

◀ PRESIDENTIAL ELECTIONS IN MOLDOVA

What can foreign investors expect from Maia Sandu's Presidency?

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On November 15, Moldova concluded only its fourth direct presidential elections since independence, in which the new President was elected from multiple candidates via a two-round system. Maia Sandu, a former World Bank economist and the Prime Minister of a short-lived 2019 coalition government between pro-EU and pro-Russian political parties, defeated incumbent President Igor Dodon with an unexpectedly high margin, becoming Moldova's first female head of state.

While Sandu campaigned on a pro-business, EU-leaning and anti-corruption platform, her reformist agenda is expected to meet with considerable opposition, since the country's parliament and government are still controlled by the allies of the outgoing President. Below we provide a brief introduction into Moldova's current affairs and take a closer look at the election results, their impact on the business community and potential directions the country may now take.

ELECTION RESULTS

As widely expected, the first round of the long-awaited Presidential election on November 1 saw the two frontrunners, Sandu and Dodon, proceed to a runoff, with Sandu securing a 4% lead over her opponent. The two contenders had already competed in the 2016 presidential elections, in which Dodon emerged victorious with 52.1% of the vote. While most observers expected the race to be similarly close and hotly contested, Sandu's initial lead transformed into a surprising and landslide victory: according to the final results published by Moldova's Central Election Commission (CEC), she won 57.75% of the vote.

A key factor in both Sandu's commanding victory and her important lead in round one of the election was the support she received from the hugely significant Moldovan diaspora: Sandu received an overwhelming 93% of the diaspora vote, accounting for 15% of the popular vote. Sandu also secured 51% of the domestic vote and 59.7% of the votes cast in the capital Chisinau. Securing endorsement from a vast majority of Moldova's prominent politicians, including fellow presidential candidate Renato Usatii (who came in third in the first round) also proved crucial.

FINAL ELECTION RESULTS (ROUND#2)

Candidate	Popular Vote (%)	Diaspora Vote (%)	Chisinau Vote (%)
Maia Sandu (Candidate of the Party of Action and Solidarity)	57.72	93	59.7
Igor Dodon (Independent, backed by the Party of Socialists of the Republic of Moldova)	42.28	7	40.3

Turnout: 52% (second round), Source: CEC Moldova

To international observers, Moldovan politics has been widely seen as a decades-long dispute between parties advocating for closer ties with the EU and pro-Russian political forces. Arguably, geopolitics has remained a key part of the political rivalry, however this time it has been substantially overshadowed by the socio-economic impacts of the COVID-19 pandemic. The incumbent President's defeat comes after a growing level of public dissatisfaction with the performance of the Dodon-aligned Government of Prime Minister Ion Chicu, as well as increasing concerns over the economy, low wages and unemployment. Sandu herself also campaigned on a primarily economic and anti-corruption platform and placed particular emphasis on reaching out to voters who do not traditionally support centre-right, liberal and pro-EU parties.

In light of recent political crises in the post-Soviet sphere over contested elections in Belarus, Kyrgyzstan and Georgia (please click [here](#) and [here](#) to access our earlier memos), the Presidential vote was marked with concerns about political instability in the country's near future as both Sandu and Dodon hinted at the possibility of post-election protests and denouncing the vote as illegitimate. In particular, Sandu's campaign was concerned over the CEC's alleged failure to prepare for a record number of diaspora voters and to step up against the organized (and illegal) transportation of voters from Transnistria (where her opponent enjoys high political support). At the same time, Dodon accused Western leaders of interfering in the election process by supporting Sandu.

Although the election was marred by highly divisive rhetoric, concerns over breaching campaign finance rules and a polarized media environment, the OSCE's monitoring mission has declared the run-off was "well-managed" and "competitive." Accordingly, Dodon, while alleging "a huge number" of election violations and pledging to proceed with legal cases, gave "preliminary congratulations" to Sandu and called on his supporters not to take to the streets, arguing that the country should not be further destabilised.

WHAT CAN INTERNATIONAL INVESTORS EXPECT MOVING FORWARD?

Under Moldovan law, the President-Elect - assuming the results will be approved by the CEC and the country's Constitutional Court - will assume her office no later than 45 days from the second round, expected to happen following the expiration of Dodon's presidential term on December 24. As well as being Moldova's first female head of state, Sandu will also assume office with a vast range of governmental and international experience:

- Following a number of years at the Ministry of Economy, and after briefly working as an advisor to the then-Executive Director of the World Bank, Sandu served as Minister of Education between 2012 and 2015 under a pro-EU coalition and was considered as a potential candidate for PM in 2015. In 2016, she co-founded the Party of Action and Solidarity (PAS), a liberal and pro-European force, and ran an unsuccessful bid as the PAS candidate for President in the same year.

- Sandu became internationally known for heading the unlikely coalition of the ACUM bloc (the electoral alliance of the Sandu-led PAS and the pro-EU PPDA party of Andrei Nastase, one of the leaders of the 2015-2016 anti-corruption protest movement over “the theft of the century”¹) and Dodon’s PSRM party. Following months of failed coalition talks, the two blocs entered an experimental alliance in May 2019 with the ultimate aim of ending the oligarchic influence of Moldovan businessman Vlad Plahotniuc who later fled the country to avoid prosecution. Cracks within the coalition emerged shortly after the new Government was sworn in and it was eventually toppled by a vote of no confidence by the PSRM and Plahotniuc’s former party, the PDM, over Sandu’s proposed attempts to clean up the country’s legal system.
- After the Sandu Cabinet collapsed, Ion Chicu, a former finance minister and a close advisor to President Dodon, formed a minority government with support from PSRM and PDM MPs. In March this year, the renewed alliance of the two parties was cemented by a government reshuffle in which the cabinet added five new ministers from the PDM. However, shortly before the second round of the presidential elections, the PDM withdrew its ministers from the coalition, a pre-emptive strike to strengthen its negotiating position in the face of the likely move by the ACUM bloc to topple the Government.

Having successfully won the Presidency, Sandu is likely to pick up her political work where she left off last November, with a strong anti-corruption drive. Nonetheless, many of her electoral promises will require support from Parliament (the President can initiate legislation but has limited powers in practice), which is why she vowed to push for snap parliamentary elections next year. Only time will tell if Sandu can succeed with this plan.

The ruling PSRM party has 37 MPs in the country’s 151-seat parliament and also receives support from the PDM’s 11 MPs and some independent deputies. In order to initiate a motion of no confidence against the Chicu Cabinet, the 26 MPs of Sandu’s ACUM bloc will need additional support from an unlikely alliance of various parliamentary groupings, including those associated with oligarchs such as Plahotniuc or Ilan Șor, a businessman living in exile and the lead suspect in Moldova’s 2014 bank fraud scheme.

Theoretically, a return to the PSRM-ACUM coalition remains a possibility, however Sandu considers the current Parliament illegitimate and the current political reality could lead to a continuing standoff with Dodon’s supporters. With this in mind, foreign investors holding a stake in or eyeing investments in Moldova are advised to brace themselves for a new period of political uncertainty as Dodon, who is likely to remain as the head of the PSRM and lead the ruling party from the background, seeks to keep a prominent political position: his close relationship with Russia may prove an ongoing obstacle to Sandu’s intended reforms. Another government reshuffle also remains likely as Chicu has already indicated that his mandate as PM would run only until the presidential elections.

FURTHER IMPLICATIONS OF A SANDU PRESIDENCY

Regardless of the future composition of the Parliament, President-elect Sandu is expected to unveil several legislative proposals and pursue policies in line with her pro-European orientation. Below we outline a number of likely policy directions and broad political scenarios that could shape Moldova’s future in the coming period:

- **Sandu will aim for closer ties with the West, but will not alienate Russia.** Over the past four years, the outgoing President has gradually led the country away from the EU and sought better ties with Russia - both in diplomatic, as well as practical economic and political terms. Moldova had previously joined the EU’s Eastern Partnership, along with five other former USSR states, and signed a Deep and Comprehensive Free Trade Agreement (DCFTA), securing preferential EU treatment for local businesses. However under Dodon’s Presidency, Moldova secured observer status in the Moscow-led

¹ In 2014, more than 1 billion USD disappeared from three prominent Moldovan banks as part of a major fraud scheme in which several Moldovan politicians have been implicated.

Eurasian Economic Union (EAEU) in 2018 and expressed interest in joining the Eurasian Development Bank. Dodon also promised to break off with the DCFTA and pursue full membership in the EAEU, however was prevented from doing so by parliamentary opposition and the country's growing ties to European markets (since Moldova signed the DCFTA, close to 70% of its annual exports have been to the EU).

Simultaneously, Dodon's frequent visits to Russian President Vladimir Putin and his bid to downgrade Moldova's European integration process have resulted in de facto diplomatic isolation. Having secured the Presidency, Sandu is likely to move to restore relations with the West, primarily the EU and the country's two neighbours (Romania and Ukraine) in the short term.

Although generally regarded as a pro-EU politician, Sandu has however pledged to maintain a "pragmatic" relationship with Moscow and is not expected to break existing economic ties with Russia. That said, tensions with Moscow remain possible in the long term over the future situation of Transnistria, the breakaway region in Moldova's east where Russia maintains a peacekeeping mission.

- **An immediate emphasis on crisis management.** The other urgent priority for the newly elected President will be to secure international support for Moldova's pandemic-hit society and economy. The country's GDP has dropped heavily (11.5% year on year), with the EBRD and IMF predicting a full year 4-5% contraction followed by a 3.5-4% rebound in 2021. The Government's own expectations are much more pessimistic, however, envisaging a higher-than-10% budget deficit and a 7% recession, with the country's transport, agricultural and industrial sectors being among the most affected areas.

Following the first wave of the pandemic, the Chicu Cabinet adopted a fiscal package to support businesses and households, however the total intervention amounted to only 0.5% of GDP, considerably less than most anti-crisis programs in the CEE region. In addition, the Government failed to secure a promised 500 million euro loan agreement with Russia and is yet to finalise another three-year-long programme worth more than 550 million USD with the IMF.

In a country where concerns over corruption and the rule of law pose some of the highest questions for investors, Sandu's drive for new anti-graft measures and judicial reform (she perceives corruption as a national security threat) could prove crucial in shoring up Western support: under the country's Association Agreement with the EU, the Government is committed to implementing economic and judicial reforms which could help Moldova catch up with its regional competitors. Taking into account the pandemic situation and general concerns over corruption, Sandu's programme also includes the "suspension of privatization" unless economic and transparency conditions improve, a simplified tax regime, incentivizing investments (with an emphasis on the green economy) and increasing Moldova's connectivity with European energy networks to reduce the country's dependence on Russia.

CONCLUDING THOUGHTS: POST-ELECTION PERIOD CRUCIAL

As the Sandu-led ACUM bloc looks to consolidate its position in Moldovan politics on the back of its Presidential election triumph, the coming weeks and months will prove crucial in terms of ongoing political stability. As President-elect Sandu looks to push for snap parliamentary elections to ensure legislative support for her reformist and pro-European agenda, Dodon, who on leaving office seems likely to remain in control of the Government from behind the scenes, will engage with Moldova's various parliamentary groups to keep the cabinet in place (most likely in a renewed format). It remains to be seen if the PSRM Government can survive, as Sandu's electoral victory leaves it looking weaker than at any time since assuming office a year ago. Simultaneously, Sandu's pro-EU ambitions look likely to bring Moldova's ongoing tussle between EU & Russian influence and co-operation firmly back into the limelight.

About Kesarev

 Kesarev - is the leading independent public affairs and government relations consultancy in Ukraine, Russia, the post-Soviet area, Central and Eastern Europe, Turkey and Israel, covering 25 countries and specializing in government and corporate affairs, risk management and corporate reputation services.

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