

SNAP PARLIAMENTARY ELECTIONS IN MOLDOVA

Party of Action and Solidarity to form government with unprecedented mandate

July 2021

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| Issues & Sectors | Moldovan Snap Parliamentary Elections |
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On July 11th, Moldovan voters went to the polls to elect the country's 101 members of parliament for the next legislative term. As widely expected, the Party of Action and Solidarity (PAS) of incumbent President Maia Sandu emerged victorious, securing 53% of the popular vote and a close-to-constitutional majority. The result represents an historic mandate and most likely the beginning of a new chapter in Moldovan politics, centered around a business-friendly and reformist PAS government.

Below we provide a brief introduction into Moldova's current affairs and take a closer look at the results of the snap parliamentary election, its impact on the business community and potential directions the country may now take.

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A LIKELY END TO POLITICAL INSTABILITY

The snap parliamentary elections in Moldova on July 11th could potentially lead to the end of a years-long domestic political crisis which has had a profound impact on the country's political and governmental stability. Driving this crisis has been a long-running stand-off between Moldova's pro-European parties and those favouring closer ties with Russia, as well as with the former ruling Democratic Party of Moldova (PDM). In a highly unusual move after the 2019 parliamentary elections, the Party of Action and Solidarity (PAS), the party of incumbent President Maia Sandu – running as part of the pro-European ACUM electoral bloc at the time – formed a surprise coalition in May 2019 with its main ideological rival, the Russian-leaning Party of Socialists of the Republic of Moldova (PSRM) of former President Igor Dodon. Headed by Sandu as Prime Minister, the coalition came together to end a political deadlock and ensure the continuation of government. Most importantly, however, the unlikely coalition aimed at cracking down on the oligarchic influence of Vlad Plahotniuc, a Moldovan businessman widely believed to control the Moldovan state through the formerly ruling PDM. As many expected, cracks emerged in the Sandu Government shortly afterwards and it was eventually toppled by the renewed alliance of the PSRM and the PDM over Sandu's proposals to clean up the country's legal system from corruption.

Following the collapse of the Sandu Cabinet in November 2019, Ion Chicu, a former Finance Minister and close adviser to former President Dodon, formed a PSRM government with outer support from PDM and independent MPs. In March 2020, the renewed PSRM-PDM alliance was strengthened by a government reshuffle in which the cabinet added five new ministers from PDM. In a pre-emptive strike to increase its negotiating position ahead of the 2020 Presidential election, the party withdrew its ministers, leaving Moldova with a minority government again. Held in last October and November in two rounds, the 2020 Presidential election proved a turning point for Moldovan party politics: campaigning on a strong anti-corruption and reformist platform, former PM Sandu scored a decisive win after winning 58% of the popular vote against former President Dodon who had served as head of state since 2016¹.

Having secured the Presidency, Sandu, who has remained popular among Moldovan voters, was widely expected to continue with a strong anti-corruption drive. However, Moldova's parliamentary system has so far largely prevented her from doing so: the President can initiate legislation, but has limited powers and is a largely ceremonial role in practice, which is why Sandu vowed to push for snap parliamentary elections (and support PAS, whose popularity was gradually increasing). In a bit to limit the then-incoming President's room for manoeuvre, the PSRM-led majority scrapped Sandu from controlling the country's secret services as they looked to cement their influence.

A month after the 2020 presidential elections, however, the Chicu Government eventually resigned to avoid a no-confidence vote in parliament – just as Sandu assumed her office in December 2020. Chicu was succeeded by Aureliu Ciocoi, his Foreign Minister and a former advisor to Dodon, as acting Prime Minister. To replace Chicu at the helm of the cabinet, Sandu – as President – nominated Natalia Gavriliță, a former Finance Minister as PM. The nomination was widely seen as a move to push for snap parliamentary elections: the fragmented parliament was highly unlikely to approve Gavriliță's candidacy (and did not) and the Moldovan parliament can be dissolved by the President after two failed attempts to approve a new government.

In February, the dissolution of parliament and the subsequent push for early elections were stopped by the Constitutional Court of Moldova, which ruled that Sandu had acted against the constitution, arguing she should have accepted a proposal from parliament (practically from PSRM). Two months later, the country's leading court appeared to change its legal opinion, however, adding that parliament cannot be dissolved during a state of emergency. On March 31st, MPs – led by PSRM – introduced a state of emergency, officially

¹ Please see [here](#) for Kesarev's analysis of the 2020 Presidential election

with the aim of curbing the spread of the COVID-19 pandemic, but also, critics claimed, as an attempt to postpone new elections.

On April 28, the Constitutional Court ruled that the state of emergency was imposed illegally, since only a Prime Minister with a full mandate – not an interim one – can ask parliament to approve emergency legislation. Immediately after the country's top court ruled on the issue, Sandu dissolved parliament, paving the way for the snap parliamentary vote held on July 11st.

ELECTION RESULTS

As widely expected, the elections have drastically reshaped the balance of power between the established political parties and groups. Sandu had tried to steer away from the enduring domestic political conflict, instead focusing her presidential campaign on fighting poverty and corruption, as well as renewing Moldova's aspirations to seek closer ties with the European Union, both economically and politically. Pre-election polls showed her party, which ran on the same platform, continuously gaining in popularity, just as support for the rest of the parliamentary parties has faded.

- › With a turnout of 48%, Sandu's PAS, which this time ran on its own, heavily profited from the President's popularity and gained close to 53% of the popular vote. Support for the party has doubled since the last parliamentary elections in 2019 when PAS – running in the ACUM electoral bloc with the Dignity and Truth Platform Party (PPDA) of Andrei Năstase, a former deputy PM and key figure from anti-corruption protests of 2015 – secured only 26.9% and came second. As with Sandu's presidential campaign last year, PAS received the vast majority of the Moldovan diaspora votes.
- › Reacting to the rapidly growing popularity of its main political rival, the Dodon-led PSRM joined forces with the Party of Communists of the Republic of Moldova (PCRM), the two parties running as the Electoral Alliance of Communists and Socialists (BECS). The alliance, formed only two months before the vote, received 27% of support, 4% less than in 2019 when PSRM secured slightly more than 31%. The new electoral bloc managed to rally most of Dodon's supporters but failed to attract new voter groups, leaving the two parties in second place and with 32 seats in the country's 101-seat parliament.
- › In addition to PAS and the BECS, only one more political formation, the socio-populist ȘOR party, passed the 5% threshold to enter parliament, gaining close to 6% of the vote and 6 seats in parliament, one MP short of its previous electoral performance. The party is named after Ilan Șor, an Israel-born businessman and former Mayor of Orhei who was convicted of fraud and money laundering in connection with the "Grand Theft", a 2014 financial scandal that siphoned off close to €1 billion from three Moldovan banks. Șor denies any wrongdoing, but left Moldova for Israel to escape prison.
- › By far the biggest loser of the elections is the formerly ruling PDM which has faced mounting criticism for links to corruption. Two years ago, the Plahotniuc-affiliated party came in third during the last parliamentary elections, securing 24% of the vote and almost a third of all seats in parliament. Having been almost continuously in government since 2009, PDM has now fallen out of parliament and seems unlikely to re-enter the political arena in its current form. Also now lacking parliamentary representation is the PPDA party of Sandu's former ally, Năstase. Back in 2019, PPDA – running on a joint list with PAS – emerged as the third largest formation.
- › Equally important is the electoral loss of the BERU, the party of Renato Usatîi, the Mayor of Moldova's second largest city, Bălți. The Russian-leaning populist performed surprisingly well during last year's presidential election, securing 17% of the vote and coming in third after Sandu and Dodon in the first round. His party, however, fell short of entering parliament by securing only 4.1%.

ELECTION RESULTS

| Political Party | Popular Vote – July 2021 (%) | Projected Number of MPs |
|--|------------------------------|-------------------------|
| Party of Action and Solidarity – PAS (centre-right/liberal, pro-European) | 52.8 | 63 |
| Electoral Bloc of Communists and Socialists – BECS (pro-Russian, democratic socialist) | 27.17 | 32 |
| ŞOR Party – ŞOR (Eurosceptic, socio-populist) | 5.74 | 6 |
| Electoral Bloc “Renato Usatîi” – BERU (Eurosceptic, socio-populist) | 4.1 | 0 |
| Dignity and Truth Platform Party – PPDA (liberal, pro-European) | 2.33 | 0 |
| Democratic Party of Moldova – PDM (centre-left) | 1.81 | 0 |
| Total | | 101 |

(Source: Central Election Commission of Moldova)

IMPLICATIONS FOR FOREIGN INVESTORS

PAS has secured a near-constitutional majority during the snap parliamentary elections, pointing to an historic mandate given Moldova’s recent history of short-lived and fragile coalition governments. The one-party majority will allow PAS to pursue its political agenda almost uninterrupted as soon as the country’s next government is sworn in (the next parliament is set to convene no later than 30 days after its election).

- › At present, Natalia Gavrilă is favourite to be nominated for Prime Minister. Now a London-based economist, the Harvard-educated Gavrilă briefly served as Finance Minister in the Sandu-led ACUM-PRSM cabinet in 2019 and was the President’s first choice for the position of acting PM after Ion Chicu resigned last December. Prior to her appointment as Finance Minister, Gavrilă worked at Global Innovation Fund and as State Secretary at the Ministry of Education. Among other likely contenders is Igor Grosu, an MP with PAS and the acting leader of the party after Sandu won the Presidential election last year. Taking the European aspirations of PAS into account, the new government is likely to include cabinet members who have international experience and/or reputations from the West.
- › PAS’ landslide victory could give new impetus to Moldova’s EU membership bid. Moldova had previously joined the EU’s Eastern Partnership, along with five other former USSR states, and signed a Deep and Comprehensive Free Trade Agreement (DCFTA), securing preferential EU treatment for local businesses. Dodon’s Presidency was characterized by continuous scepticism towards any bilateral ties with the European bloc and looked to downgrade existing achievements of EU integration. In contrast, Sandu is actively seeking better diplomatic relations with the EU and her party’s convincing majority could become the backbone of the President’s foreign policy agenda. Together with Georgia and Ukraine under the EU+3 format, Moldova has also expressed interest in going beyond the Eastern Partnership and taking EU integration to a new level. However, much of this is dependent on how much the next government is capable of executing systemic reforms to achieve greater convergence, which remains to be seen.

- › The incoming government will actively seek – and rely on – political and financial support from Brussels. On June 2nd, the European Commission proposed a €2.3 billion-strong economic and investment plan for the Eastern Partnership countries, including €600 million for Moldova under a scheme very much similar to the NextGenerationEU recovery fund for EU member states established to support long-term recovery against the COVID-19 crisis. Although the recovery package came as an offer from the European Commission, President Sandu is largely credited for the investment plan, announced in the middle of the election campaign. In comparison, the Chicu Government in 2019-2020 struggled for months to secure macro-financial assistance worth some US\$200-300 million from the International Monetary Fund. The proposed long-term objectives of EU-Moldova ties are likely to be discussed and agreed on during the upcoming Eastern Partnership summit scheduled for December.
- › In addition to an anti-corruption drive in the country’s public administration and the reform of the judicial system, the immediate priorities of the new Government are likely to include courting international financing and investment to support the post-pandemic economic recovery. Often dubbed as the poorest country of Europe, Moldova’s economy relies heavily on agriculture, for which PAS is also seeking EU funding for rural modernization projects. PAS’ election manifesto also included providing support for domestic businesses and potential investors, creating new jobs, especially in the Moldovan countryside, and simplifying the rules of opening businesses. Tackling corruption, which the International Monetary Fund has called “systemic” in Moldova, would certainly increase the country’s investment potential: Moldova is ranked 115th out of 180 countries in the latest Corruption Perception Index of Transparency International. The new Government is likely to craft economic policy to support growth prospects: Moldova’s GDP suffered a 7% contraction last year due to the global economic downturn. However, a revised EBRD forecast predicts the country’s GDP will grow by 4.5% this year and by 4% in 2022.
- › While Sandu has promised to seek pragmatic relations with Russia, the incoming government will certainly face a geopolitical challenge over the disputed region of Transnistria, a breakaway region in the country’s east. Transnistria hosts a Russian military contingent installed as peacekeepers and its administration lacks basic international recognition. Notably, Sandu promised to expel Russian peacekeepers and restore Moldovan authority. Furthermore, and more important in the short term, the new President has also vowed to strengthen her country’s partnership with Ukraine to crack down on smuggling and organized crime occurring on the region’s border with Ukraine. The risk of an intensified Russian reaction to Moldovan initiatives about the region is possible but remains dependent on the priorities of the new leadership in Chisinau.

CONCLUSION

The historic mandate secured by PAS should reduce the risk of political instability in Moldova after a decade of political struggles between the country’s various parties and inside its previously ruling coalitions. As well as responding to electoral demands supporting its anti-corruption efforts, the incoming government is likely to prioritize securing international political and financial support from the West and to strengthen its relations with the European Union. However, while the one-party government could mean the potential end of political uncertainty in the long-term, a failure to deliver on systemic reforms or cooling tensions with Russia over Transnistria could negatively impact our forecast.

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