

**Programming of the
European Neighbourhood Instrument (ENI) - 2014-2020**

**Single Support Framework for
EU support to the Republic of Moldova
(2014-2017)**

Introduction

The Republic of Moldova (hereinafter 'Moldova') is a lower middle income country, which is the poorest in the European Neighbourhood region. The gross national income per capita was estimated at 2,070 USD in 2012¹.

Moldova's economy is dominated by the service sector, which represented an estimated 70.8% of GDP in 2013, while the agricultural and industrial sectors represented an estimated 14.6% and 16.6% of GDP, respectively². Real GDP grew at an average rate of 7% per annum in 2010 and 2011, as a result of increased export values from improved access to EU markets, higher agricultural prices (vegetables and wine), internal demand fuelled by remittances from labour migrants, and large external capital inflows. In 2012 the GDP decreased by 0.8%, given weaker exports and the severe drought of summer 2012, which seriously constrained agricultural outputs. Economic growth picked up in 2013, with a record-high GDP growth of 8.9%³. This was led by the recovery of the large agricultural sector (+41% year-on-year following a contraction of 23.3% in 2012) and increased private consumption on the back of strong remittances and wage growth. Inflation remained under control at 4.6% in 2013. The external financial situation of the country remained relatively comfortable, with the current account deficit limited to 4.8% of GDP and foreign reserves representing about five months of imports at the end of 2013. However, the economic outlook for 2014 is not as bright: GDP growth is foreseen to slow down to about 2% as a result of difficulties in external trade and lower remittances (linked to the slowdown of economic growth in the countries of the Commonwealth of Independent States) and of lesser growth in agriculture.

The process of fiscal consolidation and reforms to improve the economic and business environment has continued, but further measures would be necessary to achieve fiscal sustainability. Besides, despite the Government's efforts to re-establish macro-economic stability and to encourage growth, Moldova's small and open economy remains vulnerable to several potential adverse shocks, in particular an economic slowdown in the CIS; further trade restrictions imposed by the Russian Federation; and lower remittances (the latter account for about one fourth of Moldova's GDP). Furthermore, the fragility and opacity of the banking sector also exposes Moldova to a financial crisis, whereby capital outflows could push the country towards an unsustainable balance-of-payment situation. The World Bank and IMF have highlighted the need for continued structural reforms to improve governance and the investment climate, channel remittances into productive investments, and achieve fiscal sustainability while improving the range, quality and efficiency of the public services.

The political landscape in Moldova is fractured: there are deep divisions between the Communist Party of the Republic of Moldova (PCRM) and the governing coalition (Alliance for European Integration / Coalition for a European Governance), while cohesion of the latter remains weak. During three years, the Parliament was unable to elect a President, until in March 2012 a compromise was reached and a President elected. However, the governance system remains weak: there is limited parliamentary oversight of the Executive; insufficient coordination between the Government's agenda and the work of the Parliament; a fragmented local public administration in need of modernisation; and a low-paid and poorly motivated civil service.

The ruling coalition has consistently pursued a policy of deeper political and economic integration with the EU since coming to power in 2009. In 2011, the Government adopted an activity programme entitled "European Integration: Freedom, Democracy, Welfare 2011-2014", which has guided its reform efforts to date, and in June 2012 approved a National Development Strategy ("Moldova 2020"). Considerable efforts have been made to enhance public finance management, to reform the justice sector, to stimulate economic development and to improve the social and technical infrastructure in the country. These efforts have been favourably received and reported upon in the EU's annual progress reports on implementation

¹ Source: World Bank, Atlas method.
² Source: National Bank of Moldova
³ Source: IMF WEO, April 2014

of the European Neighbourhood Policy ('ENP Progress Reports'). Nevertheless, Transparency International's Corruption Perception Index (CPI) shows that the population and the international community continue to perceive Moldova as a country with widespread corruption: in 2013, Moldova ranked 102 out of 177 countries. In a recent opinion poll, only 2% of the public trusted the judiciary and 11% the prosecution services.

Poverty, particularly amongst the rural population, the elderly living alone and larger (5+) households in the urban areas, remains a major concern with 16.6% of the population living below the national poverty line in 2012. The unemployment rate was estimated at 6.7% in 2011, although this figure disguises the level of under-employment and reliance upon subsistence agriculture as the source of household income. In 2012, Moldova ranked 113 out of 187 by its Human Development Index ("medium human development" category).

Environmental degradation contributes to poverty, especially amongst the rural population. Since the collapse of the Soviet system essential civil infrastructure has degraded, including for wastewater treatment and clean water distribution. Soils have substantially degraded in recent decades, further affecting the productivity of an inefficient agricultural sector, which is nevertheless a key economic activity for the country. Climate change is already taking a toll in the economy, as shown by the serious droughts experienced in 2007 and 2012. Changing climatic patterns are leading to a drier climate and increased frequency and severity of extreme weather events.

Moldova is highly vulnerable to climate change, in large part due to its dependence on agriculture as well as the levels of rural poverty. Climate change is assumed to be contributing to the dramatically high levels of emigration, further reducing the country's adaptive capacity through the disruption of social networks and the abandonment of fields.

There have been renewed efforts to achieve a settlement of the Transnistrian conflict: the formal political dialogue within the 5 + 2 Group (Moldova, Transnistria, the OSCE, Russia, Ukraine, the EU and the US) resumed in December 2011 and the technical dialogue between Chisinau and Tiraspol (1+1 Working Groups) has been revived. Some progress has been made in the Working Groups dealing with transport, customs and education. Agreement was reached on re-opening the rail freight link through the Transnistrian region; discussions are taking place on the opening of the Gura Bicului–Bicioc bridge; the 100% tax on imports of goods from the right bank has been partly cancelled; and Tiraspol participated as observer in the EU-Moldova negotiations on a deep and comprehensive free trade area (DCFTA) as an integral part of the future EU-Moldova Association Agreement.

1. EU Response

1.1. Strategic objectives of the EU's relationship with the partner country

The relationship between Moldova and the EU has been guided by the Partnership and Cooperation Agreement (PCA) signed in 1994, and the EU-Moldova European Neighbourhood Policy Action Plan (ENP-AP) concluded in 2005. The PCA and the ENP-AP are to be replaced, respectively, by an Association Agreement (AA), including provisions setting up a deep and comprehensive free trade area (DCFTA), and an Association Agenda. The AA was initialled in November 2013. Both sides are working towards the signature of the AA in June 2014.

The AA places great emphasis on democracy and the rule of law, human rights and fundamental freedoms, good governance, a functioning market economy and sustainable development. With regards to this last point, the fundamental objective of EU development cooperation, as indicated in the European Consensus on Development and the Agenda for Change, is the eradication of poverty in a context of sustainable development.

The assistance to be provided during the programming period 2014-2017 is synchronised with the priorities and objectives set out in the new Agreements. It also reflects progress made by Moldova on its commitments under previous Agreements. The DCFTA will provide Moldova with increased access to the

Single European Market, provided Moldova complies with substantial parts of the *acquis* in the areas of standards, quality infrastructure, sanitary and phyto-sanitary safety. Successful implementation by Moldova of the Action Plan on visa liberalisation led to the European Commission tabling a proposal to the European Parliament and the Council to approve a visa-free regime for Moldovan citizens holding biometric passports. This proposal was endorsed by the European Parliament in February 2014 and by the Council in March 2014; it is expected to enter into force by May 2014.

European integration has been since 2005 a consistent, fundamental priority of Moldova's domestic and foreign policy and the Moldovan Government is committed to the principles of the Eastern Partnership (EaP), namely enhanced political association and closer economic integration. These goals are enshrined in the Government's programme "European Integration: Freedom, Democracy, Welfare 2011-2014", and the National Development Strategy ("Moldova 2020"), which are both closely aligned with the objectives and actions contained in the AA and the Association Agenda. For its part, the EU is committed to, and fully supportive of, Moldova's territorial integrity and sovereignty and continues to work towards the peaceful resolution of the Transnistrian conflict.

1.2. Choice of sectors of intervention

Following comprehensive consultation with the Government, Civil Society Organisations, multilateral and bilateral donors, International Financial Institutions and International Organisations, a **consensus has emerged** regarding **three priority sectors of intervention** to be financed through the national envelope:

- Public administration reform;
- Agriculture and rural development;
- Police reform and border management.

These sectors of intervention **reflect implementation priorities** stemming from the Association Agreement (including DCFTA), the Visa Liberalisation Action Plan and the Visa Facilitation and Readmission Agreements, the relevant Sector Strategies and bilateral sectoral agreements, and the Government's programme "European Integration: Freedom, Democracy, Welfare 2011-2014" and the National Development Strategy ("Moldova 2020"). The latter document identifies seven priorities:

- Aligning the education system to labour market needs in order to enhance labour productivity and increase employment in the economy;
- Public investment in the national and local road infrastructure in order to reduce transportation costs and increase the speed of access;
- Reducing financing costs by increasing competition in the financial sector and developing risk management tools;
- Improving business climate by streamlining the regulatory framework and applying information technologies in public services for businesses and citizens;
- Reducing energy consumption by increasing energy efficiency and using renewable energy sources;
- Financial sustainability of the pension system in order to ensure an appropriate rate of wage replacement;
- Increasing the quality and efficiency of justice and fighting corruption in order to ensure equity for all citizens.

The three priority sectors of intervention also build upon, and extend, the support provided under the European Neighbourhood and Partnership Instrument 2007-2013, notably with respect to the reform of the justice sector, Public Finance Management (PFM), Economic Stimulation of Rural Areas, and institutional capacity building of the central public administration. These are areas in which EU expertise and support can genuinely add value to Moldova's reform plans. The interventions planned under this SSF will

extend the current support being provided through sector reform budget support programmes in the justice and rural development sector.

The choice of the three priority sectors has also been informed by **lessons learned** during the previous programming cycle and by the EU's commitment to the principles on aid effectiveness set out in the Paris Declaration (2005), the Accra Agenda (2008), the Busan Outcome Declaration (2011) and the Agenda for Change (2011):

- The need to concentrate resources on a smaller number of sectors of intervention in order to maximise impact and sustainability and to streamline the programming process to ensure the timely delivery of support;
- The need to programme assistance within the framework of a clear sector strategy;
- The importance of mainstreaming cross-cutting issues, notably civil society, gender, environment and confidence building measures;
- The need to ensure coherence between interventions financed through the national and regional envelopes;
- The desirability of pursuing a joint programming approach with EU Member States and ensuring synergy with bilateral and multilateral donors, IFIs and International Organisations.

While the EU is by far the largest donor to Moldova, the choice of priority sectors has been guided by the wish to complement and reinforce interventions financed by other donors: Sweden, Germany and Romania are financing initiatives linked to local governance reform; and the Council of Europe, Sweden, Norway, UNICEF, UNDP and USAID are supporting the Justice Sector. Moreover, the EU will continue to make use of financial and administrative framework agreements with International Organisations as an implementation mechanism under this SSF.

Public administration reform

The Government recognises the need to modernise Moldova's public administration system if it is, in the context of its reform programme ("European Integration: Freedom, Democracy, Welfare, 2011-2014") and the National Development Strategy ("Moldova 2020"), to achieve its domestic objectives of transparency and efficiency, and its foreign policy objective of closer political and economic integration with the EU. It is widely acknowledged that the civil service and more generally public administration are in urgent need of restructuring, enhanced capacity and greater efficiency in all sectors of the States' administration, including to allow for full implementation of the country's decentralisation strategy, including in particular its objective of improving local development policies and their implementation. The Ministries and public agencies suffer from excessive bureaucracy, a lack of focus on core functions, low motivation due among others to low salaries and consequently low efficiency. Moreover, if the Government is to achieve its goal of reinvigorating the rural economy (which also requires addressing environmental challenges and adaptation to climate change), there is an urgent need to modernise and strengthen the system of local and regional governance in all parts of the country.

Agriculture and rural development

The Government has acknowledged the importance of implementing agriculture and rural development policies in order to diversify employment opportunities; re-create a sense of community; strengthen the capacities of the rural communities to develop and implement local development strategies that are environmentally sustainable, low-carbon and climate/disaster resilient; investing in the local social and technical infrastructure in order to halt labour migration and attract domestic and foreign investment; incentivise entrepreneurs to establish sustainable businesses; increasing the efficiency, environmental sustainability, disaster resilience (against floods and drought) and added-value of agricultural production also including organic productions; more generally, increasing the competitiveness of the agri-food sector.

Confidence-building measures in the areas of local development represent the main action for the Transnistrian region and the Autonomous Territorial Unit "Gagauz Yeri" (Gagauzia). It is addressed in the ENPI Annual Action Programmes 2012 and 2013; this on-going EU commitment will cover the next programming period 2014-2017. Should political circumstances permit also other, complementary, forms of assistance, such assistance could be mobilised under this SSF with a pragmatic and flexible approach.

Police reform and border management

Under the ENPI Annual Action Programmes 2011 and 2012, a total amount of EUR 70 million was committed to support the implementation of the Justice Sector Strategy through budget support and technical assistance. The related programmes will cover the next programming period 2014-2017. This offers the possibility to focus this SSF, in that area, on other aspects of the rule of law in Moldova.

The ENP Progress Reports have drawn attention to the fact that greater efforts were required to strengthen law enforcement capacities; besides, Moldova will have to focus on sustaining over time the achievements of the Visa Liberalisation Action Plan. The support planned for the programming period 2014-2017 will therefore focus more directly on assisting the Ministry of Internal Affairs to reform the police force, demilitarise the border police, introduce a rights-based policing policy, and tackle police corruption. In addition, emphasis will be placed on further securing Moldova’s borders by tackling organised crime, trafficking, smuggling and counterfeiting. These interventions will also support Moldova’s efforts to sustain over time the achievements of the Visa Liberalisation Action Plan, and will in particular complement the assistance provided through the EU Border Assistance Mission to Moldova and Ukraine (EUBAM).

The actions planned in the above-mentioned three priority sectors are complementary with the priority areas of intervention for regional co-operation, notably energy, transport, environment, water and waste management. These correspond with the priorities and actions planned within the *Policy Framework for Regional Cooperation in the Eastern Neighbourhood* and the objectives of the Neighbourhood Investment Fund (NIF), and synergise with on-going or planned loan and grant support provided by the EIB, EBRD, the World Bank and the Millennium Challenge Account in particular.

Moldova is also eligible for support under a number of other EU instruments, such as the Instrument Contributing to Peace and Stability, Humanitarian Aid, the Partnership Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Nuclear Safety Co-operation, Macro-Financial Assistance, Development Co-operation Instrument thematic programmes and external actions under EU internal programmes for research and innovation, energy, transport and education (in particular Erasmus +), for instance. Where possible, Member State political action and assistance will also be co-ordinated with EU action, as a way of achieving political leverage and as part of a coherent foreign policy approach. Moldova may also be targeted for specific diplomatic action under the Common Foreign and Security Policy, depending on the specific political circumstances. An EU Mission, EUBAM, is deployed as a distinct political contribution by the EU to contribute to improving the management of the Moldova-Ukraine border.

2. Indicative financial overview

The indicative allocation for the 2014-2020 period is EUR 610,000,000 - EUR 746,000,000. The indicative bilateral allocation for the programming period 2014-2017 is EUR 335,000,000 to EUR 410,000,000. The indicative breakdown by sector is the following:

Sector of intervention	Indicative amount as % of total
Public administration reform	30%
Agriculture and rural development	30%

Police reform and border management	20%
Complementary support:	20%
Capacity development and institution building	15%
Civil society	≤ 5%

In addition to programmed bilateral allocations, Moldova may benefit from supplementary allocations provided under the umbrella programmes referred to in the Neighbourhood-wide programming documents. Such supplementary allocations will be granted on the basis of progress towards deep and sustainable democracy and implementation of agreed reform objectives contributing to the attainment of that goal.

3. EU support per sector

Support to civil society will be mainstreamed throughout all three sectors of intervention, geared towards promoting civil society engagement in the respective sector, with the ultimate goal of ensuring effective and inclusive policies at the national level. Efforts will be made to support civil society capacities and engagement, as appropriate, in the development, implementation and monitoring of national sector strategies, including through participation in policy dialogue and service delivery schemes.

Each sector of concentration will encompass sector-related capacity development and institution building activities, including approximation to EU legislation and technical standards. Relevant cross-cutting issues such as governance, human rights, gender, environment and climate change (including statistical capacities) will be addressed in each sector of concentration by means of mainstreaming and/or ad hoc activities, as appropriate. Specific attention will be devoted to the promotion of gender equality and women's empowerment.

3.1 Public administration reform (indicative 30%)

3.1.1 The following overall and specific **objectives** will be pursued:

The **overall objective** is to enhance the institutional and human resource capacity of the central and local public administrations to elaborate and implement policy and to ensure the efficient and effective delivery of high-quality public services.

The **specific objectives** are:

- To support the modernisation of the central and local public administration through the introduction of a result-oriented management approach;
- To strengthen the transparency, oversight and accountability of public finance policy and management;
- To strengthen the structures and processes of national, regional and local governance through the decentralisation of powers, with particular reference to the need to develop an effective system of multi-level governance based on a clear division of responsibilities;
- To support the development of the policy, legal and institutional framework for effective policy-making and implementation of development policies for Moldova's regions, including regions with special status, with a view to ensuring a balanced territorial development across the country.

3.1.2 For each of the specific objectives the main expected **results** are:

- Improved relationship and clarity (including policy, regulatory and service functions in all sectors of the State's administration) established in central public administration and in regional and local authorities;

- Results-oriented management introduced in all public bodies at the national, regional and local levels, including Regional Development Agencies, in particular strengthened institutional and human resource capacities and e-governance tools;
- Strengthened policy-making, management and monitoring processes in public institutions through improved planning, implementation and reporting of the budget;
- Increased decision-making powers and budgetary resources devolved to regional and local authorities;
- Improved availability, effectiveness and cost efficiency of the delivery of public services at national and sub-national levels.
- Decentralisation reform and development policies implemented in Moldova's regions, including regions with special status

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex.

3.1.3 Donor coordination and policy dialogue are:

Government Decision no. 12 of 19 January 2010 established a more efficient mechanism for donor coordination and required the creation of sector committees to manage external assistance. In April 2011, a Joint Partnership Council, chaired by the Prime Minister, was established. The Council is designed to facilitate consultation with respect to the development agenda, monitor the implementation of national development documents and foreign assistance contribution, thereby developing and promoting the strategic partnership between the public authorities, the external development partners, civil society and the private sector. In addition, Sector Councils have been established for Public Administration Reform and Public Finance Management in which the donors participate.

The Government has been assisted primarily through the Sweden- and Netherlands-funded World Bank Donor Trust Fund, which supported the elaboration of Strategic Development Programmes (SDPs) as tools for identifying gaps in institutional capacity in line Ministries and State Agencies, formulating a series of interventions to address these gaps and indicating which resources (finance, equipment, technical assistance and training) would be required. The UNDP is also implementing the Transitional Capacity Building Support for the Public Administration of Moldova project. The "Modernisation of local public services in the Republic of Moldova" project, financed by the German Ministry of Economic Cooperation and Development and the Romanian Ministry of Foreign Affairs, has as objective to improve public services in rural communities. USAID has launched a project focused on local service delivery by 'rayon' centres. The World Bank has provided a loan to support the Governance e-Transformation Project.

The EU Delegation is engaged in a wide-ranging policy dialogue with the Government assisted by EU high-level policy advisers.

3.1.4 The Government's financial and policy commitments are:

The Central Public Administration Reform (CPAR) is coordinated by the Inter-Ministerial Committee for Strategic Planning, chaired by the Prime Minister. The Secretary General of the Government has been charged with the responsibility of leading the implementation of the reforms.

The Government has drafted a new Public Administration Reform strategy, one that encompasses national level institutions and decentralised local governance, including a multi-annual financial plan as requested by Moldova's multi-annual budgeting framework. The Government is determined to adopt a more strategic approach, one that is grounded in practical reforms and one that will reinforce its capacity to implement the future Association Agenda, the National Development Strategy ("Moldova 2020") and the Government Programme.

A Law on the Civil Service was approved by Government in 2011 and enacted by Parliament in 2012. The Law defines the structure of the state administration, introduces the post of State Secretary and estab-

lishes a series of quality criteria (ex-ante evaluation of policies, simplification and modernisation of services etc.). This has been paralleled by the enactment of a Law on Civil Service Pay, which has led to a significant increase (+50%) in entry level salaries and incremental rises in the pay of senior civil servants, and by a Law on Control and Inspection Bodies, which has reduced their number from 65 to 33.

Substantial progress has been made with regard to the design of e-governance modules, and while development work continues, a number of modules are now ready to be rolled-out to line Ministries and State Agencies.

3.1.5 When needed, the appropriate type of **environmental assessment** (strategic environment assessment – SEA - or environmental impact assessment - EIA) will be carried out: At this juncture, no environmental assessment is anticipated.

3.1.6 The overall **risk assessment** of the sector intervention:

- Political tensions within the ruling coalition prevent agreement on the pace and direction of public administration reform; inability of the Government to obtain the parliamentary majority necessary to introduce constitutional reforms to the structures and processes of the central and local governance systems;
- A further downturn in the global economy diverts the Government's focus and resources away from its reform agenda;
- Lack of appropriately skilled staff within the line Ministries and State Agencies to operate and maintain e-governance systems;
- Resistance within the public administration to the proposed reforms.

The EU will closely monitor and react to mitigate the impact of any of the above-mentioned risks, by, inter alia, allocating human, financial, technical and diplomatic resources.

The primary assumptions are:

- The Government maintains its foreign policy objective of closer political and economic integration with the EU and continues to implement policies pursuant of that objective;
- The Government maintains its commitment to reform the central public administration and decentralise decision-making budgetary powers to local authorities;
- The design of the e-governance modules is completed on time and there are no major hardware or software problems which prevent roll-out;
- Civil Society is prepared to play a constructive role in the policy dialogue, monitor policy implementation and the delivery of services. The Government is willing to acknowledge and facilitate Civil Society role.

3.2 Agriculture and rural development (indicative 30%)

3.2.1 The following overall and specific **objectives** will be pursued:

The **overall objective** is to support Moldova to strengthen its economic, social and territorial cohesion in an environmentally sustainable fashion, development of rural areas, increasing the competitiveness of the agri-food sector through modernisation and market integration.

The **specific objectives** are the following:

- To support the development of the policy, legal and institutional framework for an effective development policy for Moldova's agriculture and rural areas, including regions with special status in a way that they contribute to sustainable development, adaptation to climate change and the country's transformation towards a green economy;
- To increase the competitiveness of the agri-food sector through modernisation, market integration and alignment with international standards;

- To support the diversification of economic activity in rural areas giving due attention to the creation of green and decent jobs, observing in particular agro-biodiversity conservation and the protection of valuable areas;
- To strengthen the social and technical infrastructure in rural areas, including in relation with water supply and sanitation, through the effective implementation of development projects, based on coherent development plans;
- To improve the conditions for living and working in rural areas through the introduction of active employment initiatives and the development of micro, small and medium sized enterprises;
- To ensure the sustainable utilisation of natural resources in rural areas and in the agri-food sector;
- Via local development projects, to contribute to defusing tensions in the Transnistrian region, thereby facilitating the peaceful settlement of the Transnistria conflict, and to the economic integration of regions with special status.

3.2.2 For each of the specific objectives the main expected **results** are:

- Strengthened policy, legal and institutional framework;
- Increased investment in the modernisation of the agri-food and feed chains meeting EU food safety and quality requirements;
- Improved education, research and extension services in the agri-food sector, including facilitating information systems and improved access to capital, input and output markets for producers;
- Reduced poverty in rural areas;
- Improved social and technical infrastructure in rural areas and increased domestic and foreign investments;
- Reduction in unemployment rates in rural areas;
- Reduction in the rates of internal and external labour migration;
- Reduction of the rural areas affected by natural disasters (floods and droughts);
- Improved management of natural resources in rural areas and in agri-food sector, including sustainable agricultural land tenure practices, environmentally friendly production technologies and products, climate mitigation and disaster risk-reduction measures;
- Increased economic exchanges between the two sides of the Nistru River; local entrepreneurship in Transnistria and in regions with special status promoted in partnership with Moldovan counterparts; technical approximation in the prospect of an EU-Moldova DCFTA is conducted.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex.

3.2.3 **Donor coordination and policy dialogue** are:

In order to increase concentration and coherence, seven EU Member States (CZ, ET, LV, LT, PL, RO, SK) have been combining resources to assist Moldova in areas related to regional development (institutional capacity development, regional civil society development, improving regional statistics) since 2012. The World Bank, EIB, EBRD, the Millennium Challenge Corporation and the Romanian Government are providing a range of loans and grants to upgrade the social and technical infrastructure in the rural areas.

Donor coordination meetings on Transnistria are organised once every 3 months and are chaired by the EU Delegation. There is an extensive policy dialogue with the Government through the Joint Partnership Council, which feeds into policy-making and decision-taking at the level of the Inter-Ministerial Commit-

tee for Strategic Planning. Transnistria projects are discussed on a very regular basis with the Government of Moldova and the Tiraspol de facto authorities. Contacts with Gagauzia have also been established.

3.2.4 The Government's **financial and policy commitments** are:

A draft Agriculture and Rural Development Strategy 2014-2020 was finalised in August 2013 with World Bank support. The Ministry of Agriculture (MoA), through its administrative agency AIPA, is responsible for managing the distribution of, monitoring and evaluation of the impact of financial support measures in the agriculture and rural development sector.

The Ministry of Regional Development and Construction (MoRDC) is charged with formulating regional policy; a regional statistics unit has been set up within the General Directorate on Regional Development of the MoRDC. At the regional level, Regional Development Councils (RDCs), based upon the principle of public - private partnership have been created and act as regional coordinating and decision-making bodies, and Regional Development Agencies (RDAs) have been established in three development regions (Centre, North and South), as the executive structures for the implementation of development strategies in rural areas.

Ministry of Economy (MoE) has also several sectorial actions which are supporting rural development.

These partly overlapping competences for rural development should be clarified between the Ministries of Agriculture, Regional Development and Construction, and Economy.

A National Regional Development Fund has been set up, into which a minimum, 1% of the revenues in the State Budget are transferred (approximately EUR 1.5 million per month). The Fund is structured in such a way that it is permitted to receive and manage donor funds targeted at financing projects in the regions and rural areas.

3.2.5 When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out, notably with respect to any investment in the modernisation of the social and technical infrastructure.

3.2.6 The overall **risk assessment** of the sector intervention:

- Political instability; disagreements between the MoE, the MoRDC and the MoA as to what constitutes rural development;
- Conceptual disagreements between the Government and the donors/IFIs regarding the priorities, objectives and approach to be pursued in order to stimulate rural development;
- Lack of agreement with regard to the prioritisation of investment projects;
- Lack of financial and human resource capacities to drive rural development;
- Lack of interest amongst local entrepreneurs and foreign investors to invest in the rural areas;
- Continued labour migration leads to further de-population and de-skilling of rural areas thereby undermining the sustainability of project interventions.
- Volatile political and security environment subject to unforeseen and sudden changes;
- Different legal and financial system in the Transnistria region; possible financial losses when working with Transnistrian local actors due to complexity of banking system in the region.

The EU will closely monitor and react to mitigate the impact of any of the above-mentioned risks by, inter alia, allocating human, financial, technical and diplomatic resources.

The primary assumptions are:

- The Government of Moldova remains firmly committed to its reform agenda and to enhanced political and economic relations with the European Union;

- The Government of Moldova is able to adopt updated regional development and agriculture and rural development strategies that defines clearly a territorial vision, on-going policy and institutional developments and clarifies the interfaces between regional, rural and national sector planning;
- The Government of Moldova approves a rural development strategy, which is consistent with the agriculture and rural development priorities for the sector reform.

3.3 Police reform and border management (indicative 20%)

3.3.1 The following overall and specific **objectives** will be pursued:

The **overall objective** of police reform, including border police reform, is to ensure the rule of law and protection of human rights through the development of an accessible, accountable, efficient, transparent and professional police force, the introduction of a rights-based approach to policing, the reinforcement of the fight against criminality and enhanced border management.

The **specific objectives** are:

- To strengthen accountability, efficiency, transparency and professionalism of the police force;
- To ensure the fair, efficient and effective enforcement of the law through the application of a rights-based approach to policing;
- To strengthen the capacity of the national authorities to secure Moldova's borders and to participate in the fight against organised crime, human trafficking, drugs and armament smuggling, counterfeiting and money laundering;
- To support the implementation of the Visa Facilitation and Readmission Agreements and the sustained implementation of the achievements of the Visa Liberalisation Action Plan.
- To promote and implement the principle of zero-tolerance to corruption and ill-treatment in the police and border management sector.

3.3.2 For each of the specific objectives the main expected **results** are:

- The police force is well-trained and equipped, accountable, efficient and professional;
- The demilitarisation of the police and border guards is completed;
- The process of pre-trial investigation and prosecution is streamlined;
- The human rights of suspects are respected;
- Moldova's borders are secured and there is a substantial reduction in organised and cross-border crime;
- The achievements of the Visa Liberalisation Action Plan are sustained over time;
- Corruption in the police and border management sector is significantly reduced.

The main indicators for measuring the aforementioned results are contained in the sector intervention framework attached in Annex.

3.3.3 **Donor coordination and policy dialogue** are:

In May 2011, the President of the Parliament set up a National Council for the Reform of Law Enforcement Bodies (NCLEBR), which includes high level public officials from all law institutions in Moldova and representatives from civil society. The role of the Council is to ensure coordination between the various law enforcement agencies in order to achieve consensus on the nature of the reforms and the manner and timetable of their implementation. Seven Working Groups are being established, one for each of the key pillars of the Justice Sector Reform Strategy. Pillar VII of the JSRS addresses the issue of coordina-

tion directly and will form the core of the Group for the Coordination of the Implementation of the Strategy, which reports to the NCLEBR. EU assistance has been provided under AAP 2011 to support the work of the Group and the Strategic Planning and Monitoring Department within the MoJ, which acts as Secretariat to the Group.

There has been a continuous dialogue with the MoJ, the MoIA, the General Prosecutor's Office and the Centre for Combating Economic Crime and Corruption. High-level policy advisors have been assigned to each of these institutions and have been instrumental in the drafting of the Sector Strategies and Action Plans. Under this sector, it will be important to ensure coordination and synergies with such activities, in particular those implemented to reform the prosecution.

3.3.4 The Government's **financial** and **policy commitments** are:

The Government has drafted and adopted several Strategies and Action Plans linked to reform of the Ministry of Internal Affairs, the protection of human rights, the fight against corruption, and a revised system for financing the judiciary. All these documents for action are bound to multi-annual financial commitments, as required by Moldova's multi-annual budgeting framework put in place in recent years. The principal document is the Strategy for Justice Sector Reform, adopted by Parliament in November 2011. An Action Plan for its implementation through to 2016 was approved by Government in December 2011.

3.3.5 When needed, the appropriate type of **environmental assessment** (SEA or EIA) will be carried out: It is not anticipated that an environmental assessment will be carried out.

3.3.6 The overall **risk assessment** of the sector intervention:

- Politicisation of justice and law enforcement sector reform;
- Entrenched vested interests; lack of political will to continue with the justice sector reform; budgetary constraints lead to delays in the implementation of the justice and law enforcement sector reform; political instability.
- The EU will closely monitor and react to mitigate the impact of any of the above-mentioned risks by, inter alia, allocating human, financial, technical and diplomatic resources.

The primary assumptions include:

- The constituent parts of Moldova's establishment: Parliament, Government, and Judiciary remain committed to the extensive reform of the justice sector as a whole, and within the timeframe envisaged;
- The Moldovan Government remains committed and able to allocate sufficient resources to support implementation of the strategy and its coordination;
- There is willingness on the part of Civil Society Organisations to participate in the policy dialogue and to become involved in the delivery of advisory and support services to victims and offenders.

4. Complementary support in favour of civil society

In addition to sector specific assistance additional measures in favour of civil society will be made available under this complementary envelope, through a continuation at country level of the Civil Society Facility 2011-2013.

Funding from this component will be geared towards supporting the role of civil society in building credible and inclusive policy processes, stronger democratic processes and accountability systems, in other sectors than the priority sectors. This can include measures aiming to promote an enabling environment at all levels for civil society participation in public life, measures to boost domestic transparency and accountability, including of the budgetary process. The development of civil society internal professionalism and capacities, including their capacity to form national associations and networks, and improving the delivery of services will also be targeted.

5. Complementary support for capacity development and institution building

In addition to sector-related assistance, this complementary provision for capacity development and institution building activities will address the implementation of priority commitments deriving from EU agreements and the dialogue on mobility that are not already covered under the three sectors of concentration.

This agreement-driven provision will be especially focused on approximation to EU legislation and technical standards, and complement assistance provided under the Eastern Partnership “Comprehensive Institution Building” (CIB) initiative.

Capacity development and institution building activities – either from sector-related assistance or from this complementary provision – may also address participation in EU programmes and in the work of EU agencies.

Annexes:

Sector Intervention Framework
Indicative Timetable for Commitments
Donor Matrix

Annex 1. Sector intervention framework

Sector 1: PUBLIC ADMINISTRATION REFORM

Specific objective 1: To support the modernisation of the central and local public administration through the introduction of a result-oriented management approach		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>Improved relationship and clarity (including policy, regulatory and service functions in all sectors of the State's administration) established in central public administration and in regional and local authorities</p> <p>Results-oriented management introduced in all public bodies at the national, regional and local levels, including Regional Development Agencies, in particular strengthened institutional and human resource capacities and e-governance tools</p>	<p>Sector-based strategic development programmes adopted;</p> <p>Public administration reform strategy adopted;</p> <p>No./% of national institutions providing on-line qualitative and quantitative information on public services delivered;</p> <p>No./% of local institutions providing on-line qualitative and quantitative information on public services delivered;</p> <p>% of public services delivered via e-governance tools.</p>	<p>Government Decisions & Annual reports from line Ministries</p> <p>EU reports</p> <p>SIGMA reports</p> <p>e-Government Centre reports</p> <p>CSO reports</p>
Specific objective 2: To strengthen the transparency, oversight and accountability of public finance policy and management		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>Strengthened policymaking, management and monitoring processes in public institutions through improved planning, implementation and reporting of the budget</p>	<p>PEFA indicators on comprehensiveness and transparency of the budget.</p>	<p>PEFA report</p> <p>MoF and CoA reports</p> <p>Internal audit reports</p> <p>IMF and WB reports</p> <p>EU reports</p> <p>CSO reports</p>
Specific objective 3: To strengthen the structures and processes of national, regional and local governance through the decentralisation of powers, with particular reference to the need to develop an effective system of multi-level governance based on a clear division of responsibilities;		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
<p>Increased decision-making powers and budgetary resources devolved to regional and local authorities</p> <p>Improved availability, effectiveness and cost efficiency of the delivery of public services at national and sub-national levels</p>	<p>Decentralisation reform (including political, administrative and fiscal devolution) implemented;</p> <p>Proportion of sub-national tax revenue on total tax revenue;</p> <p>Proportion of sub-national expenditure on total expenditure;</p> <p>Transfers between central and sub-national government in % of sub-national total revenue;</p>	<p>Official Journal/Government decisions</p> <p>Annual Budget</p> <p>CoA reports</p> <p>EU progress reports</p> <p>CSO monitoring reports</p> <p>Corruption perception index and CPIA rating</p> <p>OECD, IMF and WB reports</p> <p>SIGMA Reports</p>

	Public opinion rating on transparency and corruption in the public sector.	
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Specific objective 4: To support the development of the policy, legal and institutional framework for an effective policy-making and implementation of development policy policies for Moldova's regions, including regions with special status, with a view to ensuring a balanced territorial development across the country		
Decentralisation reform and development policies implemented in Moldova's regions, including regions with special status	Decentralisation reform in all regions adopted; No. of Moldova's regions/local authorities with multi-annual planning and development strategies adopted.	MoE and MoRDC annual reports Official Journal and Government Decisions EU reports CSO Reports SIGMA Reports

Sector 2: AGRICULTURE AND RURAL DEVELOPMENT

Specific objective 1: To support the development of the policy, legal and institutional framework for an effective development policy for Moldova's agriculture and rural areas, including regions with special status in a way that they contribute to sustainable development, adaptation to climate change and the country's transformation towards a green economy		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Strengthened policy, legal and institutional framework	Action Plan for the implementation of the agriculture and rural development strategy implemented in coherence with other national and regional development policies; Procedures for Regional and Rural Development funds management adopted.	MAFI, MoE and MoRDC annual reports Official Journal and Government Decisions EU reports
Specific objective 2: To increase the competitiveness of the agri-food sector through modernisation, market integration and alignment with international standards		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Increased investment in the modernisation of the agri-food and feed chains meeting EU food safety and quality requirements; Improved education, research and extension services in the agri-food sector, including facilitating information systems and improved access to capital, input and output markets for producers.	No. / % of agri-food establishments (farm businesses/producer groups) meeting EU food safety and quality requirements; No. of young qualified professionals delivering production and veterinary services to agro-food producers; No. / % of farmers covered by agriculture information/extension services	National Statistics Office Household Budget Survey Annual Reports from responsible line Ministries Ad hoc reports from independent verification bodies Reports from financial institutions
Specific objective 3: To support the diversification of economic activity in rural areas giving due attention to the creation of green and decent jobs		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Reduction in poverty in rural areas	GINI coefficient; No. of persons in the rural areas defined as living below the poverty line (Definition of poverty line: "% of consumers in rural areas for which consumption is less than 4.3PPP per day" - this is what is currently reported).	MAFI, MoE and MoRDC annual reports National Statistics Office Household Budget Survey
Specific objective 4: To strengthen the social and technical infrastructure in rural areas through the effective implementation of development projects, based on coherent development plans		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>

Improved social and technical infrastructure in rural areas and increased domestic and foreign investments	<p>No. of local investment projects in social and technical infrastructures financed by national programmes, especially through AIPA and MSIF;</p> <p>Total value of local investment projects in social and technical infrastructures financed through AIPA and MSIF.</p>	<p>WB, EBRD, EIB and MCA Annual Reports</p> <p>Annual reports from responsible line Ministries</p> <p>Global Competitiveness Index (by World Economic Forum)</p>
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Specific objective 5: To improve the conditions for living and working in rural areas through the introduction of active employment initiatives, the development of micro, small and medium sized enterprises		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Reduction in unemployment rates in rural areas and increased number of MSMEs operation	<p>No. of new jobs created in rural areas;</p> <p>No. of businesses established in rural areas;</p> <p>No./% of unemployed people in rural areas.</p>	<p>National Statistics Office</p> <p>Household Budget Survey</p> <p>Annual Reports from responsible line Ministries</p> <p>Reports / data from private sector associations</p>
Reduction in the rates of internal and external labour migration	<p>Migration flows from rural to urban areas;</p> <p>No. of Moldovans from rural areas migrating abroad.</p>	<p>National Statistics Office and reports from responsible line Ministries</p> <p>EU reports</p> <p>IOM reports</p> <p>The Global Competitiveness Index (by World Economic Forum)</p>

Specific objective 6: To ensure the sustainable utilisation of natural resources in rural areas and in the agri-food sector		
Improved management of natural resources in rural areas and in the agri-food sector, including sustainable agricultural land tenure practices, environmentally friendly production technologies and products, climate mitigation and disaster risk-reduction measures	Total value of environmentally friendly and disaster-resilient investments (for climate change mitigation measures and for the use of more efficient technologies in the agri-food sector).	<p>Reports from responsible line Ministries (AIPA reports)</p> <p>EU reports</p>

Specific objective 7: To contribute to defusing tensions in the Transnistrian region, thereby facilitating the peaceful settlement of the Transnistria conflict, and to the economic integration of regions with special status via local development projects.		
Increased economic exchanges between the two sides of the Nistru River; local entrepreneurship in Transnistria and in regions with special status promoted in partnership with Moldovan counterparts; technical approximation in the prospect of an EU-Moldova Deep and Comprehensive Free Trade Agreement (DCFTA) is conducted	<p>Value and volume of economic exchanges between the two banks of the river;</p> <p>No. of measures taken to align/meet the requirements of the (a) DCFTA (b) National Strategy for Agriculture and Rural Development in Transnistria and in regions with special status.</p>	<p>Reports from responsible line Ministries</p> <p>EU and IOs reports</p>

Sector 3: POLICE REFORM AND BORDER MANAGEMENT

Specific objective 1: To strengthen accountability, efficiency, transparency and professionalism of the police force		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Police force is professionally trained, accountable, efficient and professional	<p>No. of policemen and border policemen trained;</p> <p>No. of reports with qualitative and quantitative data on police forces activities made publically available on MoIA web-site;</p> <p>No. of complaints from citizens received through all channels, and ratio of redress;</p> <p>No. of cases initiated thanks to or through strategic or intelligence analysis (intelligence-led policing).</p>	<p>EU Progress Reports (including reports from EU Member States)</p> <p>MoIA reports and web-site</p> <p>CSO monitoring reports</p>
Police force is well-equipped	<p>Criminal database for police investigations established according to EU standards;</p> <p>No. of criminal laboratories equipped according to EU reference standards;</p> <p>No. of central, regional and local police directorates and units equipped and functioning according to EU best practices;</p> <p>Inter-institutional coordination system on transfer of data between the MoIA and other ministries established.</p>	<p>EU reports (including reports from EU Member States)</p> <p>MoIA reports</p>
Modernisation of the police, border police and other police departments is completed	<p>No. of internal regulations revised to reflect demilitarisation of the police and border police.</p>	<p>EU reports (including reports from EU Member States)</p> <p>Peer reviews</p> <p>MoIA reports</p> <p>CSO monitoring reports</p>

Specific objective 2: To ensure the fair, efficient and effective enforcement of the law through the application of a rights based approach to policing		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
The process of pre-trial investigation and prosecution is streamlined	<p>No./% and level of arrests leading to convictions;</p> <p>Average length of time taken to prepare case by prosecution.</p>	<p>MoIA Reports</p> <p>Court Reports</p> <p>Reports from Superior Council of Prosecutors and Magistrates</p> <p>Bar Association Reports</p> <p>Ombudsman's Reports</p>

		CSO reports
Human rights of accused are respected	No. of complaints procedure officially recorded; No. of investigations concluded on human rights violation cases.	ECHR Reports ICC Reports ⁴ Ombudsman's Reports

Specific objective 3: To strengthen the capacity of the national authorities to secure Moldova's borders and to participate in the fight against organised crime, human trafficking, drugs, arms, counterfeiting and money laundering		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Moldova's borders are secured and there is a reduction in organised and cross-border crime	No. and level of persons charged and sentenced with organised crime offences; Value of counterfeit goods, drugs, arms etc. seized; No. of convictions for trafficking, organised crime, smuggling and counterfeiting offences.	MoIA Reports Customs Service Reports EUBAM reports EU reports (including reports from EU Member States) CSO Monitoring reports

Specific objective 4: To support the implementation of the Visa Facilitation and Readmission Agreements and the sustained implementation of the achievements of the Visa Liberalisation Action Plan		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Achievements of the Visa Liberalisation Action Plan sustained over time	Visa-free regime is implemented according to reference standards / benchmarks of the visa liberalisation action plan.	EU incident reports or political statements (including reports from the EU Member States) Moldovan Government reports European Commission statistical reports Conclusions of the Joint Readmission Committee

Specific objective 5: To promote and implement the principle of zero-tolerance to corruption and ill treatment in the police and border management sector		
<u>Expected Results</u>	<u>Indicators</u>	<u>Means of verification</u>
Corruption in the police and border management sector is significantly reduced	No. and level of members of the police (all departments included) charged and sentenced for offences linked to corrupt behaviour or ill treatment cases; % of citizens who believe government is committed to tackling corruption in the justice and law enforcement sectors; Level of trust in police is improved and maintained (% of people who trust police is gradually increased).	ECHR Reports ICC Reports Corruption Perception Index Public Opinion Polls EU Progress Reports CoE Venice Commission Reports CSO Reports

⁴ International Coordinating Committee of National Institutions for the Promotion & Protection of Human Rights

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

Note: Baselines and baseline years for all indicators as well as targets and target years will be identified in the Annual Action Programmes for the Republic of Moldova.

Annex 2. Indicative timetable for commitments

SECTOR OF INTERVENTION	2014	2015	2016	2017
Public administration reform	X	X	X	X
Agriculture and rural development	X		X	X
Police reform and border management		X		X
Other measures				

ANNEX 3 - DONOR SUPPORT IN MOLDOVA 2014-2020 – EC AND MEMBER STATES (PROVISIONAL)

Area of Intervention	EC	AT	BG	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	NL	PL	RO	SE	SI	UK
Political dialogue and reform																							
Governance and democracy	■			■	■	■	■								■		■		■	■	■		
Rule of law (judicial reform)	■																			■			
Human Rights	■																				■	■	
Cooperation with civil society	■			■	■		■				■										■	■	
Peace and Security																							
Conflict Prevention	■																						■
Crises management																							
Justice and Home Affairs	■																						
Border Management	■																						
Migration and readmission	■																						
Refugees and IDPs	■																						
Organised Crime	■																						
Police Cooperation	■																						
Judicial Cooperation	■																						
Economic and social reform																							
Macro-economic reform	■																						
Employment, poverty reduction & social policy	■			■		■																	
Agriculture, forestry and fisheries	■						■					■							■				
Water and sanitation		■																					
Rural development	■	■																			■	■	
Regional cooperation	■	■			■						■											■	
Trade Issues, market and regulatory reform																							
Enterprise policy/private sector	■											■											
Public finance management and procurement	■																				■		

DONOR SUPPORT IN MOLDOVA 2014-2020 – NON EU

Area of Intervention									
	Non EU Countries				Banks			International organisations	
	Switzerland	Japan*	Norway	United States	EBRD	EIB	WB	CoE	UN
Political dialogue and reform									
Governance and democracy									
Rule of law (judicial reform)									
Human Rights									
Cooperation with civil society									
Peace and Security									
Conflict Prevention									
Crises management									
Justice and Home Affairs									
Border Management									
Migration and readmission									
Refugees and IDPs									
Organised Crime									
Police Cooperation									
Judicial Cooperation									
Economic and social reform									
Macro-economic reform									
Employment, poverty reduction & social policy									
Agriculture, forestry and fisheries									
Water and sanitation									
Rural development									
Regional cooperation									
Trade Issues, market and regulatory reform									
Enterprise policy/private sector									
Public finance management and procurement									
Technical standards and regulations									

Sector Support									
Transport									
Energy									
Environment and climate change									
Information society									
Research and innovation									
People to people contacts									
Education									
Culture and Recreation									
Health									
Tourism and antiquities									
Other									

* Energy Efficiency Project to be started soon.