).

- Hence, the financial assistance to Moldova has proved to be relevant and generally efficient in supporting Moldova’s modernisation process. However, Moldova’s domestic constraints (assistance absorption capacity and political decisions) and lack of more strategic vision on the EU side for its relations with Moldova is an essential obstacle in ensuring the EU’s long-term sustainable contribution to the country’s development and Europeanization.

**Main recommendations:**

- A clearer institutional framework for EU-Moldova interaction must be established, especially with regard to the negotiations’ mandate and goal over the new EU-Moldova agreement.

- In relation to this, when the EU has a clear perspective of Moldova’s future the conditionality principle for Moldova’s European quest must be put forward more clearly.

- Additional streamlining and co-ordination of the Community, EU member-states and other international donor assistance must be envisaged.

- More active involvement in the Transnistrian conflict settlement must be envisaged which would also require more active policy stances and cooperation with Russia (within the framework of the EU-Russia relations) and, especially, the Ukraine.

- The EU must avoid giving the impression that it is more willing to co-operate with Russia than with its Eastern Neighbours, including Moldova.
1. Introduction

This briefing paper analyzes the EU assistance to Moldova in the context of the country’s recent political and economic developments and the post-enlargement European Neighbourhood Policy. Particular attention is devoted to the implementation of the EU- Moldova Action Plan priorities and existing and recently introduced financial instruments, such as TACIS and particularly ENPI, in the framework of the European Neighbourhood Policy. Alongside the Action Plan, the Country Strategy Paper 2007-2013, National Indicative Program 2007-2010, Progress Reports (2006 and 2008) and European Parliament Resolutions define priority areas of the co-operation between the EU and Moldova. Major priorities, which are addressed under the EU assistance to Moldova, include support for democratization and good governance, human rights, freedom of media, educational and socio-economic reforms, conflict resolution process in Transnistria and border management.

It is a challenging task to achieve an efficient and sustainable progress in these priority areas against the background of Moldova’s transition to democracy and free market economy during the last 17 years. Moldova experienced a dramatic decline in GDP, the accumulation of social problems, high level of corruption, outflow of human resources, lack of adequate public management capacities and challenges to the state’s integrity.1 Moldova’s stabilization and long-term development has been considerably and continuously complicated by the unresolved “frozen conflict” of Transnistria. The conflict complemented domestic political instability and confusion over the country’s international preferences. However, the very necessity to search for means for Moldova’s sustainable development and modernization as well as geopolitical changes in the region have contributed strongly to the country’s Europeanization efforts. Moldova became a direct neighbour of the NATO in 2004 and the EU in 2007. Moreover, in the context of allowed dual citizenship, a considerable number of Moldova’s population (estimated 0.5 million) have obtained the citizenship of Romania and became citizens of the EU. This has increased the importance of the questions over Moldova’s place in Europe and the country’s potential integration into Euro-Atlantic structures. On March 24, 2005, Moldova’s Parliament adopted unanimously the Declaration on the political partnership for achieving the objectives of European integration. Henceforth the country’s political elite and civil society representatives on the whole have demonstrated their commitment to the pro-European direction and invited for close interaction with the European Union.

The enlargement has also led to reconsideration of the EU foreign policy priorities and more active engagement in the neighbourhood, including in Moldova. The increasing interest and presence of the EU in Moldova was also demonstrated by the appointment of the EU Special Representative for Moldova in March 2005 followed by the opening of the European Commission Delegation to Moldova in October, 2005. Furthermore, the EU became the official observer in the Transnistrian conflict settlement process within the 5+2 negotiations format. Within efforts to engage more actively in the solution of the

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Transnistrian conflict, the EU established the **Border Assistance Mission** (EU BAM) on the Moldova-Ukraine border in the framework of ESDP/CFSP.

In the context of the **European Neighbourhood Policy**, the European Neighbourhood Policy Action Plan (ENPAP) was signed on February 22, 2005. The ENPAP largely supplements the existing Partnership and Cooperation Agreement (PCA) which entered into force in 1998 and remains valid legal basis for the EU-Moldova interaction. From 2007 the EU aid to Moldova predominantly comes through the **European Neighbourhood and Partnership Instrument** (ENPI).

The ENPI provides a direct budgetary support to Moldova. The assistance package is allocated in accordance with the main priorities established in the Country Strategy 2007-2013 and the National Indicative Programme 2007-2010 within the ENP framework. It aims to support the implementation of sectoral reforms within three priority areas:

a) democracy and good governance;

b) regulatory reform and strengthening of administrative capacity;

c) economic growth and poverty reduction.

In 1991-2006 Moldova received from the EU around 320 million euros, mostly in the framework of TACIS and Macro Financial Assistance instrument. The National Indicative Programme 2007-2010 envisages the budget of 209.7 million euros for ENPI that could be increased with funds from the Governance facility (it is planned to reach the number of 16.6 million euros in 2008). There are still some ongoing projects financed by the TACIS programme. In 2007 Moldova received additional 45 million euros under the Macro Financial Assistance instrument to compensate for dramatically increased energy prices. The Human Rights (EIDHR) instrument has provided irregular and rather limited financing (200 000 euros in 2007) to Moldova. It must be noted that ENPI funding envisaged in 2007-2010 for the Ukraine was tantamount to 494 million euros. In comparison, Moldova is one of the top ENPI financial recipients per capita terms with 48 euros per capita (against 33 for Armenia, 26 for Georgia, 11 for Azerbaijan, 11 for the Ukraine; among all ENP partners only the Palestinian Authority receives more financial aid per capita than Moldova, with 152 euro).

### 2. EU action and progress in Moldova

The Republic of Moldova and the EU first established contractual relations in 1994 through a **Partnership and Co-operation Agreement** (PCA) which entered into force in 1998, for an initial period of 10 years. The PCA provided the appropriate framework for the development of political dialogue, of trade and investment as well as set the basis for legislative, economic, social and cultural co-operation between EU and Moldova.

The bilateral co-operation of the EU and Moldova was enhanced in February 2005 by the **European Neighbourhood Policy Action Plan** (ENPAP) for the period of three years, which represents a political document, reflecting political agreement between the EU and Moldova on the agenda, objectives and priorities for future relations, as well as important
areas for closer collaboration. The ENPAP sets out a comprehensive set of priorities in the PCA-covered areas, such as political dialogue and reform; co-operation for the settlement of the Transnistrian conflict; economic and social reform; trade related issues, and market and regulatory reform; co-operation in Justice and Home affairs; transport, energy and environment; and people-to-people contacts. According to the official standpoint of the Moldovan authorities the Action Plan has become the central point of reference in the domestic reform process in Moldova.

A number of important developments in the EU-Moldova dialogue were registered following the adoption of the Action Plan, some of them being new even to the EU itself:

- Inclusion of the Republic of Moldova on the list of states benefiting from the Autonomous Trade Preferences starting from March, 2008. The System of the Autonomous Trade Preferences differs from GSP+ scheme as it provides for duty and quota free access to the EU markets for all products originating in Moldova (with exception of specific agricultural products);
- Opening of the Common Visa Application Centre in Chisinau under Hungarian leadership in April, 2007, to simplify the procedures for the issuing of visas to Moldova’s citizens;
- The entry into force on the 1st of January, 2008 of the Visa Facilitation and Readmission Agreements with the EU;
- Signing of the Pilot Mobility Partnership with the European Union in June, 2008 (Moldova is so far the only ENP country selected for this purpose) aiming at strengthening the legal migration opportunities and consolidating capacities for the migration management and fighting illegal migration;
- The European Investment Bank has co-operated with Moldovan authorities on several infrastructure projects and others remain in pipeline;
- Since 2006, the EC is offering Moldova new modalities of assistance such as long-term invitation of experts through Twinning arrangements and short-term expert missions through the TAIEX instrument.

The 2007 ENPI Annual Action Programme for Moldova had a budget of 40 million euros. The assistance focused on the integrated border management and improvement of the border control with an emphasis on EU BAM, on the reform of the Moldova’s social assistance system and on the support for civil society in Transnistria. The new aid package signed in 2008, also has a budget of 40 million euros (social reforms under priority of economic growth and poverty reduction – 21 million euros; border management and increasing administrative capacity under the priority of strengthening administrative capacity – 11 million euros and 6 million euros, respectively; and support of the civil society in Transnistria under the priority of democracy and good governance – 2 million euros). There are some concrete projects in 2008 supported by the EU – adoption of the new social assistance law in Moldova, establishment of a new radio communication network for border guards, harmonization of the EU legislation, etc.

However financial assistance under ENPI is just one part of the assistance Moldova receives from the EU. For example, in 2007 out of 88.2 million euros only 40 million
went through the ENPI. The other part of the money is under thematic budget lines and other instruments.

One of the broadest channels for receiving assistance is **macro financial assistance**. This type of assistance goes under the competence of the European Commission’s Directorate General for Economic and Financial Affairs (DG ECFIN). In 2007 the Council adopted 2007/259/EC: the Council Decision of 16 April, 2007 providing the Community macro-financial assistance to Moldova which foresees 45 million euros assistance to Moldova. The Commission is empowered to negotiate with Moldova’s government on concrete projects. Moldova is obliged to implement the economic program supported by the IMF under the Poverty Reduction and Growth Facility and of the EU-Moldova European Neighbourhood Policy Action Plan. Special focus should be on the fight against fraud, corruption and other irregularities affecting the assistance. During the adoption of the Decision, a number of proposals made by the European Parliament were omitted (the role of the Transnistrian sector in Moldova’s economy, assistance in the wine-making sector, exceptional nature of the EU assistance). The macro financial assistance has been allocated for the fight against negative external consequences of the rise of energy prices due to Russia’s step of raising prices and fight against embargo of Moldovan wine sector.

One of the most important activities and contributions from the EU side has been technical and financial assistance to Moldova for enhancing its **border management** (see section 4). Apart from functioning Border Assistance Mission, in 2007 the Customs Service of Moldova received 400 000 euros worth technical assistance in form of printers, laptops, telephones, etc. It was done within the framework of the programme BOMMOLUK. The Border Guard Service has received twice as big amount (730 000 euros) within the same programme. Apart of the procurement of technical equipment (laptops, printers, optical binoculars, etc.) there have been no less than 12 study tours to European countries.

The EU has provided also financial support to Moldova on ad hoc basis. Due to the unprecedented draught in 2007 in Moldova 3 million euros as a **humanitarian assistance** were allocated under the “Draught recovery programme” targeting the most affected areas. It is worth mentioning that out of 20 000 households that obtained the assistance more than 4000 households were from Transnistria. The humanitarian assistance goes under the competence of European Commission’s Humanitarian Aid Office (DG ECHO). 10 million euros were allocated in 2006 under the **Food Security Programme**. There are also projects for facilitating **cross-border co-operation**. Together with the Ukraine Moldova participates in one million euros worth project on fight against the human trafficking. The Kagulsky region of Moldova with its counter parts in the Ukraine and Russia participates in the project “Sustainable Integrated Land Use of Eurasian Steppe”.

In 2007 200 000 euros were allocated to NGOs from Transnistrian region under European **Instrument for Democracy and Human Rights** (EIDHR). However, it must be added that most of the financing as assistance for implementing human rights (EIDHR) has been directed towards other countries rather than the Eastern Neighbourhood. In comparison Eastern Europe during the years of 2000-2006 has
received 48 million euros while Sub-Saharan region of Africa – 163 million euros. Moldova has received a very small allocation of 0.87 million euros.²

3. Relevance, effectiveness, efficiency and sustainability of EU action in Moldova

3.1 Relevance, efficiency and effectiveness

The EU assistance has unequivocally facilitated Moldova’s overall democratization, modernization and Europeanization. This has been bolstered by the Moldovan government’s deliberate effort to approximate the country’s new legislative provisions with the requirements outlined in the ENPAP. Setting up the legal approximation system has created an important basis for the EU assistance to be more relevant, efficient and effective. At the same time, the progress made in the field of the legislative approximation notwithstanding the appropriate planning, application and implementation has frequently lagged behind and could have been more effective. As the result, the progress in achieving the priorities set out by the ENPAP and absorbing the EU financial assistance has been irregular and varies across different sectors.

The financial assistance from the EU has obviously prioritized promoting democratization in Moldova. As the result, the EU support has significantly contributed to the development of democratic institutions, an increased co-operation between the central authorities and civil society and modernization of the public services. At the same time, the progress in such domains as respect for human rights, freedom of media, independence of judiciary and anti-corruption fight has been either slow or uneven.

The Freedom House Report in 2007 placed Moldova behind the Balkan countries as well as the Ukraine and Georgia in the CIS area in terms of democratization.³ The Reporters Without Borders Index in 2007 ranked Moldova the 81st out of 168 countries. According to this assessment Moldova has even experienced deterioration of media freedom as compared to the previous years and serious problems persist.⁴ Moldova’s rating in Corruption Perception Index also declined in 2007.⁵ The incomplete progress in these domains has obviously contributed to the extension of the ENPAP for one additional year until 2009. The EU has also directly hinted within the EU-Moldova Co-operation Council to enhance efforts to strengthen the respect for human rights, freedom of media and independence of judiciary in Moldova.

The EU assistance has been instrumental and consequential in modernization and optimization of Moldova’s border management in the context of the EUBAM. The result of specific EU actions is a more efficient and effective border management, which has a wider and profoundly positive effect on strengthening Moldova’s integrity and economic development (see section 4).

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⁴ Available from http://www.rsf.org/article.php3?id_article=24025
⁵ Available from http://www.transparency.org/policy_research/surveys_indices/cpi
Within the socio-economic domain, the EU technical expertise and financial support have facilitated the opening of the country’s economy, led to the convergence of economic legislation and improvement of business climate. It must be noted that the financial support in the framework of ENP has been complemented by other international donor instruments. The European Bank for Reconstruction and Development endeavours to contribute to the improvement of business climate, economic diversification, reform of energy sector and bridging the gap between the capital and regions. However, shortcomings remain substantial. The economic growth has been largely constrained to large urban areas whereas rural economy has remained inefficient. This has led to the fact that poverty reduction efforts have achieved limited success. The share of medium and small enterprises in Moldova’s economy has remained low.

The EU-supported reduction of trade and investment barriers on both sides has contributed to the intensified regional cooperation and EU-Moldova trade and the increase in investment volumes and economic growth in Moldova. After Romania and Bulgaria joined the EU, the Community has become Moldova’s key trading partner and main destination for the country’s export goods. The EU’s willingness to introduce the Autonomous Trade Preferences in March, 2008 denotes the progress made in reforming Moldova’s customs system and ensuring the identification of the origin country of the trade articles. At the same time, technical regulations, conformity evaluation procedures, sanitary standards remain to be improved.

Education has been somewhat treated as a secondary subject in the EU-Moldova co-operation by both sides. Unfortunately, the progress in modifying Moldova’s educational system and curricula in line with European standards and good practices (university autonomy, decentralization of education, partnership between universities and employers) has been rather limited. Although Moldova has joined the European education area, stimulus for closer integration into European (institutionalized academic and research partnerships, extensive student and teacher exchanges) could come from both the EU and Moldova. As a matter of fact, the Visa Facilitation agreement may become an important step towards reducing barriers for Moldovan students and teachers to engage in exchange projects and to be more actively exposed to the European education standards.

The general assessment of positive effects and limitations of the EU assistance to Moldova has largely been revealed by the EU official reports. In December 2006, the European Commission released its first Progress Report on Moldova-assessment on the implementation of the ENPAP. Although sufficient progress was observed, the Commission indicated major shortcomings, such as imperfect implementation of the reform strategy, insufficient freedom of media, existing corruption and governmental interference in business sector. According to the Moldovan civil society experts, the comparative analysis of the other six Progress Reports on Palestinian Authority, Israel, Tunisia, Morocco, Jordan and the Ukraine, would place Moldova’s performance behind the Ukraine and Morocco. The EC Commission published the Sectoral Report and

Communication on ENP assessment during 2007. The European Commission published its second Progress Report on Moldova’s implementation of the ENPAP in April, 2008. Although the European Commission indicated a generally considerable progress made by Moldova and indirectly recognized the EU contribution to Moldova’s modernization, it also specifically repeated the remaining (previously stated) shortcomings and recognized existing constraints for a long-term sustainable development.

3.2 Sustainability
Sustainability is the key precondition for successful EU assistance to Moldova in the long-term perspective. Only sustainable approach would effectively contribute to creating and maintaining a stable, integrated, developed, Europeanized country as a part of the “ring of friends” in the immediate EU’s proximity. The sustainability, however, is affected by a number of interconnected and mutually reinforcing factors. Firstly, sustainability of the EU assistance rests on Moldova’s institutional capacity to absorb effectively the EU financial aid as well as the EU’s ability to provide specific and “tailored”, co-ordinated and long-term technical assistance and adequate financial support. Secondly, and equally important, sustainability must be viewed in a wider context of Moldova’s domestic and international commitments, the EU’s evolving standing regarding its neighbourhood as well as the enlargement issue, and the EU-Moldova bilateral political relations.

Moldova’s government has created an extensive institutional framework for co-ordination and implementation of the EU’s and other donors’ assistance priorities. At the national level, the National Committee for Foreign Assistance was chaired by the Prime-minister and composed of the major ministerial recipients of the donor funding. The Committee aims to link conceptually the country’s development needs with the potentially available technical assistance. Specialized directorates or units of the EU integration responsible for the implementation of the ENPAP were created in all central public authorities. The main tasks of these units are to co-ordinate, review and provide opinions on the acts within the ministry that had Community relevance, as well as to ensure the flow of information on the implementation of ENPAP provisions to the Ministry of Foreign Affairs and EU Integration. Additionally, Moldova’s government created the Centre for Legal Approximation within the Ministry of Justice. The main task of this centre consists of assessing and co-ordinating the compatibility of new draft laws with the EU legislation. The governmental decision sets formal mechanisms and procedures of elaboration of legislative and normative acts in compliance with the Community’s legislation.

The positive step towards ensuring a sustainable modernization of the country has been a continuous work on the elaboration of medium-term national development plans subsequently adopted by the government. The National Development Strategy has been adopted as a follow up to the Economic Growth and Poverty Reduction Strategy Paper approved in 2004. It aims to present a consolidated vision of Moldova’s long-term

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development strategy. The document also creates the basis for sustainable co-operation with local and international stakeholders.

Although obvious progress has been made in creating formal and institutional framework for dealing with donor’s assistance in general, and ENPAP in particular, Moldova’s government still has to learn and make conscious efforts “to walk the walk and not only to talk the talk” of the European integration. According to Moldova’s civil society observers and experts, central authorities remain reluctant making real progress in strengthening the freedom of media and independence of justice. The willingness of the ruling political elite to maintain power would likely lead to “small step tactics” and unlikely complete implementation of ENPAP stipulations in domains of media freedom and judiciary independence.\(^9\)

A larger problem lies also in the fact that despite the various formal declarations and plans Moldova’s ruling political elite has been rather ineffective in advancing European integration idea as the central consolidating national idea. Moldova’s government has been hesitant in adopting new foreign and security policy strategies, which would unequivocally identify Moldova’s European choice. Moldova’s government has taken reactive rather than pro-active policy stance vis-à-vis Europe. This leaves certain room for impression of ambiguity about the intentions of Moldova’s ruling elite. This also leads to more general assessment that Moldova’s government has made “two steps forward, one step back” since more active engagement with the EU, especially in the context of the ENP during the period 2005-2008.\(^10\)

The sustainability of the European Union’s activities in Moldova largely depends on a principal adherence and support to integration of European values and standards into Moldova’s political and socio-economic environment. The EU must continue with pursuing democratization efforts and ensuring media freedom, judiciary independence and transparency. Although Moldova’s civil society is vibrant and active, it is limited in scope and location. Hence, clearly more attention must be devoted to bolstering the civil society, education and human resources. Involving the youth and civil society as separate actors in dialogue over Action Plan should be considered to make the Moldovan society more aware of the priorities in EU-Moldova interaction.

At the same time, more practical assistance must be provided; for instance, funding pilot projects and initiatives in the fields of infrastructure, energy, local development outside the capital as well as in the previously named priority areas of education, civil society and media. Immediate visible results would demonstrate the presence and interest of the European Union in Moldova and create a sustainable psychological and political environment and stimulus for implementing and justifying fundamental and long-term


reforms. Concrete projects, however, will also face certain limitations. For instance, Moldova and the EU have attempted to engage in energy co-operation. In 2007 Moldova adopted a new energy strategy. The strategy aims at gradual approximation with European policy. At the same time, the problem lies in the fact that there is no common understanding among the EU member states themselves on the future European energy policy. It does not help in attaining goals included in the European Parliament resolution of 17 January, 2008 on the Black Sea Regional Policy Approach (the Black Sea Synergy)\textsuperscript{11}. Moreover, Moldova and the EU could be more active within financial co-operation in environmental sector dealing not only with pollution of the delta of the Danube, but also with the river Nistru.

The co-ordination of technical and financial assistance is important to achieve complementarity and increase efficiency of the donor’s aid. There is still a potential for streamlining and co-ordinating various EU sources of financial assistance for Moldova. The ENPI clearly must become the major instrument in this regard, provided ENP remains a major framework of relationship between the EU and neighbouring countries and enhances its strategic substance and long-term goal. Although it is impossible to coordinate perfectly all bilateral aid from the EU member states and assistance from different other international players (IMF, WB, UNDP, US Millennium Challenge Corporation), overlapping must be avoided and complementarity principle ensured. Moreover, as the ENPI accounts for 15% of spending on external activities, it should be advised to consider the budgetary increase.

At the same time, the EU has yet to address the interconnected neighbourhood and enlargement issues in a more coherent and strategic manner. The ENP is at the critical juncture and the EU “balanced approach” is currently under stress. The French motivated new Barcelona Process is envisaged in the South while the Eastern Partnership proposed by Poland and Sweden is aimed to upgrade the EU role in the East. Although Eastern neighbourhood countries such as the Ukraine and Moldova express their aspiration to become the EU candidates, arguably, due to Russia’s factor the EU involvement in the East up to date has been less conspicuous than in the South. Among other, the EU has avoided here to promote sub-regionalism and inter-regionalism pursued in the South. Although the recent Black Sea Synergy is a step forward in this direction, reluctance to engage with GUAM Organization for Democracy and Economic Development (comprising Georgia, Ukraine, Azerbaijan and Moldova) in Russian dominated CIS space is obvious. This, paradoxically, may provide the very signals which supposedly the EU also wants to avoid at the moment. The bilateral rather than multilateral relations have been \textit{modus operandi} in dealings with the potential EU candidates.\textsuperscript{12}

Though the issue of candidacy and potential enlargement will have to be addressed. Having recognized progress in some of the neighbouring countries, the External

\textsuperscript{11} Available from \url{http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P6-TA-2008-0017}

Relations Commissioner Benita Ferrero-Waldner has called for “targeted deeper relations” with Morocco, Israel, the Ukraine as well as Moldova. Keeping the Ukraine and Moldova on the same footing with the Southern neighbours, however, will increasingly create a bone of contention. The silver carrot of “deeper ties” and “fuller relationship” will not be satisfactory enough in the long-run. This has been manifested by the Ukrainian response to the Eastern Partnership idea. Moreover, if the EU proceeds with negotiations process with Turkey, it cannot overlook and ignore the Ukraine; and if the Ukraine integrates closer with the EU, Moldova effectively turns into the pro-European enclave and its “European aspirations and perspectives” cannot be ignored either.

On the bilateral EU-Moldova level political substance of the mutual relationship must yet be found. Moldova’s authorities have expressed hope that the EU Commission would follow its formal readiness to start a reflection on a new contractual relationship going beyond the current Partnership and Co-operation Agreement. This was officially discussed during the EU-Moldova Co-operation Council held on the 27th of May, 2008, in Brussels. If the Ukraine receives the invitation for concluding an Association Agreement, similar arrangements should be provided to Moldova. This would establish a legal basis for expanding the substance of the EU-Moldova’s relationships in the future and signal mutual interest in Moldova’s further Europeanization. Although understandably both “enlargement” and some sort of “neighbourhood fatigue” exist on the European side, the EU must take into account that “Europeanization fatigue” in the Eastern neighbourhood would undermine sustainability of the EU assistance and even make the previous efforts ineffectual. In geopolitical terms, this would also mean Russia’s increased political and economic influence in the European neighbourhood.

4. Specific issues: Transnistria and the EU Border Assistance Mission

4.1 The EU and Transnistria
The EU has been a reluctant actor as far as the frozen conflicts in the CIS are concerned, including the case of Transnistria. One obvious explanation is Europe’s dependence on Russia’s energy resources. Another is the difficulty in articulating a coherent, far-reaching European foreign policy. At the same time, the role of the European Union in Moldova during the last 16 years has increased dramatically. In 1992 there was practically no involvement of the EU in Moldova and its conflict with Transnistria. In 2005 the EU alongside with the USA became observers of the negotiation process between Moldova and Transnistria within the 5 + 2 format (the other participants are Russia, the OSCE and the Ukraine). The EU Country Strategy Paper states that the “EC will continue its current strong engagement in support of a settlement of the Transnistria conflict, in full respect of Moldova’s territorial integrity”13 and “finding a solution to the Transnistrian conflict, in full respect of Moldova’s territorial integrity is a key priority of the Moldovan government.”14 There were expectations that the EU would deploy an

14 Ibid, 5.
ESDP mission to Transnistria, much in the same way as in other cases of conflict-settlement in the EU’s neighbourhood such as in Kosovo, for instance). However, it was too difficult for the EU member states to agree on sending the EU peacekeeping force to Transnistria. Romania remains keen to be involved in the conflict-settlement process, while Germany and France, alongside with the High Representative Javier Solana, are not ready for this step.15 Nevertheless the European Parliament on October 26, 2006, passed a resolution on the territorial integrity of Moldova, denounced the results of the Transnistrian independence referendum, and demanded Russia to withdraw its troops from Moldova.

The EU has at its disposal the tools to act in the region: a travel ban on Transnistrian leaders, the EU Border Assistance Mission together with the Ukraine, resources, granting market access and visa facilitation. Besides the EU could use the opportunities which are available through the European Instrument for Democracy and Human Rights (EIDHR),16 because strengthening the role of the civil society and enhancing respect for human rights is one of the major issues in Transnistria. Non-governmental organization of the EU member states could be credible partners for completing these tasks. Yet, to make a difference in Moldova, a credible perspective of the EU membership is needed. Such prospect could also change the stance of the population of Transnistria towards the future in unified Moldova.

4.2 The EU Border Assistance Mission
The EU Border Assistance Mission is often presented as a success story – the most effective and efficient of the EU’s external security-promotion operations and a showcase of the EU’s policy of constructive engagement with its eastern neighbours.17 According to its mandate, the EU’s mission is a non-military monitoring and assistance mission established to help Moldova and the Ukraine harmonize their border management standards and procedures with those prevalent in the EU, and enhance the professional capacities of the customs officials and border guards. All this is seen to ensure that the sector of Moldova’s border that had fallen under the control of the secessionist leadership of Transnistria is efficiently policed in order to prevent smuggling of goods and other illicit activity.

In the wake of a fact-finding mission in October 2005, the ‘Transnistrian dossier’ was incorporated into the nascent European Neighbourhood Policy (ENP) and the country specific Action Plan for Moldova. In addition, the EU concluded a memorandum of understanding with the Ukraine and Moldova which legitimised the mandate of the new border mission. However, the start of EU BAM was not entirely smooth as it revealed the internal problems of EU’s external policy-making. The launch of the border mission was preceded by a confusing period of political shuffling between the European Commission

and the Council on the subject of the status of the EUBAM as either part of the Commission-led ENP or the European Security and Defence Policy (ESDP), which lies in the area of responsibility of the Council. This reflects a hybrid nature of the border mission as it shares common features with other ESDP operations, such as EU BAM Rafah on the Gaza - Egypt border, but operates in the region where the Commission takes the lead, as far as the EU’s external policy is concerned. In this regard, the success of the mission depends to a great degree on how effectively it interacts with different strands of the complex EU policy-making machinery represented by the Commission’s Directorate General for External Affairs (DG RELEX) and the EU Special Representative for Moldova, accountable to the High Representative Javier Solana and the Council. In practice, the problem of the internal consistency of the EU’s external policy-making might come to a head if the state of the conflict changes from a deep impasse to improvement or, which is not likely, drastic worsening. In any case, the EU will be called to take an active stance on the issue and the border mission will be likely to play a role. Overall, this criticism should also be addressed to the ENP in general, which has been repeatedly criticized for lack of cohesion and discrepancy of its instruments.

Institutionally, the Mission operates under the Advisory Board which is composed of the representatives of the Ministries of the Foreign Affairs of the Ukraine and Moldova, Moldovan and the Ukrainian Customs and Border Guard services, the European Commission, the United Nations Development Programme (UNDP), the EU Special Representative for Moldova, the EU Presidency, as well as the Organisation for Security and Co-operation in Europe (OSCE) and the International Organisation for Migration (IOM). The mandate of the Mission, which began in November 2005, has been extended up to the end of November 2009.

In 2005-2008 the activities of the Mission included the implementation of the Moldova-Ukraine Joint Declaration and associated issues, including the implementation of the Autonomous Trade Preferences regime granted to the Republic of Moldova in 2008 as well as carrying out recommendations for the development of jointly operated Border Crossing Points.\(^{18}\) This goes to show that the EU BAM mission is tightly linked to other instruments of EU’s policies to Moldova and the Ukraine particularly in the area of economic co-operation. On a more practical level, the results of the Mission include prevention of 57 cases of illegal goods smuggling through the border crossing points were detected at the Ukrainian side and 46 cases at the Moldovan side. There were 17 cases of goods smuggling prevented at the Ukrainian side and 54 cases at the Moldovan side via green border.

As far as the prospects of the Mission are concerned, according to their own list of achievements, the personnel of the EU BAM sets itself out to reach the following targets:

- Further progress towards the European standards at the border
- Enhanced co-operation between Moldovan and the Ukrainian border services and law enforcement agencies

\(^{18}\) 10th EUBAM Advisory Board Meeting; available from http://www.eubam.org/index.php?action=show&sid=c00oj2t49pb6308m4r5d0fg2xym6iqmk&id=567
• Strengthened links between Moldovan and the Ukrainian border services and law enforcement agencies and the EU Member states & institutions
• Legitimization of trade in the European neighbourhood
• Thorough investigation of cases leading to successful prosecutions
• Progress in the national reform programmes for Integrated Border Management
• Delivery of technical assistance

There are several lessons to draw. First, it is clear that to make a difference in Transnistria, the EU should expand its policy of engagement beyond the scope of border management. For the time being, the EU’s involvement with Moldova in the field of border and customs control outside the EU BAM is relatively low. The EU BAM alone cannot be expected to solve the root cause of the problem of separatism; the mission can only limit, to a degree, its harmful consequences. Therefore, the EU should have a comprehensive approach to the problem. It should try to reach out to the people in Transnistria, including the most active groups of students, civil activists and business community. The EU should cater to the interests of each of these groups promoting the ideas of freedom of speech and information, pluralism, democracy and transparent economy. This can be realised through student exchanges and information trips for entrepreneurs. The overall goal should be to help the people in the region get rid of the ‘island’ or ‘fortress mentality’ and seize the opportunities of co-operation with Europe. In doing so, the EU should seek close interaction with the other international actors, such as the UN, OSCE and the Council of Europe.

There is some risk that the Transnistrian elite monopolises the opportunities that the EU would be inclined to offer and use them to help cement their own position. However, this is the risk that the EU needs to consider but this does not need to be the reason not to get involved. On the contrary, the more comprehensive approach the EU chooses, the higher the chances that the ruling class will not be able to halt the process. Also the EU should not have the image of Transnistrian elite as a solidified group with one leader. As the rapid carrier of a young Head of the Supreme Council (Legislative Assembly) of Transnistria and the leader of the Obnovlenie (Renewal) party, Evgenij Shevchuk, shows the Smirnov regime is not as hard solid as it may seem. The EU should be able to engage to various groups within the Transnistrian elite and society at large.

Secondly, in light of the ongoing review of the Action Plan for Moldova, the EU should increase its presence in this country in order to further persuade the government to activate structural reforms in the country. A future re-integration of Moldova will need to take place based on democratic, transparent and viable Moldovan state and a prosperous economy. As for the relationship between Moldova and Transnistria, the EU should work towards removing the element of intolerance and revengeful attitude on the part of Moldova. This also concerns the economic and social aspects of the negotiation process: the language minorities and business community on both sides should be ensured that they both have a stake and a say in building a common future.

Thirdly, the Ukraine is an indispensable partner and a key player in the region. Given that the EU BAM in particular shows that there is already advanced EU-UA co-operation in relation to Transnistria, the EU could further develop its ties with the Ukraine on this issue. Apart from co-operation with the customs and border guards agencies, the EU could network the Ukraine’s business community that have built stable relations with their counterparts both in Moldova and Transnistria. In this regard, the EU should make better use of the existing and forthcoming instruments for cross-border co-operation and regional development such as the European Neighbourhood and Partnership Instrument. The EU should also invest into information work in order to raise its visibility in the region.

Fourthly, the EU should ponder ways to engage Russia in a constructive dialogue. It is true that with the Russian contingent stationed in Transnistria, it is much more difficult to negotiate with the Smirnov regime. Russia has the means to affect the situation in the region other than the troops, for instance by playing on energy prices or imposing trade sanctions, as the recent ‘wine spat’ with Moldova demonstrated. Russian speakers constitute the third largest language group in the country and the second largest in Transnistria and many of them have Russian citizenship. Therefore, with or without its troops in Transnistria, Russia will continue to have leverage in the region.

5. Conclusions and recommendations

The European Union has intensified its political and economic co-operation and assistance to Moldova. The EU enlargement and the ENP has contributed to a rising awareness about frequently “forgotten” or “not remembered” country. This has led to an increased institutionalization of the EU-Moldova interaction as well as a more active participation of the EU in the Transnistria conflict resolution process. In 2005-2007 the EU assistance to Moldova for democratization and economic development has become more visible and consequential. The European Neighbourhood Policy (ENP) Action Plan has provided Moldova with a general framework and priority areas for the reform agenda. Hence, the specific assessment of the EU assistance to Moldova leads to the following conclusions:

- The EU assistance has contributed substantially to Moldova’s modernization and development. Priorities set out in the ENP Action Plan and financial assistance from the EU largely contributed to the development of democratic institutions, modernization of public services and border management. It significantly reduced barriers to trade and investment in Moldova, led to the convergence of economic legislation, promoted regional co-operation, and eventually contributed to the increase of economic growth in Moldova. EU’s values have been considerably socialized within Moldovan society. At the same time, some considerable limitations have remained and the EU not always has been effective in promoting mutually advantageous reform agenda.
The EU Border Assistance Mission in Moldova and the Ukraine is regarded as a success story in the region. It has stabilized the region and provided the necessary basis and stimulus for Moldova’s economic growth and eventual “soft” re-integration of the country. However, there still remains considerable room for the EU to be more active. Although the EUBAM represents a very significant indirect engagement, the EU demonstrates reservation towards an active direct engagement in political processes, especially with respect to the Transnistrian conflict settlement.

On the whole, the financial assistance to Moldova has proved to be relevant and generally efficient in supporting Moldova’s modernization process. However, Moldova’s domestic constraints (assistance absorption capacity and political decisions) and lack of more strategic vision on the EU side for its relations with Moldova is an essential obstacle in ensuring the EU long-term sustainable contribution to the country’s development and Europeanization.

Recommendations for the EU are the following:

- A clearer institutional and strategic framework for the EU-Moldova interaction must be established, especially with regards to the negotiations mandate and substance concerning the forthcoming EU-Moldova agreement. The EU has to address the ENP lack of “finalité” and simultaneous Moldova’s aspirations for closer integration with the Community. In this context, the conditionality principle in the EU-Moldova’s relations must be put forward more clearly and it is necessary to avoid mixed and confusing signals.

- The detailed assessment of prospective EU activities in the region is imperative for regional development and for an increased EU role in promoting political stability and economic growth. The widening gap between Moldova and the other countries from the Central and South Eastern Europe due to a differentiated treatment creates difficulties in Moldova’s relations with the EU members. These enlargement repercussions could be mitigated by a deliberate endeavour by the EU to promote regionalisation of the Eastern neighbourhood and more explicit differentiation of Eastern ENP partner countries from their Southern partners. Differentiation would help to avoid what some would now perceive as discrimination. Clearly, the proposed Eastern Partnership with the idea of strengthening ENP in the region is a good starting point in this direction.

- The EU must avoid giving the impression that it is more willing to co-operate with Russia than with its other Eastern neighbours, which are part of the EU “ring of friends” with aspirations to join the EU. The EU must avoid double standards and incongruent policy stances towards Russia and Moldova regarding both political issues and more technical issues, such as visa facilitation, cultural and student exchanges and trade issues. Many positive steps have been done in this direction yet the EU has still to elaborate a more balanced approach to Russia and neighbouring countries within the so-called overlapping integrative space.
• Although the EU assistance has been instrumental in modernization and Europeanization of Moldova, more attention and effort still must be given to human rights, freedom of media, civil society and education. Dominated top-down approach must be more strongly and visibly complemented with socialization of the European values and standards at the grassroots level. The EU could use more actively resources available through European Instrument for Democracy and Human Rights (EIDHR), especially regarding the Transnistrian issue. In this process, an additional streamlining and co-ordination of the Community, the EU Member states and other international donor assistance must be envisaged.

• More active involvement in the Transnistrian conflict settlement could be envisaged. It may include not only increasing the EU’s role through different financial assistance programmes on both banks of the Nistru but also actively negotiating with the Moldova’s government and the governments of the key players in the region (Russia, Ukraine and Romania). Although deployment of ESDP mission in Transnistria similar to that one in Kosovo suggested by some experts would be politically challenging, the EU sooner or later will have to address the necessity to expand its engagement beyond the scope of assistance mission and border management.

Reference list


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