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ANALYSIS OF THE EU'S ASSISTANCE TO MOLDOVA

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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 a 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. A 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 are essential obstacles to 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 negotiation mandate and general objective of 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 of the total population of 4.2 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 called 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 **official observer** in the Transnistrian conflict settlement process within the

¹ Moldova ranked 111 (behind all other ENP Eastern partner countries) out of 177 in 2007/2008 Human Development Index rankings; available from <http://hdr.undp.org/en/statistics/>

5+2 negotiations format² Within efforts to engage more actively in the solution of the Transnistrian conflict, the EU established the **Border Assistance Mission** (EUBAM) 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 22 February 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. Since 2007 the EU aid to Moldova predominantly comes through the **European Neighbourhood and Partnership Instrument** (ENPI).

The ENPI provides 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, mostly in the framework of TACIS and Macro Financial Assistance instrument. The National Indicative Programme 2007-2010 envisages a budget of €209.7 million via the ENPI. This could be increased with funds from the Governance facility (planned to reach the sum of € 16.6 million in 2008 for Moldova). There are still some ongoing projects financed by the TACIS programme. In 2007 Moldova received an additional €45 million 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 in 2007) to Moldova. It is worth noting that ENPI funding envisaged in 2007-2010 for the Ukraine amounts to € 494 million. In comparison, Moldova is one of the top ENPI financial recipients per capita terms with € 48 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).

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, trade and investment and set the basis for legislative, economic, social and cultural co-operation between EU and Moldova.

² Moldova, Transnistria, OSCE, Russia, Ukraine. plus the EU and the USA as observers

The bilateral co-operation of the EU and Moldova was enhanced in February 2005 by the **European Neighbourhood Policy Action Plan** (ENP AP) valid for a period of three years. It is a political document setting out an agreed 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. The assistance focused on the integrated border management and improvement of the border control with an emphasis on EUBAM, on the reform of Moldova's social assistance system and on support for civil society in Transnistria. The new aid package signed in 2008, also has a budget of € 40 million (social reforms under priority of economic growth and poverty reduction – € 21 million; border management and increasing administrative capacity under the priority of strengthening administrative capacity – €11 million and €6 million, respectively; and support of the civil society in Transnistria under the priority of democracy and good governance – €2 million). 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 only €40 million went through the ENPI. The other part of the money is under thematic budget lines and other instruments (for example, Stability Pact for South East Europe).

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 assistance to Moldova. This was first macro-financial assistance outside TACIS and ENPI since 1998. In 2007 it was largely aimed at alleviating the negative external consequences of Russia's increase of its energy prices and embargo of Moldovan wine. 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).

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 the functioning Border Assistance Mission, in 2007 the Customs Service of Moldova received €400 000 worth technical assistance in the form of printers, laptops, telephones, etc. It was done within the framework of the programme BOMMOLUK. The Border Guard Service has received an amount twice as big (€730 000) within the same programme. In addition to 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 also provided financial support to Moldova on an ad hoc basis. Due to the unprecedented drought in Moldova in 2007, € 3 million in **humanitarian assistance** were allocated under the "Drought recovery programme" targeting the most affected areas. It is worth mentioning that out of 20 000 households that obtained the assistance more than 4000 were Transnistrian. Humanitarian assistance falls under the competence of European Commission's Humanitarian Aid Office (DG ECHO). € 10 million 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 a € 1 million project on fight against 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 the Eurasian Steppe".

In 2007 € 200 000 were allocated to NGOs from the Transnistrian region under the European **Instrument for Democracy and Human Rights** (EIDHR). However, it should

be noted that Eastern Europe receives little EIDHR-funding in comparison to what goes to other parts of the world: during the years 2000-2006 €48 million, while Sub-Saharan region of Africa got €163 million. Moldova received only €0.87 million.³

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 ENP AP. The 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, in spite of appropriate planning, application and implementation, progress in the field of legal approximation has been weak 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 a result, the EU support has contributed to development of democratic institutions, an increased co-operation between the central authorities and civil society and modernization of the public services. For instance, civil society and non-governmental representatives have participated actively (though with varying levels of success) in shaping public service reform and the Transnistrian conflict settlement process and respective legislation. 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.⁴ 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.⁵ Moldova's rating in *Transparency International's* Corruption Perception Index also declined in 2007.⁶ The incomplete progress in these domains has obviously contributed to the extension of the ENP AP for one additional year until 2009. The EU has within the EU-Moldova Co-operation Council encouraged Moldova to enhance efforts to strengthen the respect for human rights, freedom of media and the independence of judiciary.

³ Available from http://ec.europa.eu/europeaid/where/worldwide/eidhr/documents/eidhr_statistics_en.pdf

⁴ Available from <http://www.freedomhouse.org/template.cfm?page=17&year=2006>

⁵ Available from http://www.rsf.org/article.php3?id_article=24025

⁶ Available from http://www.transparency.org/policy_research/surveys_indices/cpi

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).

Within the **socio-economic domain**, 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 the business climate. It must be noted that the financial support in the framework of the 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 the 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. 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 intensifying regional cooperation and EU-Moldova trade and increasing 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 of 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, the need to improve technical regulations, conformity evaluation procedures and sanitary standards remains.

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, more stimulus from both EU and Moldova is needed for closer integration as regard academic and research partnerships, extensive student and teacher exchanges. 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 **positive effects and limitations** of the EU assistance to Moldova have been assessed by the European Commission in two Progress Reports on the implementation of the ENP AP. The first, issued in December 2006, noted important progress, but also indicated major shortcomings, such as imperfect implementation of the reform strategy, insufficient freedom of media, existing corruption and governmental interference in the business sector. The Commission's second Progress Report, published in April 2008⁷, found that

⁷ Available from http://ec.europa.eu/world/enp/pdf/progress2008/sec08_399_en.pdf

overall, Moldova had made considerable progress, but it also reiterated the criticisms appearing in the first Progress Report mentioned above and recognized the existence of constraints for long-term sustainable development.

3.2 Sustainability

Sustainability is the key precondition for successful EU assistance to Moldova in the long-term perspective. The sustainability is, however, 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 for EU integration responsible for the implementation of the ENP AP were created in all central public authorities. The main tasks of these units are to co-ordinate, review and provide opinions on acts within the ministry of 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 tasks of this centre are to assess and ensure compatibility of new draft laws with EU legislation. The governmental decision lays down formal mechanisms and procedures of elaboration of legislative and normative acts in compliance with the Community's legislation.

A 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 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 a formal and institutional framework for dealing with donor's assistance in general, and ENP AP 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 to pursue real progress in strengthening the freedom of media and independence of the judiciary. The interest of

the ruling political elite in maintaining power is likely to lead to “small step tactics” and incomplete implementation of ENP AP stipulations in the domains of media freedom and judiciary independence.⁸

A larger problem lies in the fact that despite various formal declarations and plans, Moldova’s ruling political elite has been rather ineffective in advancing the 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 a reactive rather than a pro-active policy stance vis-à-vis Europe. This gives reason for doubt about the actual intentions of Moldova’s ruling elite. Its approach has been described as “two steps forward, one step back”⁹.

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, more attention must be devoted to bolstering the civil society, education and human resources. Involving the youth and civil society as separate actors in a dialogue over the Action Plan could 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 favourable 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 to 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. The strategy appears to be of little 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)¹⁰.

⁸ Sergiu Buscaneanu (ed.), *Moldova and EU in the European Neighbourhood Policy Context. Implementation of the EU-Moldova Action Plan (February 2005-January 2008)*, Chisinau (February 2008), 87; Dumitru Minzarari, “EU-Moldova Action Plan: An Unfinished Task or a Complete Failure?” IDIS Viitorul Discussion Paper No. 2 (January- July 2008), 10-15.

⁹ Sergiu Buscaneanu (ed.), *Moldova and EU in the European Neighbourhood Policy Context. Implementation of the EU-Moldova Action Plan (February 2005-January 2008)*, Chisinau (February 2008), 4, 87.

¹⁰ Available from <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&language=EN&reference=P6-TA-2008-0017>

Co-ordination of technical and financial assistance is important to achieve complementarity and increase aid efficiency. 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 for coordination of assistance policies and projects 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 co-ordinate 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 only 15% of the EU's spending on external activities, a budgetary increase should be considered.

At the same time, the EU has yet to address the interconnected neighbourhood and enlargement issues in a more coherent and strategic manner. In the South, an upgrade of the Barcelona Process to a Mediterranean Union has been decided upon, following a French proposal, while the Eastern Partnership proposed by Poland and Sweden is aimed to upgrade the EU role in the East. According to some experts, bilateral rather than multilateral relations have been the modus operandi in dealings with possible future EU candidates in the Eastern neighbourhood

The issue of candidacy and potential enlargement will have to be addressed. Having recognized progress in some of the neighbouring countries, the External 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 incentive of “deeper ties” and “fuller relationship” will not be enough in the long-run. This has been manifested by the Ukrainian response to the Eastern Partnership idea. Moreover, if the EU takes its negotiations with Turkey forward, it cannot overlook and ignore the Ukraine; and if the Ukraine integrates closer with the EU, Moldova effectively turns into an isolated 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 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 an 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 an increased Russian 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 is concerned. This goes also for the case of Transnistria. One obvious explanation for this is Europe's dependence on Russia's energy resources. Another factor is the difficulty to arrive at 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"¹¹ and that "finding a solution to the Transnistrian conflict, in full respect of Moldova's territorial integrity is a key priority of the Moldovan government."¹²

There were expectations that the EU would deploy an ESDP mission to Transnistria, much in the same way as in other cases of conflict-settlement in the EU's neighbourhood such as e.g. in Kosovo. However, the EU member states did not agree on sending an 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 willing to take this step.¹³ 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. In addition, the EU could use the opportunities which are available through the European Instrument for Democracy and Human Rights (EIDHR),¹⁴ because strengthening the role of civil society and enhancing respect for human rights is one of the major issues in Transnistria. Non-governmental organizations in EU member states could be credible partners for completing these tasks. Yet, to make a difference in Moldova a credible EU membership perspective is needed. Such a prospect could also make the population of Transnistria adopt a more favourable attitude towards a future in a unified Moldova.

¹¹ European Neighbourhood and Partnership Instrument. Republic of Moldova. Country Strategy Paper 2007-2013, 14; available from http://ec.europa.eu/world/enp/pdf/country/enpi_csp_moldova_en.pdf

¹² *Ibid.*, 5.

¹³ International Crisis Group, *Moldova's Uncertain Future*. Europe Report, No. 175 (17 August 2006), 5.

¹⁴ Available from http://ec.europa.eu/europeaid/where/worldwide/eidhr/documents/eidhr-strategy-paper-2007_en.pdf

4.2 The EU Border Assistance Mission

The EU Border Assistance Mission (EUBAM) 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.¹⁵ According to its mandate, the EU 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 to enhance the professional capacities of the customs officials and border guards. All this is perceived as ensuring that the sector of Moldova’s border which 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 ENP Action Plan for Moldova. In addition, the EU concluded a memorandum of understanding with the Ukraine and Moldova which formulated the mandate of the new border mission. However, the launch of EUBAM was not entirely smooth as it revealed the internal problems of EU’s external policy-making. The launch 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 Council-led European Security and Defence Policy (ESDP). This reflects the hybrid nature of the border mission as it shares common features with other ESDP operations, such as EUBAM Rafah on the Gaza - Egypt border, but operates in a region where the Commission takes the lead, as far as the EU’s external policy is concerned. In order to avoid confusion, the EUBAM is formally referred to simply as an “EU operation.” In this regard, the success of the mission depends to a great degree on how it effectively interacts with different strands of the complex EU policy-making machinery represented by the Commission’s Directorate General for External Affairs (DG RELEX) and by the EU Special Representative for Moldova, accountable to the High Representative Javier Solana, as well as 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, though unlikely, drastic worsening. In any case, the EU will be called upon to take an active stance on the issue and the border mission will be likely to play a role.¹⁶

Institutionally, EUBAM 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

¹⁵ For a more detailed analysis of the EUBAM, see Vadim Kononenko, “EUBAM Moldova After One Year: Assessing the EU’s Security Promotion at the Separatist Border”, in *CFSP Forum*, Vol. 4, Issue 5, September 2006; available from <http://www.fornet.info/documents/CFSP%20Forum%20vol1%204%20no%205.pdf>

¹⁶ Overall, this criticism should also be addressed to the ENP in general, which has repeatedly been criticized for lack of cohesion of its instruments.

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 to the end of November 2009.

In 2005-2008, EUBAM's activities include 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.¹⁷ This illustrates that EUBAM is tightly linked to other instruments of EU policies in relation to Moldova and the Ukraine, particularly in the area of economic co-operation. On a more practical level, the results of the Mission include the prevention of 57 detected cases of illegal goods smuggling via the border crossing points on the Ukrainian side and 46 cases on the Moldovan side. There were 17 cases of goods smuggling prevented on the Ukrainian side and 54 cases on the Moldovan side via the green border.

As far as the prospects of the Mission are concerned, according to their own list of priorities, the personnel of the EUBAM sets itself out to reach the following objectives:

- Further progress towards European border management standards
- Enhanced co-operation between the Moldovan and the Ukrainian border services and law enforcement agencies
- Strengthened links between Moldovan and Ukrainian border services and law enforcement agencies on the one side and their counterparts in EU Member States & institutions.
- Thorough investigation of cases of smuggling leading to successful prosecutions
- Progress in the national reform programmes for Integrated Border Management
- Delivery of technical assistance¹⁸

There are several lessons to be drawn. 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 EUBAM is relatively low. The EUBAM alone cannot be expected to solve the root cause of the problem of separatism; the mission can only limit its harmful consequences to a certain degree. 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 the 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 a 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

¹⁷ 10th EUBAM Advisory Board Meeting; available from <http://www.eubam.org/index.php?action=show&sid=c00oj2t49pb6308m4r5d0fg2xym6iqmk&id=567>

¹⁸ Achievements of EUBAM 2005-2007; available from <http://www.eubam.org/files/0-99/23/Mission-achievements-eng%20Nov%2007.doc>

doing so, the EU should seek close interaction with the other international actors on the spot, such as the UN, OSCE and the Council of Europe.

There is some risk that the Transnistrian elite could monopolise the opportunities the EU would be inclined to offer, and use them to help cementing their own position. However, although the EU needs to foresee this possibility, this is not necessarily a reason for not getting 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 needs to take into account that the Transnistrian elite is not a solidified group with one leader. As the rapid career 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 solid as it may seem. The EU should be able to engage various groups within the Transnistrian elite and society at large.

Secondly, in the light of the ongoing review of the ENP Action Plan for Moldova, the EU should increase its presence in the country in order to further persuade the government to activate structural reforms on the ground. A future re-integration of Moldova will need to take place based on a 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. The EUBAM in particular shows the existence of an advanced EU-UA cooperation in relation to Transnistria and 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 communities 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 conduct information activities 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 also other means to affect the situation in the region than its troops. For instance, it can play on energy prices or impose 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 a 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. This assessment of the EU assistance to Moldova leads to the following **conclusions**:

- The EU assistance has contributed 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 has not always been effective in promoting a 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 reluctance 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 to the EU:

- A clearer institutional and strategic framework for the EU-Moldova interaction must be established, especially through the negotiations on a new EU-Moldova agreement. The negotiation mandate for this agreement should be formulated accordingly. The EU has to address the ENP lack of “finalité” and 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. But the lack on the EU side of common goals in the relations with Moldova does not help in formulating conditions for

receiving the assistance. It is absolutely necessary to avoid mixed and confusing signals sent from the different EU member states and EU institutions regarding the prospective character of mutual engagement and future perspectives of Moldova's EU membership.

- 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, first of all because of the lack of transparency of the EU's assistance and sometimes overlapping of the channels of the assistance. This, however, requires a comprehensive EU strategy in the region accompanied by financial assistance. The widening gap between Moldova and the other Eastern partners, on one side, and the Central and South Eastern Europe, on the other, due to a differentiated treatment from various EU member states creates uncertainty in Moldova's relations with the EU members. The situation in the Eastern neighbourhood differs greatly from the situation in the Western Balkans where countries have received membership perspectives. The countries from the former Soviet Union (Moldova, Ukraine and potentially in the future Belarus) remain effectively in a grey zone between the EU and Russia. The implications of the recent rounds of the EU enlargement (for instance, perception of exclusion on the side of the non-member states) could be mitigated by a deliberate endeavour by the EU to promote regional cooperation in the Eastern neighbourhood and more explicit differentiation of Eastern ENP partner countries from their Southern partners. Differentiation would help to avoid what some now perceive as discrimination. Clearly, the proposed Eastern Partnership with the idea of strengthening the ENP in the region may become a considerable step 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" and have 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 in this direction have been taken, yet the EU has still to elaborate a more balanced approach to Russia and neighbouring countries within the overlapping integrative space.
- Although the EU assistance has been instrumental in modernization and Europeanization of Moldova, more attention and effort must still be given to human rights, freedom of media, civil society and education. The dominating 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 make more active use of resources available through the European Instrument for Democracy and Human Rights (EIDHR), especially regarding the Transnistrian issue. In this process, additional streamlining and co-ordination of Community, EU Member states and other international assistance must be envisaged.

- More active political 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 Moldova's government and the governments of the key players in the region (Russia, Ukraine and Romania). Although deployment of an ESDP mission in Transnistria similar to that in Kosovo, as 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 the border assistance mission.

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