

Foreign Policy Association together with Friedrich-Ebert-Stiftung offer you a newsletter on foreign policy and European integration issues of the Republic of Moldova. The newsletter is part of the "Foreign Policy Dialogue" joint Project.

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# NEWSLETTER

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## Synthesis and Foreign Policy Debates

The newsletter is developed by Sorina Ștefăriță, editor-coordinator

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### News in brief



The Minister of Foreign Affairs of Romania, Bogdan Aurescu, was in Chisinau on Thursday, April 30th, on the occasion of the launching in the Republic of Moldova of the Romanian medical mission to support the fight against the COVID-19 pandemic. He participated together with other Romanian officials in the ceremony of passing on the first tranche of humanitarian aid, established by the Bucharest authorities for our country - 3000 protective suits, 6000 FFP2 protective masks and 6000 surgical masks, 11,500 pairs of gloves, 100 visors, and 10 islets designed by the military researchers in Romania. All this, led by a mission of 42 medical staff who, in the next period, will work with their colleagues in the hospitals of the towns of Chisinau, Balti and Cahul. Also, on April 30th, the Government of Romania decided to provide a total support of about 3.5 million Euros to help the Republic of Moldova overcome the pandemic crisis.



On the occasion of the visit, Bogdan Aurescu had a meeting with his counterpart in Chisinau, Oleg Tulea, who thanked Romania for its help and mentioned that this support is proof of solidarity between the two countries and the strong friendships between them. Both at the meeting with the foreign minister and in the discussions with the prime minister Ion Chicu, the Romanian official strongly emphasized the importance of the Moldovan authorities to intensify, in a consistent and credible manner, the reforms necessary for getting closer to the EU, as well as to respect democratic principles/ the rule of law. Bogdan Aurescu reaffirmed Romania's firm commitment to support an irreversible European path of the Republic of Moldova, based on the bilateral Strategic Partnership for European Integration of our country, which marked the tenth anniversary on the 27th April 2020. At the same time, he pointed out that Romania's subsequent support for the Republic of Moldova will be conditioned upon continuation of these essential reforms.



"A goal-oriented dialogue, with regular interactions by the two political representatives, is crucial to resolving the humanitarian problems posed by the COVID-19 crisis to the population on both banks of the Nistru," said Claus Neukirch, the head of the OSCE Mission to Moldova, in a speech to the OSCE Permanent Council. According to the organization, since the introduction of the state of emergency in the Republic of Moldova, the Mission has made sustained efforts to identify practical solutions to the problems caused by the COVID-19 crisis to people living in the Security Zone. In the last six weeks, the Mission has carried out 30 monitoring visits to the region, and the pressing issues identified include, in particular, the restrictions on the freedom of movement imposed by Tiraspol in response to the pandemic. The Head of Mission reiterated the need for Tiraspol to rethink its approach and ensure that people can move to their workplace, have access to healthcare, ATMs, etc. At the same time, Claus Neukirch welcomed the willingness of the parties to support a fact-finding visit of the World Health Organization in early May, together with the OSCE Mission.

## The Russian loan, a political iceberg with economic pitfalls?



**Sorina Ștefăriță**

"The Constitutional Court has two options at the moment: either it stops the lawlessness allowed by the rulers in this case, or it accepts the political pressure and blackmail by the government and, in particular, by President Dodon. The first option would be beneficial for the state of the Republic of Moldova and for the

society - because, along with imposing the rule of law, it would also offer the chance of a possible renegotiation and rethinking of financing sources in these difficult times. The second scenario would mean, in fact, imposing the "power's law", through blackmail and pressure on judges, which has already been pointed out by the latter. Let's see what will happen on May 7<sup>th</sup>, but currently

there is enough room for optimism as to the legal decisions taken by the court, in favour of imposing a respect for the Constitution of the Republic of Moldova."

The statement belongs to the economic expert Veaceslav Negruța made during the interview taken for this edition of the newsletter, dedicated to the Loan Agreement with the Russian Federation. ►

► So on Thursday, May 7<sup>th</sup>, the Constitutional Court will examine three notifications which, although filed by three different MPs (Sergiu Litvinenco / PAS, Dinu Plângău / PPDA and Sergiu Sârbu / "Pro Moldova"), address the same issue – the constitutional control of the Agreement between the Government of the Republic of Moldova and the Government of the Russian Federation on granting the Government of the Republic of Moldova a state financial loan. In short, the "Russian loan" is a credit worth 200 mln Euros, which despite the harsh criticism by the economists and civil society, was quickly approved by the Government (April 21<sup>st</sup>) and ratified just as quickly (April 23<sup>rd</sup>) by the PDM-PSRM parliamentary majority. On the same day, however, the Constitutional Court re-elected its chairman and suspended the action, including the procedure for the entry into force of the law ratifying the Agreement.

The decision of the Constitutional Court was perceived by many as a victory, a decision that would talk about the release from captivity of the entire judicial system of the country. However, the big battle will take place on May 7<sup>th</sup>, and the result will depend ... including on the ability of judges to withstand political pressure. Because this Russian loan has asserted itself from the beginning as an eminently political issue. Announced with great fanfare by President Igor Dodon back in November 2019 - initially it was 500 mln USD, which until February this year fell to 200 mln EUR -, and used mainly in the bright speeches about strategic infrastructure projects such as road repairs, the still (then) virtual loan laid tenderly at the foundation of the upcoming presidential election campaign. Until it collided with the small snag of the Constitutional Court.

At the same time, despite its political nature, the Loan Agreement is a real iceberg, with many current and future economic pitfalls. The April newsletter is about them and the imperative need to avoid them.

## Every word, phrase, idea and condition of this agreement is in favour of Russia

**Veaceslav Negruța, expert at Transparency International - Moldova**



**F**ormer Minister of Finance Veaceslav Negruța, currently an expert at Transparency International - Moldova, is one of the most fervent critics of the Loan Agreement with the Russian Federation which -he is convinced- has got on the agenda of the Government and Parliament directly from the presidential residence, without having been negotiated and subject to transparency procedures. According to Veaceslav Negruța, though in an emergency situation it is worth accessing any credit resource, the Republic of Moldova has, at the moment, relatively cheaper options, with a faster impact than this loan. In addition, he says some Russian loans provided to the Yanukovich regime in 2014, have plunged Ukraine into complicated international litigation - and the loan Igor Dodon is now trying to bring is of the same category, with high risks

and exaggerated economic, financial and political costs. "We do not need such loans," says Negruța firmly. Find out below what else this loan agreement is hiding.

### Russian credit is part of Igor Dodon's electoral agenda

■ Mr. Negruța, I suggest that we start from the beginning, as in a famous poem by Marina Țvetaeva, - namely, from the statement made on Friday night of the April 24<sup>th</sup> by President Igor Dodon. De facto, he blamed the Opposition for the non-acceptance (at least for the time being) of the Russian loan and almost threatened the people that, as a result of the Constitutional Court's decision, the state will no longer be able to pay salaries and pensions. What do you think about this blackmail gesture?

■ I think it is a kind of cocktail that is, indeed, being shaped in a blackmail approach to society and, in particular, to the Constitutional Court. It is obvious that through such statements the president would like to obtain certain results from the next examination by the Constitutional Court (set up for May 7th), which is contraindicated. There are also some individual frustrations, of course, because the president took personal credit for obtaining this loan, after the discussions he'd had with Putin. The third thing - the most sensitive one, perhaps - has to do with the fact that the loan is part of Igor Dodon's electoral agenda. The suspension and, possibly, the cancellation of this agreement by the Court would be a huge blow to his image and an enormous discomfort in the middle of the election campaign. Because all Igor Dodon has been doing in recent months is making his own roadmap, the ultimate goal of which is the election result in the autumn. All this made him come forward with some totally confused and reprehensible statements.

■ ***If it is part of his electoral agenda, is there no risk that, by rejecting the loan, we will allow him to victimize himself, respectively to accumulate votes?***

■ It's not about victimization. Through such messages and blackmail actions, he is trying to put on the Constitutional Court's shoulders responsibilities that do not belong to the given institution. In addition, the claims that if the Court blocks the Russian loan agreement there will be no money to pay pensions and salaries are false. First, because the powers of the Constitutional Court do not include the payment of pensions and salaries. Second, because it was said from the very beginning that the loan is for investment projects - especially for the road infrastructure - and exactly this is contained in the argumentation notes presented to the Government and later to the Parliament. Nowhere does it say it provides financial means for salaries and pensions. Therefore, it is clear what President Dodon

counts on and it is a pity that he disregards the dangerous aspects of that agreement.

■ ***Among the arguments brought by the analysts who opposed the loan agreement with Moscow and to which you also subscribed is the fact that this loan would be one "dictated" by the Russian Federation. What do these allegations base on?***

■ It is a fact that transpires at a simple reading of this agreement, in which everything from the first to the last line - every word, every phrase, idea and condition - is in favour of the Russian Federation, while the Republic of Moldova appears as a co-participant in new interests of the Kremlin in our country. You can see it from miles away that the agreement in question has not been changed and that there have been no negotiations, that its entire text has been written in Moscow and sent to President Igor Dodon to pass it through the legalization phases, without changing a comma, let alone a provision. The document also contains several things that go beyond the framework of a loan agreement, but also contravenes the Moldovan legislation. And I refuse to believe that such a text, which is in total dissonance with our legal norms, has passed unstopably through the Government, as well as through the Ministry of Justice, the Ministry of Foreign Affairs or the Ministry of Finance. I am referring, for example, to the clauses related to the public procurement procedures or the attribution of third parties 'debts to the state debts - conditions that can be accepted under no circumstances! In addition to that, more economic and financial costs may arise during its implementation. So, yes: it is a text written in Moscow in the interest of Moscow, with much higher costs than meets the eye such as the 2% interest.

***The head of state had direct interests...***

■ ***Had such an agreement come from elsewhere, would it have been just as***

***dangerous and "unacceptable"? Because many exponents and supporters of the current government are reproaching you - that you oppose only because it comes from the Russians...***

■ It's another fake. The problem is not where it comes from, but how it comes and what the consequences will be. And the big problem is that this loan agreement has not been negotiated. I am more than convinced that if all the procedures related to the international loan agreements provided by our legislation had been passed, if all the persons and state institutions in charge had fulfilled their obligations, such a document would not have reached the Moldovan Parliament for ratification. And it does not matter where it comes from and who the creditor is - it only matters that it contains provisions that exceed the limit of a loan agreement and that it involves costs and, respectively, inadmissible risks. From this perspective, things are bad also because this loan does not come as a result of a direct request from the Moldovan Government, but it is the result of the agreement between two people - Dodon and Putin. Their "administrative" style can be seen from miles away, as evidenced by the fact that the officials from the responsible Moldovan ministries did not have the right to alter the text. Because that's what President Dodon wanted! What are the tricks of these agreements? Probably only an investigation could tell us how the agreement was reached and why the administrative transparency procedures were not followed.

■ ***And yet, there has been known about the loan promised by the Kremlin since last autumn. Why only now, when the money was almost disbursed, did the society react?***

■ First, the government is not obliged to seek the opinion of the civil society. Instead, it is obliged to comply with the legal norms, which say that any draft law or normative act has to be subject

to public discussion on the webpages of public institutions. Both the state structures and civil society could have expressed their opinion. What did actually happen? There were some phrases thrown in the public space in February, that the loan would be 200 and not 500 million USD as announced in November 2019, and that it would be for ten years. And only on March 13, in the midst of the pandemic, three distinct phrases were "inserted" into a Government decision: 1) the draft Loan Agreement is approved, 2) the negotiation procedures are initiated - after they have already approved it! and 3) the signing of the Agreement is approved. Three distinct phases of a complex process that should have been separated in time and procedure took place without approving the composition of the negotiating team and its head, without specifying its competencies. At least that was the case with the loan negotiated with the US Millennium Challenge Corporation or the loan with China in 2012, which never happened... In the case of the agreement with the Russian Federation, the procedure hasn't been observed.

■ ***I heard from some MPs that they didn't have the possibility to read the text of the Agreement until the sitting of Parliament where it was proposed for approval....***

■ Even the members of the Government, in the April 21<sup>st</sup> meeting during which the Government approved the Loan Agreement, did not have the official document. Everything they knew was from the press, which in turn had taken over the information from the President Dodon's Facebook account... These are details that prove once again that the head of state had direct interests, agreed with the Russian side, that the text doesn't reach the public space before a certain day, in order not to create certain situations of discomfort, and not to have to provide explanations. However, answers have to be provided, because in the case of this flawed process - derogations made at Dodon's insistence

and under his direct control- it's the civil servants and the members of the Government responsible for negotiating and signing international agreements that bare the responsibility. So everyone should actually be held accountable. What is certain is that this situation creates quite big problems for us as a society and as a state, but also problems related to the sustainability of the 2020 Budget regarding the debt financing component, which continues to be uncertain at the moment.

### ***Money exists, the government only needs to revise the spending priorities***

■ ***And here we come to the simplest, but also the most complicated question: where to get money from? In recent weeks, "warnings-threats" that we are running out of money came from Prime Minister Chicu and President Dodon...***

■ It is an irresponsibility on the part of the authorities to launch such messages, to scare the people that they will not have money to pay for the pensions and salaries. The budget was flawed yet at the time it was approved, in 2019, and it was clear back then that about 5 billion lei from the approved deficit of 7.4 billion lei was under question mark in terms of sources of funding. The pandemic and the costs of combating it have aggravated things, as a result of which it is necessary to quickly block the non-priority spending and allocate the available resources for exact destinations: the public health system and procurement of protective materials and medicines. For this we need prompt decisions, not scarecrows that we do not have funding. Funding exists. On Saturday, April 25<sup>th</sup>, the "Official Monitor" published the decisions regarding the corrections made to the Budget, but also the decision on the approval of the IMF Emergency Loan Agreement in the amount of 235 million USD. So the state has sufficient financial resources for salaries and pensions, and there is no reason to block them in either May or

June. Now the state only needs to revise the spending priorities and to come up in two months with a budget rectification. The waste of public money for electoral purposes, even if undeclared, must be stopped, as this is the only way we will be able to get faster through the pandemic.

■ ***And yet, it is a time when the whole planet needs money...***

■ It is true that, at the moment, the Republic of Moldova does not have access to the international financial credit markets. But with such a government ... maybe we shouldn't be accepted there. At the same time, fortunately for such states as Moldova, there are various forms of financing from international institutions. Thus, the International Monetary Fund reacted quickly to Moldova's request and the \$235 million is already in the accounts of the National Bank of Moldova. It's just that President Dodon doesn't talk much about it... There are also funding mechanisms offered by the European Union and all which is needed is for the national authorities to clearly formulate the priorities and act quickly to complete the formalities. Under these conditions, the EU funds could enter the Budget very soon - by June, most likely, the first tranche. It is only necessary for the institutions to show seriousness, to exercise their attributions and not to deprive the Republic of Moldova of cheap and practically free of charge international financial credit markets. People in the public institutions know very well what they have to do in this regard, only they should be allowed to do their job, that's all. And the politicians should not interfere here with their electoral agenda. There is no danger of running out of money for the pensions and salaries, you only have to ensure all available funding inflows. In addition, in a few months, several economic activities will be resumed, which will bring money to the Budget. But it is important to realize that the Memorial, procurement of various cars and carpets, arenas, and other dear to the government's heart projects should

be postponed for better times. Today they are just a waste of public money, and the Russian loan, presented as the only solution, is a long-term trap that can bring us back and anchor us in an area of influence from which we have not even come out.

■ **Speaking of traps, two big vulnerabilities of the contested Loan Agreement are mentioned: favouring Russian economic agents - present in a fairly large number on our market, directly or indirectly - and taking over the debts of third parties. Why are these provisions dangerous?**

■ Let's take them one at a time. The first one is related to the so-called accessibility of Russian economic agents to the public procurement contracts, and thus to the public money of the Republic of Moldova. Law no. 131 on Public Procurement clearly states that no discrimination against economic agents, foreign or local, is allowed in public procurement procedures. The formulation in the agreement, however, represents a commitment by the Moldovan authorities to offer contracts to the Russian companies in order to "deepen the economic and trade relations and develop other projects." This means facilities not only in the context of the 200 mln Euros loan, but also with reference to other public contracts, in a much larger space, which is abusive. So, even from this point of view, it is a totally unbalanced and abusive provision, with risks for the Budget for many years ahead. Equally damaging is the famous point 7.2 on third party debts.

**It is also about regional security, not just economic and financial security**

■ **Where are the damage and the risks here?**

■ De facto, this provides that certain loans taken by the economic agents in our country from the Russian banks, under the guarantee of the Russian state or

of the Russian Loan Guarantee Agency, could become state debts of the Republic of Moldova. Though only the tip of the iceberg is visible, the risk is enormous. For example, we have many economic agents on the left bank of the Nistru that are provisionally registered in the Republic of Moldova and that take advantage of this status, having access to export-import operations and to the Free Trade Area with the EU. Only these economic agents have nothing to do with the state budget and do not pay taxes in Moldova. And now imagine that some companies on the left bank of the Nistru take loans from Russian banks and after a while we find out that their debts have become state debt of the Republic of Moldova! We would also have to pay off these debts from the taxes we are paying with the authorities in Chisinau not having any leverage to recover the debts of the companies on the left bank of the Nistru. The 7 bln USD that the Transnistrian region owes Russia for the natural gas can also be "metamorphosed". As you can see, there are lots of negative aspects for us. And these aspects are not only about the economic and financial security, but also about regional security.

■ **How much do we risk entering a new negative phase in the relations with Russia?**

■ My belief is that the relations with any state should be based on such principles as openness, transparency and mutual interest. If these things are missing - and in this agreement they are completely missing - the risk of having an insincere and unfriendly dialogue persists. Although ... I can't say that this dialogue has progressed in recent years. President Igor Dodon's close relations with a number of decision-makers in the Kremlin do not represent the foreign policy of the Republic of Moldova. From this point of view, (his) private contacts should be separated from the state ones. Especially since the Republic of Moldova suffers from these presidential "friendships", particularly from the perspective of relations with Romania and Ukraine. Otherwise ... it is

more and more obvious that some of our public figures promote completely different interests than those of the Republic of Moldova and I hope that at some point the society and state institutions will held them accountable.

■ **In response to the COVID-19 pandemic, the Republic of Moldova has been in a state of emergency for almost two months. It is known that such periods make room for even more acts of corruption or various other illegalities. As a "Transparency International Moldova" expert, did you notice anything suspicious in this period?**

■ Certainly, during this period much less information is made public, including the contracts concluded by the authorities with certain economic agents for the delivery of equipment and protective materials for the medical staff. At the same time, there have been journalistic investigations into the avoidance of standard public procurement procedures or the lack of transparency in their conduct. The biggest nonconformities seem to be the exaggerated price of contracts and the fact that they are offered to companies or people connected to the political environment - in particular, to the Socialist Party and their partners in the Democratic Party. It is true that we have an extraordinary situation, which requires prompt measures and sometimes with some exceptions to the law. But this does not mean that everything can be done to the detriment of transparency and accountability, which have to be demonstrated, in particular, by the state institutions involved in managing the state of emergency. Obviously, once the state of emergency is over, we will ask for more information to verify the current suspicions - the origin of the beneficiaries of these contracts, how the public funds were used and whether the equipment and works purchased were really of good quality.

■ **Thank you for the interview.**

**Sorina Ștefăruță**

## Editorial

# Without credibility, the Republic of Moldova risks being ignored by its friends

**We are still in the midst of the COVID-19 pandemic, the societies and governments of the world are concerned, above all, with saving human lives. However, the planet is already thinking about the post-pandemic future - a future that, unfortunately, due to the economic crisis caused by the virus, is rather bleak.**

According to the International Monetary Fund estimates, the economic crisis caused by the COVID-19 pandemic is the worst in the last 75 years, its impact being more disastrous than the last global financial crisis. The fact that most states will see significant reductions in the Gross Domestic Product (GDP) is obvious, while the economic recession seems inevitable for the world's major economies.

### **Geopolitical competition will grow in intensity**

In these precarious economic conditions, we can expect a significant increase in the regional instability, but also in the European and global ones. The geopolitical competition between the great world powers will not be reduced, but, on the contrary, will increase in intensity. This is eloquently demonstrated by the aggressiveness of the recent anti-Western disinformation campaigns launched by the Russian Federation and China, aimed at blaming the US and the EU for triggering the COVID-19 pandemic, but especially at discrediting the ability of the democratic systems around the world to cope with such a crisis.

Nor can we rule out the possibility that a Russia with vindictive ambitions, weakened economically and politically as a result of falling prices for its crude oil and gas exports, will become more aggressive and uncompromising in promoting its interests in its immediate neighbourhood. And so, it may try to hide and compensate for its internal weaknesses. We can



**Victor Chirilă, executive director of the Foreign Policy Association (APE)**

be convinced that the Russian Federation will try to exploit the economic and social problems of the neighbouring states in order to anchor them more closely in the Euro-Asian space dominated by it.

### **A context not at all encouraging**

This context is not at all encouraging for the Republic of Moldova. The economic recession is inevitable, and the Russian Federation, as evidenced by the recent credit agreement negotiated and signed in obscure conditions by the current government, seeks to exploit our economic difficulties to the full, using a new instrument of blackmail and pressure against us.

Fortunately, we are not alone in the economic, social, political and geopolitical challenges looming. This is fully demonstrated by the financial assistance

already provided, under rather favourable conditions, to the Republic of Moldova by the European Union, the IMF and the World Bank, in order to cushion the immediate negative effects of the COVID-29 pandemic on its economy.

Our Western partners are with the Republic of Moldova, despite the rough ingratitude manifested ostentatiously these days by the current government. In particular, the attitude comes from the country's president, Igor Dodon, who has long forgotten his trumpeted "balanced foreign policy", becoming an amplifier of the disinformation campaign launched by Russia and China against the EU and the US.

### **More than ever, we need strong and reliable partners and friends**

However, the goodwill of our European and Western partners has a limit. This was conveyed to us as clearly as possible by

the Romanian Ministry of Foreign Affairs on the occasion of the tenth anniversary of the initiation of the Strategic Partnership for the European Integration of Republic of Moldova. Quotation: "Marking ten years since the signing of the Strategic Partnership is not only a source of satisfaction, it should also be an opportunity to look to the future with responsibility and pragmatism, so that, through renewed efforts, we can maintain and consolidate the European course of the Republic of Moldova. Unfortunately, the current political situation in Chisinau is not encouraging such an approach, while the recent developments don't show a continuation or implementation of sustainable reforms for advancing the European agenda and do not guarantee a European path for the Republic of Moldova. Under such conditions the development of the bilateral Strategic Partnership cannot fulfil its potential, according to Romania's will and capacity..".

This message indicates the state of mind in relation to the current government not only in Bucharest, but also in Brussels, Paris, Berlin or Warsaw - the only exception could be Budapest. On the verge of a long-term economic and social crisis, however, the Republic of Moldova cannot afford such a state of affairs. On the contrary, it needs stronger and reliable partners and friends more than ever. It needs them so that it doesn't end up being ignored or isolated. In turn, the friends need a Republic of Moldova that promotes a credible foreign policy, in full line with the national interests and commitments to implement the reforms undertaken by the Association Agreement with the European Union.

## COVID-19 'Infodemia' in Republic of Moldova and its implications for future elections

**Valeriu Paşa, project manager,  
„WatchDog.MD”Community**

***The pandemic that, in the last four months has covered the entire planet has generated a new notion, which characterized a growing phenomenon: infodemia. That is, a kind of information pandemic, dominated by fakes and media manipulations. The Republic of Moldova is no exception in this global process, and the vulnerability of the local information space - although it is not a novelty and we have more or less been accustomed to it - is becoming now even more pronounced ... How will infodemia influence the realities of the Republic of Moldova in a year that, in addition to the health crisis, economic downturn and the increasingly obvious drought, will be also an electoral one? Here is what we have learned about it from Valeriu Paşa, project manager with a "WatchDog.MD" Community Association - a public organization whose mission is to monitor public policies and analyze related areas, such as politics, elections, information security and international relations.***



Foto: Europa Liberă

### **An unprecedented wave of disinformation**

In the Republic of Moldova, as everywhere in the world, the pandemic caused by the SARS-CoV2 virus is associated with a huge wave of false or manipulative information, intensely spread in the public space [1]. Conspiracies, fake news, manipulative messages/ manipulators appear in the written press, on some TV stations and, mostly, on the internet. There are hundreds of thousands of videos, text posts, fake or interpreted images on social networks that gather millions of views and go viral at an unprecedented rate. [2]. This wave of disinformation

has various topics. Some are directly related to the disease - that it does not exist, that it is not so dangerous, that it can be treated with natural methods, that it does not have natural origins - or the treatment methods, or to the fact that it is much more dangerous than the doctors say [3].

But even more opinions, stories, campaigns are made up around derivative topics. Conspiracy theories prevail here. Advanced extra-terrestrial civilizations, if they exist anywhere, can rightly be envious of the invisible pathogen that is not even considered a living being. In record time, so many conspiracies have formed and developed around the disease

caused by the new coronavirus that their number has probably surpassed anything else. But the conspiracy theories also have a virus-like life - new ones appear largely through mutations and the combination of those that already exist. The actors who produce such conspiracies are diverse and borrow so much from each other that it is becoming almost impossible to identify a precise author for a particular narrative or statement. It's the same as in mythology - patterns that you find around the world and it is no longer possible to find their original source.

### ***Russia, the best teacher for China***

States that are instrumentalising disinformation and manipulating public opinion - whether they produce or sponsor or distribute manipulative messages - resort to this for both domestic (strengthening control over state power) and external policy (destabilizing the opponent, subversion of state institutions, promoting a government with a loyal position). The most effective propaganda machine globally belongs, by far, to Russia. And not because it would invest most of its money in production and distribution, but because it does so strategically, applying scientific methods. Russia is using resources efficiently, according to the logic of asymmetric warfare, and is investing in knowledge - collecting sociological and intelligence data from different countries, developing analytical centers with expertise in the countries concerned, etc. That is why an eventual campaign to discredit the European Union in the eyes of its own citizens, orchestrated by the Kremlin, is working.

Another relatively new to Europe player is China. With resources far beyond those held by Putin's regime, the Chinese Communist Party (CCP) has

decided to instrument the current global crisis so as to increase its positive image and influence in the world. Beijing does not pursue subversive goals as much as the Russian Federation, but does more PR. And don't forget about its global goal no. 1 - to challenge the US primacy in global politics. Hence the massive campaign to promote conspiracies, which tend to blame the US Government or well-known Americans (Bill Gates, various foundations, George Soros obviously) for the obscure creation and spread of COVID-19. The Chinese efforts are rudimentary, simplistic, yet functional. And the CCP learns from the best - right from the Kremlin's propaganda textbooks [4].

### ***The mainstream press is visibly overwhelmed by the situation***

State actors are by no means the only ones in amplifying these processes: they most contribute to the spread of false news and conspiracies by the citizens themselves. Some even produce them - because that's what they think! People have visions, opinions, and some are even convinced they are right. Thus, one can believe that garlic helps against the virus and, even if he/she has a medical degree, will write on Facebook about it and will gather hundreds and thousands of distributions. Or it could be a fake profile, run from a "troll factory" or from the headquarters of an anti-system party. Or it can be declared/ said by the president of the United States, only instead of garlic it will be chemical bleach and there will be hundreds of millions of views. And there would be a few unfortunates who will drink bleach or disinfectant. It can also be an Instagram vlogger from Chisinau who read something on an obscure website and found it important to share the news with the audience - and

there are tens of thousands of young people, most with exaggerated grades in chemistry, biology and physics, ready to consume that. Their grades are exaggerated enough for them to believe even that 5G frequencies can activate vaccine-implanted chips.

This is the information environment we live in today. The mainstream press is visibly overwhelmed by the situation. Including in the Republic of Moldova. The efforts of civil society and state institutions are not sufficient to change much. There is no regulatory framework, and the Information and Security Service's action to block certain sites that specialized exclusively in clickbait aroused mixed reactions in society....

### ***Moldovan government, with its own adapted propaganda***

In addition to the fact that the Republic of Moldova bathes and suffocates in this wave of global information garbage, we also have local nuances. Namely, there are enough media products or messages adapted or built specifically to manipulate the Moldovan public opinion. Here we also find clumsy attempts of the government to convince the citizens that everything is fine, while the Moldovan executive is a world champion in fighting COVID-19, respectively of the economic crisis. The propaganda machine employed by Igor Dodon & Co. doesn't shy away from embarrassment either - such as North Korean-style calls for subordination [5]. Discrediting the EU and the West in general is another major goal of the Moldovan government propaganda. And there's a double purpose here.

The first goal is to promote the agenda of the geopolitical boss of President Igor Dodon, namely the



Kremlin. For this, the specialists in political technologies affiliated to the government don't invent the bicycle, they only take over with or without retouching the technologies produced by Vladimir Putin's media corporation. In the Republic of Moldova, already three TV and several radio stations, hundreds of sites and social networking pages distribute daily hundreds of articles with negative connotations about the US and the EU, along with exaggeratedly positive news about the remarkable "successes" of Russia and, less frequently, of China, in combating the pandemic. Among them, of course, there are praises for "the skill and efficiency with which the president guides us out of the crisis."

### ***Igor Dodon's anti-EU discourse, perfectly matching Kremlin's anti-EU discourse***

Thus, the press affiliated to or sponsored by Igor Dodon or his geopolitical patrons is exploiting the information fund also created by it. For example, the subject of the alleged lack of support from the EU and the Member States for Italy and other countries severely affected by the pandemic has been heavily exploited by the Kremlin-controlled press. In Chisinau, this message has been widely promoted by the Russian media (Sputnik, RTR Moldova, etc.) and the media controlled by PSRM. Igor Dodon's discourse fits perfectly this informational background through which he challenges the substantiality of the aid granted to our country by the European Union.

There is no sophisticated strategy behind the way in which President Dodon is playing his game, taking advantage of the international infodemia. Instead, everything is logical and efficient, because, by

denigrating the EU and the USA, Igor Dodon and the pro-Kremlin press are eroding the electoral base of the political opponents of the current Moldovan president. Moscow works for Dodon and Dodon, in turn, works for Moscow. Execution of the mission has been rewarded - for example, through a loan with which Igor Dodon can finance his re-election. Moreover, in his desperation to denigrate the EU, Igor Dodon can justify his international isolation: "they do not want to help us, so we do not need them!". Igor Dodon's relationship with China plays a special role. In one of the numerous polls commissioned by the governance in Chisinau, the respondents reported that China helped the country the most during the pandemic. According to the same poll, the ratio to the EU is 2/1. Igor Dodon is playing with Beijing's geopolitical feelings - he wants a loan from them too.

### ***Talented authors in the service of the autumn election campaign***

The impact of spreading as many conspiracies as possible (whatever they are) is playing Igor Dodon's game. And this, because a fertile ground is created for other conspiracies, false news rumours that will all be put in the service of the autumn election campaign. And here Dodon has some really talented authors. The champion is the socialist MP Bogdan Țîrdea who hasn't written a single bill of his own over his two terms as deputy [6]. Instead, he currently delivers an average of three to four pieces of disinformation or conspiracies per day. He is a true master in the field.

Bogdan Țîrdea's "creations", grouped on his Telegram channel [7], are very illustrative of how the architecture of quality conspiracies and manipulations

works. For example, he has distributed recently a news from the international press claiming that the US and Israeli secret services had been warning the US leadership about the spread of COVID-19 since November 2019. After that, he suggests that this is precisely why Maia Sandu might have caused the fall of the Government in the same month of November 2019 - apparently, she might have known about the coming crisis and did not want to be responsible for managing the pandemic...

And don't believe that the deputy Bogdan Țîrdea does not know that the American or Israeli intelligence institutions do not report to the Moldovan prime minister. He knows this, as well as about the fact that most Moldovans have no idea how these services and institutions work, and that many of them like to believe that the Republic of Moldova is the "centre of universe and conspiracies".

Very "cheerful" elections are awaiting us in the fall.

[1] <https://www.un.org/en/un-coronavirus-communications-team/un-tackling-%E2%80%99infodemic%E2%80%99-misinformation-and-cybercrime-covid-19>

[2] <https://www.facebook.com/watchdogmd/videos/524452408500827/>

[3] <https://www.facebook.com/watchdogmd/videos/290978438537862/>

[4] <https://www.axios.com/coronavirus-china-russia-disinformation-playbook-c49b6f3b-2a9a-47c1-9065-240121c9ceb2.html>

[5] <https://www.kp.md/daily/27115/4193823/>

[6] <http://parlament.md/StructuraParlamentului/Deputies/tabid/87/Id/574/language/ro-RO/Default.aspx>

[7] <https://t.me/tirdea>

## Expert opinion

# Dumitru Pîntea: *The COVID-19 Crisis - how is the Republic of Moldova financing its budget deficit*



**A**long with the controversies generated by the opportunity to contract the “Russian loan”, another vital topic has been on the agenda of the government, but also of the experts: where to get money in a situation that is critical for the whole world, respectively all countries will be looking for sources of financing. The possibilities of filling the budget deficit of the Republic of Moldova in the context of the crisis caused by the COVID-19 pandemic has been also the topic of the [analysis signed](#) by the economic expert Dumitru Pîntea from the Expert-Grup, which we are publishing below.

In addition to the threats related to the population’s health, the crisis generated by the Covid-19 pandemic presents the first economic challenges. Quarantine and social distancing measures have significantly reduced the activity of companies, with the global economic growth forecasts being significantly revised towards a global recession of about 3%. The economy of the Republic of Moldova is no exception as several sectors are already registering a drastic decrease in the sales and revenues because of the impossibility to carry out the usual activity. In addition, the public finances are being put to a severe test - on the one hand they are affected by the reduction in the tax revenues, on the other hand, there is an increase in spending to support the healthcare sector. Also, the Government cannot leave the real economy without support, the expenses for supporting the enterprises and the population will increase considerably.

**In the situation of a state of emergency imposed as a result of the spread of Covid-19, the Government and Parliament**

**approved a significant budget correction.<sup>1</sup>**

The adjustment is based on a somewhat optimistic macroeconomic scenario, with a decrease in GDP in real terms of (only) 3.0% compared to 2019, an average annual inflation of 2.8% and an average exchange rate MDL/ USD of about 19 lei. Even so, the revenues of the national public budget will decrease significantly, by more than 7.5 billion MDL, while the spending will increase by about 1.3 billion MDL. In this context, the budget deficit may reach 16.2 billion MDL, which is more than double than initially estimated (7.4 billion MDL at the time of approval of the State Budget Law for 2020<sup>2</sup>).

**Although the current level of public sector debt is not a problem, in the current context any expenditure must be thoroughly justified.**

Simultaneously with the review of existing

- 1 Government Decision on the approval of the draft law on amending the State Budget Law for 2020 no. 172/2019, [https://gov.md/sites/default/files/document/attachments/intr03\\_2\\_1.pdf](https://gov.md/sites/default/files/document/attachments/intr03_2_1.pdf)
- 2 State budget Law for 2020 No. 172 from 19.12.2019, [https://www.legis.md/cautare/getResults?doc\\_id=119651&lang=ro](https://www.legis.md/cautare/getResults?doc_id=119651&lang=ro)

spending programmes, the Government has included a number of new programmes to support the healthcare sector with immediate and longer-term impact. Expenditure programmes are also provided to mitigate the negative impact of the pandemic on the businesses and population. Credits attracted from international financial organizations and bilateral loans from the governments of other countries will serve as sources of financing for the envisaged measures. Creditors such as the International Monetary Fund (IMF), the World Bank, the Council of Europe Development Bank, the European Union (EU) and the Government of the Russian Federation are mentioned.

**In the context of the state of emergency, the Republic of Moldova has several options for financing the budget deficit.** The establishment of the state of emergency is a widely accepted reason for extending the budgetary expenditures beyond the limits imposed by the budgetary-fiscal legislation. While internally the financing options are limited (loans from banks, privatizations or, indirectly, money from the NBM), externally, the range of creditors becomes much more diversified. In the context of the Covid-19 pandemic, international financial institutions such as the IMF and the World Bank have made billions of dollars available to members through fast, cheap and unconditional reform instruments. For Moldova, the support announced by

**Table. The main features of the Financing Agreements concluded by the Republic of Moldova between 2015 - 2020 for the purpose of financing budgetary expenditures**

Creditor	Amount allocated	Stated purpose	Conditions for granting the loan
International Monetary Fund	235 mil. USD	Urgent financial assistance to mitigate the economic and social impact of the Covid-19 pandemic aimed at meeting urgent balance of payments needs, catalysing support from development partners and supporting the imminent needs of the healthcare system.	Financial assistance is provided through two emergency financing instruments, with no need for a full programme with the IMF, namely: <ol style="list-style-type: none"> <li>78.4 mln USD through the Rapid Lending Instrument (RLI). The interest rate for RLI loans is equal to 0%, the grace period for such loans is 5½ years, with 10-year maturity;</li> <li>156.7 mln USD under the Rapid Financing Instrument (RFI). Financial assistance through RFI is granted under the same conditions as for stand-by agreements (at the moment, the interest rate is about 1.5%) and the maturity is between 3 and 5 years.</li> </ol>
World Bank	53 mil. EUR	Loan for the implementation of the "Emergency response to Covid-19" Project with emphasis on strengthening the technical capacities of healthcare institutions for staff protection and serious cases management, and reducing the negative financial impact at the household level.	The 52.9 million EUR financing agreement negotiated with the World Bank is to be supported by the International Development Association (IDA) credit resources. The loan is provided at a cumulative interest rate (including service fee) of 0.75% per annum, with a grace period of 5 years and a maturity of 25 years.
The Council of Europe Development Bank	70 mln. EUR	<ol style="list-style-type: none"> <li>40 mln EUR for endowing the hospitals with medical equipment and devices, and re-equipping the healthcare facilities;</li> <li>30 mln EUR for granting loans on preferential terms to SMEs through commercial banks.</li> </ol>	There is currently no public information on this loan. However, loans from the CEB are usually social in nature and are provided on fairly easy terms. For example, the 12 mln EUR loan contracted in 2018 to purchase ambulances was provided in two instalments, at an interest rate applied on international financial markets (around 1%), with a maturity of up to 15 years.  At the same time, in case of delayed payments, penalties will be calculated in the form of + 2.5% interest to the already existing interest.
Government of the Russian Federation	200 mln EUR	Loan granted for strengthening the relations between the Republic of Moldova and the Russian Federation and for supporting Moldova's budgetary needs.	The loan is granted at an annual interest rate of 2% and is to be repaid within 10 years on the basis of 20 equal half-yearly payments. Payments will be made on March 15 and September 15 of each year, starting in 2021.  If interest is not paid within 10 calendar days of the respective date of payment, this debt will be declared outstanding and interest in the amount of 150% of the interest rate on the loan (essentially plus 3 percent) will be calculated starting from the respective date of payment and until the debt is paid.  At the same time, the loan has a number of non-financial conditionalities, respectively, in order to expand trade and economic relations between the parties, Moldova will make efforts to achieve joint projects (so a joint decision is needed) with the involvement of the Russian companies.
Romanian Government	150 mln EUR	Medium-term repayable financial assistance in the form of a loan	The loan is granted in maximum three installments based on a pre-established schedule with a 5-year maturity for each installment and an interest rate of about 1.5%. The loan agreement has no conditionalities except for the existence of the financing facility concluded by the Republic of Moldova with the IMF, which in turn has certain conditionalities for reforms.  If the repayment of the loan is not possible, the rescheduling of debts will take place under the same conditions and privileges as in the case of financing agreements from international financial institutions. At the same time, in case of delayed payments, penalties will be calculated in the form of a + 2% interest to the already existing interest or the + 3% EURIBOR interest.
European Commission	100 mln EUR	Macro-financial assistance to reduce external financing constraints, support budgetary needs, strengthen foreign exchange reserves and overcome the external and financial vulnerabilities. It includes a 60 mln EUR loan facility and a 40 EUR million grant facility.	The loan facility is granted in three installments with a maturity of up to 15 years at the interest rate at which the European Commission borrows on the international financial market (0.5% on average in 2019 for bonds issued with a maturity of 15 years).  At the same time, the granting of the three tranches of assistance is conditioned both upon satisfactory balance in terms of the implementation of the loan agreement between Moldova and the IMF and by a positive assessment by the Commission, on behalf of the European Union, regarding the progress on a number of macroeconomic and structural adjustment measures.

Source: based on data from the Financing Agreements

the two institutions amounts to about 300 million USD. In response to the crisis, the EU also announced non-reimbursable support for both member and associated countries. A non-reimbursable financial support of about 87 million EUR has already been announced for our country<sup>3</sup> along with the possibility of providing assistance of around 100 million EUR.

**In addition to the financial support from the IMF and the EU, the authorities also resort to less traditional creditors that can affect our country's external relations both financially, politically and even geo-politically.** Recently, Moldova signed a loan agreement of 200 million EUR with the Government of the Russian Federation which, although presented as a response and support in the context of the Covid-19 pandemic<sup>4</sup>, it is rather intended to support the electoral projects announced at the beginning of the year. A good part of the financial resources (1,3 billion MDL) has already been included in the budget rectification draft for the implementation of the "Road Infrastructure Development Programme with the support of the Russian Federation" Project, which is nothing more than a new "Good Roads"

- 3 UE sprijină bilateral Republica Moldova în combaterea crizei prin realocarea a 87 milioane de euro, <https://mfa.gov.md/ro/content/ue-sprijina-bilateral-republica-moldova-combaterea-crizei-prin-realocarea-87-milioane-de>
- 4 Declarațiile Președintelui Igor Dodon privind creditul oferit de Federația Rusă, <https://sputnik.md/economics/20200418/29932562/Federaia-Rus-a-aprobat-creditul-de-200-de-milioane-de-euro-pentru-Moldova-.html>



Programme. Obviously, we do not doubt that any public infrastructure works will help the economic agents somewhat in times of crisis, however, the most delicate question remains the opportunity of these works and how to achieve them in the context of the existence of several conditionalities.

**The loan agreement signed with the Government of the Russian Federation raises several questions about both financial provisions and non-financial conditionalities.** Though presented as a budget support loan, the Government cannot use this money as it sees fit, but only to support joint development projects and with the involvement of companies of that country. Thus, the Government does not seem to have the possibility to individually assess the project opportunities as the decision will be taken together with the Russian side. Another provision that deserves special attention and additional explanation is related to the consolidation of all debts of the Moldovan

side, without clarity regarding the current situation of all the active obligations of the Republic of Moldova towards the Russian Federation. Such obligations cannot be accepted without expressly adding the list of existing obligations. Finally, the repayment terms, including the interest on this loan, seem to be among the toughest on the list of all financing agreements that our country has in force at the moment, or which are at an advanced stage of approval.

**The agreement signed with the Russian side cannot in essence be compared with any financing instrument granted by other creditors, either in the context of the Covid-19 crisis or other budget-support loans.** However, for a clearer picture on this issue, Table 1 shows the main conditions for attracting funding from various external partners, with a focus on the funds recently attracted from international financial institutions (multilateral creditors) and those contracted from other bilateral partners.

The opinions expressed in the newsletter are not necessarily those of the Friedrich-Ebert-Stiftung (FES) or of the Foreign Policy Association (APE).