CONFLICT STUDIES **2**

Conflicting Interests

Moldova and the impact of Transdniestria

Tony Vaux with Jan Barrett

Humanitarian Initiatives

Foreword

Following the collapse of the Soviet Union, the sudden rise of nationalism throughout the region put minorities under threat. Majority populations struggling to separate themselves from Russia and define a national identity sometimes took too little account of the impact on national minorities..

In most cases there was little more than tension and some limited violence, and the state emerged unscathed. But in Georgia, Azerbaijan and Moldova minorities established their own political entities – Abkhazia, South Ossetia, Nagorno-Karabakh (focus of the first report in this series) and Transdniestria. The problems are now very difficult to resolve because they expose the difficulty of balancing national sovereignty with the right to self-determination.

But this is not the only reason why they are unresolved. These separatist entities open the way for smuggling and criminal networks on a scale that subverts the state and threatens the neighbouring countries. The rest of the world fears that such entities may be drawn into terrorism.

The Russian-speaking Eastern part of Moldova broke away from the larger Romanian-speaking area and established itself as the self-proclaimed republic of Transdniestria. For more than a decade this territory has acted as a conduit for smuggling, creating a situation in which the unofficial economy is thought to be larger than the official one. Fuel oils, cigarettes and luxury goods are among the items that enter Europe through this broken back door. Some of them have been exported duty free from the European Union, and then imported back without payment of tax.

The damage to Europe is spread widely, but the damage to local people is intense. Only a very few people benefit from the trade, and the criminal networks are relatively small. A few people are conspicuously rich, but most Moldovans suffer. Smuggling results in reduced government service, corruption and poor governance. The conflict is a parasite that constantly weakens its host. While Romania is on course to join the European Union, Moldova is distinguished as Europe's poorest country.

NOTE: This document does not necessarily reflect the official opinions or policies of DFID. Correspondence or requests for copies of publications should be addressed to Tony Vaux by email at vauxt@aol.com

This study shows how conflict, governance and poverty are interlinked. It argues that fundamental change can only happen when issues are tackled in a strategic and coherent way. After ten years massive vested interests have built up around the status quo. International attention is not sufficiently sharply focused to challenge these interests.

In this context change may have to come from the poorer people of Moldova – for they are the ones who have the most to gain. And donors may have to take their time, and be willing to work on collective strategies. The report ends with a Peace-Building Framework suggesting ways in which the international community can develop such an approach.

Tony Vaux

Humanitarian Initiatives
January 2003

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We also thank Rob North for allowing half the DFID staff in Moldova, in the form of Silvia Apostol, to be released from other work for the entire period of the study in Moldova.

At the time of our study, from March to May 2002, a full British Embassy was in process of establishment. Helen Arbon, Second Secretary, was extremely busy with those arrangements but always found time to share insights and discuss our experiences.

This strategic conflict assessment follows on from a similar study conducted for DFID by Susan Woodward in 2000 as one of a series of four 'test' studies managed by INTRAC, Oxford. Originally we had planned simply to update the Woodward study but it became increasingly apparent that considerable changes had taken place, and a different approach was needed. The current study is almost entirely new. Nevertheless, we acknowledge the input from Susan Woodward and her team.

We would also like to thank Richard Morris of Stonesfield Design for once again demonstrating his creative skills as a designer.

And finally, we would like to acknowledge the huge intellectual input from Jonathan Goodhand who developed the methodology of Strategic Conflict Assessment used in this report. We hope that this result is worthy of his pioneering work.

Acronyms

CCA	Centre for Conflict Analysis
CFE	Conventional Forces in Europe
CIS	Commonwealth of Independent States
CPSU	Communist Party of the Soviet Union
CSP	Country Strategy Papers
DFID	Department for International Development
DMR	Dnestr Moldovan Republic
EBRD	European Bank for Reconstruction and Development
ECT	European Children's Trust
EU	European Union
FIS	Foundation for International Security
FSU	Former Soviet Union
GTZ	Gesellschaft für Technische Zusammenarbeit
IOM	International Organisation of Migration
IPP	Institute for Public Policy
JCC	Joint Control Commission
JCDC	Joint Committee for Democratization and Conciliation
MICOM	Moldova Initiative Committee of Management
OSCE	Organization for Security and Co-operation in Europe
PBF	Peace-Building Framework
PLCA	Programme–Level Conflict Assessment
SCA	Strategic Conflict Assessment
SIDA	Swedish International Development Agency
SIF	Social Investment Fund
SRLP	Sustainable Rural Livelihoods Programme
TACIS	Transition Assistance to the CIS
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WTO	World Trade Organization

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Contents

Executive Summary 5

FULL REPORT **Stategic Conflict Assessment (SCA)** 10

SECTION ONE **Sources of conflict in Moldova** 11

Background
Sources of tension and conflict
- Security issues
- Economic issues
- Political issues
- Social issues

SECTION TWO **Conflict dynamics and triggers** 19

SECTION THREE **Current responses** 20

SECTION FOUR **Strategic options and opportunities** 23

SECTION FIVE **Conclusions and recommendations** 24

Notes 27
Appendix One: Bibliography and websites 28
Appendix Two: A peace-building framework for DFID 29

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Dniester
Briceni
Balti
Ribnita
MOLDOVA
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Executive summary

Introduction

Strategic Conflict Assessment treats conflict as an integral part of political, economic and social processes. It provides a model from which an understanding of conflict can be integrated into policy-making at all levels, and it may also help to integrate aid with diplomatic and security policy. The responses arising from such analysis are less likely to be separated out into 'conflict' and 'non-conflict' sectors but instead to address governance from a conflict-informed perspective.

The first part of this report consists of a Strategic Conflict Assessment (SCA) based on the methodology developed by DFID[1]. The three main steps in this process are:

- Analysis of structural causes, positions of the actors and conflict dynamics
- Analysis of the responses to conflict
- Examination of opportunities and options

The SCA ends with recommendations for strategic responses.

The second part of the report is a Peace-Building Framework – a set of responses to the conflict for DFID or other international aid agencies to consider. The timescale for the responses envisaged is three to five years.

An 'experimental' SCA of Moldova was conducted by DFID in 2000 when DFID was still developing the methodology. This consisted of two field visits in February and March, and an unpublished report dated May 2000. The current SCA is based on new research and fieldwork between March and May 2002 and reflects the general situation upto the end of 2002. The team for these later visits comprised Silvia Apostol of the DFID office in Moldova, Jan Barrett who is DFID's Social Sector Field Manager for Moldova and Ukraine and Tony Vaux of ***Humanitarian Initiatives***, a consultant specializing in conflict analysis[2]. DFID's Representative in Moldova, Steliana Nedera was also closely involved in the process.

Strategic Conflict Assessment: summary

Overview of causes

Moldova's process of transition from a Soviet system of central control to a market-based democracy has been very slow – and there are now serious questions whether Moldova will join Europe (in the broad economic and political sense) or remain linked to the Russia-Ukraine-Belarus group. The specific causes for Moldova's slow transition are:

- Economic dependence on Russia
- Governance undermined by the unofficial economy

This study demonstrates that both these factors derive from – or at least have been seriously exacerbated by – a third underlying cause, namely the unresolved Transdniestrian conflict. The three issues are bound together, and vested interests have grown up around them cementing them together. Apart from extraordinary and unlikely geopolitical changes that might put Moldova at the centre of international attention, there are no immediate prospects of resolution. A major factor is that Russia has little to gain from such a settlement.

For the time being the only approach available is to exert pressure on governance. But this can be achieved only to a limited extent by direct inputs, such as technical assistance to government. Corruption has such a grip on the political system that it will undermine such efforts. There is a need for firm action in support of European and international standards, notably the accession treaty of the Council of Europe. But for the long-term this report charts a course for developing the influence of those who are most negatively effected – namely the silent majority who do not gain from smuggling and illegality.

It is important to recognize that Moldova is not inevitably destined to integrate with Europe or Western models. With the collapse of the Soviet Union, Moldova has lost its main export market (77% of all Moldovan trade was with the former Soviet Union), yet it remains dependent on imports of energy and raw materials from Russia, as well as for re-scheduling its largest and most immediate debt repayments. Gathering Moldova towards European standards should not be done in such

a way as to antagonize Russia. Moldova will need good relations with Russia, whatever its future political status.

Russia is also the key actor in the Transdniestrian issue, firstly because of its formal role as mediator, secondly because of the presence of Russian troops and thirdly because of its control of the Transdniestrian authorities through energy supplies and trade. It would be no exaggeration to say that Moldova itself is in the grip of Russia. But in comparison with Georgia, for example, Moldova seems relatively comfortable with this, and indifferent towards Romania and Western Europe. The election of a Communist government in 2001 is perhaps a demonstration of this.

Despite having some of the most fertile soils in the former Soviet Union, Moldova is now the poorest part of Europe, and its rural people survive by subsistence, remittances and tiny welfare payments or pensions. With near total unemployment – or employment below subsistence wages – they conduct their transactions almost entirely by barter. The registered daily income of 80% of the population is below $1 per day.

International policy has had a role to play in the impoverishment of Moldova. Structural adjustment policies have resulted in increasing cash charges for utilities and services but produced little benefit in terms of cash income. The economy has fallen to a third of the level before independence in 1991, and only in the last year has it shown any positive growth. GDP per capita is the lowest in Europe and the fall in output since the end of the USSR is the largest of all post-Soviet countries except Georgia – significantly, another conflict-affected country.

Moldova shows both high-consumption lifestyles and appalling poverty. The cost of basic heating is the same as the average monthly salary of a worker in the public sector ($35). At least 20% of the population has migrated abroad. Some of this migration could be described as 'forced' since the alternative is starvation. This leads people to extreme sacrifices and extraordinary violations of human rights. The criminal networks that arose around smuggling have turned their attention towards exploiting the bodies of the poor. It is common for Moldovan migrants to be deprived of their passports and end up as virtual slave labour, especially in Ukraine and Russia but also elsewhere in Europe. Trafficking of women and girls has become a chronic feature of Moldovan life, controlled by organized criminal networks that seem immune to official control. Many of these women and girls end up in Kosovo, where they are forced to provide sexual services for the international forces[3]. When international agencies talk of human rights in Moldova they often strike a discordant note against this background of exploitation abroad.

The prime cause of the economic malaise is corruption, and corruption is built into the system because it is almost impossible to operate legally. Employers who try to do so will be undercut by those who pay bribes and so avoid the punitive taxes and complex regulations that subvert normal trade. The result is that national revenue is decimated by tax evasion and smuggling. The going rate for a bribe to avoid tax payment is said to be about a third of what should have been paid as tax. It is estimated that the parallel or black economy is now considerably larger than the official economy and it includes elements of organized crime with international links. It could be said that Moldovan crime has been globalized, while its legitimate production has been reduced to local barter.

The predatory and underpaid bureaucracy remains a considerable obstacle to those who are not politically connected. The burden of corruption falls heavily on the smaller businesses, making it practically impossible for ordinary people to enter the market. The result is a highly divided society with a weak middle class. As a corollary, civil society is also weak.

Although Moldova has conducted reasonably free and fair elections, political parties are prey to vested interests, and practically all the political parties serve (and are part of) the same predatory elite. The result is a political system in which the only difference between leaders may be their personal likes and dislikes – a clan-like structure of colleagues and acquaintances. This system is quite diffuse and includes elements of genuine competition. In the last elections the majority Centre-Right parties – despite enjoying overall public support – proved unable to form a coalition against the Communists.

Public confidence in political systems is low. The result of the 2001 election may be a mark of desperation – voting for the Party of the past, in hope of bringing back the services and employment levels of Soviet times. But today's Communists lack the ideological basis that would challenge corruption. Little has changed since the election and the same questionable political-economic linkages have re-emerged. The spoils of Transdniestria, the massive personal profits to be made from smuggling, constantly undermine the political system.

Transdniestria has become a nexus for customs evasion, flooding Moldova with cigarettes, oil and luxury goods that have generated no revenue for the Treasury. The Transdniestrian authorities collect the taxes on Moldova's behalf and do not hand them over[4]. Many of these goods are destined for European markets, and simply transit through Moldova, and some have been exported from European countries and then imported through Transdniestria in order to profit from its lower tax levels.

The process creates a vicious circle in which government staff are so badly paid or paid so far in arrears that they become corrupt themselves. Moldova has been unable to sustain pension and welfare payments for its increasingly impoverished people, who are then forced to seek yet more desperate measures to survive. Members of the international community tend to treat the Transdniestrian conflict as a separate issue from governance and poverty. But the scale of the shadow economy based on Transdniestria is so large that it permeates the political and economic system.

Gagauzia

By comparison with Transdniestria, the current tension in Gagauzia is much less significant. The conflict is primarily political in character, largely stemming from failure to implement the 1994 Special Status agreement. The outlines of the agreement are clear but the details have never been worked out. The development of the legislative framework to support full implementation of the agreement is clearly possible but the political will has been absent.

The problem seems to arise primarily from political rivalry and has little to do with the separate ethnicity of the Gagauz people. There has been a spectacular display of political in-fighting, but no sign that people are going to take to the streets. The current ambiguity in the relationship between the central and regional authorities supports political opportunism played out in an atmosphere of confrontation and brinkmanship.

But the situation is not comparable with Transdniestria. The key factor is that Gagauzia is land-locked within Moldova. It has no external borders and so there are not the same opportunities for smuggling. The international community is right to keep a watch on the situation and could be more proactive in identifying opportunities to support an early resolution. But Gagauzia is a neglected region rather than a secessionist state – a political problem rather than a threat to peace.

Conclusion

The main issue is the continued existence of Transdniestria as a natural haven for smugglers, racketeers and organized crime. It poisons Moldova's prosperity and has wider political significance because it draws Moldova back within the Russian ambit. It may ultimately affect the line that divides the European Union from the East. With Romania likely to accede to the EU, Moldova could find itself increasingly isolated. There is little likelihood of settling the Transdniestrian unless Russia has something to gain from it. Meanwhile, the consequences are felt by the people who live on some of Europe's best agricultural land, and are its poorest people.

Conflict dynamics and triggers

The Transdniestrian conflict is locked both by geopolitical and national factors. At the geopolitical level Russia is in control of the situation but has no particular interest in resolving it unless it becomes a threat to Russian stability. The involvement of Transdniestria in the Chechenya war or international terrorism would draw a swift response but it seems unlikely that this will happen. Events in Transdniestria are unlikely to pass out of the control of the authorities there, and those authorities are generally pro-Russian.

The gradual absorption of Romania within the EU will exacerbate tensions in Moldova as it becomes more obvious that a choice has to be made between Europe and Russia. But this process will take place over a long period. In the short term it is unlikely that the nationalist issues which caused violence in the past will threaten the status quo.

Powerful economic interests based on smuggling are likely to make the Transdniestrian issue particularly intransigent, unless those interests can be challenged.

Overview of current responses

The DFID methodology divides responses into those that integrate conflict into their analysis (working 'on' conflict), those that adjust to conflict because they have to (working 'in' conflict) and those that ignore conflict altogether (working 'around' conflict). As a generalization, some donors have adapted to work 'in' conflict by adjusting their programmes to the conditions in Transdniestria, but the great majority work 'around' conflict, having as little to do with it as possible.

In terms of working 'on' conflict the primary method is through the international peace negotiations. Despite constant attempts to revive the negotiations, they never produce a concrete result. This is because the status quo is a better option for the main actors than the risk of change. There is no prospect of a breakthrough at the international level for the foreseeable future.

Resolution within the norms of international law is perceived by Russia as a weakening of their interests. Transdniestria linked with Moldova would tend towards the European Union rather than Russia. For the USA the issue is not sufficiently challenging to merit firm action that might upset Russia, and the USA desperately needs Russian support elsewhere. This is not the time to be talking about Moldova. Powerful elements within the Russian elite are against the idea of any further rolling back of its area of influence. An unresolved conflict is a way of keeping the options open, and keeping a bargaining chip for another occasion.

On a more optimistic note, following 'September 11th', Russia and the USA have come closer on the need to

deal with threats to international stability – and this may include a 'rogue' state such as Transdniestria. On 21 June 2002, Presidents Bush and Putin announced that the Russian Federation and the United States would act together to push for a solution to the Transdniestria issue. This followed an announcement from the US State Department that technical assistance will be provided to help Ukraine modernize its customs services at the Moldova border, including the Transdniestria section.

If these moves are genuine then clearly the USA and Russia have the necessary power to force through a solution. But the logic of our analysis suggests that Russia has no current reason to compromise, and would only be doing so in return for some gain elsewhere. The fundamentals of the situation suggest that it will remain unresolved until Russia sees an advantage in allowing a settlement to take place.

In terms of support to the international negotiations, the OSCE is the only major international organization in Moldova that focuses directly 'on' conflict.

Several private organizations arrange meetings between groups that may be able to support the international negotiations. But such meetings often have no constituency with whom to share the results, nor any capacity for action on the factors that 'freeze' the conflict in its present form. Such activity can throw light on the state of ethnic and linguistic tensions but cannot tackle the massive economic obstacles that lie in the path of resolution.

So long as there are huge amounts of money to be made out of tax evasion, the Transdniestria issue will continue and no amount of change in personal attitudes will make much difference. The failure to resolve the Transdniestria issue is not due to any lack of understanding: it follows a remorseless economic and political logic. During the 1990s there may have been sufficient fluidity to justify some optimism about 'Track Two' support for 'Track One' diplomacy. But every possible avenue has been explored and these processes have become repetitive and stale.

In terms of working 'in' and 'around' conflict many donors work hard at governance programmes without recognizing that the chances of improvement are virtually eliminated by the corrosive effect of the black economy, which itself derives from Transdniestria. The value of such programmes is persistently undermined by the lack of state revenue. Donors may be able to help with the prioritization of resource allocation, for example, but cannot tackle the lack of resources itself. Attempts to confront the problem through support to customs systems are inevitably undermined by the massive power of the criminal networks and their grip on politicians.

Opportunities and options

In purely political terms the Transdniestrian conflict does not seem difficult to resolve. At the time of independence, similar tensions with Gagauzia were resolved by the creation of an autonomous region and this could be done for Transdniestria. Because there was no serious fighting at the time of secession there is no fear of retribution. Because very few people were displaced there are none of the huge demographic implications from the return of displaced people that affect Abkhazia and Nagorno-Karabakh. Politically, it is the most soluble of the post-Soviet conflicts, but economically the most difficult.

So long as political elites in both entities benefit from the present arrangements they will not be as keen to 'resolve' the issue as they may appear to be in public. They would instantly lose the basis of their patronage and political power. They suffer a severe conflict of interests – between their own and the nation's.

Observers often fail to distinguish between these two interests, and therefore propose solutions that may be rational but bear no relationship to reality. No solution is likely without strong pressure to put the nation's interests above those of individuals. This could come in the form of a firmer approach to international diplomacy, recognizing that the Transdniestria issue has a corrosive effect on the whole region. Or it may come from the people themselves as they find ways to mobilize against the selfishness of their leaders.

External pressure may gather force as Romania comes nearer to accession to the EU, and European countries become more concerned about its criminal satellite. In order to build towards this time, European standards and requirements can be used as a way to limit and modify criminal activity and their links with politicians. The Accession Treaty of the Council of Europe, as well as European and international conventions are powerful tools that have not yet been applied with sufficient vigour.

But it is difficult for European institutions to pursue such a course without rapport with a national constitutency, and at present that constituency is lacking. Apart from the international community, the stakeholder with greatest interest in resolving the issue is the poor. It is they who suffer the worst effects of corruption and criminalisation. A longer-term strategy is necessary to increase their 'say' of ordinary people in the debates. Civil society in Moldova is remarkably undeveloped. This is not simply an issue of lack of NGOs but also reflects a lack of access to basic information and debate of an independent nature. The media, especially in Transdniestria, are subject to strong control by the authorities. Few people can afford to buy newspapers, while the TV and radio are dominated by the state's own channels.

The great majority of external aid to Moldova has gone to support 'welfare' interventions to alleviate the problems caused by poverty. Donors are rightly turning away from welfare support and trying to find longer-term solutions. DFID is among those that have assisted government to adjust welfare policies to budget realities. But the effectiveness of such strategies is limited by the lack of revenue and by weak governance. By contrast, too little work has been done to enable poorer people to participate in the decisions that affect their lives, and ultimately to challenge the injustices that cause their poverty. Policy analysis rarely feeds back into dissemination of the results to poorer people. There is an opportunity both to develop policy analysis relevant to the underlying conflict issues and also to disseminate the understanding more widely.

There are also opportunities to work more directly 'on' conflict. Donors tend to ignore Transdniestria, or if they include it in their programmes, try to work in the same way as elsewhere, pretending that it is just another region of Moldova. There is a strong case for developing more conflict-sensitive responses in these region, such as using aid to increase the capacity and influence of civil society.

Another approach to governance would be to support the development of stronger political parties. But many of the parties are ephemeral and person-based and we have been unable to identify a practical way by which this objective could be reached.

Overall conclusions

The unresolved conflict is one of the main factors underlying corruption in Moldova. Corruption undermines governance, and bad governance is one of the main causes of poverty. In this way there is a strong link between the conflict and Moldova's appalling poverty. Our key finding is that, a decade after the violence, the implications of the unresolved conflict are still substantial. They appear only sporadically on the agenda of international actors, and yet remain massive obstacles to improvements in governance.

The international negotiations lie out of the reach of even the largest aid actors. The strategy should be to limit decline in governance through pressure around international standards, while also building up a long-term strategy of pressure from below through a process of support to civil society.

Recommendations to the international community

In terms of solutions there is a role for aid as well as for diplomatic and political pressures. On the political front, the international community could:

- Explore possibilities to increase Russia's interest in resolving the conflict.
- Watch for geopolitical shifts that might signal a time to press the formal mediators, Russia, Ukraine and the USA, to impose a legal customs regime on Transdniestria
- Support efforts to limit predatory self-interest ('Greed') among the political elites
- Investigate and question links between political elites and organized crime.
- Tackle the issue of human traffic by cracking down on organized crime.
- Rigorously support international and European standards especially the Council of Europe treaty of accession.
- Consider ways to support the development of Moldova's political parties.
- Work more collectively to evolve policies on the Transdniestria issue.

In relation to aid there is scope to:

- Support the development of civil society especially within Transdniestria.
- Give strong support to the involvement of civil society in established mechanisms notably the PRSP and monitoring the Council of Europe accession treaty.
- Support the free media, especially in Transdniestria.
- Support local debate on Transdniestria and build a common agenda for change.

Recommendations to DFID

Building on the proposals above, DFID's could play a key role in order to ***develop internal pressure to legitimize the status of Transdniestria through support to civil society and policy development with other actors***. This Peace-Building Framework includes programmes:

- To build up the capacity of civil society to exert pressure on political leaders, especially in Transdniestria.
- To support the independent media, especially in Transdniestria.
- To link civil society more closely to wider processes such as the World Bank PRSP and Council of Europe, in order to increase their influence on governance.
- In the conflict areas, to improve the accountability of civil society to the people.
- To initiate a process with the international community to develop a common approach to the Transdniestria issue, and devise conflict sensitive responses.

FULL REPORT

Strategic conflict assessment

Methodology

The methodology used in this study was developed by DFID over a two-year period of reseach and was published in 2002[5].One of the characteristics of the approach is an emphasis on political economy as a means of analyzing the interests of the different parties to conflict in considerable detail. The approach links together political factors with economic, social and security issues.

One of the countries studied during the research phase of DFID's work on SCA methodology was Moldova. An SCA was conducted in 2000 by a team consisting of Susan Woodward (author of the report), Jonathan Goodhand (INTRAC), David Ennis (DFID), Debi Duncan (DFID) and Steliana Nedera of the DFID office in Moldova.

The team in 2002 comprised Tony Vaux (author of the current report), Jan Barrett (Social Sector Field Manager for Moldova and Ukraine) and Silvia Apostol of the DFID office in Moldova with additional input from Steliana Nedera, DFID Representative in Moldova. The team visited Transdniestria and Gagauzia in order to design a Peace-Building Framework (PBF). The original intention was to use the earlier SCA analysis, but it turned out that a comprehensive revision was required. A few paragraphs from the earlier report have been retained in the first sections of the current report.

SECTION ONE
Analysis of causes

Population and national identity

'Ethnicity' in Moldova is primarily a function of language – its 4.3 million citizens identify themselves according to their primary language rather than by religion or group history. According to official figures, Romanian speakers ('Moldovans') comprise 64.5% of the population; Ukrainian speakers, 13.8%; Russian speakers, 13.0%; Gagauz (speaking a Turkic language), 3.5%; and Bulgarians 2.0%. Other minorities include Roma and Jews.

In the break-away or 'secessionist' Republic of Transdniestria, the majority language is Russian and those who speak Romanian are defined as 'Moldovans' as opposed to 'Transdniestrians'. It is estimated that as many as 100,000 out of the total 700,000 population of Transdniestria are actually Russian citizens.

Urban-rural distinctions are also important: 'Moldovans' form 80% of the rural population, but only 46% of the urban population. The Russian language is still common among the Moldovan urban elite. This creates a linguistic link between the political elites in Chisinau (Moldovan capital) and Tiraspol (Transdniestria). The political elite and the economic elite overlap to a considerable extent. One of the main issues explored in this report is the way that both political elites exploit the opportunities for gain from Transdniestria's anomalous status, and the massive opportunities for smuggling that have arisen from it. But the most fundamental division in the population is between the 'haves' and the 'have nots'.

The Gagauz (Turkish-speaking Orthodox Christians in the south of Moldova) achieved special status without armed conflict in December 1994. In 1999, Bulgarian speakers also successfully claimed a separate administrative district of Teraclia. Rural Moldovans themselves are just as likely to identify with regions as with the state: in particular, there are differences among people in the North, South, Centre, and Southeast. There is no strong notion of a Moldovan state. The Gagauz hark back to the days when the region was part of the Ottoman Empire (Besarabia) while for most others the strongest historical memory is as part of the USSR.

It is perhaps a surprise to outsiders to find that few Moldovans wish to unite with Romania, and that there is relatively little eagerness to join 'Europe'. Only the northern part of Romania shares a strong cultural identity with (some) Moldovans. Contrary pressure comes from the existence of a large 'Moldovan' population in Ukraine. Moldova could be better described as a nation than a country – and it is a nation that coincides with a Russian 'nation'. Hence one of the proposed solutions for the Transdniestria issue is the idea of a 'common state' shared between the two countries.

The Soviet period has also left behind a legacy in terms of power structures. Position in the former regime has continued to be an important distinguishing factor in terms of economic advance. The old Communist elite has managed not only to survive but also to strengthen its power, especially by exploiting land reforms and most recently by exploiting a political vacuum, enabling them to return to power in the national government.

For the international community all this raises questions as to whether Moldova belongs in the European or Russian circle. Currently, it is politically torn apart.

A recent history of conflict

Following the collapse of the Soviet Union, Moldova declared itself independent. In the heady days of emerging nationalism, Romanian was instituted as the national language and support for re-unification with Romania gathered momentum fuelling ethnic tensions, especially in the predominantly Russian speaking regions, but also among Gagauz, Bulgarians and other minorities. This explosion of nationalism was later controlled, but has left repercussions to this day.

By far the most serious consequence was the secession of the richest region, Transdniestria. This region constitutes a line of scattered towns and communities along the Eastern bank of the Dniester river. In the course of history, the boundary has often been the river itself or has shifted to one side or the other. In the past the people of the region have been linked with Ukraine as much as with Moldova.

The political leaders in (Russian-speaking) Transdniestria saw an opportunity to take this rich region out of Moldova and use it for their own purposes. They were able to draw on popular support because of the language issue. Transdniestria declared its independence on September 2, 1990 and was easily able to resist

Moldovan attempts to suppress the region by force. Despite having only 600,000 people at that time against some 3.7 million in the rest of Moldova. The armed conflict was short lived. The region has remained outside Moldovan control. The presence of the Russian military and many retired military personnel helped to enable Transdniestria to overcome the Moldovan forces. However, it lacks formal recognition by any other country.

To put this history in a more regional context, the strident forms of nationalism that emerged as the Soviet Union broke up created violent tensions in most of the countries of the Russian periphery, notably Azerbaijan, Georgia and Moldova. In seeking to continue its influence over the periphery, formerly known as the 'near-abroad', Russia has allowed (or even caused) these tensions to remain. Political resolution is not possible without Russian cooperation. Nationalism has become a political instrument.

Moldova today is typified by subsistence farmers while Transdniestria is much more industrialized. Moldova used to be a major producer of fruits and cash crops on its highly fertile soil, while Transdniestria produced steel and weapons. This has political implications. While Moldovans have retreated into rural impoverishment, Transdniestrians remain dependent on the state. Much of their income derives, indirectly, from the illicit activities that have developed in this anomalous territory. Even when the factories are not in full production the Transdniestrian authorities continue to pay wages and pensions. This reduces the level of poverty but also creates a level of political dependence among the people.

Moldova treats Transdniestria in some ways as an enemy and in others as if it were still part of the country. Similarly, because Moldova refuses to recognize the region's secession, Transdniestrians can take advantage of being Moldovan when it suits them. They travel freely to and from Moldova and can obtain Moldovan passports. Transdniestria collects taxes, including customs duties in the name of Moldova and issues Customs 'stamps' declaring that duty has been paid – but does not pass on the revenue to Moldova. These customs stamps are recognized internationally. This ambivalence opens the way to legalize smuggling. In both cases, revenue for the state goes into private pockets, and the gains are shared between the two sides. This creates a massive obstacle to conflict resolution.

The **Gagauz** conflict is much less significant and has never led to more than isolated instances of violence. The region tried to break away from Moldova following the nationalist excesses of 1990, but lacked the military advantages of Transdniestria and its Russian support. Gagauzia looks to Turkey for help, but Turkey is not interested in supporting secession. Being land locked within Moldova, there were no opportunities for smuggling. The issue appeared to be resolved when Gagauzia was declared an autonomous region within Moldova in 1994.

The subsequent failure to fully implement the Special Status agreement and develop the legislative framework to support Gagauz autonomy has been a source of continuing tension. The ambiguity surrounding the respective roles and responsibilities of the Moldovan Government and the Gagauz authorities allows political opportunism to be played out in an atmosphere of confrontation, provocation and brinkmanship. The main significance of the issue is that Moldova is under pressure to exercise care in its treatment of Gagauzia in order to show the Transdniestrian authorities that regional autonomy is a viable solution.

Peace negotiations

A ceasefire in Transdniestria was brokered in 1992. Russia and Ukraine became the guarantors along with the Organization for Security and Co-operation in Europe (OSCE), and the USA since February 1993. The Istanbul Declaration of November 1999 committed Russia to removal or destruction of Russian military equipment and ammunition in Transdniestria as part of the Conventional Forces in Europe (CFE) agreement, and a full Russian military withdrawal from Transdniestria is scheduled to take place by the end of 2002.

In May 1997 (the Moscow Memorandum), the Transdniestrian ***President***, Igor Smirnov[6], agreed to the eventual formation of a 'common state', but there has been little further progress towards this proposed solution. When a Communist government came to power in Moldova in 2001 it was widely expected that this would lead to a closer relationship both with Russia and with Transdniestria but instead the initial talks broke down. President Voronin of Moldova seemed to react strongly the other way, trying to apply an economic stranglehold by tightening border controls. This failed because Ukraine refused to cooperate, and probably also because it challenged.the vested interests within Moldova. His actions now seem so extraordinary that there has been some doubt whether it was a sincere attempt to bring Transdniestria to heel, or simply a show to impress the Moldovan public or external observers.

Most recently, President Voronin has announced a proposal to establish a 'Commission for Transnistria Conflict Settlement'. The commission will include leading experts from local ministries and departments whose duties relate to the establishment of ties between the two parts of the country. According to an official statement the Commission will work with

international colleagues to develop a new executive programme adapted to the new realities of the integration process. Representatives of Transdniestria will be invited to participate.

The main international negotiations ('Track One') have been supported by mediating work among opinion-formers ('Track Two'), including work by MICOM/JCDC that has been supported by DFID. This process has aimed at creating better understanding between representatives of the two sides and promoting joint projects. Despite committed work over a decade it has become apparent that the issues cannot be resolved in this way. There must also be a long-term focus on addressing the economic and political interests that lead to perpetuation of the ***status quo***.

Sources of tension and conflict

Security issues

Today, there is no expectation of a military solution to the Transdniestrian issue. Moldovan forces are not in a position to challenge the Transdniestrians, with or without Russian support. But military factors are by no means irrelevant, especially from a Russian perspective. Security issues and interests have a strong influence on the political negotiations.

Transdniestria is still seen by conservative elements in Moscow, especially the military faction, as a necessary part of defence strategy. This view does not necessarily prevail, leading to some ambivalence in Russian actions. The 14th Soviet Army seems unlikely to be able to complete a full withdrawal of its forces by the end of 2002 as required under the Istanbul Agreement. Russia says that it is the fault of the Transdniestrians, while Transdniestrians complain that they will be left vulnerable to Moldovan aggression if the Russians leave.

Current international interest is focused on the destruction of the massive (46,000 tonne) Russian arms dump in Transdniestria. The OSCE has received enough funding to begin this process ($24m out of the $40m required) and the equipment to destroy the arms has been installed. But progress has been extremely slow. Transdniestria has deliberately tried to stall the Russian withdrawal by demanding massive compensation (billions of dollars) for 'damage to the environment'. Realistically, all that is likely to happen is a rescheduling of debt repayments or the offer of further energy supplies. But the Transdniestrian elite may have more to gain in terms of regular cash income if the Russians stay.

But neither Moldova nor Transdniestria can afford to offend Russia deeply. Russia has an economic stranglehold on both entities through past debts and current supplies of energy. This acts as lever on security issues – so long, that is, as the different parts of the Russian government work together. One of the possibilities for change would arise from the ascendancy of the energy lobby which might see greater gains from peace and better access to European markets. But President Putin has generally appeared to support the conservative/military view and currently seems determined to build up Russian military influence in what used to be the 'near-abroad'.

From the US perspective, the tougher line on terrorism after 'September 11' may gradually alter the dynamic in Moldova's favour. Transdniestria could be described as a 'rogue state' and both the USA and Russia are taking a harder line on such entities. According to Moldovan sources President Bush stated in June 2002 that the USA 'recognises and shares the priority of settling the conflict so that the sovereignty and territorial integrity of Moldova be restored.'[7]

Transdniestria is said to have been involved in provision of arms to Chechen rebel groups. There are also allegations that Ukrainian arms have reached various African conflicts through Transdniestria, which also has its own major armaments industry including a factory that manufactures Kalashnikov AK-47 assault rifles. But the rapprochement with Russia also means that the USA is less likely now to do anything alone[8]. This allows Russia to continue as the major actor, and leaves open the possibility of Russia extending its influence in Moldova.

The fact that the USA has no military presence in Moldova could make it easier to resolve the conflict because Russia has little to fear. The problem at the moment is that it has little to gain either.

Political issues

Regional issues

At the international diplomatic level, Moldova has tried to find a balance between Russia and the West -and in the process may have satisfied neither. Until recently there was a drift towards the West, but this has been reversed to some extent by the Communist government of President Voronin.

Moldova has been a member of the CIS since December 1991 and ratified the CIS economic union in April 1994. It joined NATO's Partnership for Peace in March 1994, and was admitted to the Council of Europe in July 1995. It signed a friendship and cooperation treaty with the EU in November 1994, and has, under American encouragement, achieved observer status in the EU's Stability Pact for Southeastern Europe. Although Romania is on track to join the EU, Moldova still remains outside the circle. Its institutions and economy fall far short of European standards and show little sign of improving significantly.

Relations with Romania remain cool. Only in April 2000, after seven years of negotiations, did Moldova and Romania agree a treaty normalizing their relations, but the contentious issues – the nature of their relationship, the language issue, and border disputes – are unresolved. There are still those within Moldova who hark to a Moldavian state including parts of northern Romania. But Moldova as a whole does not seek unification with Romania.

The feeling against closer ties appears to be mutual. Far from wanting to embrace Moldovans, the Romanian political elite regards them with some disdain. There is certainly no significant pan-Romanian irridentist movement. The Romanian image of a Moldovan has been deeply affected by Transdniestrian criminality – a further consequence of the conflict. There are also historical differences. Under the Soviet Union, Moldova was truly Russified and prospered whereas Romanians felt that they were being subjugated by an external power. Today, Romania remains concerned about goods being smuggled into its territory and the consequent loss of state revenue. The emergence of a Communist Government in Moldova in 2001 has worsened the relationship. It now seems likely that the borders of 'Europe' will be drawn between Romania and Moldova.

Moldovans like to regard Transdniestrians as gangsters and smugglers – exactly as they themselves are regarded by Romanians. The truth may be that the gangsters and smugglers operate across all three entities. But perceptions may have as many consequences as fact, particularly in drawing the line between Romania and Moldova.

It is hard to believe that smuggling on such a scale could have existed for so long unless the benefits were being widely shared. The Moldovan elite is thought to have extensive connections with the elite in Transdnietria, and the network is likely to reach to high political levels in Ukraine, Russia and Romania.

National issues: Transdniestria

The major change in issues relating to Transdniestria has been the election of a Communist government in Chisinau in 2001. This seems to have occurred because the opposition parties failed to form a coalition and presented such a picture of confusion that the electors turned in despair to their former leaders.

The new government's ideological link with Tiraspol and shared pro-Russian stance was expected to be a major advantage in relation to the peace negotiations, but this has not turned out to be the case. From the start, President Voronin has pursued a confrontational policy, leading some observers to consider that he simply lacks diplomatic skills. There is also a possibility that he overestimated the level of support he might receive from Russia and Ukraine.

A third line of analysis focuses on the political and economic interests surrounding the issue. In an immature democracy such as Moldova, political power is inevitably linked to wealth, and politicians need wealth not simply for itself but as a source of political power. The President's son is one of the richest businessmen in Moldova, and his family is deeply embedded in the usual activities of the economic elite, which directly or indirectly connects them to Transdniestria and the cross-border trade.

It is not clear how genuine the attempts to challenge smuggling have been. Moldova proposed that new Customs stamps would be issued and those used by the Transdniestrians would be declared invalid. Moldovan officials were to be placed at check-points on the Ukraine-Transdniestria borders and goods coming through Ukraine would have to have the new Moldovan stamps. Ukraine did not cooperate. Nor, perhaps, did factions within Moldova.

Ukraine, with Russia, is one of the 'neutral' guarantors of the ceasefire agreed after the Transdniestrian conflict. In protest at this lack of cooperation over the Customs issue, President Voronin withdrew from further peace negotiations[9]. With the peace talks stalled smuggling routes remain undisturbed, and the elites in Ukraine, Transdniestria and Moldova remain unchallenged.

The underlying obstacle to the resolution of the Transdniestrian conflict is not the impossibility of finding a solution within the bounds of national sovereignty. Regional autonomy is an obvious solution. There are no serious risks of retribution, nor any climate of hatred between the peoples. There are no large numbers of displaced people to be returned. The problem lies in the economic perspectives of the various elites. Economic processes have produced a 'frozen' situation.

This is most apparent in the case of Transdniestria itself. Notoriously, the 'state' is run by the President, his son and their company – 'Father, Son and Sherriff'. The machinery of the 'state' is used to advance their interests with scarcely any show of legitimate process. Extensive secret police operations ensure that opposition does not develop. The media and civil society are under tight control. Transdniestria is a smuggling company with the pretensions of being a state. Ideologically, Transdniestria remains a fossil from the Communist past. Meetings with officials are simply expositions of an agreed party line. Questions about controversial matters will not be answered. Outsiders are viewed with suspicion.

Russia has the power to resolve the issue but does not use it. Otherwise the only way is to unravel the economic base of separatism. This possibility will be explored later.

Gagauzia

Heavy-handed behaviour by nationalists in the immediate post-Soviet period has alienated the Turkic-speaking minority, the Gagauz, but it would be unwise to place much stress on the ethnic or linguistic dimension of this conflict, or to view it as much more than a severe political tension. Today the nationalist issue is not that important on either side. Over the years the Gagauz language has dwindled and is now spoken as a first language only by a minority of Gagauz people. The main issue is poverty, as in other parts of Moldova.

The 'conflict' amounts to little more than an attempt by the Moldovan Government to replace the Gagauz 'Bashkan' (Governor) with someone from his own party[10]. By sending in auditors to find fault with the Governor's accounts and offering financial incentives to Assembly delegates to challenge him, the Moldovan Government has precipitated a political crisis that seems to be about personalities more than issues. For the time being the situation has been calmed but it is not fully resolved. A timely intervention by the Council of Europe seems to have played a significant role in bringing about this temporary solution, and this is perhaps an indication that the international community could play a more active role in conflict issues.

Perhaps the main significance of current events is that by interfering with Gagauzia the President has reduced the chance of settlement along 'regional autonomy' lines with Transdniestria, or at least given stronger arguments to those who do not want anything 'resolved'.

Political chicanery is more likely where the public is poorly informed and plays a very limited role in the democratic process. The present political battles in Gagauzia indicate an underlying vulnerability to political crisis that should be addressed by long-term political and economic development. So long as 'the people' remain excluded and ill-informed, while also suffering a massive decline in standard of living, there is the potential for an explosive situation on the one hand and appalling poverty on the other.

Economic issues

Moldova is a predominantly agricultural country. According to official figures, 40% of its population is employed in agriculture but the real figure is probably much higher, as many non-agricultural 'jobs' do not actually exist. They are posts in defunct factories with wages that are rarely, if ever, paid. Most people survive simply by growing food on their garden plots. Anything beyond the basic essentials has to be paid for from savings or remittances.

Land reform has left large estates in the hands of the former Kolkhoz (Collective Farm) managers. As the only people with the skills and capital for mechanized agriculture they were able to buy out other land-holders or acquire their land at peppercorn rents. This leads to a stratification of rural society, but also leads to the formation of powerful political elites, linked to the capital. These elites are generally able to control any aid projects that come their way.

Statistics for Moldova are generally unreliable, especially because they include Transdniestria over which Moldova has no direct control. Under the USSR, the industrial and energy base of the country was located disproportionately on the left bank of the Dnestr (including 90% of its electricity generation) in what is now Transdniestria. With the collapse of the Soviet Union, Moldova lost its main export market (77% of all Moldovan trade was with the former Soviet Union) leading to massive stagnation in the rural economy. Moldova remains dependent on imports of energy and raw materials from Russia and has built up a huge debt.

Moldovan people suffered greatly from the 1998 Russian financial crisis because it destroyed the value of household savings held in Roubles. This has also undermined confidence in both government and banks, reducing domestic investment still further. Moldova's per capita annual income has fallen from one of the wealthiest in the former Soviet Union to just $300 in 1998 – one of the lowest. Despite massive natural advantages, Moldova has the lowest GDP per capita among transition countries. From 1990 until 2000, economic growth was negative in every year, stabilized in 2000, and then scored a 6% increase in 2001. Although this figure is sometimes quoted in isolation as a sign of success it should be seen in the context of the previous massive decline. Good weather for the agricultural sector may have been the real reason for the upturn.

Foreign debt at the beginning of 2000 was $1.462 billion. As a percent of GDP, external debt grew from 44% in 1994 to 90% in 1999, having reached a peak of 123% at the end of 1998[11]. The large external debt burden and debt servicing obligations absorb over 70% of state budget revenues, reducing resources available for social expenditure in particular and the country's development in general. It also puts Moldova in the political grip of Russia.

Transdniestrian leaders derive their huge incomes primarily from using Moldova's official customs stamps to legitimize trade into Europe through the Black Sea port of Odessa. They can trade on global markets, importing and exporting goods under the name of a recognized state even though they are not actually part of it. As a recent report by Transparency International has demonstrated[12], the extent of this evasion of taxes and of corruption can be measured reasonably easily. In a study of 20 'transition' countries, Moldova is near the bottom on all indicators and held the last place for quality of governance.

According to an index of 'state capture' developed by the EBRD[13], the only transition countries worse than Moldova in this respect are Ukraine and Armenia. Transparency International estimates that more than half of state revenues are lost through Customs fraud and tax evasion. A further 50% of expenditures are lost through inefficient and fraudulent procurement systems.[14] Donors including DFID have given much attention to targeting social welfare benefits to those who really need them. But donors have not been able to tackle the bigger issue of revenue reduction through corruption and tax evasion.

The shadow economy

Estimates of the size of the shadow economy in relation to the formal and legal economy of Moldova vary widely. Nearly all estimates put the figure at 50% or higher. There are three elements in the shadow economy. First is the informal economy by which people cope with unemployment. This generates a network of barter and reciprocal arrangements that avoid tax but they are on such a small scale that they have little overall impact, and could scarcely be questioned in terms of poverty reduction. The second element is bribery. It is claimed that most public services have a two-tier price structure, one of which is a bribe. In general the going rate is 35% of what would have been due to the State. The system works not only in government administration but also in criminal cases. The rate for avoiding imprisonment is said to be $1,000 per year of the sentence. Notoriously there are no rich people in Moldova's prisons. Thirdly there is organized crime, which centers on trafficking in cigarettes, petrol, alcohol, pharmaceuticals, arms, drugs, and women. The third element is by far the most important not only because of the amounts involved but because it subverts the instruments of the state in a systematic manner.

Many of the goods smuggled through Odessa and Transdniestria originate in Western Europe and are 'exported' to escape local taxes before returning by this devious route -perhaps to their place of origin. Cigarettes made in European factories are exported to 'Moldova', gain customs stamps by courtesy of Transdniestria and re-enter European markets as if duty had been paid, although in practice the importer and the customs officials are sharing the gains between themselves.

Transparency International has demonstrated the strong link between corruption and poverty[15]. One of their most telling diagrams shows GDP per capita figures against the corruption index. In transition countries there is an almost exact co-relation between corruption and poverty, with Moldova exhibiting the highest corruption index after Georgia and Belarus.

It is hard to escape the conclusion that the current isolation of Moldova favours those who benefit from its porous borders. Moldovan businessmen can have the best of both worlds, traveling freely to Romania and also enjoying close links with Ukraine and Russia through the magical barrier of Transdniestria. The extent of involvement of the international mafia, including the big Russian operators, has been hard to gauge, but it seems likely that they are involved. Similarly, our studies have not enabled us to gain a clear picture of the trade in drugs. These are issues requiring further analysis.

In conclusion, the unresolved conflict, and the anomalous status of Transdniestria in particular, is one of the main factors behind corruption, and corruption is one of the main causes of poverty. A strong link can be demonstrated between the conflict and the fact that Moldova is Europe's poorest country. Transdniestria generates the climate in which corruption can flourish. As the Moldova Human Development Report 2000 concluded, *'the losses to the national economy of Moldova due to illegal activities in the Transnistria region are comparable with the entire volume of financial assistance obtained by the Moldovan state from international financial structures.'*[16] Without tackling conflict, donors will be unable to address the issue of poor governance, and this in turn means that economic advance will be thwarted.

Social issues

The poverty line in Moldova is set even below the World Bank's 'dollar a day' level at $220 a year. By this estimate, 35% of the population fell below the poverty line in 1997; by the end of 1998, the number was 46%. By 2000 the figure was 50%, and by then it was estimated that 20% of the people lived completely outside the cash economy.[17] They were too poor to have money.

Although it is often thought that pensioners and old people are the most in need, the poorest of all are families with large numbers of children. An increasing number of children are abandoned. The situation has been exacerbated by the virtual collapse of the public health care system. Following the privatization of the pharmaceutical network the cost of drugs became prohibitive for the majority of the population, and access to health services is open only to those who can pay.

Access to education is being reduced by deteriorating infrastructure, outflow of qualified teachers and increasing costs of school supplies and clothing. Furthermore, the practice of soliciting informal fees is widespread. At the same time there has been a 25% increase in the number of higher educational establishments, primarily in the private sector.

The combined effects of rampant corruption (the health sector scores the highest level for corruption in public surveys), overall decline in public services, and the development of private sector alternatives serving more affluent sections of the population has left the poor practically without social protection. Access to basic health care and even elementary education has fallen dramatically. As the UNDP Human Development Report concludes, *'The demographic profile and health of the population is drastically worsening, and the educational system is rapidly weakening, limiting access of many groups of the population to educational and cultural services.'*[18]

The result of all this is massive out-migration. Official figures record 600,000 working abroad (or 15% of the population), unofficial figures, widely accepted, cite one million (nearly 25%). The entire younger generation, it is said, wants to emigrate. It is estimated that more than 10,000 Moldovan women have been trafficked into prostitution. IOM's studies, see Bibliography, indicate that the 'trade' is systematic and highly organized. There is a well-known 'market' for Moldovan girls in Timisoara in Romania. The roots of the problem lie deep in the desperate poverty of the rural areas. IOM estimates that 85% of trafficked girls have suffered some form of violent abuse themselves. The rate of success in rehabilitation is low. Out of 750 victims per year who return home only 20% re-integrate into society – the rest return to prostitution. This is partly because the same problems of poverty and violence persist in their homes but also because they are socially ostracized.

The very open nature of trafficking strongly suggests that the police and authorities up to a high level collude with the criminal gangs, making money out of this misery. Similarly, the grisly trade in human organs from Moldova has attracted global attention. It appears that very poor people are paid relatively small amounts to 'donate' organs, especially kidneys, which are then sold on to Western users at a huge profit. Again, it is questionable whether this trade could persist without the collusion of those in authority.

The poor have few opportunities to voice their grievances, nor do they have access to information that might enable them to participate in public life. The media are very weak, and have been deliberately undermined in both entities, especially over the last year. The state has maintained complete control over the national TV and radio – and in Moldova has recently exerted its influence to limit the effectiveness of the regional media. The TV station in Gagauzia has been denied a waveband. In Transdniestria the leading independent journal was closed down in March 2002 and journalists have been beaten up.

As one leading media expert noted, ***'Society has started to divide and the media are also divided between those who try to be independent and those who do what they are told'.*** Moldovan journalists protested publicly in Chisinau about state interference and made representations to the European Court of Human Rights. Other mass demonstrations have taken place in Chisinau in support of human rights. But journalists across the region have shown remarkable resilience. The staff from the newspaper that was closed in Transdniestria are now engaged in a reasonably independent TV channel. There appears to be more room for manouvre by journalists than might be expected.

The attitude of the state towards civil society is at best ambivalent and at worst coercive. In March 2002, the Moldovan President invited civil society representatives for a consultation. But there appeared to be little confidence in the sincerity of these moves. One commentator said of this meeting, 'the wolf has invited the rabbits to talk to him'.

Most recently government strategy has begun to create its own 'civil society'. Increasing international pressure for the involvement of civil society in the Poverty Reduction Strategy Papers (PRSP) process of the World Bank has led government to form its own NGOs. In Transdniestria, even without the PRSP, the authorities have done the same.

The research referred to in this report by organizations such as UNDP, IOM and Transparency International is not available to the ordinary people of Moldova. Public policy organisations revolve around their own orbits of conference and discussion. Civil society huddles close to government or to international donors but plays no role as the 'glue' which should draw people together into greater understanding and response.

MATRIX

Causes of conflict

	POLITICAL	SECURITY	ECONOMIC	SOCIAL
International/ Regional	International/Regional Russian support for Transdniestria Ambiguous position of Ukraine Separation from Romania Potential isolation if Romania joins EU	Russian regional interests Russian presence in Transdniestria Arms exports from Transdniestria International 'terrorism' issue	Break-up of USSR Limited access to Russian markets Russian/Ukrainian interests in Transdniestria External support e.g. Turkey to Gagauz	Trafficking in women Migration
National	National Political links to organized crime Return of Communist government Unstable party system Personalised politics	Military balance	Debt-service burden State revenue undermined by black economy Lack of progress on PRSP	Unemployment Increasing inequality Poor excluded from health and education
Local	Local Loss of popular trust in government Local post-Communist elites	Retired Russian officers in Transdniestria	Re-emergence of post-Communist elites Divisions over revenue-sharing with central government Migration Poverty	Youth alienation Drug-taking Crime

SECTION TWO

Conflict dynamics and triggers

There are very few possibilities of change in the current situation. When President Voronin came to power there was a short period of increased expectation, but a rift seems to have appeared between the Moldovan and Russian positions. A pro-Western government in Moldova would have a similar effect, entrenching the Russians in opposition to a settlement. Deeper involvement by the West, such as talk about a role for Moldova within NATO, would freeze the conflict still further.

The international community is only likely to apply strong pressure if greater threats emerge, such as arms trading to rogue states, large-scale drug dealing and international terrorism. Sales of arms through Transdniestria to Chechen rebels would draw a swift response from Russia in current circumstances. If Transdniestria overstepped the mark in any of these areas its status might suddenly become an issue of international focus and concerted pressure might be brought to bear.

But such events are unlikely. It is too obvious that they would cause trouble and Transdniestria is not anarchic. On the contrary it is highly organized and also fundamentally pro-Russian. The most likely conclusion is that the Transdniestria issue will continue as it is for a long time to come.

Gagauzia is even less likely to erupt into violent conflict. The only danger would be a deliberate process of provocation by the Moldovan authorities in a form interpreted as an attack on the Gagauz people rather than their representatives. Since nationalism is not a particularly strong force in Moldova, this also seems unlikely.

In the long-term there may be some danger from a return of nationalist politics, partly because all other systems seem to have failed. This, and many other potential threats, can best be addressed by focus on building a more effective form of democracy.

Finally it may be worth considering whether poverty itself could become a cause of conflict. Global studies suggest that poverty itself is not usually the main cause of conflict and that there have to be powerful political and economic drivers at work to interact with poverty to produce a critical result[19]. If conflict is modeled in terms of Greed (predatory self-interest) and Grievance (poverty and sense of injustice), the Greed element appears to be the dominant factor.

This seems to fit Moldova well. It is hard to imagine desperately poor people engaged in their individual farms uniting into a sufficiently violent force. There is no organized labour and young people migrate out of Moldova rather than stay to work on its problems. Arguably, if migration from Moldova was stopped, the situation could become volatile or even revolutionary. If, for example, Russia imposed a tight visa regime as it has in the case of Georgia, there would be a larger number of able-bodied and angry people to demand change, and if necessary to promote it by force. But Moldova's non-confrontational behaviour makes this an unlikely scenario.

SECTION THREE

Current policy and programme responses

Development and economic assistance

To a limited extent and unintentionally, international responses have exacerbated poverty in Moldova. The gamble on transition to a market economy has not really paid off. The International Finance Institutions have demanded a reduction in government services but the country has been unable to generate the wealth in the private sector that would have made up for the loss. Moldova is left with little between rural subsistence and the black market. Neither produces revenue, and the state faces an accumulating debt that further undermines its capacity.

Moldova joined the IMF and World Bank in 1992, and credits were given from 1993[20]. As of August 1999, World Bank commitments to Moldova, less cancellations, were approximately $384 million for 13 projects, focusing on adjustment support, private sector development in agriculture and enterprise sectors, including a Social Investment Fund (SIF) Project of $15 million, and economic and financial management of the energy sector.[21] EBRD invested a total of €370.30 million in telecommunications, roads, transport, energy distribution, water supply, ports, wine export, and banks.[22] Only half of that commitment had been disbursed by early 2000, most of which were loans. The EBRD portfolio was planned to increase by $50 million over the period to 2002.

The two largest bilateral donors are the US and the Netherlands. The EU TACIS programme has expanded from €237,000 in 1995, to €1.3 million in 1996–97, and €19.5 million in 1999. Smaller development assistance comes from Germany (GTZ), Switzerland (SDC), Sweden (SIDA), Romania (particularly in Romanian language education), Turkey (to Gagauzia), Japan, France, Spain (electricity sector) and Britain.

In 1997 Moldova achieved DAC status and became eligible for soft loans. Despite limited compliance with World Bank requirements, notably progress on a Poverty Reduction Strategy and social protection reform, a credit of $30 million has been approved in 2002 as Structural Adjustment Credit III. In general Western donors have shown a tolerant attitude towards Moldova, possibly for fear of bankrupting a country that already threatens Europe with large scale migration. But by allowing the government to continue without a serious strategy to address poverty, donors may be building up problems for the future.

The decision to open a DFID office in Chisinau was taken at the end of 1999 and the office was opened in February 2000. With an annual budget of around £2m, DFID is a significant player in Moldova. The PRSP is increasingly providing the focus for DFID support. The main elements of the DFID aid portfolio are social protection reform, civil society development and enhancing sustainable rural livelihoods. The opening of an Embassy in 2002 will strengthen DFID's ability to engage with national issues.

Among the UN agencies, UNDP opened offices in 1993 and supports an extensive portfolio of projects, including institution and capacity-building, strengthening local councils, and human rights. UNICEF has a portfolio in education, health, and orphanages of $500-600,000. UNHCR is also present in Moldova and has been assisting those displaced by conflict as well as small numbers of refugees from other countries.

In the past, a considerable proportion of international assistance was allocated for welfare. 25 canteens for vulnerable groups in villages were created and funded by TACIS. The Dutch Red Cross has also provided food aid to canteens and institutions amounting to $280,000 a year. ECHO funded Pharmaciens sans Frontieres (PSF) to provide medicines. But PSF, along with many of the other agencies engaged in welfare, is now withdrawing. This is not because poverty has been eliminated but because donors have had to acknowledge that the problems are structural rather than temporary or superficial.

The only remaining private international organization of any size is the European Children's Trust (ECT), which has tried to address the needs of vulnerable children and orphans, and sought to improve institutionalized care. ECT has even engaged with the Transdniestrian authorities in trying to improve the structure of official health and welfare services.

Local civil society is still heavily engaged in the relief of poverty through soup kitchens and charitable works. This is necessary, of course, but without links into the government system will not bring about lasting change. By contrast, the national NGOs lack a membership base and therefore have no link with democratic processes, especially in the rural areas. They do not alter the way the electorate behaves. But this is gradually changing. According to the national forum 'Contact', NGO activity in Moldova is still heavily skewed towards Chisinau but the proportion has reduced from an estimated 96% three years ago to 65% today.

Because there are practically no local sources of funds these NGOs are almost entirely dependent on the international community. Donors are concerned about this issue and have come to expect a 'community contribution'. This has led to the deployment of community development staff in projects such as the Social Investment Fund (SIF) of the World Bank. SIF channels grants, usually of about $50,000, to school and community groups for local improvements. The aim is not simply to undertake projects such as school and road repair, but to establish community organizations capable of other activity in the future. A significant local contribution is required and in general the scheme seems to work well, although it is difficult to know whether the local contributions are entirely voluntary or whether some local pressures are involved.

Because of limited options for funding, many NGOs do not survive for long. It has been estimated that 90% do not last six months[23]. NGOs have little alternative but to design their programmes entirely to suit the interests of the donors, and more recently of national political leaders. This prevents them from developing skills, constituencies and values.

Serious efforts to address these problems have been made by foundations such as the Soros Fund, the Eurasia Fund, and the C.W. Mott Foundation. Most notably the NGO community is served by the support group 'Contact' and by the policy think-tank, the Institute of Public Policy – both established by Soros. The limitation remains that the funding base remains narrow, and there is a wide gap between such institutions and poor people.

Aid actors and conflict

OSCE is the only organization specifically focused on the conflict, but its role is limited to the diplomatic/political sphere rather than addressing the underlying issues. The Interim Poverty Reduction Strategy Paper (IPRSP) drafted by the government with input from the international community and civil society, identifies the Transdneistria issue as a factor contributing towards poverty, but does not comment further. The World Bank has no specific strategy in relation to Transdniestria. The SIF programme did not exclude Trandniestria but had no specific methods for tendering contracts in that area, and the normal requirements prevented grants from being made there[24].

But the conflict raises difficult issues that should be addressed by donors in a consistent way. Different views have emerged as to whether international aid should be channeled exclusively to Romanian-language schools in Transdniestria (on the basis that they have been deliberately neglected by the authorities) or to a mixture of schools (on the basis that this might promote reconciliation). If donors take different courses on such issues then the cumulative effect will be mixed messages, not strategic direction.

This report has tried to show that the linkages between conflict, corruption, bad governance and poverty are so strong that nothing short of a concerted and strategic effort by the international community will achieve any significant result. Aid policies need to be more closely synchornised, and that requires a process and a structure for closer cooperation.

Conflict mediation

The international peace negotiations (Track One) are supported by various citizen groups working through the same issues (Track Two). Unfortunately the lack of progress in Track One has left Track Two without a role. Over the years useful work has been done on technical issues and other details relating to a solution. The current geopolitical and national gridlock leaves little more to work on.

Until 2000 DFID funded such 'Track Two' processes through the UK-based MICOM and its partner in Moldova the JCDC. Analysis by the SCA team in 2000 raised some far-reaching questions about this process:

'One can take participants out of the country and perhaps even dispel some of their personal distrust during a workshop, but they return to an unchanged situation. The project does nothing to alter the political and economic structures that led to violence and that make its re-occurrence possible. JCDC have touched no more than 1,000 people, and MICOM in the low hundreds, whereas the language issue and the separate orientations to a Russian or Western sphere of influence, including fears of being a minority in the one with which one does not identify, apply to the entire populations. The field visit suggests that little public knowledge exists at all about the activities of MICOM and JCDC, particularly in Moldova proper where popular attitudes also need to change.' DFID (2000) *Strategic Conflict Assessment, Moldova* (unpublished)

Similar observations could be made about a whole range of 'conflict mediation' activity that has been funded by international donors[25]. JCDC's Director Yuri Ataman admits that after ten years of work there is little to show for it. Nevertheless it should be conceded that events might have made Track Two more effective and that it might even have played a crucial role.

JCDC has now turned its attention to working with Parliamentarians and is arranging visits for Moldovan MPs to Northern Ireland and elsewhere. The Moldovan Government has never shown much enthusiasm for 'Track Two' and the present government least of all. The

President's Special Adviser observed that, ***'there can be some dialogues at the ground level but they cannot take the decision, and if there were any channels to be opened they would be in the level up.***' He added, perhaps reflecting the findings of this report – ***'Also, there are people on both sides who do not want us to reach common ground.'*** [26]

Civil society

Moldova has some good capacity for research through its policy think-tanks and some increasingly professional NGOs focused on community development, but linkages between the two are lacking. The Poverty Reduction Strategy Papers (PRSP process) of the World Bank offers a unique opportunity for civil society to participate in the development of national plans for poverty reduction. But the level of cohesion among civil society actors in Moldova has been relatively poor. The World Bank itself notes that the level of civil society participation has been unsatisfactory.

The Interim Poverty Reduction Strategy Paper prepared and approved by the previous government is now being revised, adding over a year to the proposed timetable for the development of the full PRSP. The process has been so slow and deficient that it has put at risk major World Bank investments. Currently the Bank appears to be playing down this unsatisfactory performance, but the opening remains to press for a radical democratization of debates about poverty, and in those debates, as we have shown, conflict has an important place.

The international community also has powerful instruments for change in the various conventions and treaties that Moldova has signed, notably the treaty of accession to the Council of Europe. European delegations visit Moldova regularly but have not succeeded in bringing about significant improvement. Delegations from the Council of Europe do try to involve civil society interlocutors but they often find Moldovan civil society unprepared and lacking in research capacity. With only a few anecdotes to make use of, such delegations can make little difference to governance, even though in theory they have considerable powers.

In conclusion, a more concerted focus by civil society on the PRSP, and better linkages between civil society organizations, could begin to reverse the vicious circle of conflict and corruption and its consequences of bad governance and poverty.

Civil society in Transdniestria

Tthe majority of NGOs In Transdniestria are government controlled but there are some important and honourable exceptions. The authorities pursue extremes – suppression of any organization that does not absolutely follow the state's interest, and co-option of those that do. For example, there is a remarkably close relationship between the state and the Orthodox church. In return for concessions on petrol, sugar etc, the church lends its support to the state. ***'The church is like a large trading house'*** said one observer. Similarly, NGOs are often used as tools by being made to sign spurious 'petitions'. As one commentator said – ***'The President addresses these requests to himself'***.

But Transdniestria does have a number of impressive local NGOs, and an outstanding example is the youth organization 'Piligrim Demo'. Under a US-funded project they are linked with other youth groups in Transdniestria, Moldova and across the region. The authorities harass the project continually, and on at least one occasion its leader has been beaten up. School directors have been instructed not to cooperate and local groups have not been allowed to register as organizations. The result, as its leader says, is that ***'people are afraid of cooperating with us'.*** Out of eighteen groups in Transdniestria invited to a 'Youth Council' meeting only four turned up.

The main problem is that most groups have very limited horizons. Their energy is spent avoiding trouble with the authorities, and their activities are limited to the possible rather than the ideal. They rely on a few volunteers rather than having wider involvement of the people. They lack popular support when it comes to standing up to the authorities. They neither develop their roots nor use their influence to address fundamental problems. To an extent these limitations may be addressed by capacity-building work with civil society. But there are risks and limitations. The authorities in Transdniestria make explicit reference to the role played by civil society in the overthrow of Serbian President Milosevic.

But authority in Transdniestria is by no means monolithic. Local authorities offer some scope for collaboration, and may indeed be the only chanel for engaging with the regime and moderating the rule of predatory elements. Detailed decisions cannot be taken by outsiders, and instead they may have to demonstrate trust in a few local organizations, leaving them to develop their activities without too many targets, or too much outside involvement.

Civil society in Gagauzia

Civil society in Gagauzia is weaker even than the Moldovan average. There are a number of village-level organizations but the sector has not yet been developed as a whole. The support NGO 'Contact' has recently established a Resource Centre and has begun to work with grassroots organizations in an effective way. There is clearly a need to strengthen this process considerably. This would act as a protective system to reduce tensions and allow issues and problems to be debated without undue influence from extremists.

SECTION FOUR

Strategic risks and opportunities

Strategic risks

The likelihood of renewed conflict is very low indeed. Resolution is unlikely unless Russia perceives a benefit. The current situation is most likely to persist in its present form for many years.

For Western governments the dominant issue may be whether or not Moldova will merge into Europe, and the European Union, or return to the Russian orbit. Activities by the international community appear to have been premised on an assumption that the aim was to draw Moldova into Europe. From a purely security perspective it might be seen as a risk to allow Moldova to separate from Europe, but this might be something of a Cold War perspective. From an economic point of view, Moldova is by no means essential to Europe. Although Moldova is capable of producing excellent agricultural products, the same products are already available from Romania and Bulgaria. In the context of the long-term relationship between Europe and Russia, there may be nothing wrong in Moldova strengthening its trading relationships with Russia (which needs such products) rather than Europe.

Either way there is a risk that criminal networks will develop a position from which they can broaden the range of their activities from the current relatively innocuous smuggling to traffic in drugs, arms and international terrorism. Since the state authorities are already in the grip of these interests, there is a danger of a worse situation developing. It is all the more important to recognize, therefore, that the root of corruption – at least on its current scale – lies in the anomalous status of Transdniestria.

Strategic opportunities

There are no major technical obstacles to resolution of the conflict through some form of regional autonomy. If Russia applied sufficient pressure, Transdniestria could be forced to sign up. There has been a noticeable increase in the level of attention the issue is receiving. Negotiations have resumed, statements supporting resolution have been issued jointly by the US and the Russian Federation and also by the Council of Europe.

President Voronin's move to establish a Commission to examine the conflict issue must be regarded as a positive step. But strategic analysis suggests that there is no obvious reason why these negotiations should succeed. External actors do not consider Moldova to be a significant enough problem to disturb their current strategies, and without compromise a settlement is not possible. Russia sees an opportunity through the status quo to maintain its sphere of interest, while mafia elements in Russia take advantage of the opportunities for gain. The Ukrainian leadership may take a similar view. Despite a harder attitude towards 'rogue states' following September 11th, the USA seems unlikely to jeopardize relations with Russia over such a limited threat. On the contrary, the USA currently needs Russian support over Iraq and the 'war on terror'. This is not the time to expect a sudden breakthrough at the diplomatic level. But it is possible that geopolitical events in the future may produce a situation in which settlement of the Moldova issue suits the needs of the main players. Russia would have to gain something, and the West may have to consider what it can offer.

Despite these doubts about a sudden settlement, there is enough fluidity in the current situation to justify a concerted effort by the international community. Indeed, without further strong pressures it is unlikely that the international negotiations or the Moldovan Commission will produce any results. There is an opportunity for international actors to work more closely together, harmonize their strategies and target their activities more precisely at the crucial issues.

SECTION FIVE
Conclusions

Geopolitics and diplomatic pressure

A decade after the violence, the unresolved conflict blocks the way towards improvements in governance, and this is the primary cause of Moldova's extreme poverty. Donors generally work 'around' conflict, avoiding the issue as far as possible, and at most adapting to inevitable parameters (working 'in' conflict). This report has tried to show that donors will not achieve long-term results unless they orientate their overall policies to work 'on' conflict.

But this does not mean purely a focus on negotiations and security issues. These are unlikely to produce results in the foreseeable future. Similarly, a scattered and uncoordinated response to poverty will not be adequate to tackle the fundamental institutional problems. And finally, tackling governance on its own will not work because of the deep corruption of the political system. If donors are to achieve anything significant in Moldova they will need to work much more closely together.

The problem for the West is that Moldova is not in its grip. Moldova could easily move to a closer arrangement with Russia, and that does represent one of the possible solutions. Either way, stability will be enhanced and criminal activity reduced if Moldova achieves a higher level of democracy and the power of vested interests is challenged. But to achieve this donors will need to have a more concerted strategy. Without it the benefits of individual projects will be undermined by the deeper political malaise.

This strategy has to keep the conflict in sight, because it is the conflict that makes the issues of governance so intractable. The objective should be to detach the political system from underground elements, gradually limit smuggling and then reinforce governance. Individual donors will need to align their aid and diplomacy inputs, but they will also need to work more closely with each other.

It is particularly important that the EU should use its political weight to enforce European standards, especially through the accession treaty of the Council of Europe. This sets an agenda that would resolve many of the problems. But currently the EU's economic weight is separate from this important political objective. European states represented in Moldova could play an important role in tying the two parts European institutions more closely together and monitoring their performance.

A second institution around which pressure can be built is the PRSP process led by the World Bank. Because of Moldova's debts the International Finance Institutions can wield a massive influence, but so far have shown themselves rather ambivalent in their support for the PRSP, allowing debts to be rescheduled and new loans to be made despite unsatisfactory performance. The international community should ensure that the PRSP process is taken seriously, both because it is a way of generating a coherent strategy to address poverty and also because it requires the participation of civil society.

Aid and civil society

The strategy described above is essentially about enforcing international standards. The aim is to develop a more pluralist society with closer linkages between civil society and the state. This could create sufficiently strong structures to eventually challenge the politico-criminal nexus. The aim can be achieved not only by external pressures but also by direct support to civil society. Three particular issues have been identified – lack of independence in civil society, lack of linkages and thirdly lack of accurate information.

Donors should try to link together civil society, and civil society with government. In terms of government itself there may be more scope to work at the local level, and on local democracy than at the national level, although any opportunity to improve the functioning of political parties should also be taken.

It will be better not to focus directly on conflict. Opinion polls suggest that Moldovan people do not rate the conflict as an important issue. Instead issues such as poverty and corruption feature more strongly. This tallies with our own analysis that the root of the problem is corruption, and that the conflict is a mechanism by which corruption is perpetuated. Nevertheless, international actors should keep the conflict firmly in place within their strategies and should promote a wider understanding of the relationship between conflict and other problems. This could be tackled by linking Moldova's public policy organizations more closely with the rest of civil society. A second way is to focus aid towards civil society in conflict areas, notably Transdniestria.

Linking action and research

A weakness of civil society organizations in Moldova is that they generally lack capacity to develop policies or feed these into national debates. As a result it has proved difficult to establish civil society as a credible 'player' in the Poverty Reduction Strategy process of the World Bank. There is a marked and unhelpful separation between policy think-tanks and the rest of civil society. Papers are written and research carried out on important issues, but the result does not reach a wide enough audience.

Like other parts of civil society, public policy organizations have tended to respond to fast-moving donor agendas rather than build up consistent links with the grassroots and with other civil society bodies. This leads to a fragmentation of the research agenda. Linkages between poverty, corruption and conflict are rarely made – the issues are treated separately.

This could be improved by concerted action to integrate the analysis of the think tanks into strategies and to engage a wider public, identifying critical issues and the means to produce and disseminate information in a way appropriate for Moldova. This might entail much simpler materials and summaries, rather than circulation of weighty volumes. The establishment of a Commission to examine conflict issues makes this an opportune time for such activity.

Transdniestria

Donors need NGOs to implement their programmes but pay too little attention to the development of the organizations themselves. It is important to recognize that, especially in Transdniestria, the aim is to develop civil society rather than carry out projects. This implies the need for longer-term relationships and more freedom for the NGO.

There are opportunities to work with civil society in Transdniestria particularly on the organizational development of community-based organizations. There are also opportunities to build up networks. There are also opportunities to link civil society with local authorities, firstly in order to increase their understanding of NGOs and in the long run in order to increase the level of public participation in governance.

The media

Opportunities exist to support the efforts of independent journalists and to link journalists both to civil society and to policy analysis. Although some journalists have undertaken brave investigative projects they are unlikely to be given the resources and time by editors, and therefore may produce material that lacks credibility. There may be a role for external funding to enable journalists to undertake in-depth analysis of the issues relevant to conflict.

A particularly valuable role would be to link journalists in Transdniestria and Gagauzia more closely with journalists elsewhere and also integrate journalists into other civil society networks. A preliminary step is to develop joint projects between journalists in the conflict areas and outside, but this should lead towards a wider process, with international connections.

The issue of youth

There is an increasing gap between the generations. Older people are more inclined to hark back to the relative stability and wealth of the Soviet era. As one commentator said, *'the younger generation is different – they do not just take orders as the Communist system taught them. The older generation does not understand how the new generation is thinking.'*

Research suggests that the presence of large numbers of unemployed youth may be a predisposing factor for conflict[27]. In Moldova many young people migrate abroad. Among those that are left there is only a limited radicalism. Nevertheless, change is likely to come from organizations of younger people, and they are more inclined to support the path of democracy. This suggests that as far as possible programmes should be targeted towards youth or towards 'young-minded' organizations.

Summary of conclusions

In relation to strategy, it is important to:

- Recognize Russia's long-term importance to Moldova and address Russia's interests in seeking a resolution of the conflict
- Recognize the linkages between smuggling and politics, and that they are likely to undermine international aid at the national level
- Recognize the conflict as a fundamental obstacle to improvement in governance and to poverty reduction
- Recognize that significant progress will not be achieved without coordinated and coherent responses
- Link economic incentives to performance against international standards
- Encourage the EU to play a more active political role, especially in support of the Council of Europe.
- Encourage the International Finance Institutions to apply conditions firmpy in order to support the PRSP process

In programme terms, the way forward may be to:

- Link economic incentives to Moldova's performance against international standards
- Consider ways to develop Moldova's political parties.
- Support linkages between policy research, NGOs, community-based organizations and the media.
- Support the development of civil society on a long-term basis, especially in Transdniestria.
- Support linkages between civil society and local government, especially in Transdniestria.
- Support civil society involvement in the PRSP process and monitoring the Council of Europe accession treaty.
- Support linkages between the free media in Transdniestria, Moldova and elsewhere.

Notes

1 DFID (2002) '*Conducting Conflict Assessments: Guidance Notes.'*

2 Tony Vaux was one of the authors of the DFID Guide referred to above with Jonathan Goodhand and Rob Walker.

3 IOM, Chisinau – personal communication

4 There is a parallel with the 'autonomous' Ajaran region of Georgia.

5 DFID (2002) *Conducting Conflict Assessments: Guidance Notes,* DFID London

6 Igor Smirnov came to Tiraspol from Ukraine in 1987 to manage the machine-building enterprise, Elektromash; in August 1989, he was elected head of the United Council of Work Collectives that was leading the protests.

7 Foreign Ministry, Moldova GEN3230P* June 2002 following accreditation of the new Moldovan Ambassador to the US.

8 In the speech referred to above President Bush is said to have 'reiterated the readiness of his administration to team up with Russia's Vladimir Putin'.

9 After a gap of 10 months negotiations resumed in July 2002.

10 Since the report was drafted, the Bashkan has resigned. On July 3rd 2002, Prime Minister Vasile Tarlev announced that the former Bashkan will be appointed as Moldovan representative to the World Trade Organisation. However, tensions over Gagauzia are likely to remain.

11 UNDP (2000) *National Human Development Report.*

12 Transparency International Moldova (2002) *Corruption and Quality of Governance: The Case of Moldova.*

13 See Transparency International Moldova (2002) p8. The definition is '*State capture commonly reflects the extent to which government policy-making is unduly influenced by a narrow set of interest groups in the economy which provide private benefits to politicians.'*

14 Transparency International Moldova (2002) *Public Procurement and Public Ethics: a focus on fighting corruption.*

15 Transparency International Moldova (2002) *Corruption in Moldova: facts analysis, proposals* p16

16 Op cit p26

17 UNDP (2000) p11

18 UNDP (2000) p11

19 Notably studies by Paul Collier for the World Bank. See www.worldbank.org/research/conflict

20 The figures in the following paragraphs are from the SCA in 2000.

21 See the World Bank website for updates: http://www.worldbank.org/ECA.

22 See the EBRD website for updates: http://www.ebrd.org/english/opera/COUNTRY/Moldproj.htm

23 Estimate in DFID: SCA 2000

24 This issue has now been brought to the attention of officials and addressed.

25 Another example are the UNDP-funded seminars through the Women's Association 'Imperativ'.

26 Personal interview, March 2000.

27 See Collier (2000).

APPENDIX ONE

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Useful Websites

Adept: www.e-democracy.md

Alertnet: www.alertnet.org

Center for Independent Journalism: www.ijc.iatp.md

Centre for Strategic Studies and Reforms, Chisinau: www.cisr-md.org

Council of Europe: www.coe.fr

Institute for Public Policy: www.ipp.md

OSCE: www.osce.md

Soros Foundation, Moldova: www.soros.md

Transparency International: www.transparency.md

UNHCR: www.unhcr.md

United Nations in Moldova: www.un.md

World Bank: www.worldbank.org

World Bank: Policy Research on the Causes and Consequences of Conflict in Developing Countries: www.worldbank.org/research/conflict

Youth Centre Piligrim-Demo: www.ycpiligrim.idknet.com

APPENDIX TWO

A peace-building framework for DFID

Summary of proposed overall strategy

There are two fundamental premises to the proposed strategy. Firstly, the elements that benefit from the status quo have, at the very least, a close synergy with government. This means that approaching the issue directly through government will yield only limited results. Instead the focus should be on developing more concerted international pressure to limit poor performance. Secondly, the people with the greatest interest in conflict resolution and in good governance are the poor themselves.

In the long-term the best way to support the negotiation process, and the best protection against conflict, is a functioning democracy including an active civil society. DFID should aim to:

- Develop a common strategy among international organizations in Moldova
- Support the production and dissemination of information by supporting policy think-tanks and linking them more closely with NGOs, CBOs and the media.
- Develop an independent and accountable civil society, especially in Transdniestria.
- Support the independent media in Transdniestria and develop its external linkages.
- Support linkages between civil society and local authorities, especially in Transdniestria.

In more detail –

Conflict strategy meetings

In order to develop a common understanding of conflict-governance-poverty connections and a concerted interaction with government, it is suggested that DFID's local office may convene Conflict Strategy Meetings of international organizations. DFID is well-placed to do this because of its important but reasonably neutral position (Britain is not directly involved in peace negotiations) and its preliminary work on conflict analysis. The following steps are proposed:

- Establish a forum of international organizations represented in Moldova in order to develop a common understanding of conflict issues and contribute more effectively to national debates.
- Support the development and dissemination of analysis by national civil society
- Identify ways to use international instruments to limit political corruption, and develop strategies to make effective use of the PRSP and Council of Europe processes.
- Develop tests for conflict-sensitive aid.

Linking policy and practice

The aim is to enhance links between policy think-tanks, NGOs and CBOs and disseminate the debate about conflict-related issues (including governance) more widely. This can be done in two ways:

- A central research unit may be established in order to support NGOs and CBOs with policy analysis, particularly in relation to the PRSP and Council of Europe processes.
- DFID's local office may support a group of opinion-forming organizations (including the research unit, academics, think-tanks etc) in order to identify information gaps, commission further research and editing, and arrange to disseminate this information widely.
- These bodies can be used to develop inputs to the World Bank Poverty Reduction Strategy Papers (PRSP) and Council of Europe processes.

Civil society networks

The aim is to support the development of civil society as a function of democracy on the basis that ultimately a functioning democracy will be the best protection against further conflict, and may contribute to the peaceful settlement of current problems. In this context, organizations that work on isolated projects are less useful than those that work together in networks reaching to the grassroots.

This can be achieved is several different ways. In areas of specific concern, such as Transdniestria, the development of community-based organizations is an objective in itself. At the national level the aim is to link NGOs and CBOs into more effective networks. It would be particularly valuable to link the Moldovan NGO network of 'Contact' with civil society in Transdnieatria. The Piligrim Demo network would make an especially appropriate partner, and there are opportunities for linking this process with local government. The Resource Centre started by Contact in Gagauzia could also be supported. Here the emphasis would be more on community development aimed at accountability.

Linking civil society and local government

There is scope to encourage local government in Transdniestria (and possibly Gagauzia) to develop a more positive attitude towards civil society – including CBOs, NGOs and the media. This could open up long-term possibilities to influence the separatist authorities. A particularly useful opportunity exists to introduce local authorities to progressive authorities in Russia and Ukraine. DFID projects offer a suitable environment for study visits. Such visits could be made jointly by local authority and civil society representatives.

Media networks

There are already a number of joint projects between Transdniestrian and Moldovan journalists, including some from Gagauzia. Journalists work together to write an article or produce a radio programme. This process could be further developed.

Secondly there is an opportunity to support networks linking journalists in Transdniestria and Gagauzia with others across the region, notably in Russia and Ukraine, as well as in the West.