

PROJECT FICHE 2

Title	Support to PCA and ENP Action Plan Implementation		
Indicative cost	7.2 million Euro		
Aid Method	Sector Policy Support Programme – Centralised Management		
DAC-code	15030-15010-15040	Sector	Legal and judicial development – Economic and development policy planning- Government administration-

1. RATIONALE

Strategic framework

The fulfilment of the Partnership and Cooperation Agreement (PCA) and of the EU-Moldova Action Plan is the overarching goal which the EU assistance described in this fiche is aimed at fostering. This is to be done through a three strands approach aiming respectively at a) supporting the process of approximation of the Moldovan legislation to that of the EU, with capacity building for improve its implementation, b) increasing the capacity of the national authorities to coordinate and manage the external assistance, and c) paving way towards the reform of public administration. The TACIS National Indicative Plan (NIP) 2005-2006 clearly targets as real priorities all these interventions. As the latter will contribute to support good governance, they can be considered perfectly in line with the Economic Growth Poverty Reduction Strategy Paper established in 2004, which "good governance" one of the key principles in achieving sustainable economic and social development, one of the three long-term strategic objectives of the Republic of Moldova [EGPRSP V, 5.1, §§ 138-140].

1.1. Lessons learnt

The legal harmonisation undertaken under previous TACIS PCA projects has faced obstacles in terms of Parliament Approval in preceding years. It is crucial to have the support and commitment of the government to adjust national legislation to that of the EU in all areas covered both by PCA and Action Plan. Strong working relationships, cooperation between Ministry of Justice, Parliament, MoFA, MoE and line ministries are crucial for successful implementation of the legal harmonisation objective stipulated both by PCA and Action Plan.

This year, the newly elected Parliament of Moldova has signed a Declaration on the Political Partnership for Achieving the Objectives of the European Integration. The document specifying a common approach in PCA and EU-Moldova Action Plan implementation is perceived as a strong will and political commitment in all respects including in Good Governance.

In dealing with Good Governance, sustainability of TA is crucial for achieving long-lasting results. Partnership and coordination with other donors, excluding overlaps in drafting same pieces of legislation is mandatory towards a wise

spending of Development Aid. In implementing Public Administration Reform it is necessary to promote Government ownership and commitment to change existing structures and to appropriate funds from the State Budget in supporting the initiative.

National Coordination Unit (NCU) must take the lead in coordinating the efforts of all donors to contribute to a more effective sector approach.

1.2. Complementary actions

EC/TACIS

Moldova has received technical assistance to implement the PCA since 1998 through two short-term (6 and 9 months). The TACIS PCA Implementation project III started in March 2000 and finished in June 2003. A small policy advice project has continued the activities identified under the previous project till March 2004. A new TACIS project was identified in the 2003 Action Programme, scheduled to start tentatively in the second half of the year 2005. The project will have several components mostly dealing with implementation of the PCA and EPN AP, full realization of rights and obligations as a WTO member, full realization of rights and obligations as a SP beneficiary country. With the support of TACIS NAP 2003 the Council of Europe is carrying out a project strengthening good governance, which also includes support to local autonomies and self-government.

EU Member States

Besides TACIS Programme, several EU member states assist or plan to assist the Moldovan Government with the implementation of the ENP AP. The UK has organised general seminars for the MoFA in 2004, and has started a new Program in April 2005 on Re-uniting Europe, providing grants to Moldovan NGO to undertake research and trainings in EU policy matters. Germany and Poland have planned providing TA mainly through seminars, study-trips and ST expertise. DFID will continue through 2007 with TA for the Medium Term Expenditure Framework (MTEF), incorporating EGPRS and local governments, and with its Peace Building Framework (Transnistria).

As for the projects in the area of good governance, there was a TACIS/UNDP program on Personnel Development and Improvement of Public Administration in Moldova during the period 1998-2002.

UNDP

UNDP has also two low-scale projects related to good governance: one on Strengthening Moldova's government capacity to fight corruption and improve governance and one on Improving Management Performance of the Government (with a budget of about 100.000 USD each)

UNDP's project "Support to Strategic Policy Formulation, Monitoring and Evaluation in the Republic of Moldova" joint UNDP/UNICEF Programme is designed to assist the Government of Moldova in strategic long-term planning for achieving nationalized MDGs, as well as in the effective monitoring and evaluation of the Economic Growth and Poverty Reduction Strategy targets, Millennium Development Goals and the objectives of the European Union – Republic of Moldova Action Plan.

USAID

USAID runs a project on Local Government Reform (\$5mio) aiming to decentralise authority to local level, create capacity of municipal authorities to

implement legislative, financial and financial reforms and build capacity in local NGOs and general public to support local government reform.

WB

World bank has a pipeline project to implement Public Finance Management Reform.

1.3. Donor coordination

There are 22 major multilateral and bilateral donors currently operating in Moldova, including 8 UN agencies. The overall TA budget in 2003 was 57 million USD and it is expected to reach 65 million USD.

Concerning the coordination inside the donor community there are mainly two mechanisms of coordination: Donor Monthly Meetings (DMM) and Theme Groups (TG).

Regarding aid coordination inside the government, this is featured by responsibility-sharing mechanism between the Ministry of Economy and the Ministry of Finance.

In relations with donor community, currently the main governmental intention is to provide Economic Growth and Poverty Reduction Strategy as the main strategic framework for the provision of technical assistance and other forms of aid as well to Moldova.

2. COUNTRY CONTEXT (as far as not yet addressed in introductory part)

2.1. Economic and social situation

Current situation: Economic growth reached a high rate of 7.3% in 2004 (real GDP growth was 6.6% in 2003), driven primarily by agriculture (growth of 20% in 2004 against a 14% decline in 2003), strong external demand for Moldova's goods (foodstuffs, textiles, and skins/hides), and domestic demand. Meanwhile, industrial growth and household consumption growth decelerated evidently compared to 2003. A balanced budget (0.4% GDP surplus) was attained and external debt reduced, but the domestic state debt grew substantially, by 27%. Current account deficit reached 4%, with the significant merchandise trade deficit (30% GDP in 2004) being covered by hefty workers' remittances from abroad.

Short-term prospects: Anticipated are continued deceleration of industrial production, primarily because real appreciation of the Lei to the USD (by 14% in real terms in 2004) undermined Moldova's competitiveness and fuelled import inflows. Economic growth prospects are also at risk in case of poor agricultural harvest and growth of the current account deficit (a decrease of workers' remittances from abroad as a major risk here). IMF projects a deceleration of GDP from 5% in 2005 up to 3% by 2007 as consumption growth slows down.

Longer-term perspectives: For growth to continue and become sustainable, the government has to address the emerging risks swiftly. Reforms envisioned in the EU-MD Action Plan have much potential to improve the business climate and to boost foreign direct investment (FDI) inflows. As well, fulfilment of the adopted EGPRS program provides basis for solid medium term planning of government's finances.

2.2. Cooperation policy of beneficiary country

Policy dialogue between Moldova and the EU has been established through the Partnership and Cooperation Agreement (PCA) signed in 1994 (in force since 1998). The PCA provisions have been supplemented early 2005 by an EU-Moldova Action Plan (ENP AP, in the framework of the European Neighbourhood Policy) aiming to establish an increasingly close relationship between EU and Moldova, involving a significant degree of economic integration and a deepening of political co-operation.

2.3. Sector Policy

In the context of the ENP AP implementation, most branch Ministries have presented sectoral Action Plans (specifying their priorities for the ENPAP and how to implement them) to the MoFA. The draft National Plan on implementation of the ENP AP is under elaboration.

However nor for the implementation of the EU-Moldova Action Plan, neither for the Public Administration Reform any resources have been allocated in the medium term expenditure framework (MTEF) 2005-2007.

3. DESCRIPTION

3.1. Objectives

Wider objective

The aim of the project is to assist the Government of Moldova to achieve its development objectives: consolidation of democracy and market economy, to realise economic growth and poverty reduction; achievement of a significant measure of economic integration and political co-operation in the framework of the European Neighbourhood Policy.

Specific objectives

1. Enhancing Moldova's ability to implement the EU-MOLDOVA Action Plan and the PCA, on the basis of priorities jointly set with the EU;
2. Increasing Moldova's capacity to make the best use of the EU and international assistance in coherence with the PRSP , EU-MOLDOVA Action Plan and PCA;
3. Fostering Good Governance through facilitating the reform of the Public Administration both at central and local level

3.2. Expected results and main activities

- I. Component: PCA and EU-Moldova Action Plan Implementation, including support to public administration reform

Result 1: Moldova's legislation in key areas as defined by the EU-MOLDOVA Action Plan is approximated to that of the EU or to the relevant international standards (including UN, WTO, OSCE, OCDE and CoE requirements)

Main activities:

- Policy advice with the aim of identifying priority areas, making feasibility studies, elaborating preparatory or accompanying measures
- Technical assistance with the aim of directly supporting legal redrafting or providing the legal experts with advice
- Training, conference and seminars for MPs, Ministries' staff, experts involved in law making, professionals involved in law implementation and the wider public with the aim of raising awareness on the EU legal standards

Result 2: The capacity of Moldovan Authorities to implement the approximated legislation and to elaborate the policies necessary to fulfil the EU-MOLDOVA Action Plan and the PCA is increased

Main activities:

- Assessing the Public Administration's possible weaknesses in implementing the approximated legislation and issuing recommendations for its reorganisation and improvement. Studying the impact of legal reforms and issuing recommendations for their more complete and sustainable implementation.
- Identifying the civil servants' training needs and, as necessary, issuing recommendations for meeting these needs and for the reorganisation and the improvement of the training system in general.
- Training, conference and seminars for MPs, Ministries' staff, experts and professionals involved in law implementation as well as the wider public with the aim of raising awareness on the EU legal standards and administrative practices

Result 3: Public Administration reform

Main activities:

- Completing organisational audit and functional analysis of the Public Administration, issuing recommendations for improving and modernising its functioning (focus on: transparency and efficiency of the decision making processes; capacity to maintain a correspondence between policy-making, State budget planning and State budget execution and accountability; monitor the implementation of the approved policies).
- Detailed analysis of the legal status and concrete work conditions of all categories of civil servants, recommendations for improvement
- Forecasting the financial costs of public administration reorganisation and the reform of the status of civil servants.
- Dissemination of the findings and recommendations to main stake holders, including conferences and seminars etc.

II. Component: Support to TACIS NCU

Result 1: The capacity of Moldovan Authorities to contribute to programming and monitoring the use of the EU assistance is increased

Main activities:

- Technical assistance to support the NCU in the fulfilment of all its tasks, focusing in particular on programme/project management and on preparations for management of future external assistance instruments

Result 2: The capacity of Moldovan Authorities to ensure that all the donors' assistance is coherently used and in accordance with the PRSP and ENP AP is increased

Main activities:

- Technical assistance with the aim of fostering the use of funds in coherence with a "sector wide" approach
- Policy advice with the aim of assessing the impact of the assistance in targeted sectors and of issuing recommendations for improving its delivery and reception modalities

III. Component: Preparation for Possible Autonomous trade Preferences

Result 1: Development of the basis for further trade concessions by the EU to Moldova is at the advanced stage - in particular, necessary legislative and regulatory mechanisms are in place; commitments undertaken by Moldova in an international framework, and in particular within the WTO are fulfilled.

Main activities:

- Policy advice in preparation for specific steps in trade, in particular for possible Autonomous Trade Preferences
- Analysis of the legislation and enforcement mechanisms connected with implementation of Moldova's obligations towards WTO
- Comprehensive assessment of the current system in place related to the control of origin, and recommendations for extensive improvements

Result 2: Institutional capacities of the Moldova's authorities to carry out adequate verification and control of origin on the whole territory of Moldova are established

Main activities:

- Improvement of the institutional framework and procedures on control of origin by reinforcing customs
- Review the division of responsibilities for the issuing and verification of both preferential and non-preferential certificates of origin with the Chamber of Commerce in order to build a solid basis for possible Autonomous Trade Preferences.

- Assistance with the aim to smoothly transfer the system from the chamber of commerce to the customs administration and to ensure that the customs administration is ready to carry out verification and control of origin on the whole territory of Moldova
- Technical assistance to other relevant government bodies, in particular, in the area of certification of rules of origin, in implementing changes in a timely and effective manner

3.3. Stakeholders and institutional capacity

While the Government and the Parliament in general are both involved in general in all areas targeted for the EU assistance, in each of them some actors should be more specifically identified. In particular, the Ministry of Foreign Affairs and the Ministry of Economy are the most involved institutions in the support for the implementation of PCA and ENP AP. The Ministry of Economy will be the most involved in the support to TACIS NC). The Prime-Minister Office will be the key interlocutor for the preparation of the Public Administration reform.

3.4. Risks and assumptions

Especially the component on the preparation of the Public Administration reform is exposed to important risks. Actually at this stage the Government of Moldova has only shown at general level an intention to move towards a public administration reform. The possibility to transform this into an effective policy will depend on many factors, such as the political support from the Parliament, the availability of funds and the support of public opinion, whose final outcome is hard to predict. This explains why the EU assistance will mainly be aimed in first instance at facilitating the elaboration of a reform policy by the stakeholders. Only if a realistic and valuable reform policy is approved and its implementation is started the EU assistance will be mobilised in its support.

3.5. Crosscutting Issues

Implementing the EU-MOLDOVA Action Plan and the PRSP, enhancing the capacity to use the donors' assistance and reforming the public administration will contribute in Moldova to fighting against corruption and the consolidation of rule of law.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

Centralised Management by EC Delegation.

Each of the components described in this fiche will be implemented through a separate service contract. Part of the first component may be implemented through a grant agreement with an international organisation (OCDE, as far it concerns the reform of the administration; the CoE and/or the UNDP for the development of local autonomies). To support the activities, supply contracts for up to 20 % of overall budget can be provided.

Twinning and TAIEX will be considered where appropriate.

4.2. Budget and calendar

The overall budget is 7.2 million Euro. The operational duration is estimated to be 24-36 month.

4.3. Procurement and award of grants procedures

All contracts implementing the financing agreement must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.4. Performance monitoring

The TACIS monitoring and Evaluation Unit will be responsible for monitoring of the contract

4.5. Evaluation and audit

Appropriate planning and regular monitoring throughout implementation in the form of regular reports will take place.