

MOLDOVA ACTION PROGRAMME 2003

1. Identification

<i>Form of programme:</i>	National
<i>Beneficiary Country</i>	The Republic of Moldova
<i>/Title:</i>	
<i>Budget year:</i>	2003
<i>Financial allocation</i>	€25 million, including €2 million for Tempus to be implemented
<i>Budget Line:</i>	B7-520
<i>Legal basis:</i>	Council Regulation (EC, EURATOM) No 99/2000 of 29 December 1999 concerning the provision of assistance to the partner states in Eastern Europe and Central Asia.
<i>Duration:</i>	Contracts financed under this programme shall enter force no earlier than the signature of the Financing Memorandum in due form by the competent signatories, and no later than 36 months after the entry into force of the relevant budgetary commitment. The technical activities provided for under this programme and all contracts must end by 31.12.2007.
<i>Programming:</i>	RELEX E.2 for the Indicative Programme
<i>Implementation:</i>	Delegation of the European Commission in Ukraine, Moldova and Belarus and EuropeAid
<i>Remarks:</i>	No administrative expenditure will be financed under this programme

2. Summary of the programme

This Action Programme 2003 is developed in line with the strategic guidelines given by the Country Strategy Paper 2002-2006 and the National Indicative Programme 2002-2003. The proposed activities are focused on three areas of co-operation: institutional, legal and administrative reform; support to the private sector and economic development and; support in addressing the social consequences of transition. Support in the area of institutional, legal and administrative reform will focus on three issues: PCA, WTO and the Fight against crime; support to civil society; and promotion of human rights in collaboration with the Council of Europe. Activities in the area of support to the private sector and assistance for economic development will focus on Export promotion, development of Small and Medium sized Enterprises (SMEs) in the rural sector, and the development of regional development agencies. In order to address the social consequences of transition, support will focus on the development of support mechanisms for poor families and children and on health management. In addition, support will be provided through the following small project programmes: the Institution-Building Partnership Programme (through both components: the Key Public Institutions and the Civil Society and other Local Initiatives), Statistics, Policy Advice and Tempus.

3. Country update

The Moldovan Government has made EU integration one of the main lines of their foreign policy, in particular the objective of strengthening political and economic relations with the EU and eventually of becoming a member State. For this purpose, the Moldovan government has created a department for EU integration within the ministry of Foreign Affairs and an inter-ministerial working group addressing all sectors of the political and economic life of the country.

The Transdniestrian issue heavily affects the political and economic life of the country. The dispute is still in a deadlock. A nation-wide referendum on the draft of a new constitution is to be held no later than 1 February 2004. Nation-wide elections for a new, united government should then be held no later than 25 February 2005. Finally, the president took the initiative to create in January 2003 a Ministry for Reintegration for co-ordinating the above initiatives. The Tacis 2002-2003 Indicative Programme for Moldova expressly mentions the possibility of fully extending Tacis to Transdnistria as soon as an agreement will be reached. The intervention could for example consist of, but might not be limited to, a legal approximation exercise or on setting trade/export policies.

IMF lending has been suspended repeatedly, owing to the government's lack of sufficient progress on reform implementation. Outstanding conditionalities of the World Bank include the approval of the Poverty Reduction Strategy Paper, which is due in June 2003 as well as reaching an agreement with IMF and improvement of the business environment. According to optimistic forecasts, if the government manages to fulfil or reach a compromise on outstanding issues, international financing can be resumed in June-July 2003 at the earliest. However, on the whole the political commitment to the transition to the market economy does not seem to be in question.

4. Past EC assistance and co-ordination with other donors

Co-ordination with other donors is ensured through a number of means. The Tacis National Co-ordination Unit in Chisinau collates information on donors' activities in Moldova, and provides regular updates to the Commission's services. This unit is supported by EU experts and is located in the department for co-ordinating Technical assistance programmes of all donors, within the Ministry of Economy. It plays a cardinal role in articulating the Tacis programme with the institutional beneficiaries and in co-ordinating operation of all donor programmes.

Monthly regular meetings are held with the World Bank, USAID, EBRD, IMF, DFID, Sida and other donor agencies. Those meetings aim at presenting developments in donor operations, confronting experiences and proposing synergies. The Chisinau Tacis Branch Office (TBO) of the EC Delegation in Ukraine attends the meetings. In addition, when missions from EU Del Kiev, Relex or Europeaid are in Moldova, reciprocal information meetings are systematically organised with relevant donors as well as with the representations of the member states.

At project level, the TBO makes numerous field visits to check implementation, attend project steering committees, define project follow-up etc. Successful co-operation has been demonstrated inter alia with the WB rural development programme, the USAID legal reform programme, and with other bilateral donor such as DFID and Sida in the social and civil society sectors.

The preparation of the 2003 Action Programme is underpinned by the preparation of the Poverty Reduction Strategy that the Moldovan government should complete by June 2003. This strategy is expected to co-ordinate donor initiatives to fight poverty. The TBO is member with four other donor organisations (WB, IMF, UNDP and DFID), along with government and civil society representatives, of a co-ordination council supervising this exercise. This is to make sure that adequate consultation and expertise is allocated to finalise the strategy. It is also a mean to ensure that donor combined resources are used most effectively.

The Tacis programming mission held consultations with all the major donors to use all opportunities for co-operation. This also had the specific intention of ensuring a synergy between the 2003 Action Programme and those activities of other donors that directly target poverty.

5. Lessons learnt

5.1 The need for projects in the regions

The need for projects in the regions appeared during the last few years. Experience shows that projects have more impact when they have pilot operations in the regions and when direct results are visible (for example in the health sector of the AP 1999, selected hospitals have been assisted in management techniques). The AP 2001 project “SME support” is establishing local permanent offices in the North and the South of the country, as demand for technical assistance at regional level increases. In addition, regional administrations and/or organisations such as chambers of commerce, regional representations of the ministry of agriculture etc. often show more dedication/commitment when part of a TA project, as they are closer to project targets and local communities. The AP 2003 therefore develops this effort. The rural nature of Moldova makes such an approach more relevant as is shown by the fact that the donor community unanimously favours a more decentralised territorial organisation, with more autonomy for the regions. Tacis will help in that direction, for example through the project “SME support to the rural sector” and “Support to Regional Development Agencies”.

5.2 Increased use of local expertise

The call for more local expertise will allow more consultants to be deployed within the funds available, increase local capacity and ensure that a greater proportion of the programme funds remains in Moldova. It is also obvious that there is a less vital need for a generalist resident EU project team leader. By that we mean that overall project co-ordination and reporting, as well as articulation with project partner (institutional beneficiaries and target communities) can be ensured by a local Team leader. This already the case for the AP 1999 project “Support to the Health sector” and “Support to PCA implementation”. A Moldovan expert directly manages the first project and a short-term EU expert backs the second. Resident EU expertise remains however necessary in specific issues such as trade, legal reform, and SME support.

5.3 Continuous reform

As defined in the 2002-2003 Indicative Programme, Tacis assistance is provided on the basis of certain shared economic and political values and practices which have been incorporated into the Partnership and Co-operation Agreements agreed between the European Union and the New Independent States (NIS). These notably refer to a respect for democratic principles and human rights, as well as the principles of a market economy. These principles underpin the internal and external policies of the EU and partner countries and constitute an essential element in the provision of EU assistance. The actions to be funded under the 2003 Action Programme are an integral part of the macro-economic and sector-based policies established by the Moldovan authorities. Implementation of this Action Programme can only be effective if the authorities continue to undertake necessary macro-economic reforms and where there is continuous progress towards democracy. Equally, within each selected area of co-operation established for this Action Programme, continuing progress in the implementation of appropriate reforms must complement project implementation by the Moldovan authorities.

6. Programme Components

In line with the National Indicative Programme, this Action Programme will focus on three areas of co-operation: support for institutional, legal and administrative reform, support to the private sector and assistance for economic development, and support for addressing the social consequences of transition.

6.1 Institutional, legal and administrative reform

6.1.1 PCA, WTO and the fight against crime

The project addresses institutional issues related to the 3 components. Those issues are inter-related (WTO provisions related with PCA rules on trade, investment protection, an important

PCA article, with red tape and corruption). It therefore makes sense to have an umbrella project which also allows less administrative spending on three separate projects.

The project's overall objective is to promote the economic, political and social development of Moldova in line with the priorities set out in the PCA, as further detailed in the PCA Co-operation Councils and WTO implementation guidelines. The project will continue as per the current activities: improve capacity to implement the PCA within the relevant Moldovan institutions, i.e. MinEco, Ministry of Justice, MFA and other concerned national authorities. Specific objectives are to promote the Government's effort in developing the EU-oriented economic policies, monitor legal texts and give recommendations regarding their relevance, train civil servants and local experts, to carry out information campaigns via the media, and in running the EU documentation centre in MinEco.

Emphasis will be put on the rule of law and the actual implementation of regulations and legal provisions enacted by the authorities. It will participate in the efforts in combating crime and corruption

6.1.2 Support to civil society

UNDP, the WB, USAID and bilateral donors provide for NGO support mainly through individual grants. This EU project would federate those numerous but punctual initiatives. The result would be a better-targeted and consistent donor support to the social sector, in line the Poverty Reduction Strategy currently prepared by the Government of Moldova. The objectives are to increase the weight of civil society in political life of Moldova and to use civil society organisations to channel social support programme in co-operation with central authorities and regional organisations. The project will complement the project on social services under the area for co-operation 3 (6.1.3), which proposes models for improving social services delivery at community level via pilot operations, under the guidance of the Ministry of Social Affairs.

Social support programmes will be implemented and training sessions will be organised alongside in the regions. Public awareness campaigns on the need to have a dynamic civil society will be supported, based on the model already developed by the EU project "Prevention of women trafficking". Local authorities and main ministries should participate in conferences on civil society.

6.1.3 Human rights – Council of Europe

Support will be given through the Council of Europe for the implementation of four different projects with the aim of strengthening the protection of human rights in Moldova. The projects cover training of judges, lawyers, prosecutors, trade unions, NGOs and law students in human rights, with the aim of making the European Convention on Human Rights (ECHR) effective in domestic legal practice. They also cover assistance in the implementation of the Revised European Social Charter and assistance in strengthening local democracy.

The EC already supports the CoE by advising the MFA in assuming its presidency of the Committee of Ministers of the CoE.

6.2 Private sector and economical development

6.2.1 MEPO/MIDA

The objectives of this project are to make MEPO a vital component of Moldova's trade and investment-related institutional structure. The project will continue the strategic support to MEPO, improve the international competitiveness of Moldovan enterprises by promoting exports and mobilising investment (domestic or foreign), and diversify and deliver specific export and investment promotion services to enterprises.

The components of the project are mainly institutional development with identification of income opportunities and additional funding and advice on policy environment for trade development. MEPO's institutional structure will be further strengthened, by wider exposure of MEPO's management and staff to modern techniques, to new markets, to higher-technology sectors and to diverse activities of trade and investment engagement. MEPO will develop new services to be sold to Moldovan enterprises in order to become a self-sustainable organisation at the end of the project.

The investment promotion side of the project will provide technical support to MIDA on how to improve the image of Moldova abroad, improving the quality of services to investment missions, and identifying viable investment projects. The project will deliver technical and financial assistance administered by the Delegation/TBO. Exposure to EU practices will be ensured via training sessions and study tours. Part of project will be used to help the Moldovan government in improving business climate.

6.2.2 SME support in rural areas

The development of private enterprises in the agriculture sector, in particular Small and Medium sized Enterprises (SME) and co-operatives, is recognised as essential for a rural country like Moldova. The AP 2001 funds an important SME support project which objectives are to improve the quantity and quality of SMEs, increased the market of business advisory services and contribute to creating a better legal and commercial environment for enterprises. The project has a strong regional component, with pilot operations foreseen in several regions.

The WB along with DFID as well as the EU contributed to the decentralisation of Business advisory Centres of different type and denomination but with a common objective: to develop a dynamic SME sector in the regions. The project will build on this network and contributes in its development. There is plenty of room for co-operation in this sector given, demonstrated by the current co-operation between donor agencies. More effort in bringing technical advice to the sector is however not superfluous.

The project will further support to the improvement of the regulatory framework and harmonisation of legislation and support for the reorganisation of the National Fund for SME support and support for institutional setting of the National Fund for Credit Guarantees for SMEs. It will also support to the development and creation of Business Infrastructures: Business Incubators; Technological Parks, etc (with seed investment in these spheres) and contribute in the quality of business advisory services throughout the country.

6.2.3 Regional Development Agency

Concern is frequently expressed by the EC and other donors to the economic and political centralism that characterises the Moldovan political system. This project will contribute to the introduction of a more administratively and economically decentralised approach to economic renewal and will enhance local democracy through strengthening the institutional and human resource capacities of local authorities and civil society groups in the regions. The project will further the objectives of the Poverty Reduction Strategy by focusing upon the alleviation of social and economic disparities, notably in the poorer rural areas.

The project will assist in the setting-up of the Agency and its satellites – the Regional Development Agency (RDCs) - and their operations. It will contribute to defining their institutional framework, as well as organising their management and routine operations. The project will recommend further support (TA or financial) so as to ensure viability of the RDCs. The centres will co-ordinate an integrated regional development policy that is based on the principles of environmentally, socially and economically sustainable development.

A similar initiative in Romania has proved very successful in channelling investment and donor assistance, as well as in promoting development in the regions. Moldova would like to emulate this example. Also the EU integration perspectives of Romania in the mid-term make regional development and cooperation - including cross border - even more relevant.

6.3 Social consequences of transition

6.3.1 Social services

The wider objective of this project is to support the Government of Moldova in developing an integrated approach to elaborating and implementing state-guaranteed standards for the provision of social services to families and children at risk. The specific objectives are to establish the legal framework for the functioning of the specialised social services, such as preventive instruments focused on children and families at risks, developing and implementing a model of social services for families and children at risks, and finally to improve the capacity of the system providing social services to children and families at risks. The results of the DFID project “Building capacity to develop and implement policy in Ministry of Labour and Social Protection with special reference to social assistance and social services” will be together with other relevant projects carefully observed. The project will also co-ordinate its activity with the Tacis project “Capacity Building in Social Policy Reform”.

This project takes into consideration the results of the previous technical assistance programmes and supports the Moldavian authorities in establishing of integrated social services aimed at preventing institutionalisation of children.

6.3.2 Health management

The Moldovan Health Care system needs a fundamental re-structuring. The present structures have no potential for improvement. The Moldovan Government sees the necessity for reforms. The European Commission supported first reform steps in a Tacis project from 2001 to 2003 and the Moldovan side proved to be reform minded and reliable. The Moldovan Ministry of Health is planning to introduce a National Health Insurance (NHI) System. The European Commission, World Health Organisation, UNICEF, World Bank, and Soros Foundation Moldova support this aim in principle and have expressed this support through various initiatives. All of these organisations hold the view that the introduction of a NHI system must be successfully implemented at the first attempt. Otherwise, the credibility of the system and subsequently public support for the system will be lost and the likelihood of success of subsequent attempts to implement the system will be severely impaired. There is broad agreement between the donors that the economic conditions are currently too unfavourable to fully implement the NHI system. Nevertheless, elements of the future system can be designed and put in place, which would improve the efficiency of the current health care system while testing and refining these elements before full introduction of the NHI system in the future.

The scope of the project is to contribute to the development of an effective and cost-efficient health care system in Moldova by reforming the health care financing system, introducing a health care purchaser/provider split and developing managerial capacities in the health system. This could be done by providing assistance in reforming the Health Care Financing System from a budget line system to a global budget system, operated by Health Care Providers (HCP), developing a legal environment, which allows the change of the legal status of HCP and adapts the state financial policies to the need of an Health Insurance System, developing the required infrastructure and assisting in capacity building., and re-structuring the health care system by reducing the capacity of HCP to the real need and streamlining the different parallel health care systems in Moldova.

6.4 Small Project Programmes

Allocations are foreseen for the following small project programmes: IBPP (working with both public institutions and civil society), Statistics, Policy Advice, and Tempus. Tempus is a key instrument of co-operation in the field of higher education. Tempus will be implemented by DG Education and Culture. High quality statistical information is essential for developing well-targeted government policies. Eurostat will be active in statistics. Policy Advice is a useful instrument that allows Tacis to provide support to projects with more limited budgets, where particular needs are identified. Both IBPP programmes are designed to support and encourage institutional building through partnership and co-operation projects between either public organisations or Civil Society organisations, in order to strengthen and sustain either public policy and administrative reform or the development of civil society.

7. Complementary EC Assistance

7.1 Food Security Programme (FSP)

In addition to co-ordination with other donors, efforts have been made to ensure that the Tacis programme and other EC programmes of assistance in Moldova are co-ordinated. Co-ordination with the EC Food Security Programme (FSP) is ensured by two resident experts deployed by the Commission, one within the Ministry of Finance, the other within the ministry of Agriculture. The expertise gained by the FSP in monitoring EC grants as well as its deep knowledge of the social sector could be useful to the Tacis programme. Its contribution to the definition of the Tacis AP 2001 “Social Policy programme” as well as to the social component of the AP 2003 has been significant. Also, the FSP assists the poorest and in that capacity has ensured a structural follow-up of the ECHO programme which delivered emergency assistance to the most vulnerable. The FSP has allocated Euro 5 million under the 2001 budget (disbursed in 2002) and has an envelope of Euro 10 million under the 2002 budget. The FSP spending is conditional to an agreement between the IMF and the government of Moldova, under the Poverty Reduction and Growth Promotion Facility. There is no such an agreement for the time being, but an IMF mission will be in Moldova in June 2003 to try to finalise it.

7.2 Cross-border Co-operation (CBC)

Past and current projects funded by the Cross-border programme are in line with the principles of this AP 2003. Making borders more effective (regarding custom and border guards training, equipment supply, rehabilitation of border infrastructures) reduces smuggling and illegal migration, but favours legitimate trade. Those are objectives of paramount importance under the JHA pillar and contribute also to the economic development of Moldova. For example, the CBC project “Cross border co-operation in Ungheni” support joint ventures between Moldovan and Romanian enterprises, promote exports and try to channel investment East of the Prut river. Those are important activities, especially for a landlocked country like Moldova. To date, border crossing points located on the main rail and road corridors between Moldova and Romania have been addressed and the CBC 2001 programme will fund the reconstruction of a bridge in Northern Moldova, unlocking a whole Euroregion common to Ukraine, Romania, and Moldova. Any large infrastructure work will be submitted to an EIA procedure similar to that required by the EU EIA directive.

The Cross-border Small Project Facility (CBC-SPF) is also operational in Moldova (currently 6 projects are ongoing, totalling €1.2 million). Sectors addressed are local economic development, social issues, environmental protection etc. once again in line with priorities set in the national AP 2003.

7.3 Regional Co-operation

The Regional Co-operation Programme has provisions for funding project concerning the border with Ukraine, as well as regarding women trafficking. The last issue is of key concern to Moldova as well as to the EC as Moldova is unfortunately a major supplier of women to trafficking

networks. This project complements the efforts undertaken in the former and current national APs, in reducing poverty and developing the economy, thus reducing incentives for young unemployed rural girls to become victims of trafficking. The Western border with Ukraine has a large segment through Transdnistria, hence uncontrolled by Moldovan authorities. The Tacis national AP 2001 has committed a budget for supporting joint custom posts and the improvement of border management (Ukrainian and Moldovan) in Ukraine hoping to curb smuggling and illegal trade and illicit trafficking of people. The political situation has unfortunately not allowed the project to proceed.

There are two ongoing environmental projects of which Moldova is part. The first supports the implementation of the Aarhus convention, which guarantees the universal right to access information and justice regarding environmental decision-making. The second aims at promoting cleaner production techniques in the industry.

7.4 Democracy programme

The Democracy micro-project scheme of Euro 200.000 is under implementation. Ten NGOs are funded under this programme to promote a dynamic civil society. The selection of those NGOs out of 160 proposals received after the call for interest has allowed the TBO to gain an excellent knowledge of the civil society in Moldova. This will be useful in defining the partnerships under the AP 2003 project "Support to the civil society".

7.5 Exceptional Macro-Economic Assistance

Finally, the EC has decided to provide 15 million in macro-economic assistance. Initially, the amount was supposed to be a credit line but given the economic situation in Moldova, the grant option was preferred. A mission in Chisinau end of March reviewed the conditionality attached to this grant, including reform objectives supported by Tacis. No disbursement decision has yet been taken as "IMF on track" is a prerequisite. Developments are expected before the end of 2003.

8. Programme Implementation

The Action Programme will be implemented in accordance with the following elements:

8.1 Implementation & Management

The Financing Memorandum shall be concluded by 31 December of the year following that of the budgetary commitment.

Contracts financed under this programme shall enter into force no earlier than the signature of the Financing Memorandum in due form by the competent signatories, and no later than **36 months after the entry into force** of the relevant budgetary commitment by the Commission. Therefore:

- Any relevant contract or grant must have entered into force, having been signed by all the relevant parties, by this expiry date.
- Any contracts or grants that have not been entered into force, having been signed by the signature of all the relevant parties by this expiry date will not be finalised but will be cancelled and considered null and void.
- Any balance of funds remaining available under this programme that have not been used to fund contracts or grants that are in force by this expiry date shall be automatically cancelled 18 months after the end of the implementation period of the Financing Memorandum.
- An appropriate extension of the implementation period of the Financing Memorandum may be accepted when properly justified. The extension must be requested and accepted before the end of the implementation period of the Financing Memorandum.

The deadline by which all contractual activities under this programme must cease is 31.12.2007. Therefore no addenda to any contract or grant funded by this programme shall be entered into after the implementation deadline¹.

The Programme will be implemented by the Commission in conjunction with the Moldovan authorities based on financing memoranda (see Article 3(5) of Regulation 99/2000), project counterparts and contracting firms and institutions. For the Government of Moldova, the general co-ordinating responsibility will be with the Tacis National Co-ordinator, supported by the Tacis National Co-ordinating Unit.

The Programme will be managed by EuropeAid Co-operation Office with deconcentration of management responsibility for project implementation to the Commission Delegation in Ukraine, Moldova and Belarus (Kiev Delegation). The procedures laid down in Art 13 of the Council Regulation (EC, Euratom) No. 99/2000 are applicable to this Programme. Tempus will be implemented by DG EAC. Statistics will be implemented together with Eurostat.

8.2 Monitoring, Evaluation and Audit

Monitoring

In addition to regular follow-up and controls carried out on the spot, if necessary by the Commission services and the Court of Auditors, a contract has been concluded with independent consultants to monitor the programme. This contract covers the whole Tacis programme, and will work upon requirements for periodic assessments of project progress against objectives. These will include on-the-spot visits to projects and interviews with stakeholders. Reporting will be in standardised formats giving scores to aspects of project performance.

Evaluation

Evaluations at programme, country or policy level will be carried out in line with the evaluation work programme of EuropeAid's Evaluation Unit H6 which is working under the direct authority of the Board. Furthermore, Directorate EuropeAid/A is in the process of establishing an additional evaluation capacity at sector/subsector level to support its planning and project identification activities in the Tacis area. Priority areas for such sector evaluations will be selected on the basis of political priorities and significance of spending. As appropriate these might also include evaluations related to the programme under reference.

Audit

Operations financed under this programme will be subject to supervision by the relevant Commission services and the Court of Auditors to be carried out on the spot if necessary. The accounts and records of expenditure under the present Programme may be checked at regular intervals by an external auditor contracted by the Commission, without prejudice to the responsibilities of the Commission, including the European Antifraud Office (OLAF), and the Court of Auditors.

8.3 Tendering Procedures

The contracts for services, works and supplies shall be concluded in accordance with the tendering and contract award procedures laid down in the Financial Regulation and other relevant instructions.

¹ Note that the end date for contractual activities refers to project implementation activities, and not the date for submission of final report or final invoice.

9. Cost and financing

The Programme will be financed through a Community grant of €25 million, allocated as follows among the different actions:

<u>Area/Project</u>	<u>Total Area (€million)</u>
Institutional, legal and administrative reform	7.0
PCA, WTO & Fight against crime	
Support to civil society	
Human Rights-Council of Europe	
Private sector and economical development	7.0
MEPO/MIDA	
SME support in rural areas	
Regional Development Agency	
Social consequences of transition	5.0
Social services	
Health Management	
Small Project	6.0
Tempus	
IBBP	
Statistics	
Policy Advice	
Total	25.0

10. Government Commitment. Conditionalities.

Assistance is provided on the basis of the existence of the necessary elements for the continuation of co-operation through assistance, in particular respect of democratic principles and human rights, as well as the obligations of the Republic of Moldova as set out in the Partnership and Co-operation Agreement/Stabilisation and Association Agreement/Process.

LIST OF ANNEXES

Project fiches with log-frames
Other