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MOLDOVA DEMOCRACY AND GOVERNANCE ASSESSMENT

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EXECUTIVE SUMMARY

This document applies the United States Agency for International Development framework for a Democracy and Governance (DG) Assessment to Moldova. The framework is intended to guide political analysis of the country in order to inform programmatic choices for USAID as it supports Moldova's transition to democracy.

A four-member team conducted the DG assessment during July-August, 2005. The team members were social scientists who have visited and studied Moldova at regular intervals since Moldova's independence in 1991. The team reviewed literature on Moldova, met with scholars, interviewed actors from all aspects of Moldovan society (central, regional, and local political figures, journalists, NGOs, students), conducted focus groups, and met with USAID and Embassy personnel, UN and World Bank officials, and other donors. The team then developed the following report guided by the Framework for Strategy Development.

The DG assessment is intended to identify the problems and challenges that impede Moldova's transition to democracy, and make strategic recommendations to USAID so that its programs can have the greatest impact. The team's recommendations also take into account the role of other donors in the hope that the various players can build upon each other's efforts. The assessment follows the USAID framework by evaluating consensus, rule of law, competition, inclusion, and quality of governance within the Moldovan political process.

The secession of Transnistria, Moldova's eastern province, remains problematic in Moldova's post-independence political situation. At the direction of USAID, the team's analysis of democracy and governance in Moldova concentrates on the Right Bank, the area under Chisinau's control. The Transnistrian situation is considered only when it specifically impacts Right Bank political development.

Moldova's fourteen years of independence have been difficult, complicated by a short war and Transnistrian secession, an agriculturally-based economy dependent on eastern markets, a political tradition of strong central power and citizen apathy, a lack of governmental experience and capacity, a large emigration of working-age population, and a geography that traps Moldova between Russia and Europe. Creating the means to govern and administer a country faced with these challenges in a democratic manner in a relatively short period of time has been a daunting undertaking.

Yet Moldova has had some success on the road to a more democratic future. It has conducted a series of elections that, with one exception, have met international standards. It has changed ruling parties and leaders regularly and peacefully. It has privatized many aspects of its economy, has reduced governmental regulation of business, and has kept inflation within manageable limits. It has also developed a vocal and occasionally effective opposition.

Nonetheless, Moldova faces some continuing obstacles in its transition to democracy. The largest of these is the concentration of executive power that focuses decision-making in the hands of President Voronin and the like-minded officials surrounding him. This concentration of power in the executive branch builds on Moldova's Soviet heritage of central authority and citizen apathy. While somewhat constrained by their agreement with the opposition following the 2005 elections, central authorities continue to outweigh all other voices both in the opposition and in the wider society -- to the detriment of democratic development.

Ironically, this all-powerful presidency has orchestrated Moldova's fundamental shift in orientation from Russia to the European Union that holds the prospect of dramatic changes in domestic politics and administration in the immediate future. Although Moldova's shift of direction was inspired by this narrow political elite and was partly in response to Russia's intransigence on Transnistria, it nonetheless provides an historic opportunity for this new state, and calls for a new donor strategy to further Moldova's democratic momentum. Such a new strategy would differ from that employed by some donors after the 2001 electoral victory by the Communists that prompted donors to avoid central structures and concentrate on grass-roots political mobilization.

With this changed landscape, USAID should capitalize on the new alignment of political forces and adopt a calibrated strategy to assist those inside and outside the government who are committed to meaningful political and administrative reforms. The EU-Moldova Action Plan, which most of Moldova's political and economic elite have endorsed, offers an excellent roadmap. The reforms required by the Action Plan will not only affect central structures, but will force decentralization and democratization from the top to the bottom of Moldovan society.

The Team concluded that the overarching democracy and governance problem in Moldova is the excessive consolidation of executive authority. The main thrust of the Team's recommendations involves reversing that trend by supporting processes and political forces that generate momentum in the opposite direction. This goal can best be accomplished by supporting increased competition -- in politics, business, government, and information/media -- and greater transparency and accountability in the governing process. The strategic implication is to focus assistance on the actors and arenas that will bolster competition, transparency and accountability in Moldova, and on efforts to encourage the Government of Moldova to keep its commitments to second-generation democratic reforms. Implementation of elements of the EU Action Plan that decrease central/executive authority and strengthen the rule of law will lead Moldova in this direction.

DEEPENING ENGAGEMENT WITH THE GOVERNMENT OF MOLDOVA

USAID should exploit new opportunities for assistance to the Moldovan Government, despite the absence of incontrovertible evidence that President Voronin will stay the reform course. This strategy is not risk free, but the payoff is sufficiently large to warrant the risk, which is somewhat reduced by the Assessment Team's multi-dimensional approach. The Team proposes initial ad hoc technical assistance to the government (as opposed to comprehensive institution building) where political will for specific democratic reforms exists (e.g., those related to press freedom, local governance/decentralization, accountability measures), but where progress is hindered by lack of institutional capacity. This assistance might target key reformers and their staffs in the central government, parliamentary leaders and their aides, or Ministry officials dealing with implementation of new laws or regulations.

MORE VIGOROUS SUPPORT FOR POLITICAL ACTORS OUTSIDE THE CENTRAL GOVERNMENT

USAID should support those actors outside the central government and executive branch that have the most potential to advance relevant democratic reforms. It should place particular emphasis on those who are in a position to pressure the government to fulfill commitments to bolster competition, pluralism, transparency and accountability. In particular, USAID should increase support for democratic political parties, independent media, advocacy, policy and watchdog NGOs, and reform-minded local government officials.

If the Voronin government demonstrates the will to make tough choices, then USAID should dedicate more resources to increase the capacity of governmental institutions and actors to carry out reforms. Conversely, if the will to reform diminishes, USAID and other donors should retrench and concentrate on a longer-term strategy of support for grassroots citizen participation and transformation of the broader political culture. In the latter case, the Mission should support local activists, civic education, and steps to give young people incentives to remain in Moldova and take an active part in political life. A programmatic example would be the innovative program now being implemented by IREX.

Because of the uncertain prognosis, the USAID strategy for Moldova should be assessed regularly using benchmarks of democratic reform. Such benchmarks might include the adoption and implementation of the ten opposition demands agreed to earlier this year (Appendix C), adoption and implementation of key democracy-related provisions of the EU Action Plan, improvements in press freedoms and judicial independence as outlined in indices developed by Freedom House or IREX.

Moldova finds itself at an historic tipping point where it can opt for the European model, the Russian model, or continue to languish somewhere in between. The US Government, through the programs of USAID, should take advantage of Moldova's momentum toward Europe and help build governmental capacity to become a member of the European Union. Should Moldova succeed in capitalizing on this opportunity, it will necessarily become more decentralized, more participatory and, as a result, more democratic.

At the same time, USAID should assist other key players in the political process -- political parties, policy-oriented NGOs, media, and regional and local officials -- to acquire the skills necessary to play meaningful roles in a vibrant democracy. Strengthening these middle-level institutions not only develops alternate bases of influence within the society, but also pressures the central authorities to incorporate interests beyond their own into public policy.

INTRODUCTION AND BACKGROUND

This Democracy and Governance (DG) assessment identifies the principal challenges confronting the government and citizens of Moldova in their transition from authoritarian rule. The assessment examines this young country's political environment, historical foundation, and current trajectory. Employing the framework developed by USAID's Office of Democracy and Governance, the analysis identifies key political actors, their interests, and the institutional arenas in which they operate. It also identifies those actors and institutional arenas most amenable to further democratic development. The analytic framework is intended to assist USAID develop a programmatic strategy to support Moldova's evolution toward a more transparent democratic government and political culture.

In the decade and a half since independence, Moldova has made significant progress in establishing state institutions to manage the transition from Communist autocracy. Moldova has emerged as a functioning, sovereign state from one of the poorest and least developed of the Soviet republics. Successive democratically elected governments have laid the foundation for a stable democratic political system. Well-conceived governmental policies have reduced the cleavages of a multi-ethnic society, granting autonomy within the Moldovan state to the Gagauz people, and pursuing inclusionary policies toward the Russian, Ukrainian, Bulgarian and Roma minorities. Recently, Moldova and the European Union have agreed on an action plan for EU accession that should promote Chisinau's move away from the Soviet model and toward European political, economic, and administrative practices.

These accomplishments notwithstanding, Moldova's transition has been difficult and uneven. Its political system and leadership have been severely tested by the Transnistrian secession, the economic decline following the collapse of the Soviet Union, and the Russian economic crisis of the late 1990s. Both the leadership and the population, accustomed to Soviet authoritarianism, have had difficulty adopting transparent democratic practices. The legacies of top-down administration and a passive citizenry remain from the Soviet past. The overarching challenge confronting Moldova's path to democracy is reducing the concentration of executive power that restricts political competition and retards the establishment of the rule of law.

Vertical power had been the norm for Soviet as well as post-Soviet Moldovan governments, and strengthening the central institutions seemed natural for President Voronin after the Communist victory in the elections of 2001. Voronin's move to re-concentrate executive power early in his administration reinforced the traditional relationship of government and citizens (or subjects), and blocked the growth of a participatory democracy based on the rule of law.

Consolidated executive power threatens both the development of the rule of law and political competition. Central actors feel entitled to interfere in the judicial process, to manage or influence the media, to dictate to local and regional authorities, and to play favorites with business interests. One result is a government that is neither transparent nor accountable, thus dampening individuals' willingness to become involved in civic life.

As Moldova contemplates the reforms necessary for EU entry, the incompatibility between a highly vertical power structure and Western democratic practice will intensify. The EU-Moldova Action Plan requires that the future member state bring its political, economic, and regulatory practices into alignment with those of the European Community. The Plan's emphasis on rule of law, local and regional autonomy, and unfettered political competition presents Moldova and its leaders with a formidable challenge.

President Voronin and his government have taken a major step by turning toward Europe, and have begun to adopt some of the legislation required for European integration. Full implementation of the Action Plan will curb executive prerogatives and require substantial decentralization. Whether President Voronin, who plays the pivotal role in determining the course and pace of reform, and his government, continue on a reform path that impinges on the power and the prerogatives of the political and economic elite remains unclear.

Moldova today has turned toward Europe -- somewhat haltingly, and by no means irreversibly. In spite of his Communist label, President Voronin and his government have been taking modest, but nonetheless meaningful, steps toward European integration, which, if continued, will inevitably lead to a more liberal democratic society. But even if the Moldovan government and citizenry are committed to consolidating the democratic transition, a lack of natural, financial, and institutional resources will render the country dependent on outside actors to assist in this process. The active political and economic involvement of western democracies is essential to reinforce Moldova's present trajectory toward Europe.

STATE BUILDING

In analyzing the impediments to democratic consolidation in present-day Moldova, one must remember that Moldova is a new state, engaged simultaneously in the monumental processes of state building and political, economic, and social transition. Lack of institutional capacity must be viewed in this broader context. Establishing effective institutions and cultivating the habits of democratic governance are long-term projects. The Soviet legacies of centralized control of the governmental structure, together with the psychological dependence on the state by the citizenry, inveigh against the creation of a democratic

political culture. While no excuse for incompetence or malfeasance, the history of Soviet authoritarianism in a poor and underdeveloped territory makes the development of a modern, democratic state problematic.

Moldova is further handicapped in democratic state building not only by its economic circumstances and legacy of Communist rule, but also by the enormous out-migration of its most talented and entrepreneurial citizens. A young country facing so many obstacles on the path to free-market democracy can ill afford to have many of its most ambitious citizens migrate, even if their remittances have helped to support the poor economy.

Beyond institution building within the framework of a larger democratic political system, Moldova's ethnic and linguistic diversity necessitates creating a state identity that encompasses all of Moldova's groups. Fortunately, adroit leadership has prevented ethnic differences from becoming political cleavages, thus enabling Moldova to focus its collective energies on political and economic transition. At the same time, state building is taking place in the midst of a secessionist struggle that has left the government in Chisinau without control over a small but significant part of Moldovan territory.

TRANSNISTRIA

From its beginning as an independent state in 1991, Moldova was divided along the Nistru River, with Chisinau controlling the Right Bank, and the breakaway Transnistrian Republic, dependent upon and leaning toward Russia, located on the Left Bank. This division poses a major challenge to Moldovan statehood and also has important implications for the country's political and economic evolution.

The short war between the Left and Right Banks in 1992 froze the political situation and exacerbated the linguistic and cultural split between the Romanian-speaking and the Russian-speaking populations. While this cleavage has been ameliorated on the Right Bank, thanks to responsible leadership by successive post-independence governments, it has remained an issue of contention between Chisinau and the Transnistrian regime in Tiraspol. Every Moldovan president, with the support of the Western powers and the OSCE, has attempted to negotiate a settlement with Tiraspol and bring the breakaway area back into the Moldovan polity. Left Bank leadership, however, remains adamant in its *de facto* independence. Tiraspol maintains its position because of the benefits that accrue to the elites of the region, most notably from trafficking in goods, people, drugs, and weapons.

The extent to which the status quo limits Moldova's political and economic development is a matter of some debate. On the one hand, the porous border between Transnistria and Ukraine is a major source of corruption and results in substantial lost revenue for state coffers in Chisinau. More importantly, the existence of a territorial dispute jeopardizes Moldova's entry into the European Union, a step that is indispensable to the country's future as a prosperous, consolidated democracy. On the other hand, integration would be expensive even if one only looks at the decay of Transnistrian infrastructure; the difficulties of integrating two entirely different economic systems make the problems of reunification even more problematic. The government in Chisinau would have to pay for many years of decline and neglect under the leadership of Igor Smirnov. German reunification might be seen as a cautionary tale, albeit on a scale dwarfing that of Transnistria.

Transnistrian secession remains the most significant feature of Moldova's post-independence political situation. At the direction of USAID, however, the Assessment Team's analysis of democracy and governance in Moldova concentrates on the Right Bank, the area under Chisinau's control. Transnistria is considered only when it has discernible (as opposed to speculative) impact on Right Bank political development.

Were the breakaway region to be reincorporated into the Moldovan polity, priorities within the larger goal of advancing democratic governance in Moldova would necessarily be reordered. For example, issues surrounding consensus and inclusion would become more salient, with the concomitant implications for DG programming. The Tiraspol regime's Soviet orientation and its years of anti-Chisinau, anti-Romanian propaganda have sharpened the previously existing historical, ethnic, linguistic, and economic differences between the Left and Right Banks. Unification would require Western governments and other donors to dedicate resources to the process of reintegration.

MOLDOVA'S TURN TO THE WEST

President Voronin was elected in 2001 on a platform that emphasized strong central leadership and an Eastward focus, going so far as to entertain the possibility of union with Russia, Ukraine, and Belarus. As a Communist with political connections from Soviet times, Voronin was well positioned to negotiate an agreement with Moscow and Tiraspol to reunite the Left and Right Banks and to remove Russian troops from Transnistria. Moldova expected Russia's help in solving the standoff with Tiraspol, together with concessions on fuel prices similar to those granted to Belarus. When Voronin backed away from the tentative deal with Russian President Putin, outlined in the so-called "Kozak Memorandum," the Moldovan leader embarked on a dramatic shift away from Moscow in favor of integration with the West.

President Voronin and a small group of advisors engineered Moldova's turn to Europe. Ignoring election pledges to remain close to Russia, to avoid the WTO, and to refrain from military pacts with the West, Voronin quickly took advantage of EU expansion and NATO enlargement to sign both the WTO agreement and the Stability Pact. The Communist Party continued its traditional rhetoric targeted at its mostly rural and elderly core supporters, while pursuing policies that subordinated their interests to the newly defined requirements of a modern, capitalist state eager to join the Western community. The Voronin-instigated policy reorientation picked up momentum in 2005 and focused explicitly on joining the European Union. This shift culminated in the signing of the EU-Moldova Action Plan, acknowledging Chisinau's European aspirations and providing a "Concept for the Integration of the Republic of Moldova into the EU." The plan proposes a framework for Moldova's domestic institutions and foreign policy compatible with the standards of EU membership.

The reduced Communist majority following the 2005 parliamentary election led to an agreement with the right and center parties to re-elect Voronin. In return for their support, Voronin agreed to ten points that, if implemented, would limit centralized political control and make government more transparent (see Annex C). By the fall of 2005, more than half of these measures had been adopted in whole or in part, though their full implementation remains uncertain. Parliament is still debating legislation to implement the other points.

Moldova's turn to Europe is not irreversible. Some wonder whether Voronin and his allies are prepared to implement reforms that would significantly circumscribe executive power and encroach on the interests of the ruling elite. At the same time, other observers of Moldovan politics argue that Voronin has little room to backtrack, having staked his political future on integration with the West. They cite progress on some of the points in the accord with the opposition parties as evidence that the President will pursue reforms even if they threaten core interests of those in power. For the first time in Moldova's brief history, a consensus exists among the major political parties to pursue policies to make Moldova "European."

Nonetheless, the leadership will need to navigate a course that brings Moldova closer to the West without overly antagonizing Russia, which by virtue of geographic proximity, Transnistrian involvement, and historical ties, will continue to influence the country's overall evolution. Moldova's half-century as part of the Soviet Union, its large Russian-speaking population, its need for Russian markets for agricultural

goods, its dependence on Russian oil and gas, and its need for at least tacit Kremlin cooperation in reuniting the Left and Right Banks all render Moscow a central actor in Moldova's political and socio-economic development.

Ukraine also remains part of the equation. With the Orange Revolution and the coming to power of the Yushchenko Government, a more democratic and European-leaning state is now on Moldova's eastern border. Kyiv's stance toward Transnistria is particularly important. Were Ukraine to police the Transnistrian border more effectively and establish a customs regime, Tiraspol would lose much of its revenue stream (the windfall from smuggling) and -- the logic goes -- become more amenable to an agreement on reintegration with Chisinau. A settlement on Transnistria is vital not only for political acceptance by the West (i.e., a prerequisite for EU accession) but also for domestic economic development.

DEMOCRACY AND GOVERNANCE

PROBLEM ANALYSIS

This section of the paper summarizes the Team's analysis of the present state of Moldova's democratic evolution with the aim of identifying the challenges facing the leadership and citizenry. This analysis employs USAID's five-dimensional framework that examines key elements of democratic development: consensus, inclusion, competition, rule of law, and good governance.

The Team's problem statement draws analytical attention to the most significant obstacle to democratic progress: the consolidation of executive authority and the corresponding inability of the political opposition and civil society to counter this concentration. Despite making concessions to the opposition to retain the presidency following the Communist Party's failure to secure a super-majority in the 2005 election, Voronin has solidified his hold on executive power. This excessive executive power has limited political competition, impeded the development of the rule of law/judicial independence, and hindered good governance. The concentration of power in the executive is both a symptom and cause of the maladies afflicting the body politic. The problems are mutually reinforcing -- concentration of executive power comes at the expense of other actors and institutions, which in turn are less able to provide a bulwark against further erosion of their formal and informal authority.

That Voronin has accumulated so much authority does not mean that Moldova's democracy deficit is primarily a function of "high politics" and the authoritarian proclivities (a desire to control rather than to govern) of its leader. In fact, it underscores the modest influence of the political opposition and a citizenry alienated from the political process. Moldova's democracy-related challenges thus involve both bottom-up and top-down factors.

At this point, however, the concentration of power continues to hinder competition in the political realm as well as in the media and in business. As a result, the general population finds itself excluded from the decision-making process with limited ability to pressure the government for greater accountability or transparency. USAID and other donors can help balance executive power through a strategy that supports the process of decentralization and strengthens some of the political system's mid-level change agents.

If the Voronin government fulfills the pledges required for membership in the European Union, USAID and other donors can assist Moldova by building capacity in those institutions and individuals in the

executive and in the political parties central to the accession process. The requirements imposed by the European Union for membership will themselves result in a significant diminution of executive power and an acceleration of Moldova's democratic development.

RULE OF LAW

Rule of law is the area where Moldova fails most notably in meeting democratic criteria. Moldova's judiciary lacks independence and does not provide the checks and balances fundamental to a consolidated democracy. The judiciary also suffers from weak institutional capacity. It is highly dependent on the executive branch, including succumbing to such practices as "telephone justice." Other problems are similar to those found in other NIS countries, including low capacity of judges, low wages, lack of internal controls to curb corruption, weaknesses in the system of appointing and promoting judges, poor administrative and case management, and failure to enforce judicial decisions.

Public confidence in the judicial system is low, both because of its poor record in dispensing justice and because the population has little understanding of its right to legal recourse. Legal professional associations, legal clinics, and other legal services exist, but are not easily accessible. Programs such as the initiative funded by USAID and implemented by ABA/CEELI to support legal clinics, the traveling lawyer program, and grants to indigenous legal assistance NGOs, have made legal services more available across the country. However, the law is perceived to be applied selectively, especially in cases that have political dimensions. At the same time, allegations of political corruption or malfeasance seem to go unchecked. Corruption continues to be widespread throughout society and all levels of government. A common refrain among citizens is that the court system is the place of last resort in their search for justice.

On the positive side, Moldova provides reasonable guarantees of personal safety and law and order, a sound legislative framework, and a basic respect for human rights. One notable exception involves pre-trial detention and treatment of prisoners. Applications from Moldova to the European Court of Human Rights are among the most numerous of any country. However, the government has complied with the ECHR decisions and has pledged to improve the quality of the Moldovan justice system. A new law on appointments to the Council of Magistrates is an encouraging sign that the government might be initiating measures to increase judicial independence.

Uneven progress in establishing the rule of law is one of the major impediments to democratic consolidation in Moldova. Significant systemic improvements are unlikely because of limited political will and low institutional capacity. The dominant political elite, including the Voronin Administration, has a vested interest in preventing the emergence of an independent judiciary that could check executive authority. At the same time, financial and human resource constraints present further obstacles to building effective legal institutions, even with generous donor support.

COMPETITION

Open competition in politics, the economy, and among ideas is a core democratic attribute. Moldova today presents a decidedly mixed picture with respect to competition. On the one hand, the polity has many of the attributes of an evolving liberal democratic system in which citizens have the opportunity to elect their leaders and to organize to advance their collective interests. Political parties are free to contest for political power. Independent print media offer a diversity of views. On the other hand, Moldova has impediments to competition. A narrow segment of the population dominates economic and political life, creating an uneven playing field that limits the ability of citizens to impact decisions that affect their lives.

A related measure of competition is the extent to which people feel free to engage in political activity and enjoy the full range of civil liberties. Here, too, Moldova has made demonstrable progress since emerging as an independent state. Some journalists reported that self-censorship was common, but Moldovans do not face formal barriers to participating in political life and do not feel constrained in expressing critical views of those in power or of general conditions. Citizens, especially young people, may rightly be cynical about politics and see little prospect to influence national decision-making, but with the collapse of Soviet rule, the fear factor has dissipated as electoral competition has become institutionalized.

Moldova can boast one of the best records of all the former Soviet Republics with respect to free and fair elections. With the exception of the 2003 local elections, successive governments have presided over competitive, contested, professionally administered elections that met widely accepted international standards. Elections have also resulted in different parties with divergent agendas coming to national office, an exception to the “one-party state” model common in the former USSR and elsewhere.

The contest for political power is embedded in a larger system that has a reasonable degree of pluralism and constitutes a generally permissive environment for civil society. One indicator of this pluralism is the significant number of mayors that have been elected from opposition political parties. President Voronin’s governing Communist Party has engaged in some questionable tactics to pressure these mayors to conform to the party line; nonetheless, these elected heads of municipalities have carved out political space and have demonstrated an ability to improve the quality of life for their residents. Similarly, civil society has benefited from a generally tolerant environment. The number of NGOs, including democracy and human rights advocacy organizations, has proliferated, injecting another source of competition --the battle of ideas -- into the political system.

For all the progress Moldova has made in the “democracy” sphere since achieving independence, competition remains circumscribed because of concentrated executive power. However, in spite of his efforts to concentrate power, President Voronin has not eliminated or silenced his political opponents. Indeed, his need to secure support from other parties in parliament to win re-election gave some of these factions tangible leverage over the Communist Party’s legislative agenda. At the same time, the battle of ideas within the Communist Party may be intensifying following Voronin’s turn to the West and his endorsement of reforms that betray party traditions in the eyes of orthodox communists. However, this intra-elite conflict should not be mistaken for broad-based political competition.

In Moldova the contest for power is largely confined to a political class composed of an exceedingly narrow segment of the population. Many citizens are alienated from politics (declining voter turnout being one manifestation) and see competition as an intramural affair that profoundly affects their lives but which they are powerless to influence. Young people, many of whom have left the country or aspire to do so in order to pursue economic opportunities, are particularly disaffected -- a finding consistent with a focus group conducted by the assessment team. Moreover, citizens generally view political leaders as self-interested, intent on gaining office, not because of any commitment to public service, but for personal gain.

The combination of widespread corruption and the nexus between political and economic power means that economic competition is also stunted. Connections, rather than merit or entrepreneurial skill, can be the most important factor in business success. At the same time, because corruption dramatically increases the cost of doing business (with the distorting economic inefficiencies and corrosive political consequences this entails), would-be entrepreneurs are deterred from entering the arena, limiting competition and fortifying the grip on the economy of inefficient, risk-averse producers who prosper based on their ties to the political establishment.

The limited nature of competition in Moldova’s political and economic life is also supported by the absence of an effective system of checks and balances. The judiciary lacks independence and is

politicized. Telephone justice is common, which in part explains why citizens have minimal confidence in judicial institutions. At the same time, the parliament is not yet a reliable check on executive power despite the presence of opposition factions.

Independent media, likewise, have not fulfilled the role of an effective watchdog on the executive branch, principally because they are confined to the print sphere. Here readers can find a range of views. However, most Moldovans get their news from television, which is dominated by the governing party. Mr. Voronin and his allies enjoy such hegemony that little objective or critical reporting about the executive can be found on the airwaves. Pre-election observers noted concern about opposition parties' poor access to broadcast media. Without such access, concluding that elections are free and fair is difficult, even if voting day is problem-free.

Local governmental and elected officials with independent power bases can provide another check on the power of the executive branch. Opposition party members do hold office in a number of cities and towns, but are hampered by the intrinsic difficulties of organizing into a coherent lobby. The central government is particularly reluctant to devolve authority, such as control over locally generated revenue, to the municipal level. Central authorities have maintained control over independent-minded mayors through tactics such as selective prosecutions and withholding budgetary support.

INCLUSION

The paramount question with respect to inclusion is whether segments of the population are excluded, by design or circumstance, from meaningful participation in political and economic life. After independence, the main challenge of inclusion involved non-Romanian-speaking minorities. However, all post-independence governments have pursued responsible and enlightened policies that integrate minorities on the Right Bank into the larger Moldovan society, and the Gagauz were even granted local autonomy. As a result, the ethnic and linguistic divide between Romanian and Russian speakers evident at the end of Soviet rule has lessened, with members of the different ethnic/linguistic groups generally accommodating each other. Few Romanian-speakers now wish to pursue unification with Romania, greatly reducing the perceived threat initially felt by the non-Romanian minorities.

The Gagauz, Bulgarian, Ukrainian, and Roma minorities (most of whom use Russian as their first language) have been granted sufficient cultural space to reduce the salience of ethnicity and language within the political system. The Assessment Team did not examine whether these groups are disproportionately poor compared with ethnic Romanians or Russians, a possible sign of discrimination or marginalization meriting further research. The least advantaged citizens in almost all societies are outside the mainstream of political and economic life. However, the issue under consideration with this assessment is whether identifiable minorities are second-class citizens without the same rights and opportunities enjoyed by the majority. The limited evidence gathered by the team does not support this contention.

The language issue in Moldova is more complicated than in many countries because the majority Romanian-speakers also speak the language of the main minority (Russians) as the result of Soviet rule. Romanian-speakers almost universally are able to speak, read, and write Russian and frequently do so to accommodate their monolingual compatriots. The collapse of the Soviet Union resulted in fewer school children studying Russian. That fact, together with some evidence that the proportion of ethnic Russians and Ukrainians in the Right Bank is declining, has resulted in the linguistic balance shifting increasingly toward Romanian. This linguistic evolution has the potential to make the issue of inclusion more prominent. If, for example, state employees are required or at least expected to operate effectively in Romanian, Russian-only speakers invariably will perceive discrimination, reopening ethnic and linguistic tensions that have dissipated considerably over the past fifteen years. Of course, more Russian-speaking

families might opt to have their children study Romanian, which could ease problems over the longer term.

As noted above, not all parts of the Moldovan population participate equally in the civic culture. Some thus feel excluded, but such lack of participation is not the result of officially sanctioned discrimination. Rural populations participate less than urban, poor less than wealthy, female less than male, old less than young. Moldova is far from unique in this regard; these disparities are found in most developing countries.

Voter turnout, though a crude measure of civic engagement, has remained high for national elections. In contrast, participation has been declining in local elections, most notably the recent mayoral contests in Chisinau, which generated little public interest. The older generations vote at a much higher rate than the younger, but have lower expectations of citizenship. Young people, with more formal education and more exposure to the West, have higher expectations and are more disillusioned with politics and political leaders, according to experts with whom the Assessment Team met. In many cases they vote with their feet by pursuing opportunities abroad, rather than relying on those whom they regard as self-serving politicians.

Low civic involvement and widespread alienation from politics does not necessarily mean that young people or others are deliberately or even inadvertently excluded from participating in political and economic life. But such troubling trends merit study to determine whether the disaffection is concentrated in some groups and linked to a shared perception of exclusion.

CONSENSUS

Consensus implies the existence of basic agreement on the boundaries of the state, the political game in which actors are engaged, and the set of rules that structure competition in the system. Here the status of Transnistria looms large. The existence of a secessionist region underscores the lack of consensus on Moldova's national borders. But in focusing on the Right Bank, a consensus exists among all the principal actors that cuts across ethnic and linguistic groups.

With respect to the so-called "rules of the game," a robust consensus also can be found that political parties vie for popular support in regular, freely contested elections within the framework of the constitution. Successive peaceful transfers of power from one political party to another are good indications that all groups agree on the principles and mechanics of electoral competition as the legitimate means to determine who governs. Relatively high voter turnout is a weaker but still useful measure of system consensus. That the contest for policy influence is waged by political parties, NGOs, and individuals within an agreed-upon framework of pluralist competition also attests to the existence of a societal consensus. Such accord is not to suggest any uniformity of views, only that all sides concur on conducting the competition in accordance with a common set of rules. This agreement applies to political parties across the ideological spectrum; leaders have not sought to mobilize their members to challenge the prevailing order.

One area where conflict over the rules of the game has emerged involves the scope of executive power, a major theme throughout this analysis. Critics of the Voronin administration see increased central power as a violation of the principle of separation of powers and the system of checks and balances. Yet the effort to strengthen the presidency has not undercut the consensus on how politics should be played. No one is suggesting eliminating elections, banning political parties, or cracking down in a systematic way on NGOs.

Taking a broader view of consensus, a growing convergence in thinking can be found about future aspirations for Moldovan society. With the Communist Party leadership's purposeful turn to the West, virtually all political parties support integration into European institutions and the accompanying vision of Moldova as a liberal, democratic polity. This encouraging political evolution underscores just how much the Assessment Team's analysis would change if Transnistria were to become part of the mix. Certainly the leadership of the breakaway region gives little indication that it shares the Right Bank's view about Moldova's future as a part of the West. Moreover, the Smirnov regime in Transnistria has spent a dozen years propagandizing against the Romanian-speaking majority and vilifying the Chisinau government. Reintegration of Transnistria would test the consensus that has been achieved on the Right Bank, and would force reconsideration of issues already resolved for most of the population.

GOOD GOVERNANCE

Good governance is a dependent variable -- the result of inclusion, fair competition, rule of law, and consensus. The quality of governance is a collective judgment rendered by the citizenry on the effective delivery of public goods such as safety, law and order, health and education, infrastructure, and social services. Citizens' perception of factors such as economic growth, levels of corruption, and transparency impact this judgment.

With the consolidation of executive power that has impeded political competition and the rule of law, the quality of governance in Moldova has suffered accordingly. The main elements of good governance -- effectiveness, transparency, and accountability of political and governmental institutions -- are in short supply, at least at the national level. Progress in the governance sphere can be found at the local level, where a number of mayors have exhibited impressive leadership in following sound governance practices and facilitating greater citizen involvement in municipal affairs. In contrast, the lack of transparency and accountability in national structures allows the president to govern in a vertical manner that impedes the prospect of democratic consolidation and reinforces popular cynicism.

A shortage of capacity can be blamed for some of the ineffectiveness of public administration, but the larger problem is the low level of transparency and accountability. The ruling elite naturally prefers a free hand in devising and implementing policies that advance its own (admittedly less than monolithic) interests.

The lack of transparency and accountability ultimately reduces the ability of the state to govern effectively because it creates permissive conditions for corruption. In Moldova, patronage rather than merit have been the basis for governmental hiring, leading to less technically competent people staffing ministries and less competition in the political and economic spheres. Policies often favor the already well connected instead of helping to create a legal and regulatory environment conducive to broad-based economic development. Recent efforts to reduce governmental staff and hire and promote the technically competent might alleviate some of this deficiency. The reforms required for EU accession provide powerful incentives for Moldova to pursue more transparent and democratic policies.

Decision-makers have not demonstrated the will to improve the situation, whether through an independent judiciary able to order redress of violations of law or through a parliament that provides a check on executive power. Opposition political parties are not strong enough to hold the government accountable. Parties are mostly personality driven, serving the political ends of their leaders, rather than being issue-driven and committed to good government.

Lack of oversight is evident also in the government-dominated broadcast media. Some skilled journalists understand the watchdog role that the media plays in democratic societies. However, they face serious impediments in performing this oversight. For instance, legislation does not adequately define

defamation, thus allowing political figures to use the courts to silence critics. Also, investigative journalism, with its emphasis on exposing corruption, is underdeveloped because reporters fear retribution. As a result, they often find themselves engaging in self-censorship.

The absence of a robust civil society deprives the political system of another mechanism to hold government accountable. For the most part, citizens feel powerless to influence governmental decision-making. Officials also have not internalized the concept of “public service,” that is, seeing themselves as responsible to the people rather than to the department or politician. The government sometimes creates parallel, dependent organizations meant to undercut civil society groups that have the potential to challenge the power structure (e.g., establishing competing associations of mayors or farmers). Were NGO leaders more conscious of running their groups with greater transparency and accountability, they might have greater credibility and garner broader support from the citizenry. This step, in turn, would enable the groups to advocate more effectively and bring pressure to bear on governmental decision-makers.

The reluctance of the Voronin Administration to devolve authority to the local level also inhibits effective governance. The extent of decentralization varies considerably across the spectrum of successful democracies, and there is no perfect model. But the extreme centralization of the Soviet period and post-2001 efforts by Voronin’s Communist Party to reassert the center’s domination of the periphery has all but eliminated a potential check on executive power. It also reduces both the level and quality of public services by denying municipalities control over locally generated revenues. Local governments often are better able to promote accountability and transparency in carrying out their administrative responsibilities than are the central authorities.

As discussed in several sections of this report, the demand for effective governance is weak because of citizens’ low confidence in public institutions and their widespread sense of powerlessness to change prevailing conditions, both legacies of Soviet rule. Citizens are cynical about government. They question the integrity of those in office, seeing officials as dispensing patronage and exploiting their positions for personal gain. At the same time, they see physical infrastructure and social services deteriorating due to a combination of corruption, poor stewardship, malfeasance, and low capacity.

Public passivity in Moldova is not pre-ordained. Allies for bringing about better governance include civil society, the small business community, parts of the agricultural sector, and reform-minded local mayors. Many Moldovans who have lived abroad, as well as international donors, also are on the side of effective governance. The parliamentary opposition may be selectively supportive, depending on how much they are concerned about the best interests of Moldova rather than themselves. Elements within the bureaucracy itself are also pro-reform. A reformist coalition could overcome those with a vested interest in perpetuating the status quo (i.e., those who benefit from patronage and corruption). The key is mobilizing these constituencies into an effective force for reform.

In several important dimensions of governance the Voronin Administration has done an outstanding job. In moves that distinguished it from its predecessors, the governing Communist Party eliminated pension and salary arrears, raised wages, improved public safety, and eliminated the most egregious elements of organized crime. Perhaps more surprisingly, the government of President Voronin has implemented policies to foster economic growth and maintain macro-economic stabilization. At the same time, a cohort of competent young technocrats has been appointed to senior posts in several ministries. Whether they will have the requisite resources or the backing of the President to implement the necessary reforms remains unclear. Whether recent deep reductions in staff at many ministries will make those institutions work better by getting rid of unqualified beneficiaries of past patronage or will further diminish the performance of these same agencies is yet to be seen.

Uneven governmental performance is no surprise when one considers Moldova's political legacy, its economic circumstances, and its geographic reality. The leadership has made some progress in repairing the economic safety net for Moldova's most vulnerable. However, investment in infrastructure, health care, education, and municipal services has been lacking. Overall, the Moldovan state and the Voronin government have been weakest on the political dimensions of governance -- promoting accountability and transparency.

POLITICAL ACTORS

This section reviews some of the principal political actors in Moldova -- describing who they are, their interests, and their status regarding democratic development -- for the purpose of identifying potential supporters and opponents of political change. Since the decisions of political actors are heavily influenced by the circumstances in which they find themselves, the section begins by identifying existing external and internal pressures favoring positive political change.

STRUCTURAL AND POLITICAL PRESSURES FOR REFORM

Whether "geography is destiny," as Napoleon suggested, Moldova's location and modest size ensure that the country's fate is inextricably linked with developments in the region and beyond. Perched between an expanding European Union and Ukraine -- and as an object of interest to both Moscow and Washington -- Moldova faces a number of systemic and political constraints that inhibit its freedom of action. While the Moldovan people and their government control much of their own fate, they are constrained by larger political and economic decisions made in capitals beyond Chisinau.

The extent to which factors such as Moldova's need to export for the international market constrain national decision-makers is at the center of the debate about the origins and durability of the Voronin government's reorientation away from Russia and toward the West. Understanding the reasons for this wholesale change in policy is important because divergent views about underlying causes lead to different sets of policy prescriptions. If, for example, the stated intention to integrate with the West is based solely on external factors, such as Chisinau's calculation that Moscow will not countenance an acceptable compromise on Transnistria, or a recognition that Moldova's prospective economic health depends almost exclusively on access to Western markets for its agricultural produce, then U.S. and EU decision-makers would have reason to question whether Voronin and his CP colleagues are genuinely committed to the shared values of democratic nations. In this scenario Voronin's change in policy would be attributed to structural imperatives rather than liberal democratic aspirations. On the other hand, if the Voronin-led recasting of Moldova's foreign policy was the result of a rethinking of the content of the national interest, then Western decision-makers would likely want to factor that into decisions about the levels and types of technical assistance and development aid to be provided.

Dismissing the reorientation in policy as little more than an inevitable concession to the imperatives of economic well-being would be easy, but incorrect. However much Moldova's economic prospects would be improved by access to Western markets resulting from EU membership, the decision by Voronin and some close advisors to turn to the West was by no means inevitable.

This Team is not suggesting that Mr. Voronin has become a liberal democrat recognizable in Western terms. Nor is it minimizing the constraints and incentives pushing Moldova toward the West. Many well-placed and knowledgeable observers are understandably skeptical of any wholesale transformation in

Voronin's outlook. Nonetheless, the pull of the EU in terms of improving Moldova's long-term economic prospects is undeniable.

Yet the Communist Party dominated government might have decided on a different path, including the status quo. That some key Voronin advisors are reliably reported to have opposed the shift from Moscow to Brussels is evidence that an alternative path existed and that other political leaderships could have drawn different conclusions about the best way to advance Moldova's national interest. If Moldova does not find its way into the EU and/or if the Russian Government becomes more cooperative with respect to a settlement on Transnistria, the country's domestic political context could change substantially -- with major implications for foreign policy.

Moldova's difficult economic circumstances are also cited as a reason why the present government had little alternative but to throw in its lot with the West. One cannot dispute the country's precarious economic condition. The large exodus of young men and women acted as something of a safety valve, releasing some of the pressure on the leadership to implement reforms. The migrants' remittances sent to family and friends in Moldova have compensated for a fraying social safety net and eased what would otherwise be a desperate social situation.

A third possible explanation, not necessarily incompatible with the thrust of the two views discussed above, holds that the Moldovan leadership's turn toward Europe and the U.S. may be grounded in Voronin's well established pattern of balancing between Russia and the West to ensure his dominant role in the country's political system. By steering a middle course, Voronin can carve out enough space to exercise control. Rejection of the Kozak Memorandum can be seen in this light -- as a defensive move against Moscow's insistence on Chisinau's fealty and the hope that closer ties with the West holds out the greater chance of Voronin's preserving his hold on political power.

This interpretation does not require adopting the view that Voronin underwent a conversion to liberal democracy. It does suggest an ability on the part of international donors to create incentives for Moldova's governing elite to continue supporting reforms, while also helping to empower civil society and other political actors intent on holding the government accountable. At the same time, Voronin and his advisors will have to do more than utter platitudes about shared values and common interests with the West. Instead, they will have to demonstrate a genuine commitment to democracy in the form of reforms that threaten core constituencies and interests.

The bottom line remains: even as a sovereign country able to determine its future course, leaving aside the troubling reality of Transnistria, Moldova is subject to both economic and political forces that shape and limit its freedom of action. One would be mistaken to say that the present government of Vladimir Voronin has little or no choice but to seek integration with Western economic, political and security institutions. One also would be incorrect to downplay the powerful incentives driving Chisinau Westward. Membership in the EU is seen by the large majority of the political class, including opposition parties, as absolutely critical to Moldova's future economic viability. Moscow's inflexibility over Transnistria at the same time creates an added incentive to look to the West for support.

Because Moldova is a poor, developing country, the international donor community exercises disproportionate influence over its political and economic evolution. This influence pertains to bilateral and multi-lateral donors as well as to the international financial institutions. Moreover, because Moldovan territory is the source or transit point for trafficking in persons, drugs, and weapons, the country will remain an object of Western interest regardless of its progress in other areas.

POLITICAL LEADERS AND PARTIES

Political parties are an integral part of the democratic landscape in Moldova. Moldovans are free to organize political parties, which are indispensable vehicles for aggregating interests for the purpose of competing for political power. That Moldova has had a series of elections, almost all of which passed muster with international and domestic monitors, and has seen different parties capture the presidency and gain strong representation in parliament, testifies to the role of political parties in the system's vibrancy since Moldova became an independent state.

A few of Moldova's political parties resemble those in more established democracies in that they have a capable organization, an identifiable constituency, and an articulated program designed to energize and broaden their base to bring about change in national policy. For reasons both historical and contemporary, the Communist Party under the leadership of Vladimir Voronin has been highly effective, with the organizational infrastructure, resources, staunchly loyal base, mobilization capacity, and media presence to prosper politically. Among the opposition parties, the Christian Democrats, led by Iurie Rosca, stand out. The party has an identifiable constituency with common interests and has skillfully used its presence in parliament to influence the ruling party's substantive agenda. In return for giving Voronin the votes he needed to become president, Rosca prevailed upon the Communist Party Chief to accept a number of policy reforms, some of which have begun to be implemented.

These and other encouraging developments notwithstanding, few knowledgeable observers would contend that Moldova's political party system is a robust or dependable bulwark of democratic governance. Recognizing that Moldova is in the midst of a long-term state-building enterprise, one can nonetheless point to weaknesses, some of which are the target of USAID-funded programs. These deficiencies are closely tied to some of the country's most pressing democratic challenges, including limited political competition and excessive vertical power.

Moldova's political parties are plagued by the same shortcomings found across former Communist space. Parties tend to be personality-driven factions devoid of ideological coherence and concrete programmatic ideas. They are elite-dominated, have poor constituent identification and mobilization potential, remain capital-centric with little presence in the countryside, and possess minimal infrastructure between elections. They have limited capacity to reach supporters, target selected audiences, conduct surveys, and craft tailored measures that will resonate with voters. In addition, opposition lawmakers are largely unskilled in the legislative arena, depriving the citizenry of an alternative voice in the battle of policy-relevant ideas and an effective counter-weight to an executive branch intent on maintaining its hegemonic position.

The fecklessness of many parties is not the only reason the citizenry sees them as the problem rather than the solution to the challenges of democratic governance. The close nexus of political and economic power, coupled with a high degree of corruption, further erodes citizens' confidence in the political party system. These linkages also explain the dominant view of politics as an unfortunate zero-sum game: controlling the levers of power invariably provides access to state resources as well as to society's most important economic actors.

The inability of most parties, with the exception of the Communists and Christian Democrats, to engage the citizenry, to solicit and mobilize support, and to create an effective organization helps account for the low level of civic involvement and widespread alienation from the political process. Citizens do not see parties as representing their interests. Instead, they view the leaders as self-serving power seekers engaged in intra-elite games with little commitment to public service and the needs of a long-suffering population. The opportunistic nature of party leaders was underscored when the nominally united opposition moved

to court Moscow once Voronin had split with the Kremlin over Transnistria, and when the democratic bloc fractured in response to Voronin's bid to secure the necessary votes to become president.

Serafim Urechean, Dimitru Braghis, Dumitru Diacov, Iurie Rosca, Vladimir Voronin and other political party leaders all have their hardcore followers, but only a few of these men have shown the potential to connect with voters beyond their natural constituency. It is no coincidence that Speaker of Parliament Marian Lupu, who was brought in by Voronin, but who is not affiliated with any political party, is generally viewed as one of the country's most competent and trusted public servants.

Interestingly, the Communist Party, which continues to be the best organized party on a national basis and boasts the most ardent supporters (solidified by the government's politically adroit strategy of paying pension arrears), has recently embarked on a westward course that is opposed to the fundamental interests of its popular base. This shift has led to speculation about a possible split in the party, with Voronin seen as casting his lot with reformers inside the CP and appealing to like-minded members of other parties to join him in forming a broad-based social democratic movement.

For the most part, the opposition parties do not function as an effective political force in parliament. They are fractured and undisciplined. As a result, they provide little check on executive authority, a situation exacerbated by the shortcomings of the parliament itself, with a tiny professional staff and minimal research and legislative-drafting capability. In short, a parliament already disadvantaged by a constitution providing for a strong executive cannot exercise meaningful oversight over the executive branch.

Opposition parties also face another obstacle in becoming a potent force in the country's political life. The dearth of independent media in the broadcast sphere allows the ruling party to dominate the airwaves, thereby denying other political leaders a platform from which to engage the body politic in discussion about the future direction of the country.

Lastly, the local dimension of the party enterprise should not be overlooked, because it both reflects the system's principal problems and holds out some hope for addressing them. To the chagrin of the Communist Party leadership, mayoral candidates from opposition parties and independents have been elected in every region of the country. The response of the Voronin government has been disappointing from the democratic standpoint, but perhaps predictable given his Communist pedigree: use the formal and informal powers of the State to bring opposition or maverick office holders into conformity with Chisinau. At times this pressure has taken the form of heavy-handed and sometimes illegal efforts to compel allegiance to the center. At the same time, Voronin and his advisors sought to recentralize political control, in part by making the reinvigorated raion-level government a source of patronage dependent on the executive. However, some mayors have been able to maintain their independence by establishing local power bases that allow them to govern their respective municipalities effectively while also reinvigorating Moldova's party system from the bottom up.

CIVIL SOCIETY ORGANIZATIONS

According to figures of the Ministry of Justice, 2,758 NGOs were registered in Moldova at the end of 2001, nearly double the level in 1992. The biggest jump came from 1997 to 1998 after the passage of the Law on Public Associations.

The number of active organizations is far fewer than the universe of registered groups, according to the Contact NGO Center. In the sphere of democracy and human rights, the number of effective groups is quite small. Twice as many registered NGOs are national as opposed to local in scope, with the overwhelming majority based in Chisinau. Proportionately few NGOs are found in small towns and rural areas, where almost half of the country's population lives and poverty rates are appreciably higher.

Wherever they are located, most organizations claim their mission is to solve community problems. Others seek to advance the interests of particular groups of citizens. About 10% of the NGOs state in their charter that their aim is to obtain financial support, and a much smaller percentage were created to earn extra income for their members. About one-quarter of registered NGOs have missions that include some form of education and outreach. Approximately 11% work on health issues, 10% deal with art, research or culture, 10% with sport, 6% in social service, 5% in ecology and 3% in media. The rest are distributed among various categories, including ethnic minorities, philanthropy, and religion.

As is the norm across a region with little history of philanthropy, local resources are limited for NGOs. Foreign donors provide the largest share of financial support for Moldovan NGOs, especially for advocacy groups in the democracy and governance area. Those organizations located in Chisinau have higher organizational capacity than their rural and small-town counterparts. They also enjoy closer access to donors, although the donors have made a concerted effort to fund groups working at the local level. Chisinau-based NGOs are more likely to benefit from training and other capacity-building activities. Even groups in large secondary cities such as Balti lag behind those in Chisinau in garnering financial and political support.

With generous support from the international community, Moldova's civil society has made substantial progress in a decade and a half since independence. Overall capacity and sophistication, while still unevenly distributed, have increased appreciably over time. Taking advantage of a reasonably hospitable environment, NGOs -- both advocacy and service delivery organizations -- have begun to impact the lives of fellow citizens and to influence the direction of governmental policy. The groups have also shown more of an inclination to work cooperatively. Coalition 2005 for Free and Fair Elections, consisting of about 200 NGOs, proved to be very effective in monitoring the 2005 elections.

Other relatively strong organizations can be found among trade interest groups and professional associations, such as journalism organizations for both broadcast and print media. NGO resource centers as well as the previously mentioned think tanks are also active. Others serve disadvantaged and handicapped populations and youth groups.

An agricultural country such as Moldova has a number of agricultural associations. The National Association of Farmers, which has received support from the EU and TACIS, has over 60,000 members. Its reliance on donor funding, however, may threaten future sustainability. The Cartel St. George, led by Rosca's party, is influential in agricultural policy, but has recently become a more conventional political organization. The Union of Agricultural Producers Associations, founded in 2002, now has 15 affiliated regional associations. The large producers are well organized, but try to avoid electoral politics. The Coalition for Economic Development unites NGOs and provides services for its members. It has been invited to parliamentary debates on business and is a strong supporter of the new "guillotine law" in which ministries will be compelled to justify regulations affecting the business sector.

There are two main associations of local officials and many smaller ones. The Association of Mayors is dominated by the Communist Party and claims just under half of all municipal heads, while the National League of Mayors, which includes all the opposition parties, has a similar percentage. Among the minor organizations are the League of Women Mayors and some other individual party associations. Partisan politics prevent the two main groups from coalescing around a common agenda, for example, to press national decision-makers on decentralization and fiscal federalism. Ineffectiveness and lack of direction led USAID's Local Government Reform Project to end its direct work with municipal associations, though the Project has continued its involvement with a number of professional associations that do include mayors.

Similar shortcomings beset trade unions and the small business community. Neither has emerged in the post-communist transition as an effective vehicle for aggregating members' interests. The small business

community, for example, could become an influential voice for reform, particularly in the areas of rule of law and anti-corruption, but has yet to coalesce as a coherent political actor.

The Team should not paint too rosy a picture by citing the large number of NGOs and associations operating in Moldova; civil society remains weak and faces formidable impediments to becoming a force in the country's political life. From the centralization of political power and the limited history of civic engagement to the poor understanding of the role of civil society and the lack of philanthropy, civil society must wage an uphill struggle to acquire sufficient clout to influence national decision-makers.

Compounding the challenge is the governmental attitude that NGOs are a nuisance or a threat rather than a valuable partner in political and economic development. But such thinking may be changing in the corridors of power. Reform-minded individuals in the executive branch are beginning to realize that civil society can play a constructive role. Some Chisinau-based think tanks provide the government with expert policy advice. Minister of Reintegration Vasile Sova's Civic Forum includes Moldovan and Transnistrian NGOs. Viitorul and IPP work on the EU Action Plan and are active in NGO-governmental consultations mandated by the World Bank's poverty reduction strategies.

The Voronin Government has become engaged with a more robust and active civil society, going beyond its obvious desire to remain in the good graces of international donors to take advantage of the expertise that can be provided by NGOs. Slowly, the relationship between NGOs and the central government is becoming less adversarial, even as some groups press the government to undertake second-generation political, economic, and human rights reforms.

The Third Sector holds promise for becoming a stronger voice for reform, bringing pressure on political leaders from both the grassroots and from well-positioned Chisinau-based groups. As civic and voter education efforts, media support and civil society programs raise the political awareness/literacy of the general population and the capability of targeted actors, the prospects of collective action to influence national decision-makers will correspondingly increase.

MEDIA

Despite significant constraints placed on the media by the government, non-state media has played an important role in Moldova's democratic transition. Various non-state media outlets, such as Antenna-C, Euro TV and several pro-opposition newspapers have played important roles by providing citizens with alternative points-of-view, wider coverage of election campaigns, and reporting that has acted as a check, albeit limited, on the abuse of state power. The transformation of state-owned media to public television and private newspapers has begun, though their pro-government biases remain. Although the trend in media freedom in Moldova has been negative over the past six years, going from "Partly Free" to "Not Free" in the annual Freedom House Press Freedom survey, the media sphere is important to Moldova's democratic governance, and is likely to become more salient as the formerly state media outlets take a more public character.

Now that the elections are over, the government's embrace of European norms provides an opportunity for donors to push for improved media freedoms. The information sphere also benefits from the reception of TV broadcasts from Romanian and Russian channels, with the latter producing a Moldova-specific news programs. Local television and radio stations, dozens of non-state newspapers, and Moldovan news websites are important sources of information whose significance will increase.

LOCAL GOVERNMENT

Despite the efforts by the Voronin government to re-centralize political authority, a number of mayors in secondary cities and smaller towns have demonstrated independence in seeking to improve the quality of life for citizens. This independence is particularly important in rural areas, where residents do not have access to the services and employment opportunities of the capital and other urban areas.

The Assessment Team met with several impressive mayors who, through a combination of ingenuity and determination, succeeded both in improving municipal services and bringing greater openness, integrity and accountability to the governing process. Most of these officials had abandoned the paternalistic ways of the Soviet past and sought to involve residents in decisions that directly affected their lives. In many instances these municipalities were the recipients of funds from the U.S. and other donors eager to support reform-minded mayors whose approach both bolstered democracy and improved everyday conditions.

Nonetheless, the power balance still favors the central government. The national leadership has access to resources to ensure its hegemonic position with respect to mayors and other local actors. The playing field remains uneven because independent and opposition party mayors have yet to unite as an effective counter-weight to a national government reluctant to devolve authority. But change could be afoot. Some evidence suggests that these men and women are beginning to recognize the potential of coalescing around issues of common concern. Their inchoate agenda is sure to revolve around decentralizing power and ensuring a level of resources commensurate with the responsibilities borne by municipal governments.

Given the Voronin government's proclivity for political hardball to ensure the allegiance of local elected officials, progressive mayors must create a more effective organization for aggregating and representing their interests both in terms of enacting needed legislation (e.g., fiscal federalism) and resisting pressure from Chisinau to conform to the party line. A well functioning reform mayors' association could also serve as a transmission belt for disseminating best practices, a process aided by the country's modest size.

Another factor supporting a more equitable division of power between national and local levels of government is the EU-Moldova Action Plan, which explicitly calls for devolving more authority to municipalities. Similarly, donor programs that both encourage national decision-makers to relax their grip with respect to the local level and that provide incentives to localities to adopt strategies to strengthen democratic governance should help bring greater balance between the center and periphery. Reform-minded advisors around President Voronin might become increasingly comfortable with decentralization, particularly if the national government gets credit from citizens for improved services at the local level and from the international donors for taking steps to devolve power to the regions.

ETHNIC MINORITIES

Moldova's modern multi-ethnic character has its roots in shifting borders that made Moldova part of the Russian empire and then Romania before finally being incorporated into the USSR. Soviet industrialization also drew Russian and Ukrainian workers to newly built factories. Moldova's mixed population lives with the legacy of both Russian/Soviet and Romanian rule. The area between the Prut and the Nistru Rivers, historically known as Bessarabia, was a pawn between the Russian and Ottoman Empires. After its victory over the Ottomans in 1812, the Russian Empire ruled this territory until 1917, when Bessarabia was incorporated into Romania. Bessarabia then came under Soviet control with the Molotov-Ribbentrop Pact of 1939. After the Nazi invasion in 1941, Moldova again became part of

Romania until the Soviets regained control in 1944 and established the Moldavian Soviet Socialist Republic.

Transnistria, the strip of land on the eastern bank of the Nistru (known as the Left Bank in relation to the river's flow toward the Black Sea), was historically part of Ukraine until it was transferred to the Moldavian SSR in 1940. Unlike the rest of today's Moldova, Transnistria was never under Romanian rule. Although even today it has a Romanian-speaking plurality, Transnistria is dominated by the Russians and Ukrainians who comprise most of the urban population. The Russian population consists primarily of post-war migrants drawn by all-union military enterprises and Red Army facilities that supported the Russian Fourteenth Army.

The Romanian/Russian ethnic/linguistic split remains an important feature of political orientation, and helps explain the inclination of parts of the population to look toward the East -- Russia and Ukraine -- and others, who have more in common linguistically and culturally with Romania, to look toward the West. In 1989, almost two-thirds of the population was Moldovan, 14% Ukrainian, 13% Russian, with the remainder made up of Gagauz, Bulgarians, and others. The non-Russian minority populations generally speak Russian as their first language. According to unofficial reports from the recent census, the ethnic Russian and Ukrainian population on the Right Bank has decreased, thus potentially reducing its political impact.

The Chisinau government has pursued accommodative policies toward minorities and their languages since independence. Recognizing Russian as an official language and providing a mechanism for Gagauz autonomy were important steps in granting minorities linguistic and cultural space. These steps were also aimed at Transnistria to show that Chisinau would not attempt to "Romanianize" the population of this secessionist region were it to rejoin the Moldovan state. The upshot is that ethnic and linguistic cleavages are much less salient today than in the past. Most Romanian speakers also are conversant in Russian, and do not appear to be resentful of accommodating fellow citizens who are not bilingual. With ethnic-linguistic division a source of inter-communal conflict in many societies around the world, including elsewhere in the former Soviet Union, that these differences do not dominate politics in contemporary Moldova is no small accomplishment. The achievement is all the more noteworthy because in the immediate aftermath of independence, the ethnic/language divide was the most important factor of Moldovan politics.

More important today is the large migration, both legal and illegal, of working-age cohorts to the East and West in the search for employment. Exact numbers are uncertain, but over half a million Moldovans, most between 20 and 40 years of age, are currently working beyond the country's borders. Those working in Ukraine and Russia are thought to be temporary migrants, having gone abroad to find jobs and ultimately planning to return to Moldova. Those in the West, particularly in Romania, Italy, Spain, and Portugal, are more likely permanent migrants, both because of the higher standards of living in those countries and the ease of the Romanian-speaking populations' adapting to cultures similar to their own.

INTERNATIONAL DONORS

Despite its modest size, limited natural resources, and generally low geo-political profile (with the exception of the ongoing conflict over Transnistria), Moldova has succeeded in attracting considerable interest from the donor community since achieving independence. The comparatively rapid pace of reform in the years following the collapse of the Soviet Union accounts for much of this attention, while Moldova's location wedged between the expanding EU and the core states of the former Soviet Union is also a factor. On a more sober note, residual deficiencies regarding respect for human rights, the standoff over Transnistria and concomitant problems in the area of international trafficking (persons, drugs).

weapons) are other reasons why Moldova has been the recipient of policy attention and programmatic assistance from a range of donor institutions.

The United States remains the single largest donor, particularly with respect to programming in the democracy and governance sphere, but a number of Western European countries and the European Union also have a substantial presence in the country. The Swedish International Development Agency (SIDA) is emerging as a major donor, while the United Nations Development Program (UNDP), the Open Society Institute/Soros Foundation (which is now reducing its presence), and other governmental and non-governmental actors also support programs to advance Moldova's democratic evolution and economic development. The World Bank and European Bank for Reconstruction and Development, although not explicitly pushing political reform agendas, are influential promoters of good governance, one of the building blocks of a durable democratic system and a sound market-based economy.

The Organization for Security and Cooperation in Europe (OSCE) and the Council of Europe also are among the relevant international actors seeking to influence Moldova's evolution, particularly with respect to resolution of Transnistria conflict, the establishment of the rule of law, and respect for human rights.

The U.S. remains the paramount actor in the democracy and governance sphere. From support of civil society to strengthening political parties and decentralizing political power and responsibilities, the U.S. funds programs across the full spectrum of democracy sub-sectors. In contrast, the Western European countries, the EU, and other donors provide significant levels of aid, mostly focused on economic and social development, where the needs are also acute.

Whether Moldova finds its way into the EU is a matter of some debate -- skeptics point to expected opposition from present members reluctant to admit another poor country with an agriculturally based economy -- but declining U.S. resources in the region and geographic proximity point to Europe as a more likely source of future assistance. The prospects for both more aid and trade/investment have improved with the Voronin government's determined tilt toward the West. However, Western European public and private sector decision-makers will want to see tangible evidence of political and economic reform before committing to increased levels of resources.

Generous levels of development aid pale in comparison to the financial incentives (e.g., increased trade and investment) the West could offer Moldova in return for deepening and accelerating the reform process. Indeed, the logic of the EU Action Plan, on which the political class has largely agreed, is precisely to use the prospect of membership to speed reform, including steps to consolidate democratic governance. As has been the case elsewhere in Central/Eastern Europe, the accession process, including the run-up to formal negotiations, has strengthened the hands of reformers and hastened politically difficult structural changes.

Russia has been *de facto* a major donor to Moldova, albeit primarily in the form of subsidized oil and gas. Prior to Voronin's turn away from Moscow, Moldovans benefited from below-market energy rates. These concessionary prices spared the citizenry still more economic hardship during the difficult transition. One could also point to Moscow's financial support for the ethnic Russian regime in Transnistria as a form of donor assistance, notwithstanding the monetary rewards from illegal activity that found their way back to Russia.

The point of examining the activities and programs of other donors is, at a minimum, to avoid duplication, and more ambitiously, to improve donor coordination and collaboration. In Moldova, a number of official and informal settings exist where the donor governments and institutions regularly come together to discuss issues of mutual interest with respect to consolidating Moldova's political and economic transition. Still, instances of full-fledged coordination involving a planned division of labor or

jointly conceived and funded projects are few. The Team is not in a position to judge how donor coordination in Moldova compares to other countries. In the likely event that U.S. funding for Moldova declines in the coming years, the EU and the countries of Western Europe will cast a bigger footprint over this would-be member. As new opportunities emerge as a result of Chisinau's embrace of the West, closer coordination between Washington and other assistance providers becomes increasingly necessary. The incentive for increased coordination is particularly strong because the U.S. presumably would want these countries to increase their support for democracy and governance programs if it reduces programming in this area.

KEY INSTITUTIONAL ARENAS

Actors and interests come together in various arenas, which provide the venues for the contest for power and influence. This section focuses on spheres the constitution, legal and judicial matters, and governance. Institutions evolve in response to changes in the body politic, including the realm of ideas. Giving excessive analytical attention to formal institutions often misses the mark because key political dynamics are often beneath the surface and play out away from the courts or parliament.

CONSTITUTIONAL, LEGAL AND JUDICIAL SPHERE

Moldova adopted its constitution in 1994, firmly establishing a democratic state and respect for human rights. The constitution addressed some politically sensitive issues, such as state language and special status for Transnistria and Gagauzia, yet left many provisions heavily dependent on subsequent legislation. A key amendment to the constitution in 1999 attempted to resolve disputes over the proper roles of the president and prime minister by declaring Moldova a parliamentary republic and drastically reducing, at least on paper, the powers of the president. A 2002 amendment, concerning freedom of association, has arguably restricted rather than clarified the charter's guarantees of human rights.

The political opposition included constitutional reform among its conditions for supporting Voronin's presidency earlier this year. In addition, Moldova's commitment to European integration may not be entirely congruent with the country's fundamental law. For these reasons, as well as the possible integration of Transnistria into a federal arrangement, the likelihood of constitutional reform in the coming years is high.

Fortunately, though, Moldova starts from a strong constitutional base, and the standards of the Council of Europe and the European Union should provide a clear roadmap for further constitutional reform. Much of Moldova's original legislative framework was modeled on European norms, thus providing a sound foundation for protection of rights and freedoms, should the judiciary become a more reliable means for their enforcement. The Constitutional Court, whose independence has been questioned of late, may play an important role in the success or failure of both constitutional and legislative reforms.

The judiciary faces many problems, from external pressure to weak internal capacity. The judicial branch is under-funded, judges are poorly paid and under-qualified, and court conditions and case management are shoddy. In addition, judges and judicial administrators lack independence due to their economic dependence on the executive. They are also influenced through rewards and punishments, telephone justice, coercion from outside sources, and insufficient resources compared to well funded and connected prosecutors and advocates. Citizens lack confidence in the impartiality of the courts and are reluctant to

rely on the justice system. Although the courts can serve justice, they are often seen as serving political ends or validating the interests of the most influential party.

GOVERNANCE ARENAS

Parliament cannot exercise oversight of the executive as long as the ruling party controls the legislative body. The electoral system has been found to be “free and fair,” but the Communist Party has been warned that using heavy-handed tactics with the opposition will not be tolerated in the future. The opposition cannot effectively oppose the ruling party without leaders who have a clear platform formed with input from the public. In other words, accountability and transparency are lacking in both the ruling and opposition parties, which leaves many Moldovan voters feeling that they are without representation.

Given this relationship between the executive and the legislature, the winning party can staff public administration with little consideration of merit and competence. Social services and governmental efficiency are victims of patronage-driven appointments. Civil service reform is needed to professionalize the system. Corruption also continues to be a pervasive practice throughout the government, and the court system and the Ministry of Justice have little inclination to campaign against the impact of corruption on Moldovan life.

RECOMMENDATIONS

THE CASE FOR A CALIBRATED STRATEGIC REORIENTATION

A very narrow political elite initiated Moldova’s shift in political allegiance from Russia to Europe. Nonetheless, this change resulted in a significant reorientation that provides the U.S. Government with an historic opportunity to adopt a strategy to deepen and accelerate Moldova’s democratic transition. The new strategy would differ from that pursued after the 2001 electoral victory by the Communist Party. At that time, donors, particularly the U.S., understandably avoided central structures and concentrated their efforts on grass-roots political mobilization. Today, the Communist Party is still in power, but the political landscape has changed appreciably. USAID should take advantage of this new alignment of forces and adopt a calibrated strategy to assist those independent actors and institutions inside and outside the government that are capable of effecting meaningful democratic reform.

The EU-Moldova Action Plan, endorsed by most of Moldova’s political and economic elite, offers an excellent roadmap for the future. Linking an assistance strategy to progress in Action Plan implementation requires flexibility and monitoring by the USAID Mission. If the reform process lags, especially because of weakening conviction by top decision-makers, USAID should move away from the Assessment Team’s proposed emphasis on deepening the engagement with the Government of Moldova and increasing support for major political actors outside the government. In that case, USAID should focus on a longer-term, grassroots-oriented plan to fortify elements of civil society and strengthen local governance.

Limited resources require difficult trade-offs. The Assessment Team is proceeding on the assumption that the USAID budget will continue its decline. If such is not the case, or if donor coordination yields a

division of labor that allows USAID to focus on areas of comparative advantage, then the envisioned trade-offs may prove unnecessary or at least may be attenuated.

Even in a resource-constrained environment, abandoning (as opposed to scaling back) work at the grassroots in order to focus more support to the government would be a mistake. Moreover, the Assessment Team is not recommending giving short shrift to civil society. The team remains concerned about excess vertical power within the political system, and the Government's willingness to pursue reforms that infringe on the privileged position of the political and economic elite. For these reasons, much of the report's analytical attention targets what might be termed the "middle level" – leaders of civil society and local government officials and organizations (NGOs, mayors, municipal associations). Support for this middle tier is both insurance against backsliding by the Government of Moldova and recognition of these leaders' role both in holding the government to account and laying the groundwork for the country's difficult path to effective democratic governance.

The Team's recommended approach entails risk because it involves an implicit commitment to the Voronin government, albeit a conditional one. It may also appear to run counter to the Assessment Team's conclusion that concentration of power in the executive branch and the concomitant lack of political competition is the paramount impediment to Moldova's further democratic evolution. Why focus assistance programs on state institutions, especially the executive branch, if they are the principal culprits in producing a less than competitive political system with weak rule of law?

The short answer is that the turn to the European Community is fundamentally incompatible with the Moldova's overly centralized power structure. Stated differently, if the Voronin government proceeds with implementation of the EU Action Plan, it will be forced to make basic reforms in how the polity is governed -- reforms that will necessitate a more competitive political environment with stronger checks and balances and rule of law.

WHAT IS TO BE DONE?

The Team concluded that the overarching democracy and governance problem in Moldova is the excessive consolidation of executive authority. The main thrust of the Team's recommendations involves reversing that trend by supporting processes and political forces that generate momentum in the opposite direction. This goal can best be accomplished by supporting increased competition -- in politics, business, government, and information/media -- and greater transparency and accountability in the governing process. The strategic implication is to focus assistance on the actors and arenas that will bolster competition, transparency and accountability in Moldova, and on efforts to encourage the Government of Moldova to keep its commitments to second-generation democratic reforms, and to implement elements of the EU Action Plan that decrease central/executive authority and strengthen the rule of law.

Two sets of actors are best positioned to accomplish these reforms. First, the president, speaker of parliament, and other key governmental officials who have initiated the shift toward Europe and have supported and begun to implement meaningful democratic reforms. Second, actors outside of the central government who have strong pro-reform credentials, including some democratic opposition parties, civil society organizations (especially advocacy, policy and watchdog NGOs), segments of the business community (including small and medium agri-businesses), and local governmental officials (primarily reform-oriented mayors). The first set of actors is best able to effect significant change directly and immediately, while the second set is more likely to press for the more difficult, longer-term reforms and to maintain pressure on the government to continue on its current path.

DEEPENING ENGAGEMENT WITH THE GOVERNMENT OF MOLDOVA

USAID should exploit new opportunities for assistance to the Moldovan Government, despite the absence of incontrovertible evidence that President Voronin will stay the reform course. This strategy is not risk free, but the pay-off could be sufficiently large to warrant the risk, which is reduced by the Assessment Team's calibrated, multi-dimensional approach. The Team proposes initial *ad hoc* technical assistance to the government (as opposed to comprehensive institution building) where political will for specific democratic reforms exists (e.g., those related to press freedom, local governance/decentralization, accountability measures), but where progress is hindered by lack institutional capacity. This aid might target key reformers and their staffs in the central government, parliamentary leaders and their aides, or Ministry officials dealing with implementation of new laws or regulations.

Engagement with the Government of Moldova could take many forms. It will require particularly close coordination with other donors to exploit USAID's comparative advantages (while bearing in mind the Mission's manageable interests) and to take account of the dynamics of the European Union accession process. In addition to diplomatic dialogue to encourage the country's political leadership to implement its reform agenda and technical assistance in drafting and implementing key laws, USAID might also target select state institutions. For example, the presidential apparatus could be a worthwhile recipient of assistance in the area of policy formulation.

Certain ministries might also receive technical assistance to create mechanisms for systematic citizen input, rather than putting the entire onus on NGOs to lobby decision makers. Similarly, USAID support might assist governmental institutions formulate strategies for working with the press or for engaging the public in a dialogue about the government's reform agenda and its underlying rationale. Prospective USAID-funded programs with the Government of Moldova might also include various anti-corruption initiatives, from establishment of an ombudsperson to enacting procurement reform and public integrity/conflict of interest laws.

Most of these programmatic ideas have been pursued by USAID and/or other donors in different settings. USAID staff in Moldova, Kyiv and Washington must determine whether specific programs are likely to prove efficacious in Moldovan conditions, taking into account trade-offs and opportunity costs. Congruence between U.S. diplomatic and assistance strategies dramatically increases the odds of nudging Moldova in the desired direction.

MORE VIGOROUS SUPPORT FOR POLITICAL ACTORS OUTSIDE THE CENTRAL GOVERNMENT

USAID should support those actors outside the central government and executive branch that have the most potential to advance relevant democratic reforms. It should place particular emphasis on those who are in a position to pressure the government to fulfill commitments to bolster competition, pluralism, transparency and accountability.

Support for democratic political parties merits further exploration both in terms of evaluating previous and ongoing efforts as well as considering possible new opportunities in light of the Government of Moldova's decided tilt westward. Technical assistance must address the deficiencies common to most democratic opposition parties. These include the absence of a well-defined constituency, inability or unwillingness to articulate a platform/program to attract broad-based support, rigid hierarchy and centralized power that stifles the creativity, innovation and upward mobility of younger members. These shortcomings have rendered the parties ineffective in preventing the Voronin government's concentration

of executive authority as well as being off-putting to many citizens, especially young people, desperate to see Moldova move forward as a more democratic and prosperous country.

Such support to political parties should have the ancillary benefit of improving how Parliament functions, but is not a substitute for aid directly to Parliament to augment its capacity. Likewise, more effective parties should also have a positive impact in terms of the competitiveness of national and local elections as they become increasingly adept at articulating a coherent set of policy ideas.

The Communist Party must be part of this mix, and its representatives should participate in party assistance programs. Without explicitly trying to encourage the widening of existing party cleavages, USAID should focus technical assistance on reform-minded elements within the organization that are committed to the far-reaching changes required for Moldova to join the EU.

A media program to increase and improve alternative sources of information would strengthen the ability of print and broadcast journalists to generate new pressure on governmental decision-makers to carry out reforms. Governmental domination of the media, particularly television -- where the vast majority of Moldovans get their news -- is a major factor contributing to inadequate political competition and lagging citizen participation. The Assessment Team is not prepared to make recommendations about specific activities but would call the Mission's attention to successful USAID-funded media support programs in many of the countries in the formerly Communist space.

Similarly, advocacy, policy and watchdog NGOs are beginning to exert influence in national politics. With targeted assistance, they could play a more prominent role. Rather than attempting to boost the effectiveness of such organizations across the board, the Mission should focus on those groups that have already engaged the government in formulating policy or become forces demanding reform.

Local governmental officials play an important role in the strategy proposed by the Assessment Team. Based on its discussions with mayors and experts on municipal government, the Team became convinced that local elected officials, especially acting in concert through existing or new associations, could become a force for democratic change. These players have an interest in decentralization and increased political competition. Moreover, through its impressive local governance program, USAID is already supporting activities that contribute to these objectives. Helping to strengthen the collective ability of reform-oriented mayors to advocate for policy changes (e.g., fiscal decentralization) through associations would add another significant piece to the political infrastructure supporting Moldova's democratic advancement.

HELPING TO MOVE MOLDOVA FORWARD

Moldova is at a crossroads in its democratic development. What is not clear, however, is whether Moldova will adhere to the reform path that the political leadership has charted when it encounters the structures that block progress because they serve the interests of dominant elites. Is Moldova firmly on a trajectory toward European integration and democratic consolidation, or merely trying to satisfy Western donors without the intention of fully implementing reforms that would threaten the privileged position of most of the political and business elite?

If the Voronin government demonstrates the will to make tough choices, then USAID should dedicate more resources to increase the capacity of governmental institutions and actors to carry out reforms. Conversely, if the will to reform diminishes, USAID and other donors should retrench and concentrate on a longer-term strategy of support for grassroots citizen participation and transformation of the broader political culture. In the latter case, the Mission should support local activists, civic education, and steps to

give young people incentives to remain in Moldova and take an active part in political life. A programmatic example would be the innovative program now being implemented by IREX.

Because of the uncertain prognosis, the USAID strategy for Moldova should be assessed regularly using benchmarks of democratic reform. Such benchmarks might include the adoption and implementation of the ten opposition demands agreed to earlier this year, adoption and implementation of key democracy-related provisions of the EU Action Plan, and improvements in press freedoms and judicial independence as outlined in indices developed by Freedom House or IREX.

If consistent progress is made in meeting such benchmarks and in proceeding along the path toward European integration, then the USAID strategy should shift toward more technical assistance to the government for the purposes of implementing individual reforms. At the same time, USAID might consider more comprehensive institution-building support, including for other parts of the executive branch and the judiciary.

If USAID were not already involved with grassroots DG programs in Moldova, the Assessment Team would not recommend that the Mission invest heavily in these under present circumstances. The other assistance areas mentioned above merit a higher priority, not because efforts to establish a more participatory democratic society constitute a less worthy goal -- indeed, these efforts are crucial to the evolution of a genuinely liberal democratic society. But the possibility that Moldova is poised for a qualitative leap in democratic governance because of the demands of EU accession, combined with the likelihood of declining USAID resources, leads the Team to the two-tiered approach of expanding engagement with the national government and providing support to a narrower slice of civil society.

Moreover, the Assessment Team believes that steady progress toward EU accession would contribute significantly to the long-term prospects of broad-based citizen participation in local and national decision-making. Stated differently, even if one's priority for democratic development in Moldova is empowering the grassroots, the implementation of the EU Action Plan would do more to advance that goal in the short-term than dedicated initiatives to boost citizen participation.

USAID has made a substantial investment in bolstering citizen participation at the community level through the IREX-managed project. The Assessment Team was impressed by the concept and implementation and predicts it will have a demonstrable long-term impact in terms of the quality and durability of Moldova's democracy. If not for projected budget constraints, the Team would strongly support funding this program at present or even higher levels. But assuming inadequate funding to maintain present programming and expand in the ways outlined in this section, the Team reluctantly recommends scaling back this ambitious grassroots initiative.

DONOR COORDINATION AND USAID'S ASSISTANCE STRATEGY

The strategic recommendations put forward by the Assessment Team come with a significant caveat: can the international donor community cooperate to harmonize its panoply of democracy and governance programs to minimize overlap and maximize impact? Ideally, coordination would result in a division of labor that capitalizes on the respective strengths of the major donors in Moldova. From the standpoint of the recommendations presented here, the Assessment Team thinks a strong case can be made for the EU and individual European donors (and perhaps the Council of Europe) to focus their assistance efforts on increasing the capacity of the Moldovan state in conjunction with the accession process. If acceptable on both sides of the Atlantic, that would permit the United States to target its support to civil society -- broadly defined to include political parties, media, capital-based and grassroots civil society organizations, and local governmental actors. Such cooperation would negate the need for difficult trade-offs in the Mission's DG portfolio.

Even with declining United States' Government resources and the overarching importance of the EU accession process for the prospects of further political reform in Moldova, such a division of labor might not materialize. But if a division of labor among donors could be achieved, the Mission should pursue at least one high-profile initiative with the Government of Moldova to demonstrate that Washington recognizes Moldova's commitment to the reformist path. The United States also needs to maintain a seat at the host government-donor discussion table -- a seat that might go empty if USAID programming focused exclusively on the grass roots.

APPENDIX A: LIST OF INTERVIEWEES

Washington, D.C.-based Experts

Amb. Pamela Hyde Smith, former ambassador to Moldova, Georgetown Univ.
Charles King, Georgetown University

U.S. Embassy/Moldova

Ambassador Heather Hodges
DCM, John Winant
H. Martin McDowell, Second Secretary, Political-Economic Section Chief
J. Larry Wright II, Second Secretary, Political-Economic Section
Lauren Gartmen, Political-Economic Section
Aleisha Woodward, Political Affairs Officer
Howard Chyung, PAS Intern
Irina Colin, Cultural Affairs Specialist

USAID/Moldova

Kathryn Stevens, Director, Office of Democracy & Governance (Ukraine Regional Mission)
Mark Levinson, Program Development Officer
Babette Prevot, Deputy Country Program Officer
Sergiu Botezatu, Project Management Specialist
Diana Cazacu, Project Management Assistant
Vasile Filatov, Project Management Specialist
Corneliu Rusnac, Project Management Specialist

Political Parties and Parliamentarians

Valeriu Lazar, Minister of Economy and Trade
Ala Timcicu, Director of the Office of Foreign Economic Cooperation for the Ministry of Economy and Trade
Valentin Coliban, Director for the Center for Legal Information, Ministry of Justice

Valeriu Lazar, Minister of Economy and Commerce

Dumitru Braghis, Alliance Moldova Noastra
Dumitru Diacov, Democratic Party
Oleg Serebrian, Social Liberal Party
Igor Klipii, Secretary General Social-Liberal Party and member of the Security Working Group
Iurie Rosca, Popular Christian Democratic Party

Valarian Cristea, Deputy Prime Minister for Trafficking

NGOs/CSOs

Contact, Mihai Godea, Executive Director
ICJ Journalism Center, Angela Sirbu, Executive Director
Association for Participatory Democracy (ADEPT), Igor Botan, Executive Director and Ina Gutium, Deputy Director
Viitorul, Igor Munteanu, Executive Director
Institute for Public Policy, Arcadie Barbarosie, Executive Director
LADOM Human Rights NGO, Paul Strutzescu, President
Interaction, Oxana Alistratova, Director
Alexander Gonchar, Choice of Youth, Director
European Institute for Political Studies, IESP, Nicolae Chirtoaca, Director
World Window, Vlada V. Lysenko, Executive Director

International Donors/Organizations

Soros Foundation, Victor Ursu, Executive Director and Doina Rosca, Civil Society Program Coordinator
Department for International Development (DFID), Alla Skvortova, Section Head
UNDP, Bruno Pouezet, Resident Representative and Steliana Nedera, Assistant Res. Rep.
OSCE, Ambassador William H. Hill and Claus Neukirch, Spokesperson
World Bank, Edward K. Brown, Country Manager
International Fund for Agricultural Development (IFAD) Pietro Turilli, Country Program Manager and Theresa Rice, Operational Systems Advisor

USAID Contractors and Grantees

IRI, Michael Getto, Resident Program Director
NDI, Alexander Grigorievs, Resident Representative
Urban Institute, Duane C. Beard, Chief of Party and Robert Schuknecht, Development Advisor
ABA/CEELI, Cristina Malai, Program Coordinator
Members of ABA Legal Clinics in Cahul, Tiraspol, Comrat, Balti and Chisinau
IREX, Iurii Datii, Director and Lisa Hammond, COP Citizen Participation Program
CNFA, Jerry Bahensky, CoP; Irina Eremciuc, Executive Officer; Vasile Munteanu, Program Director.

Antonesti

Anatol Sirbu, Mayor
Aaron Henderson, US Peace Corps Volunteer
Members of the local NGO “Ancestor’s Land”

Zberoea

Ms. Nadejda Darie – Mayor
Staff of Zberoaia Water Users Association “Izvorasul”
Members of Zberoaia Parent Teacher Association “Speranta”
Members of Zberoaia NGO “Vatra Satului”

Floresti

Iurie Tsap, Mayor

Taraclia

Gheorghe Burlacova, Mayor

Eugenia Radova, Resident

Matthew Rowan, US Peace Corps Volunteer

Comrat

Nicolai Dudoglu, Mayor

Constantin Taushanji, former Mayor

Svetlana Panaitova, Director, Winrock Service Center and the staff

Tatiana Allamuradova and Aliona Cunteva, Contact NGO Service Center

Sergey Milkan, Open Life Consumer Organization

Sergey Takimov, ABA/CEELI Legal Clinic

Stepan Fulpou , Independent Journalism Center of Gaguzia

Natalia Baladean, Sun Chlidren's Center

Grigoriyev Baleunoriya, Journalist

Balti

Vitalie Cazacu, DECA Press

Peace Corps Focus Group: Students from Chisinau, Balti, Falesti, Bender, Floresti, Camenca and Cornesti and citizens from Orhei and Ratus

APPENDIX B: LIST OF RESOURCES

- ABA/CEELI, *Legal Profession Reform Index for Moldova*. (April 2004)
- ABA/CEELI. *Judicial Reform Index for Moldova*. (November 2002)
- ARD, Inc. *Assessment of Non-governmental and Civil Society Organizations in Ukraine and Moldova* (July 2001).
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- Economist, The. “Gangsters Cornered”, *The Economist Online*, <http://www.economist.com>
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- League for Defense of Human Rights of Moldova, *Election Report*, (July 24, 2005)
- Management Systems International, *2004 NGO Sustainability Index, 2005*.
- Nantoi, Oazu. *The East Zone Conflict in the Republic of Moldova – A New Approach*, The Institute for Public Policy, Chisinau, Moldova, (July 28, 2002)
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- U.S. Embassy, Chisinau Republic of Moldova, *Excerpt from the report “Supporting Human Rights and Democracy: The U.S. Record 2003-2004”*, 17 May 2004.
- United States Agency for International Development and The Urban Institute. *Briefing Information for Local Government Reform Project*. (Chisinau, Moldova, 2005).
- United States Agency for International Development, *Moldova Strategic Plan for 2001 2006*. (January 2001).
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- Winrock International, *Anti-Trafficking Initiative in Moldova: Second Quarterly Progress Report*, (October 1-December 31, 2004)

APPENDIX C: THE “10 COMMITMENTS” AGREED TO BY PRESIDENT VORONIN

In Return for the Votes of the Popular Christian Democratic Party in March 2005

PPCD leader Iurie Rosca dictated this list to the Assessment Team in a meeting on July 15, 2005. According to Rosca, President Voronin made these commitments in exchange for the support of the PPCD in the election of the president by the parliament following the March 2005 parliamentary elections. Most of the points on the list are multi-faceted and involve a level of detail that could not be provided given the limited time available. Therefore, the mission may want to obtain a written and more detailed list from PPCD.

As an aside, Democratic Party leader Dumitru Diacov also told the team that he had obtained a pledge from the President Voronin to meet sixteen commitments drawn up by his party. Mr. Diacov’s assistant could not find the list and promised to email it to the Team, but never did so. Mr. Rosca dismissed the Democratic Party’s list as inconsequential.

1. Adoption of new laws on the Judiciary, including a new law on the procedure for appointing members of the Council of Magistrates.
2. Adoption of laws/amendments on Broadcasting, including a law on the procedure for appointing members of the Broadcast Council, and a law on management of public broadcasting.
3. Adoption of laws/amendments on Electoral Reform, including a law on the procedure for appointing members of the Central Election Commission, (e.g., the opposition parties will appoint 5 out of the 9 members).
4. Reforms related to the Court of Accounts (an accounting body). Details were not provided, but Mr. Rosca believed that this “commitment” would be adopted but on the condition that it would go into effect in 4 years.
5. Reform of the Intelligence Services. Examples include demilitarization of the Secret Service, parliamentary oversight of the Secret Service, elimination of provisional prisons (pre-trial detention centers) operated by the Secret Service, and an end to the Secret Service’s carrying its own out criminal investigations.
6. Adoption of new law on Territorial Reform.
7. Live broadcasts of all open sessions of parliament.
8. Transcripts of all sessions of parliament made available on the parliament web site.
9. Privatization/Reform of the two state-owned newspapers.
10. Constitutional reforms (to “Europeanize” the constitution), including amendments on selection of the Procuracy, clarification of the process for selecting the government and replacing Ministers, and clarifying the process for electing a president (clarifying steps to be taken if the parliament cannot elect a president).

According to Mr. Rosca, as of our meeting in July, only commitments 7 and 8 had been met, and 9 had been partially met, (the newspapers are no longer formally state-operated, but still not clear who owns and finances them, what happened to the assets, etc.). Commitment 4 also may have been met (see note

above). Based on news reports the team has read since departing Moldova, some new laws adopted in the past few months appear to have fulfilled commitments 1 and 3.

At the least, commitments 2 and 6 do not appear to have been met yet.

APPENDIX D: ILLUSTRATIVE SCOPE OF WORK FOR DG STRATEGIC ASSESSMENT

for _____ [COUNTRY]

Introduction

This scope of work calls for the completion of two inter-connected tasks: (1) an assessment of political change and democratization in _____ [country]; and (2) the development of recommendations for a USAID strategy to address major barriers to the transition to and consolidation of democratization in _____ [country]. The assessment portion of the work will be conducted using a framework or tool developed by USAID's Center for Democracy and Governance. The strategy recommendations will also follow the guidance laid out in the framework as well as other relevant Agency policy guidance. The strategy recommendations will be articulated as results or outcomes with notional ideas of how best to obtain those outcomes. This scope of work does not call for a full and detailed program design.

Assessment Methodology

The team will apply the assessment framework attached to this scope of work. The assessment portion of that framework is divided into four steps and is designed to help devise a democracy strategy, make choices for programming, and define results. The four steps are analytical; in actual fact, the team conducts a single series of interviews but considers each of the four steps as it conducts its interviews.

In Step 1, the team analyzes the problems, which need to be tackled using five variables: consensus, rule of law, competition, inclusion, and good governance. The analysis should lead the team to a diagnosis of key problems for democratization and a prioritization of those problems. In addition, the analysis should identify the place of the country on a continuum of democratic change as well as the pace and direction of change. The result of Step 1 should be a priority ranking of the problems for the transition to or consolidation of democracy.

In light of Step 1, Step 2 examines how the game of politics is played in _____ [country] and defines the particular contextual dynamics which the country-specific strategy needs to address. In particular, it calls for the analysis of the forces which support democratization, those that oppose it, and their respective interests, objectives, resources, strategies, and alliances. It is designed to help programmers envision possible entry points for addressing the problems identified in Step 1. The team also examines historical, geographic, sectarian, and other factors that influence politics and need to be taken into account in developing a strategy. The result of Step 2 should be a reconsideration of the problems identified in Step 1 in light of the domestic allies and opponents of democratic reform; and a winnowing of the possible institutional arenas in which USAID investments might have the greatest impact namely, those which address the most important problems adjusted by those in which domestic partners provide at least the prospect of impact.

In light of Step 1 and Step 2 (what are the problems in order of importance and who are the domestic allies and opponents of reforms to resolve those problems), Step 3 examines those institutional arenas in which allies are best placed to push important democratic reforms. It identifies the nature of those

institutional arenas, the rules that define them, the way in which those rules establish incentives favoring democracy, and the way in which those rules can be changed to promote more democratic behavior.

On the basis of the analysis, the team will develop recommendations for a strategy. The strategy should in the first instance be an optimal strategy (i.e., what changes should USAID support in this environment to bring about a significant deepening of democratization, regardless of bureaucratic or other constraints). The optimal strategy should be formulated as one or more higher-level results or outcomes, with some notion of the lower-level changes required to reach those outcomes. In articulating this strategy, it is important for the team to explain how the strategy is connected to and does something about the problems defined in the analysis.

Strategy Development

Once the optimal strategy is articulated, it needs to be filtered through Step 4, a series of bureaucratic screens: U.S. Embassy preferences and foreign policy concerns; resource availability (staff and money); USAID policy; the existing USAID portfolio; USAir's comparative advantage and what other donors are doing; etc. These bureaucratic filters will affect the shape of the final strategy and program recommendations, but it is important for the Agency to be clear about the trade-offs between the optimal strategy and the practical strategy. In the end, how much can be done about the primary barriers to democratization, given USAID's limitations and strengths? Because USAID is in the best position to make these determinations, Step 4 is primarily the responsibility of USAID, not the team. Nevertheless, the mission or bureau may want to discuss these screens or constraints with the team and solicit its advice.

[NB: The following paragraph is optional. In general the team is not likely to be able to produce a full results package (SOs, IRs, and indicators) as well as an assessment and program recommendations in a three-week period. More important, the mission will no doubt want to review the teams analysis and recommendations before agreeing to implement them. Until that review is completed, work spent on detailing the results package will be wasted since the particulars of the package are likely to change. Finally, if the mission does want a full results package, it will need to add additional level of effort, to be very much engaged in the team's work so that it can discuss the results package meaningfully and with authority, and to include on the team personnel capable of constructing a USAID results package.]

The team is not expected to produce a full-blown strategy or USAID results framework detailing a series of interlocking cause-and-effect relationships or formal strategic objectives or intermediate results. The team is expected to recommend higher-level outcomes or desired changes, although with some tentative notions of how those outcomes might be achieved. For example, if the desired outcome is enhanced civilian control over the military, whose control needs to be increased and in what specific domains? What are the best ways of increasing civilian control? Does it make more sense to aim for greater professionalization of the military (joining NATO, joining peace-keeping forces, improving training and equipment) or is it better to improve the capacity of the legislature and the media to deal with military and security issues (increased understanding of budgetary issues, opportunities for dialogue, improved knowledge of weapons systems)?

Proposed Level of Effort

Implementation of a strategic assessment calls for a team of three specialists, two expatriates and one local (or any combination thereof), for the following level of effort:

Team Leader (expat) - 18 days work in country

2-4 days travel

3 days U.S. preparation

5 days follow up and report finalization

Team Member (expat) - 18 days work in country

2-4 days travel

3 days U.S. preparation

3 days follow up and report finalization

Team Member (local) - 19 days work in country

If debriefings in Washington are desired, it might be appropriate to allocate an additional day to the team leader.

Team Member Experience

Team Leader: A social scientist or historian with an advanced degree in a relevant discipline. At least five years experience in DG research and/or programming is required. Experience in assessing political change, barriers to democratization, and strategy development is critical. A knowledge of DG transition literature would be useful. Regional experience and/or country knowledge is required. Ability to conduct interviews and discussions in _____ [language] and to write in _____ [language] is desired/required. A knowledge of USAID and particularly of DG policy guidance and reengineering principles would be helpful.

Team Member (expatriate): A social scientist or historian, preferably with some graduate level training. At least three years experience in DG research and programming required. Experience in conducting assessments and developing strategies is desirable/required. Regional experience and/or country knowledge is required. Ability to conduct interviews and discussions in _____ [language] and to write in _____ [language] is desired/ required. A knowledge of USAID and particularly of DG policy guidance and reengineering principles would be helpful.

Team Member (local): A social scientist, historian, public sector management specialist, or researcher. Minimum degree BA/BS. Good understanding of political dynamics and political actors in _____ [country] essential. Links into the research community would be useful. At least five-years of work experience required. Knowledge of USAID and other donors in _____ [country] would be helpful.

Time Line

The work called for in this scope will start o/a _____ and will be completed approximately eight weeks later. The two expatriate team members will stop in Washington for interviews with key USAID officials and other organizations. The team will debrief the mission at least twice (once midway through the analysis and again prior to departure). The mission will give oral comments at the debriefing and may submit written comments after the return of the two expatriate team members. Once the team receives all written comments, it has three weeks to finalize and submit the final report. The final report will be submitted to the mission of its final review and dissemination. The report belongs to USAID, not to the consultants or contractors, and any use of the material in the report shall require the prior written approval of USAID.

Detailed Scope

1. Preparatory Phase - Washington, DC and/or Contractor HQ. The two expatriate team members will pass through Washington, DC on their way to _____ [country]. They will be introduced to the

assessment framework by G/DG staff and/or contractor personnel. They will interview relevant USAID, multi-lateral donor, and NGO staff on their perceptions of democratization in _____ [country]. They will collect and begin to review key documents, such as the last USAID country strategy, the R4 for the past two years, and any other relevant materials. They will have a team-planning meeting to begin the process of organizing their work.

2. Field Work

The two expatriate team members will meet with the third, local expert and will integrate her/him into the process, briefing her/him on what they learned in Washington and sharing documents. The mission will brief the team on their perceptions of political dynamics and will discuss any special parameters for the field work (e.g., there may be concerns about who the team interviews). The team will divide up its work and will submit a work plan on day three in country. The team will meet with a broad array of host-country politicians, activists, reformers, researchers, journalists, community groups, etc. The team will also meet with embassy staff, other donors, and NGOs knowledgeable about political life. The team will deliver a draft report at the start of the third week in country. It will debrief the mission on its findings, conclusions, and recommendations toward the end of the third week. The mission will give oral feedback and may later send written comments. The team may give debriefings for others (embassy, donor consortia, NGO consortia).

3. Follow Up

The two expatriate team members will finalize the report, incorporating and responding to comments from the mission and other stakeholders. While the report can be organized in whatever manner best suits _____[country]'s circumstances, the major questions and concerns laid out in the assessment framework must be addressed. The report should include an executive summary that can be detached and used separately, whenever a briefer document is required. The team leader has responsibility for ensuring that the final report is complete and reads in a holistic manner. The team leader may give a debriefing in Washington to personnel in G/DG, PPC, the regional bureau and elsewhere upon his return.

Explanatory Notes

1. This scope calls for team members who are primarily social science generalists rather than DG sub-sectoral specialists, such as municipal development experts or court management specialists. Sub-sectoral specialists may be too narrow for the broad diagnostic work called for in the assessment tool and might be more appropriately used at the program design stage. For example, once a decision has been made to improve the work of the judicial system, then a sub-sectoral specialist could make a critical contribution in designing an appropriate set of interventions. It is our experience that sub-sectoral specialists tend to recommend programs in areas that they themselves understand best (e.g., corruption experts want to tackle corruption and so on), so we believe that the assessment is best carried out by those who do not have a stake in any one DG sector.

2. Skills among the three team members can to some extent be traded off. For example, even if all three need language skills perhaps only one needs an understanding of USAID reengineering or prior experience in _____ [country]. At least one of the three members should have a good theoretical understanding of democratic change processes in the region at hand. The optimal mix of skills will differ on a country-by-country basis.

3. The framework can be applied by missions using their own staff or some combination of their own staff and external local or expatriate personnel. It does not require external assistance. Indeed, the greater the mission's involvement in the process, the better. This scope of work assumes that outside assistance is valuable. We have found that it often takes three people three weeks to do the research and prepare a

draft. Finalizing the report will take a little longer. Some assessments have been done with fewer team members. If an external team is used, the close involvement of key mission personnel in the assessment is highly recommended. While the burden of work in small missions may make such participation difficult, we think the advantages to the mission in terms of a closer understanding of political change and how the main lines of the strategy interact to affect change in a positive manner may outweigh the disadvantages of a staff person's absence from regular mission work for three weeks.

4. From the standpoint of efficiency, it is very helpful if the mission can schedule at least the initial appointments for the team. If no scheduling is done prior to the team's arrival, a few days may be lost while team members try to find knowledgeable citizens and schedule meetings. While sometimes this period can usefully be devoted to document review and internal discussions within the mission, there may be some wasted down time as well.

5. The mission should be clear whether it wants the strategic assessment report to be written in English, a foreign language, or both. The level of effort needs to be adjusted accordingly.

6. It is unlikely that the team can do any work on indicators within the timeframe allowed.