

**Initial Concept Note**  
**Potential priority areas for ENPI National Indicative Programme (NIP) for the**  
**Republic of Moldova**  
**2011-2013**

**Introduction**

The National Indicative Programme for the Republic of Moldova (hereafter ‘Moldova’) 2007-2010 sets out the key priority areas for EC assistance to Moldova. As this will expire in 2010, the EC is now beginning preparations for a new NIP to cover 2011-2013. This process will be carried out for all ENPI countries during 2009.

This list of potential priority and sub-priority areas in this paper is derived from the EU-Moldova ENP Action Plan. The EU-Moldova ENP Action Plan was jointly agreed between Moldova and the EU, and was adopted in February 2005. It sets out the strategic objectives of the cooperation between Moldova and the EU, and, as such, forms the basis for intensive EU-Moldova cooperation, including through the EU–Moldova Cooperation Council, the EU–Moldova Cooperation Committee and four sub-committees. These allow policy dialogue in such areas as trade, JLS, people-to-people, legal approximation, norms and standards and other, ever growing EU-MD interactions.

An attempt has been made to take the 80 actions within the Action Plan and draw out a usable number of areas for assistance. Where appropriate, two or more areas identified here could be combined at the Indicative Programme stage, to ensure the synergies between them are fully accounted for in the Annual Programmes which will be identified on the basis of the Indicative Programme.

The objectives of this exercise are to identify:

- a. Areas which have not been adequately covered by EC or other Donors’ assistance but which represent key priority areas in need of financial assistance.
- b. Areas for which follow-up assistance is required to previous programmes
- c. Areas which have been covered in the past, and for which assistance is no longer a priority

In total, a maximum of three overall priority areas can be identified. As this indicative programme will be valid for three years, the aim should be that no more than three sub-priorities are identified per priority.

This paper should be used as a basis for discussions with the government of Moldova, and with all other stakeholders, including Civil Society, EU Member States, and other donors, with a view to identifying the key priorities and sub-priorities for EC assistance under the European Neighbourhood and Partnership Instrument (ENPI) NIP 2011-13.

As such, the conclusions drawn in this paper for each sector do not represent the final view of the EC, but an initial desk-assessment for discussion with stakeholders. The EC would welcome input from all stakeholders on what specific needs and opportunities

there are in key areas, which areas are the highest priority, which areas may need better coordination, and input on the lessons that stakeholders have learned in key areas.

### **Next Steps**

First programming missions will take place in early 2009 with officials for the Brussels headquarters of the Commission visiting Moldova for discussions with the government, and other stakeholders and donors. The key inputs required are views from stakeholders on the needs and possibilities for assistance in key areas. The input from this mission will be analysed, and a set of priority areas for inclusion in the NIP proposed. A second programming mission in spring 2009 will allow further discussion of the priorities identified during the first mission.

### **Lessons Learned**

Due to the comparatively long lead-in times for the implementation of EC programmes, no projects under the current NIP have been completed at this time. For this reason, it is difficult to draw concrete lessons from current ENPI programmes. However, disbursements have been made under the 2007 Sector Budget Support Programme for reform of the Social Assistance sector, and benchmarks are largely being achieved. Initial analysis is that this is likely to be an effective approach to sector reform in Moldova.

Another lesson which can be drawn from EC Assistance to Moldova is that Construction and Investment projects do not represent a comparative advantage for the EC's national programmes. Complicated procedures and multi-stakeholder projects tend to mean that progress in EC-funded construction projects is slow, and such projects have often suffered serious implantation problems.

Also, other donors, such as the US, have significant funds earmarked for infrastructure investment and construction. Moldova is likely to sign an agreement with the US for a Millennium Challenge Corporation programme of around \$370 million for construction project for roads, and irrigation systems.

The EC should therefore seek to focus on its comparative advantages in areas such as sector reform, public administration reform, public finance management, approximation with EU standards, and not envisage construction or investment projects through ENPI. The Neighbourhood Investment Facility has been established by the EC to provide grant funding in support of lending operations by International Financial Institutions, and this, rather than the ENPI National Programme should be the key source of EC funding for infrastructure construction and investment.

Key horizontal issues should also be taken into account, including Climate change, Migration, Aid for Trade, Rising Food Prices and Drugs. These represent global policy priorities for the EU. Whenever possible these issues should be mainstreamed rather than leading to the definition of specific priorities and sub-priorities.

### **Donor Coordination and aid effectiveness**

In principle, where other donors are already active, and have successful assistance programmes, the EC should not prioritise such areas *unless* current donor activity is in the form of small or pilot projects, and the needs and specifics of the area are such that a Sector Budget Support (SBS) or twinning programme would also be appropriate.

This is to ensure a suitable division of labour between donors, and that each donor operates according to its own *comparative advantage*. The EC identifies its own comparative advantages as being in legislative reform and approximation, through instruments such as Twinning, and through larger programmes to support wider sector reform. While EC assistance is, due to the nature of the EC itself, and the financial and other procedures which it is subject to, difficult to deploy rapidly and flexibly. It is for this reason that we encourage other EU Member States, which have resources that can be deployed rapidly and flexibly, to participate in joint programming processes. The objective of this is to maximise the impact of donors which may have smaller financial envelopes by giving the opportunity for these resources to be used in ways which the EC could not use its own funds, but in coordination with larger EC programmes.

Areas which require only small-scale assistance should not be identified as priorities for EC assistance, but should be discussed with other donors. An exception to this may be made when sub-priority areas are identified under the heading of legislative reform, approximation, and institutional capacity building, which could be pursued using the twinning instrument.

### **Civil Society Cooperation**

The comparative advantages of the ENPI instrument are in sector reform, legislative reform approximation, and institutional capacity building. The EC has dedicated instruments for funding civil society projects, in the form of the European Instrument for Democracy and Human Rights, and the Thematic Programme for Non-state Actors and Local Authorities, and these should remain the primary funding mechanisms for civil society organisations (CSOs) looking for project funding.

However, CSOs have several important roles to play in the process of developing the new NIP. Firstly, their advice, information and expertise in key areas is extremely useful in understanding and defining priorities. Secondly, CSOs have a key role in monitoring the progress made both by the government of Moldova and donors such as the EC. The process of developing the new NIP should go beyond obtaining input from CSOs, and promote dialogue not just between the EC and CSOs, but between Civil Society and the government of Moldova as well.

**Potential areas for intervention**

- **Democracy and the rule of law**
  - Strengthening institutions
  - Judiciary
  - Anti Corruption

*EC Assistance*

EC assistance has focussed on support to EU Moldova treaty implantation and support to the National Coordination Unit (€6m), independence and transparency of the judicial system, in partnership with the Council of Europe (€3m), anti-corruption, money laundering and terrorist financing, also with the Council of Europe (€3m), twinning programmes with the Moldovan Parliament (€2m), and support for legal approximation (€0.2m)

*Active Donors*

There are many active donors in this key area. On institution building, ES, FL, FR, HU, IR, LV, LT, PO, SW and USA are all active. In the area of judicial reform, FL (with the OSCE), HU, LV, and SW (with NGOs) are active. On anti-corruption measures, the US and SW are, along with the EC the largest donors, with HU, LT and the UK also working in the area.

FR, LV and SW are actively supporting cooperation with, and strengthening of, Civil Society Cooperation.

*Initial Analysis*

This is clearly a key area for intervention. It is at the heart of the EU-Moldova ENP Action Plan, and of the ENP policy itself, and a certain progress has been made so far. Most significant Donors to Moldova are active in this field. Due to the need for the wide range of specific, and relatively small projects required, there are opportunities for smaller donors, but effective coordination is essential. Initial consultations have concluded that work should be done to ensure Civil Society is integrated into progress in the field, and that the judicial reform remains an area with real needs.

*Conclusion*

It is not usual practice to use sector budget support in this area, but this has been used by the EC in Georgia and Armenia, so there are emerging lessons. A widening of twinning could also be possible in this area. Could be part of a wider priority on good governance.

- **Human rights and fundamental freedoms**

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- Equal treatment
- freedom of expression and freedom of association
- Trafficking in human beings, and problems of victims
- Eradication of ill-treatment and torture
- Children's rights
- Respect for and development of civil Society
- Trade Unions rights and core labour standards

### *EC Assistance*

The EC has committed €1m for a twinning project for the reform of the penitentiary system, and €2.5m for the development of integrated social services for at-risk children. There is also a €3m project with the Swedish Labour Office on Moldova The Food Security Programme and EC Sector support for reform of the social assistance system has elements relating to childrens' rights and reducing child poverty.

### *Active Donors*

AT, FR and SW have general human rights programmes. FL, SW and US work in anti-trafficking and migration management. AT, IT, PO and SW have programmes in Children's rights, with SW being the largest donor with €2.5m of funding and also over €1m for gender equality. In respect for freedom of expression and association, and the development of civil society, ES, FR, SW, LV and US are active, with the US having committed around \$7m. AT and SW also support projects for trade union rights. LV also has a small project for the re-socialisation of sentenced persons.

### *Initial Analysis*

Despite good performance overall, this area has become of increasing concern in Moldova, particularly in relation to the freedom of the media. Freedom of the media is however addressed at a political level, and is not necessarily an area for financial assistance. Reform of the legal framework could be undertaken through twinning projects. Several donors are supporting the development of civil society, and the ENPI instrument may not be best placed to provide this form of assistance.

Anti-trafficking is a horizontal priority for the EU, and is one area where the ENPI instrument may have a comparative advantage, particularly as Moldova is a pilot country under the Mobility Partnership.

### *Conclusion*

The EC should take steps to ensure that CSOs are actively involved in sector programmes, and that CSOs have as much access as possible to the EIDHR and the horizontal programme for Non-State Actors and Local Authorities. Actions for CSO networks may be appropriate in the context of Transnistria.

Anti-trafficking should be closely examined as a potential area for assistance in the new NIP. However, it should be taken into account that there are already many programmes on this in Moldova. A link to active labour/migration management measures under the Mobility Partnership might be considered.

- **Conflict Prevention and crisis management**
  - Settlement Of The Transnistria Conflict

#### *EC Assistance*

The EC committed €2m for a project for support to civil society in Transnistria which is currently under development. The EC has also been examining opportunities to support confidence building measure (CBMs) to assist in the settlement of the Transnistria conflict, and after any settlement.

#### *Active Donors*

UK and OSCE have been the key donors in this area, work on partnership building, information, and UNDP plans to become active. NGO cooperation and support for the ministry of reintegration. With only three key donors in this field, joint working is particularly important.

#### *Initial Analysis*

The Initial analysis is that this area will require considerable attention in the next programming period. The EC has the Instrument for Stability at its disposal for short-term actions for conflict resolution, and for rapid actions if a settlement is reached. However, confidence building measures involving both sides of the Nistru River and assistance to develop joint programmes should be included in the new NIP. In addition, provision should be made for potential post-settlement activities.

#### *Conclusion*

Settlement of the Transnistria conflict should be a key priority in the new NIP

- **Economic And Social Reform And Development**
  - Poverty Reduction
  - Social assistance
  - Child Poverty and primary school enrolment

#### *EC Assistance*

The EC has committed €21m sector budget support for the reform of the social assistance sector. In addition, it has completed €9.2m of targeted budget support for food security, and also a capacity building project with the Ministry of Health and Social protection.

#### *Active Donors*

UK and SW are the other key donors in this sector along with the World Bank and the EC. SW has committed €3.2m for the WB/EU/UK/SW Social Investment Fund and funded around half of a €4.7m project on social assistance services. The UK committed €2.4 m to this project, and has also committed to €3.8m to the WB multi-donor trust fund for the PRSC.

#### *Initial Analysis*

This continues to be a key area of concern for Moldova. As the EC has already committed to large programmes in social assistance, health, and recently finished the Food Security programme, it would be useful to look at other needs in this area.

#### *Conclusion*

Investigation of further potential sectors within this important area is needed.

- **Sustainable Economic Growth and Sustainable development**
  - Business Climate
  - Implementation of privatization programme, covering in particular outstanding large scale privatization as a priority and the energy sector
  - Right of establishment and company law
  - Services – abolition of restrictions
  - Financial Services
  - Enterprise policy, regulatory environment
  - Competition policy
  - Taxation
  - Intellectual and industrial property rights
  - Employment and social policy
  - Public Finance
  - Public procurement
  - Statistics
  - Financial Control and related matters

#### *EC Assistance*

In 2007-2008, the EC had €45m macro-financial assistance for sustainable public finances. The EC is also planning twinning projects in competition, intellectual property

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rights, and public procurement. A €0.5m project on statistics reform is completed. In addition, all EC SBS programmes involve benchmarking in PFM.

### *Active Donors*

In sustainable growth, SW and UK are key donors, with a focus on public finance management and debt management. In improving the market economy and business environment, FR, PO, and US are active, with business development and regulation being key focuses. FR, ES SW are working on taxation. In employment and social policy, SW has completed projects in active labour market policies and public employment services. IT has worked on the valorisation of remittances.

In Financial Services, PO works on local government transparency, while SW is working with the State Audit office, and with savings and credit associations.

In Statistics, the UK and SW have completed projects, focussing on agricultural and household statistics.

In Public Finance Management (PFM), SW and UK both support the World Bank trust fund in accounts, PAR and PFM.

### *Initial Analysis*

This area is extremely wide, and requires a large number of targeted interventions in view of further increased trade and investment relations with the EU and a possible Free Trade Agreement. There are clearly still needs, but resources must be carefully targeted and coordinated for maximum sustainable impact. This area is a key area of comparative advantage for the EC as a donor, and implementation of the Action Plan and any successor in these areas is key to Moldova's progress.

### *Conclusion*

This is likely to be a key area, but generally requires smaller, targeted activities such as Twinning rather than sector support programmes. There have been Sector Budget Support programmes in regional vocational training elsewhere in the ENP East region.

- **Trade and Exports**

### *EC Assistance*

The EC has completed a €3m project Moldova Investment and Export Promotion organisation, and has committed a further €1.6m for export and investment promotion, and €2m for the supply of laboratory equipment.

### *Active Donors*

The US has provided small technical assistance for export promotion, and UK has projects on rules of origin control.

*Initial Analysis*

This has not been a focal sector for many donors. Experience has shown though that a great deal of the work needed in this area is related to the areas detailed under Sustainable Economic Growth and Sustainable development.

*Conclusion*

While a very important area, the EC has completed projects in this area, and should now target regulatory reform and other related areas as detailed above under the priority Sustainable Economic Growth and Sustainable development, rather than identifying trade and exports as a standalone priority area.

- **Regional and rural development**

*EC Assistance*

In addition to a completed project for SME support in rural areas of €2m, the EC has committed €8m for three regional infrastructure projects that will be channelled through a Trust Fund with WB..

*Active Donors*

SW is the largest other donor in this sector, including assistance for rural development services, and is looking onto rural competitiveness. AT is active in support for veterinary and agricultural education. US has projects on agribusiness and regional regulatory reform, and the Millennium Challenge Corporation is planning large-scale investment projects. PO has projects on small enterprise and agri-tourism. CZ, FR, IT and LV also have planned or ongoing work in regional and rural development.

*Initial Analysis*

As a large proportion of poverty in Moldova is rural, this is a potential area for increased assistance. However, the results of the current projects will not be seen for some time, so it is difficult to draw lessons. One point is that, in the future, any focus in this area under ENPI should be on planning for regional development and on capacity building for local authorities, rather than on direct infrastructure investment. Funding should be sought from the International Financial Institutions, and, if necessary, from the Neighbourhood Investment fund (NIF) to leverage this.

### *Conclusion*

This is an important area, but investigation of potential non-investment activities is required.

- **Customs, border and Migration Management**
  - Including the Transnistrian sector
  - Fight against organized crime (including trafficking in human beings)
  - Drugs
  - Money laundering financial and economic crime

### *EC Assistance*

A declaration declaring the start of the EU-Moldova Mobility Partnership was signed in Brussels in June 2008. The main objective of the Mobility Partnership is to ensure the responsible joint management of migratory flows in the interests of the EU, its partners and the migrants themselves. Initiatives taken under the partnership will aim to promote a better framework for the movement of persons and legal migration, in particular by increasing the Republic of Moldova's ability to manage migration and by implementing measures to inform, integrate and protect migrants and returnees, while respecting economic and social conditions in the Republic of Moldova.

In addition to the EU Border Assistance Mission, funded by the ENPI East Regional programme (€12m per year), and EUBAM Flanking measures (€11m) the EC has completed a project in the simplification and harmonisation of customs procedures, and has committed to a regional project with the ILO for the elimination of trafficking from Moldova and Ukraine. It has also committed €3m for improvement of border controls at the Moldova-Ukraine state border.

In migration management, the EC has projects in remittances for growth, reduction of the brain-drain, and pilot initiatives for migrant workers. In addition, it has committed €1.3 m for the Soderkoping cross-border cooperation process with UNHCR, and €0.5m for enhancing asylum conditions, and €0.7m to strengthen migration management.

In anti-trafficking, the EC has a €1.7m project with the IOM to combat human trafficking.

A €2m regional project (BUMAD) has been completed for the prevention of drug abuse and trafficking in Ukraine, Belarus and Moldova.

### *Active Donors*

FR, LT and UK have projects for customs legislation and practice. HU and US have also projects training Customs officials. CZ, AT, SW, FR and FL also work on migration management and anti-trafficking.

US is active in anti-money laundering.

#### *Initial Analysis*

It is hoped that EUBAM will continue, and flanking measures for this could be possible. Migration and trafficking are key EU priorities, and Moldova is a pilot country under the Mobility Partnership.

#### *Conclusion*

Further lessons should be drawn from previous EC assistance in this to identify potential actions in this area, and coordination between the large number of donors will be strengthened through the Mobility Partnership. A potential area for the NIP.

- **Sanitary and phytosanitary issues incl. Food Safety**

#### *EC Assistance*

The EC has completed €9.2m of assistance for Food Security, and also several projects on health and food safety, animal health, and support to the Ministry of Agriculture. A €0.2m project for phytosanitary and veterinary services will start soon.

#### *Active Donors*

WB, LV, LT and UK are active, with SW considering work in this area.

#### *Initial Analysis*

Work is ongoing, and, as other donors are planning work in this area, an assessment of the needs for EC assistance should be made

#### *Conclusion*

It is not clear that large programmes are required in this area, but it may be a potential area for smaller, targeted assistance through Twinning etc.

- **Public health**

#### *EC Assistance*

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In early 2009 the EC will start a €46.6m Sector Budget Support (including €4.6m in Technical Assistance) programme for reform of the health system (from NAP 2008).

### *Active Donors*

WB, Council of Europe Development Bank, Switzerland and US are active in this area, including in reproductive health, and HIV/AIDS.

### *Initial Analysis*

The EC has a very large programme in reform of the Health sector which would be expected to be completed in 2011-2012. It is not clear that additional EC funding should be committed in the interim, but work should be done in coordinating this programme with other donors.

### *Conclusion*

As the EC programme in health reform will not be completed until after the new NIP comes into force, it is not clear that funding should be foreseen in the new NIP.

- **Environment and environmental governance**

### *EC Assistance*

The EC is planning a 45 MEUR water and sanitation sector budget support under the ENPI 2009 National Programme. The EC has also committed 3 MEUR for constructed wetlands WWTP through WB Trust Fund and to three regional water and environment governance projects. In the past, there was support from the Tacis City award scheme for local environmental governance

### *Active Donors*

ES is has completed work in Forestry. AT, CZ, HU and LV are active in environment protection. AT has committed over €2m, and CZ €1.75m for Water and river management. FR, ES and PO are also active donors.

### *Initial Analysis*

Although the EC has regional programmes in this sector, Environment and climate change have been identified as horizontal EC priorities. This is a potential sector for sector support, and the country-level needs should be carefully examined.

### *Conclusion*

A serious possibility as a focal sector or sub-sector in the new NIP, especially in view of key interventions with a positive effect on human health (drinking water,...) and approximation to EU environmental acquis.

- **Transport**

- Road, railway, aviation, maritime and inland waterway

*EC Assistance*

€0.75m feasibility study for road rehabilitation, as part of a broader regional development project.

*Active Donors*

The US is planning Millennium Challenge Corporation is planning large scale investment projects beginning in 2009.

*Initial Analysis*

This is an area in need of investment. However, the volumes of financial assistance likely to be available for the new NIP are not sufficient to commit to large-scale investment programmes. Assistance to leverage IFI investment, for the regulatory framework, Twinning, technical assistance, traffic planning, European Networks, norms and standards, may however be possible.

*Conclusion*

This could be included under the headings of economic and regional development, but should not be included as a stand-alone priority. The NIF should be the primary source of EC funding for investments, with Twinning and TA supporting where necessary.

- **Energy**

*EC Assistance*

€0.5m study on electricity interconnections, support to the Energetic Strategy, support to draft laws on electricity and gas

*Active Donors*

SW has €2.2m for TA to ANRE and Termocom, as well as district heating, and €1.1m for legislative approximation. SW is also preparing a programme of €6.5m for energy

sources investment, possibly with the EBRD. PO works on municipal energy efficiency and the US supports European integration of the energy market. The US is planning Millennium Challenge Corporation is planning large scale investment projects beginning in 2009.

### *Initial Analysis*

As with the transport sector, there are large-scale needs in this area, particularly with regards to energy security, climate, and European networks. However, aside from the current gas crisis, access to energy does not tend to be a great problem in Moldova. The overall priority of climate change means that energy efficiency and alternative energy sources could be considered for inclusion, but large scale investment should come from IFIs, and the NIF should support and leverage this, rather than the ENPI national programme.

### *Conclusion*

The NIF should be the major source of EC funding in this area, rather than the ENPI National Programme, unless the ENPI National Programme can be shown to be the most appropriate mechanism to leverage additional funding through piloting initiatives.

- **Education, training and youth + Research, development and innovation**

### *EC Assistance*

In addition to regional and global calls in Tempus and Erasmus Mundus, the 2005 EC programme allocated €2.8m for Moldovan participation in TEMPUS [*Note: double-Check this*]

### *Active Donors*

AT has been active in training, particularly for business and for children with disabilities. CZ has financed study programmes in agriculture and the training of vulnerable adolescents. The US provides scholarships, and assistance for the protection of state boarding school graduates.

ES is working with the ministry of education in IT education. FR has wide ranging exchange, language, cultural and academic cooperation programmes.

### *Initial Analysis*

This area may be termed an ‘orphan’ sector, as most assistance has been in exchange and cultural programmes, rather than in addressing the Moldovan education sector itself. Needs in this sector should be examined carefully

*Conclusion*

This is a potential sector for inclusion in the NIP if it can be shown that there are structural needs, and a need for reform in Education in Moldova.

- **Information Society**

*EC Assistance*

None foreseen

*Active Donors*

HU has provided computer training for pension officials. LT is active in the reform of public broadcasting.

*Initial Analysis*

This is not a priority sector for assistance, except insofar as assistance may be required to integrate Moldova into European information networks. This would be likely to require only small-scale assistance such as that provided by the TAIEX programme

*Conclusion*

Not a potential sector under the NIF

**ANNEX – Outline of the current ENPI Moldova NIP 2007-2010**

*Priority Area 1: Support for Democratic Development and Good Governance*

- Sub-priority 1: Public administration reform and public finance management
- Sub-priority 2: Rule of law and judicial reform
- Sub-priority 3: Human rights, civil society development and local government
- Sub-priority 4: Education, science and people-to-people contacts/exchanges

*Priority Area 2: Support for Regulatory Reform and Administrative Capacity Building*

- Sub-priority 1: Promoting mutual trade, improving the investment climate and strengthening social reform
- Sub-priority 2: Sector-specific regulatory aspects

*Priority Area 3: Support for Poverty Reduction and Economic Growth*

- Sub-priorities: Education,  
Health,  
Regional/municipal infrastructure and economic development

**Indicative Budget**

€ 209.7 million.

Priority area 1: Support for Democratic Development and Good Governance	52.4-73.4 mn (25-35%)
Priority area 2: Support for Regulatory Reform and Administrative Capacity Building	31.5-41.9 mn (15-20%)
Priority area 3: Support for Poverty Reduction and Economic Growth	83.9-125.8 mn (40-60%)