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ANNEX 1

of the Commission Implementing Decision on the on the Annual Action Programme in favour of the Republic of Moldova for 2020

Action Document for EU4Moldova: Local Communities

Annual Programme/Measure

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation N° 236/2014.

1. Title/basic act/ CRIS number	EU4Moldova: Local Communities CRIS number: 2020/042-592 financed under the European Neighbourhood Instrument
2. Zone benefiting from the action/location	Republic of Moldova The action shall be carried out at the following location: territories of selected local communities in the Republic of Moldova
3. Programming document	Single Support Framework for EU support to the Republic of Moldova (2017-2020) ¹
4. Sustainable Development Goals (SDGs)	The 2030 Sustainable Development Goal SDGs: Goal 4: Quality education Goal 5: Achieve gender equality and empower all women and girls Goal 6: Ensure availability and sustainable management of water and sanitation for all Goal 8: Decent work and economic growth Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation Goal 11: Sustainable cities and communities Goal 13: Take urgent action to combat climate change and its impacts

¹ https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/single_support_framework_2017-2020.pdf

5. Sector of intervention/ thematic area	Sector 1: Economic development and market opportunities, including sustainable and inclusive economic growth	DEV. Assistance: YES ²		
6. Amounts concerned	Total estimated cost: EUR 16 000 000 Total amount of European Union (EU) contribution EUR 16 000 000			
7. Aid modality(ies) and implementation modality(ies)	Indirect management with the entrusted entities to be selected in accordance with the criteria set out in section 5.3.1.			
8 a) DAC code(s)	Main DAC code –43040 Rural development; 14020 Water and Sanitation ; 32130 Small and medium-sized enterprises (SME) development 43030 Regional development ;			
b) Main Delivery Channel	42000 - European Commission			
9. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	×
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	×
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input type="checkbox"/>	×
	Trade development	×	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new born and child health	<input type="checkbox"/>	×	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	×	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	×	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	×	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	×	
10. Global Public Goods and Challenges (GPGC) thematic flagships	Human Development Environment and Climate change Sustainable Agriculture			

² Official Development Assistance is administered with the promotion of the economic development and welfare of developing countries as its main objective.

SUMMARY

The overall objective of the programme is to improve the quality of life and to address the economic and social consequences of COVID-19 in selected local communities of the Republic of Moldova, thus contributing to their longer-term resilience.

To this end, the action will improve the quality of public services, enhance social, economic, and technical infrastructure and access to associated services, enhance business and job opportunities, strengthen Community-Led Local Development, and provide equal opportunities for all, regardless of gender, age, ability, or nationality.

These objectives will be achieved through measures to: (i) redesign public service delivery models and improve the capacity of local public administrations to enhance the quality and efficiency of selected public services the selected local communities; (ii) provide investment and capacity building support to the development and rehabilitation of social, economic, and technical infrastructure, and improve access to services associated with these structures; (iii) provide grants and technical assistance to the diversification of economic activities to sectors other than agriculture; as well as (iv) enhance Community-Led Local Development to connect people to new rural development ideas and approaches, encouraging the greening of the economy, gender equality, and community-led private sector development.

Coronavirus disease 2019 (COVID-19) is a worldwide, severe public health emergency affecting people and economies. The Republic of Moldova has been affected by the COVID-19 outbreak across all of the country's regions. The pandemic adds important pressure on the already stretched health and social service delivery systems, exacerbating vulnerabilities of the affected populations. Given this context, the action will also aim to mitigate the impact of COVID-19 in the local communities of the Republic of Moldova, thus contributing to their longer-term social and economic resilience.

This programme is in line with the objectives of the 2017-2020 Single Support Framework (SSF) for Moldova, the EU-Moldova Association Agenda for 2017-2020, and the EU-Moldova Association Agreement. The proposed activities will also support the implementation of the Eastern Partnership's 20 Deliverables by 2020, the priorities identified in European Joint Development Cooperation Strategy (Joint Programming Document), the National Agriculture and Rural Development Strategy 2014-2020, the Regional development Strategy 2020, and other relevant sector strategies and their corresponding Action Plans.

1 CONTEXT ANALYSIS

1.1 Context Description

Moldova is a lower middle-income country with a population of 2.68 million (revised number as of 11.07.2019)³. The population is distributed almost evenly between men (47.6%) and women (52.4%).

The economy is dominated by the service and manufacturing sectors, but remittances also remain central, amounting to around 15 % of GDP in 2019. Foreign direct investment has been low at around 2 % of GDP in recent years, but increased in 2019 due to one-off investments in the agricultural sector. There is a significant trade imbalance (-1.1 billion USD or -9.5 % of GDP estimated for 2019⁴). The budget deficit for 2019 fell short of the target of 3.0 %. Public debt amounted to 31.0 % of GDP in Q3 2019. About 80 % of the public debt is long-term, mostly with international financial institutions and bilateral creditors. Inflation accelerated quickly in 2019 to 7.5 % in December (year-on-year). The financial condition of the banks remained stable, and efforts to clean up the financial sector continued.

Sustained economic growth and reforms to the social protection system have helped to reduce poverty, and Moldova now ranks 107th out of 188 countries on the Human Development Index (HDI-0.711 - 2018 HDI Report). Between 1990 and 2018, Moldova's HDI value increased from 0.653 to 0.711, an increase of 8.9 %. Nevertheless, Moldova remains the poorest country in Europe with a GDP per capita of USD 2,980 in 2015. The average monthly wage in 2017 was estimated at USD 367⁶, and in 2016, approximately 9.6 % of the population were estimated as living below the absolute poverty line. There is a significant rural/urban gap: 14.6 % of the population live under the absolute poverty line in rural areas, while the figure is 3.1 % for urban areas.

In 2018, the number of small and medium sized enterprises (SME) was 55,700⁷, representing 98.7 % of the total number of enterprises. 328,000, or 60.7 % of the workforce, were employed by SMEs⁸. The turnover of SMEs in 2018 totalled MDL 144 159 900, or 40.4 % of total turnover in the economy, an increase of 72 % on the 2014 figure of MDL 83 650 000.

The official rate of unemployment at the end of 2018 is estimated at 3 %⁹. However, this belies the high levels of underemployment and employment in the grey economy, and the National Bureau of Statistics estimates that only 35.8 % of the population are economically active (1 273 000 people).

Moldova scored 1.007 on the Gender Development Index and 0.228 (50th out of 162) on the Gender Inequality Index in 2018¹⁰. The employment rate of women is 39 %, compared to 43 % for men. However, women earn an average of 12.4 % less than men. Women are underrepresented in highly paid and in-demand sectors, and are mostly employed in lower-

³ <https://statistica.gov.md/newsview.php?l=ro&id=6409&idc=30>

⁴ IMF Country Report No. 19/305, September 2019.

⁵ <https://data.worldbank.org/country/moldova>.

⁶ IMF Country Report No. 19/305, September 2019.

⁷ This figure may be inaccurate given the difficulties encountered with de-registering enterprises and bankruptcy.

⁸ This figure conflicts with the data provided by the NBS on employment. 328,000 employees in SMEs does not constitute 60.7 % of the total number of employees, which the NBS reports as 1,252,200.

⁹ Idem.

¹⁰ http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/MDA.pdf.

paid jobs in the feminised sectors of the economy, such as administration, education, health and social assistance, and hospitality. There are also significant intra-group differences: Only 15 % of Roma women over 15 years old are employed, compared to 34 % of non-Roma women and 25 % of Roma men.¹¹

In 2017, the National Bureau of Statistics estimated that 43.1 % of the population were urban dwellers, while 56.9 % lived in the rural areas. However, low wages, limited job opportunities, and a lack of a positive economic outlook in small towns and rural areas have triggered internal migration from the regions to Chisinau (approximately 6.2 % of the rural population per annum) and external migration (around 2500 persons leave Moldova permanently each year). The regions are losing up to 2.5 % of their populations annually.

1.2 Policy Framework (Global, EU)

The cooperation between the Republic of Moldova and the European Union (EU) takes place within the framework of the European Neighbourhood Policy (ENP) for the Eastern Neighbourhood countries - the Eastern Partnership. Moldova's aspirations to a closer relationship with the European Union led to the signature of the Association Agreement including a Deep and Comprehensive Free Trade Area on 27 June 2014, which entered into force on 1 July 2016. This agreement provides for stronger political association and economic integration between the EU and Moldova, and has led to steadily increasing trade between the partners.

The EU-Moldova Association Agreement includes a commitment to improve Agriculture and Rural Development (Chapter 12 of the AA) and a commitment to improve Regional Development, Cross-Border and Regional Level Cooperation (Chapter 20 of the AA). In addition, the Agreement emphasises the need to make progress on gender equality.

The priorities for EU financial support to Moldova for 2017-2020 are reflected in the multiannual programming document, the "Single Support Framework for EU support to Moldova (2017-2020)". The priority sectors of interventions are: 1: Economic development and market opportunities, 2: Strengthening institutions and good governance, 3: Connectivity, energy efficiency, environment and climate change, and 4: Mobility and people-to-people contacts. In addition, it includes horizontal support to civil society, strategic communication, and capacity development/institution building. The priority sectors reflect the revised ENP and the Eastern Partnership's "20 Deliverables for 2020: Bringing tangible results for citizens". Following a structured consultation with Eastern Partnership stakeholders, the policy framework for regional cooperation for the period after 2020 is being developed, and will be taken into due consideration in the implementation of this action.

This action is aligned with the objectives of the Single Support Framework, in particular SO 6 ('To promote inclusive growth and social cohesion through stimulation of job creation in less favoured areas, including in particular rural areas') and SO 4 ('Mobility and people-to-people contacts, including support to education, training and research').

¹¹ Profile of Roma Women and Girls, National Statistical Bureau, UN Women and UNDP, 2016
<https://moldova.unwomen.org/en/biblioteca-digitala/publicatii/2017/08/profiles-of-women-from-moldova>.

The action will also contribute, directly or indirectly, to the implementation of the 20 Deliverables for 2020, notably deliverables 1 ('More engagement with civil society organisations'), 2 (Increase gender equality and non-discrimination'), 4 ('Improve the Investment and business environment and unlock Small and Medium-sized Enterprises' (SMEs) growth potential'), 6 ('Create new job opportunities at the local and regional level'), 15 ('Enhance energy efficiency and the use of renewable energy; reduce Greenhouse Gas emissions') 16 ('Support the environment and adaptation to climate') and 18 ('Strengthen investment in young people's skills, entrepreneurship and employability').

The priorities of the Von der Leyen Commission, most notably in the areas of equality and the European Green Deal, will be central to the design of all components of this action. Equality for all and in all of its senses – regardless of gender, age, nationality, or culture – will inform the formulation and implementation of the action.

Following the change of government in Moldova in November 2019, the European Union's partnership with Republic of Moldova will remain focused on delivering tangible benefits to Moldovan citizens as outlined in the Single Support Framework. In this spirit, the EU is committed to working with those in Moldova who support the reform process that is at the core of the Association Agreement, in particular as regards promoting the Rule of Law, fighting corruption and vested interests irrespective of the political affiliations, ensuring the independence of the judiciary, and depoliticising the state institutions. The EU will continue to base its relationship with Moldova on the principle of conditionality and respect for the rule of law and democratic standards.

The action will also reflect the priorities of the "Joint Communication: Eastern Partnership policy beyond 2020: Reinforcing Resilience – an Eastern Partnership that delivers for all" adopted on 18 March 2020.¹² Furthermore, taking into account the COVID-19 crisis, the action will be in line with the Joint Communication on Global EU response to the COVID-19 crisis adopted on 8 April 2020.¹³

The EU has provided and will provide financial and technical assistance in support of these priorities. This was underlined in the EU Joint analysis on Programming from September 2016 and the European Joint Development Cooperation Strategy (Joint Programming Document) for the Republic of Moldova published in February 2018.

1.3 Public Policy Analysis of the partner country/region

In September 2015, the Republic of Moldova committed to implement the 2030 Agenda for Sustainable Development. In line with this commitment, the main strategic planning document of the country - the **National Development Strategy "Moldova 2030"** – was drafted and will be re-approved by the new Government. The strategy defines long-term sectoral development priorities, focusing on improving the quality of citizens' lives in four pillars: 1. Sustainable and inclusive economy; 2. Strong human and social capital; 3. Fair and efficient institutions; 4. Healthy environment. Moreover, the principles of gender equality and women's empowerment are underpinning the implementation of the Moldova 2030 strategy.

¹² https://eeas.europa.eu/sites/eeas/files/1_en_act_part1_v6.pdf

¹³ https://ec.europa.eu/info/files/joint-communication-global-eu-response-covid-19_en.

The **Decentralisation Policy Framework (NDS)** consisting of the “National Decentralisation Strategy and Action Plan 2012-2015”. The strategy establishes national decentralisation mechanisms and was developed and adopted by Law No. 68 of 2012. Over the two decades of developing the appropriate legal framework for decentralisation, various proposals for reform have been made and some incremental changes undertaken. It has become increasingly clear that decentralisation and local governance are a viable approach sustainable development, but the process so far has been slow.

Law No. 436 of 28.12.2006 on local public administration (LPA) regulates the organisation and functioning of public authorities at local, town and rayon levels. The law defines LPAs’ competences at level 1 and 2 in fields of activity established by the Law on Administrative Decentralisation. This law has unlocked some degree of potential for genuine autonomy at local level, but weak implementation has hindered de facto decentralisation.

With extensive support from the ENPARD Budget Support programme, **the National Agriculture and Rural Development Strategy for 2014-2020 (NARDS)** has been updated, with particular emphasis on strengthening General Objective 3: Improving living conditions in the rural areas. New activities have been introduced, such as improvement of rural infrastructure, village renewal and development, and diversification of economic activities in rural areas beyond agriculture. It is foreseen that these rural development measures will be implemented in accordance with the advance payment subsidy principle starting in 2020.

The Law on Principles of Subsidising Agricultural Producers was amended¹⁴ to introduce these rural development support measures, which will be financed by the National Fund for Agriculture and Rural Development (NFARD).

The **LEADER approach** was first piloted in the southern part of the Moldova in 2016 in the context of the EU SARD Programme. Since then, the number of Moldovan Local Action Groups (LAGs) – institutionalised partnerships between public sector, private sector, and civil society representatives – has grown to 32. These involve over 3,000 people from local communities, and have implemented 250 development projects to the benefit of over 600,000 inhabitants in rural areas. The LAGs are represented and supported by the Moldovan LEADER Network. In April 2019, the LEADER network acceded to the European LEADER Association for Rural Development (ELARD). The LEADER approach will be introduced into the national legislative framework further to Parliament's own initiative.

The Government recognises the need to establish integrated planning, management, coordination and unified mechanisms if the potential of the regions is to be maximised. In April 2016, the Government adopted **the National Regional Development Strategy (NRSD) 2016-2020**, which is aligned with related sectoral strategies, notably the Water Supply and Sanitation Strategy 2014-2028, Small and Medium Enterprises’ Sector Development Strategy 2012-2020, the Energy Strategy up to 2030, the Agriculture and Rural Development Strategy 2014-2020 and the draft Strategy for Research and Innovation. The overall objective of the NRSD is to achieve balanced and sustainable development in all regions of the Republic of Moldova.

¹⁴ Adopted on 29 November 2018 by the Parliament.

The **Strategy on Water Supply and Sanitation for 2014 – 2028** and the Law No **303/2013 on the Public Service of Water Supply and Sewerage**¹⁵ seeks to ensure gradual access to safe water and adequate sanitation (SDG 6) for all. The overall policies in Moldova related to the WSS are:

- Exclusive competence for LPAs to establish, organise, coordinate and control public services;
- Improvement of the operational and financial performance of WSS service providers in order to enhance safety and quality of services;
- Extension/regionalisation of WSS systems and the provision of access to WSS services, as well as development of centralised/regionalised water supply systems and connections to nearby localities.

The **National Waste Management Strategy (NWMS) 2013-2027** is developed pursuant to [Article 89\(b\) of the EU-Moldova Association Agreement](#). It foresees a systematic, integrated approach to waste management and regionalisation of waste management services into eight waste management zones covering the entire territory of the country. Furthermore, Integrated Solid Waste Management Strategies for the three development regions (North, Center, South) were developed and adopted by the respective Regional Councils in 2016.

A **Solid Waste Management Investment Programme** was developed by the European Investment Bank (EIB) on this strategic basis. At request of the Moldovan Government, eight feasibility studies were launched with the support of various development partners (EIB, GIZ, and the Czech development agency).

The Waste Law was adopted in July 2016 and **entered into force on 27 December 2017**. It introduces modern principles of waste management (prevention, reuse, recycling and sanitary landfilling), as well as waste recycling targets to be achieved. So far, five regulations have been approved to implement the law, and draft implementing regulations are being developed in line with the respective EU requirements and legislation in these areas, ready for adoption by the end of 2019 according to the Government Action Plan 2019-2020.

The Moldovan definition of SMEs, included in the **2006 law on Supporting the SMEs Sector**, follows international best practice. It includes employment size, turnover, and balance sheet criteria, and is used consistently across all government agencies, laws and regulations. Turnover and balance sheet thresholds in Moldovan law differ from the EU definition, with lower levels reflect the small size of the Moldovan economy.

The Education Code and the Education Development Strategy for 2014-2020 provide a sound basis for new policies in the education sector, including Vocational Education and Training (VET) and Higher Education (HE). Principles expressed in the strategic vision are in line with the Association Agreement. However, the main problem remains the implementation of the reforms foreseen in these documents.

¹⁵ Last amended in March 2019.

The Constitution of the Republic of Moldova and primary legislation guarantee the rights of women and children. In addition, the Public Administration Reform strategy 2016-2020 and its Action Plan 2016-2018 also include measures to train central and local public authorities in the application of principles and criteria specific for gender sensitive decentralisation. Moldova is party to seven of the nine core international human rights treaties, including the **Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)** and the **United Nations Convention on the Rights of the Child (CRC)**.

In recent years, further steps have been made to advance gender equality, most notably the ‘**Law on Ensuring Equal Opportunities for Women and Men (2006)**’, the ‘**Law on Equality (2012)**’, the **Law on Preventing and Combating Family Violence (2008)**, along with another 11 laws (2016) aligning national legislation with the Istanbul Convention.

In April 2017, the **National Strategy to Ensure Equality Between Women and Men 2017-2021** and its associated Action Plan were adopted. They require, inter alia, the mainstreaming of gender issues into all public policies. **Law no. 71** (April 2016) introduced a minimum requirement of 40 % women for party lists. A similar requirement for the Cabinet, also introduced by Law no. 71, was scrapped in 2017 by a new Law on Government.

The legislation and policy oblige the local authorities to localise the plans and actions for gender equality. The responsibility for designating, ensuring, and coordinating the work of the gender units lies with the districts’ presidents and mayors. Moreover, actions to localise and follow the “The European Charter for Equality of women and men in local life” have been undertaken by some local authorities.

1.4 Stakeholder analysis

Local governments in Moldova are organised in a two-tier system. The first level comprises 898 local governments (primaria); the second level comprises 35 administrative-territorial units – including 32 raions; Only the municipalities of Chişinău and Bălţi are simultaneously tier 1 and tier 2 units¹⁶, and Gagauzia is an autonomous territorial unit.

Local social entrepreneurs¹⁷, businessmen and businesswomen, and educational establishments are also regarded as target stakeholders, whose engagement in the action will be essential if the goal of integrated socio-economic development is to be achieved.

Local Action Groups (LAGs)¹⁸ are a target group for this action, and through LAGs (operating and/or neighbouring in the selected territory), the action will target approx. 15 % of the rural population of the country (approx. 225.000 people).

¹⁶ Law 764-XV from 27 December 2011 (last amended on 13 April 2017) on administrative-territorial organisation of the Republic of Moldova.

¹⁷ The social enterprise sector in Moldova appears to have the potential for delivering positive cross-sectoral impact by: creating job opportunities at the local level and decreasing the number of migrant workers; developing the local economic environment; and increasing social responsibility among the population of the communities where social enterprises are established. It is a very new economic sector with a majority of the social enterprises still testing their business models.

¹⁸ One Local Action Group gathers approx. 30-40 members (approx. 60 % business and civic sector, approx. 70 % juridical entities, approx. 60 % women), representing 7-9 mayoralties, with a population of approx. 17.500 inhabitants.

The **National LEADER Network** was formed to associate and consolidate LAGs and involved stakeholders in the promotion of the LEADER approach in Moldova.

The National Rural Development Network of Moldova ('the Network') is grouping the organisations and administrations involved in agriculture and rural development under an institutional umbrella aimed at facilitating and strengthening participation in policy dialogue within the national agro-rural context. The networking approach in Moldova is expected to enlist the energy of all stakeholders in the rural development process, to promote cooperation and partnership between stakeholders, and to assist the effective use of the resources devoted to developing the rural countryside.

The interests and voices of **vulnerable groups**, particularly elderly, unemployed youth, and households led by women are rarely sufficiently represented, particularly in local decision-making processes. Social inclusion is a principal goal of this action, and rigorous efforts will be made to engage these groups as stakeholders in the programme.

The **diaspora** is an important target stakeholder. Through remittances, they contribute significantly to the economy of Moldova and are increasingly active in the local and rural development of the country through Hometown Associations (HTAs).

The key national authority in the field of local autonomy, decentralisation and local development is the **State Chancellery**.

The **Ministry of Agriculture, Regional Development and Environment (MARDE)** is in charge of the elaboration of effective public policies and is accountable for the following sectors: Agriculture; food production and security; rural and regional development; spatial planning; environmental protection and climate change; and natural resources.

The **Ministry of Economy and Infrastructure (MEI)** is in charge of public policies in the areas of the economy, ICT, construction, transport, quality infrastructure, market surveillance, and energy efficiency and security.

The Organisation for SME Sector Development (ODIMM) is a public institution under the MEI, which supports entrepreneurship in the Republic of Moldova.

The Regional Development Agencies (RDAs) implement the Regional Development Strategies and the Regional Operating Programmes, which feed into the National Regional Development Strategy (NRDS) and applications for finance from the National Regional Development Fund. The Regional Development Agencies (RDAs) have benefited from capacity building activities and are actively acting as facilitators at local level on regional development issues.

The **Ministry of Finance (MoF)** is the specialised central public administration body developing and promoting the state's public finance policy. The MoF is the National Aid Coordinator.

The Ministry of Education, Culture and Research is in charge of implementing the National Education Strategy by improving the quality and relevance of the educational system through enhancing its human resources as well as the curriculum. The ministry is assisted by **education directorates** enjoying a significant level of autonomy. The education network comprises 1344 educational institutions at all levels of studies, covering 26 375 teachers (23 805 in general education and 2 552 in VET).

The Ministry of Health and agencies active in the field of public health must be consulted for rehabilitation of health centres and health related infrastructure.

Across the stakeholders, there is a need to increase their capacity to respond to major crisis, such as the COVID-19. The current crisis also exposed the need to support the communities by addressing social and economic consequences of the COVID-19 pandemic.

1.5 Problem analysis/priority areas for support

Rural areas in Moldova face particular challenges as regards growth, jobs and sustainability. As in the rest of Europe, rural areas of the Republic of Moldova are extremely diverse, ranging from remote and suffering from de-population and decline, to pre-urban areas under increasing pressure from urban centres. Lack of opportunities, communication and training infrastructure is also a particular problem for remote rural areas, and especially for women and young people.

In the 2018 Barometer of Public Opinion, more than 80 % of the rural population were dissatisfied with the government in terms of job opportunities, raising living standards, wages and pensions, fighting corruption, industry and agricultural development. Approximately 71 % are dissatisfied with healthcare measures, and 58 % with education.

In addition, limited access and inefficient and poor quality of public services, such as education, health, transport and water, have contributed to social exclusion, persistent poverty, and vulnerability to shocks from rural populations. Combined with economic factors, these constraints are the main cause of stagnant rural development.

Migration

Due to large-scale emigration of the active labour force, the share of the population who are economically active in Moldova is the lowest in the region. The rural population has the largest share of the total working population living abroad (70 %), 37 % of whom are aged between 25-34 years, and 18 % between 16 and 24 years.

Remittances play an increasingly important role in the income of rural households (remittances accounted for 22.3 % of total income in 2019.). Between 2010-2016, the share of remittances in the total disposable income of urban households was 12 %, while it amounted to 21 % for rural households. These figures show that rural households are becoming increasingly dependent on money sent home by family members working abroad. Moreover, the majority of remittances is directed towards consumption, as opposed to productive investments. Besides remittances, the income of those working in rural areas is highly dependent on self-employment in agriculture (20 %) as well as on pensions (17 %). Urban residents, in contrast, earn 55-63 % of their income at their workplace.

Public administration

Moldova has seen some progress on economic development and poverty reduction in recent years. However, despite international support and government efforts, the municipal services and their administration still suffer from poor effectiveness and efficiency.

282 tier 1 administrative units (UATs), or 31 %, have four or fewer employees. Only 10 % of tier 1 UATs have seven or more employees. The average number of staff in tier 1 UATs with a population of more than 20.000 is around 17 employees. Similarly, 30 % of tier I UATs have less than 1500 inhabitants, despite 1500 being the minimum legal requirement for forming a local administrative unit. In addition, around 89 % of tier I UATs have a population of less than 5000 inhabitants. As a result, local public administration in Moldova is characterised by a high degree of fragmentation, inadequate human and financial resources, and limited administrative capacity.

In 2015, a new system of intergovernmental fiscal management was implemented, which marked an important step forward in strengthening the financial autonomy of local government, including increased transparency and predictability in programming and implementation of the budget.

In spite of this, local investment needs are still considerable¹⁹, however capital investments as a share of total local government spending at tier 1 UATs was only 12.2 % in 2016 and 8.2 % in 2017. Those expenses were largely funded by special state budget transfers (such as the energy efficiency fund, ecological fund, regional development fund, social investment fund, etc.) as well as by external grants.

While the inter-municipal cooperation and integrated planning for economic development are at different levels of development in the different raions, practically all the localities of Moldova share the need to strengthen the institutional capacities of both tier 1 and tier 2 structures, especially as regards the management of public assets and finances.

Public services and infrastructure

A result of the high degree fragmentation and inadequate human, financial, and administrative resources, many tier 1 UATs are unable to provide basic public services that meet the needs of the population in the communities concerned. Moreover, access to basic public services, notably the supply of drinking water, sewerage infrastructure, waste management and collection, and transport is very limited in rural areas.

Poor waste management in Moldova in recent years has had a significant impact on the local communities, environment and natural resources (especially soil and groundwater), with an overall deterioration in the quality of life of rural populations as a result. The two biggest cities in the country – Chisinau and Balti – have faced ‘rubbish crises’ in the last couple of years.

¹⁹ World Bank. 2013 Moldova Public Expenditures Review: Increase capital — Making Public Investment Work for Competitiveness and Inclusive Growth in Moldova. Washington, DC.

Waste collection covers 60 % to 90 % of urban areas, while most rural areas are not covered by regular services. Overall, only 30.9 % of the total population benefited from waste collection, transport and disposal services in 2017, according to the National Bureau of Statistics.

Usually, waste is disposed of at dumpsites that are located beside roads, rivers, ravines, sand and gravel pits, without any mitigation measures to avoid environmental damage. According to most recent inventories, there are about 3500 waste dumpsites across the country, out of which 1200 are in constant use. These are neither operated nor inspected properly, and uncontrolled self-ignitions occur frequently. Around 20 of these dumpsites are qualified as 'authorised', meaning that local councils can use them for waste disposal.

Recycling opportunities, which can have real economic and resource efficiency value and create additional jobs, are insufficiently explored, if at all. However, no sustainable waste management solution can be implemented in Moldova until the basic infrastructure is in place – properly authorised sanitary landfills, transfer stations, and sorting facilities. These are usually not considered profitable businesses by private operators and have to be managed by the local public authorities. Only once this basic infrastructure is in place, private businesses can invest in services such as waste collection and transportation, operation of the infrastructure, as well as investment in recycling facilities and operations.

According to the data provided by the National Bureau of Statistics, only 54.4 % of the country's population benefited from drinking water supply services in 2017. The analysis in the territorial profile also shows the existence of large areas in the North, Centre and South-East of Moldova, where less than 20 % of the population have access to the public drinking water system. In 2017, only 23.1 % of the population had access to sewerage services, with a major difference between urban and rural areas: 50.6 % for urban and only 2.3 % for rural areas.²⁰

Moreover, the WSS system of Moldova is very vulnerable to droughts, and climate modelling and projections suggest that climate change impacts will increase the risks of water-related hazards (i.e. floods and droughts) in the country. For this reason, WSS infrastructure needs to become more resilient, and the climate adaptation aspects must be carefully considered while developing relevant infrastructure. With EU support, recommendations were developed in 2013 on adapting the WSS in Moldova to climate change.

Finally, the quality of social infrastructure is considerably lower in rural areas compared to urban settings, with large discrepancies in the availability of housing and related services, inter alia.

Economic diversification

Non-agricultural individual activity accounts for only 5 % of income in rural areas, and a quarter of the rural population's income comes from social benefits.

There is a real need for alternatives to agricultural economic activities in rural areas in

²⁰ The activity of water supply and sewerage systems in 2017. BNS, 2018.

Moldova. Recent best practices in the EU Member States illustrate that creation of jobs in non-agricultural sectors contributes to increased household income in rural areas and creation of rural wealth. One possible source of diversification of economic activities is remittances, if used in a more strategic way. Moreover, further stimulation of economic growth in rural areas should be encouraged by supporting the involvement of young people and women.

Health services

Moldova's health system aims to ensure universal access of basic health services with equity and solidarity in health financing to all citizens. The health sector is perceived as one of the most corrupt service areas. Despite some progress on implementing the National Strategy on Public Health, the health systems of the Republic of Moldova remains comparatively weak within the broader European continent. This issue was especially exacerbated in the face of the unprecedented global health crisis which the Republic of Moldova had to face with generally low level of preparedness and capacity to respond effectively to the public health impact of the COVID-19.

Education

Education is a policy priority for the Moldovan Government. This is reflected in the implementation of a strategy on education sector development 2014-2020²¹. At 7 % of GDP in 2015, Moldova's public expenditure on education is also higher than most countries, in particular those with a similar level of income, but also much higher than the average public education spending in EU countries (4.9 % of GDP in 2015²²).

Despite high spending levels, however, students in Moldova scored lower than the OECD average in reading, mathematics and science in the OECD's Programme for International Student Assessment (PISA) in 2018 Moldova's. Overall, 57 % of students lack the basic levels of reading proficiency needed to participate effectively and productively in society, and the low quality education condemns over 40 % of the young people in the formal education system to fall in the category of low achievers by the end of their compulsory schooling²³. Almost a fifth of students leave school early – twice the EU average.

Students enrolled in tertiary education very often pursue areas of study, which do not correspond to the demand. As a result, a student's first job does not match their field of study for 32.4 % of graduates. Moreover, approximately 36 % of employed people in the age group 25-34 have only primary or secondary general education, working without any professional institutionalised training. Graduates from professional educational institutions do not find a job in the field they have studied. For those having just primary education, job opportunities are particularly scarce in rural areas.

The negative demographic trends have led to oversized educational institutions networks and consequent inefficient use of resources, hampering investment for upgrading and equipping

²¹ IMF working paper, Improving the Efficiency and Equity of Public Education Spending: The Case of Moldova, 2019

<https://www.imf.org/en/Publications/WP/Issues/2019/02/26/Improving-the-Efficiency-and-Equity-of-Public-Education-Spending-The-Case-of-Moldova-46466>

²³ OECD PISA database.

schools. In 2013, all secondary general educational institutions adopted the per student funding formula in order to enable a more efficient and flexible reallocation of financial resources.

According to the Vocational/Technical Education Development Strategy for 2014-2020 and Strategy Action Plan, the VET system is not sufficiently attractive to students, but is costly for the state. The network of vocational and secondary educational institutions is oversized with outdated infrastructure and high maintenance costs, and over one third of unemployed persons were graduates from vocational and secondary institutions.

Attempts to modernise the school system appear to have been focused more on quantitative changes than qualitative improvements. Focusing spending on in-service training, merit-based wage increases, improved equipment and materials, pedagogical coaching, special training for supporting individuals with special education needs and other vulnerable populations, and improved school management should all be prioritised.²⁴

Gender and youth

While the regulatory framework on the promotion of gender equality, women's and children's rights have improved significantly in the past years, and capacity development initiatives for state officials have been undertaken at various levels, the capacity of state institutions to effectively implement gender equality laws and policies remains weak.

At the local level, the gender equality machinery is not operational, most public policies, services and budgets are either gender neutral or gender blind. While some pilot actions have been undertaken at district level on gender responsive budgeting (GRB), the integration of GRB at local and national levels is still at an early stage due to the discontinuous nature of the actions and commitments made.

Moreover, the stereotypes regarding gender roles and women's status in society have not improved. For example, the results of the public opinion poll of 2016 "Gender Barometer"²⁵ showed that 64 % of respondents agreed that the man is the one who must earn money and the woman must take care of family and run the home. Women still face both public and private discrimination and inequality.

Positive trends in the perceptions of women's participation in politics and decision-making can however be identified: When asked who should lead in the public administration, in politics or at work – the man, the woman or either of them – about 72 % of respondents chose the last option in 2016, an increase by 11 percentage points compared to 2006.

There are still serious obstacles to youth participation, which undermine the ability of children, adolescents and youth to participate in processes of democratic governance. These include lack of awareness about opportunities to participate, limited access to existing participatory mechanisms, the exclusion of disadvantaged youth groups, insufficient funding for Youth Councils which can catalyse such participation, and lack of legislative provisions for establishing participatory mechanisms in schools or at community or central level. Moreover, negative social norms and attitudes, such as discrimination based on age and

²⁴ UNICEF, Comprehensive Education Sector Analysis, June 2019, p. 7.

²⁵ <http://moldova.unwomen.org/ro/biblioteca-digitala/publicatii/2018/04/barometrul-de-gen>.

gender, limit meaningful youth participation in decisions affecting their lives within the family, school and society, particularly those of girls.

These issues are exacerbated by weak overall community participation in local decision making throughout the country. Community members have limited access to decision-makers and public information, including about local development plans and budgets. This applies in particular to women facing multiple exclusion or discrimination (i.e. women with disabilities, women belonging to ethnic minorities, women living in rural areas, etc.). The main structural challenges facing rural Moldova can be summarised as follows:

- (i) Large-scale emigration of the active labour force
- (ii) High territorial fragmentation and the ensuing lack of sufficient human, financial, and administrative resources to deliver public services
- (iii) Weak local social and technical infrastructure
- (iv) Lack of sustainable, well-rewarded employment opportunities, limited or no potential business development (particularly innovative, higher value-added companies), and excessive reliance on agricultural economic activities
- (v) Poor quality of teaching and educational infrastructure, particularly in rural areas
- (vi) Weak integration of women and young people into the formal labour market and local decision making structures

This programme will therefore provide support in the following areas:

- Improvement of basic public service delivery in rural territories;
- Improvement and renovation of rural public social and economic infrastructure
- Diversification of economic activities in rural areas outside agriculture
- Enhanced Community-led local development (CLLD-LEADER).

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Geo-political tensions, macro-economic shocks and/or internal political conflicts divert the focus and resources away from the action.	H	Continuous policy dialogue with the all stakeholders and the Government on the reform agenda and improved performance monitoring.
Continuing de-population of rural areas making some communities economically unsustainable longer term.	H	Better strategic identification and implementation of the overall package of infrastructure, agricultural support, and financial and non-financial support to economic restructuring that will facilitate maintenance of communities.
Lack of coherence or discrepancies between local initiatives and national policy.	M	Policy dialogue and inclusion of national policy makers in steering groups.

Corruption at local level or resistance to change by local actors with vested interests.	H	Careful selection of beneficiaries based on integrity and demonstrable adherence to principles of good governance.
The results of the action are unsustainable, actions or services will cease after the completion of the programme.	M	Focus on systemic change and capacity building in addition to financial assistance, emphasise co-ownership by local actors.
Assumptions		
1. Commitment from all stakeholders to work together for the implementation of the Action. 2. Local development programmes/strategies are developed and implemented by local public authorities in partnership with all relevant stakeholders		

3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

- Involving stakeholders at all stages of the intervention processes fosters ownership and accountability for project results and ensures that the assistance is demand-driven.
- Concrete, tangible initiatives, delivering results early in the project, can ensure positive momentum and leverage, and mobilise communities for more complex initiatives later.
- Rural infrastructure development requires associated technical assistance to build capacity and ensure sustainability. The willingness of towns to create regional operators varies, and making tariff adjustments to cost-recovery is necessary in order to achieve long term sustainability, even if politically difficult.
- To facilitate acceptance by the population, the action will be supported by awareness campaigns. Information campaigns need to be tailored in such a way that customers understand that increased quality of infrastructure comes with increased costs of operations. In order to foster a transparent dialogue with citizens on tariffs, local administrations shall pursue open communication with the town council, which is a representative body of the target group, and engage with local civil society organisations to conduct information campaigns. In the proposed action, the focus is on adopting a gradual approach.
- Quantitative efficiencies in the education system must be linked with efforts to improve quality.
- In order to address negative gender stereotypes, it is important to not only focus on ways to empower women, but also engage in a dialogue with boys and men about their role in and contribution to gender equality.

3.2 Complementarity, synergy and donor co-ordination

There is a strong need to make better use of investments, and to optimise the delivery of public services in rural areas. Against this background, policy synergies and integrated

investment initiatives have the potential to provide complementary benefits that respond to the specific needs of particular rural areas.

This action will capitalise on the activities of EU Regional Programmes in the Eastern Neighbourhood, including EU4Business, EU4Energy, EU4Digital, EU4Innovation. It will also strive to create synergies with the Eastern Partnership Flagship Initiative on Sustainable Municipal Development, including the Covenant of Mayors. These build on the achievements of the Mayors for Economic Growth, EU funded “Development of rural areas in the Republic of Moldova” implemented by the Austrian Development Agency (ADA), as well as the EU funded "Modernisation of Local Public Services Project" and "Construction of Water Supply and Sanitation Infrastructure and Energy Efficiency in Public Buildings". The latter are implemented by the German development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which has developed a pipeline of water supply and services investment projects endorsed by the Ministry of Agriculture, Regional Development and Environment and local public authorities.

The European Investment Bank (EIB) is also active in the country, with investments focusing on the areas of road infrastructure, energy security and efficiency, and waste management, inter alia. Synergies with these projects will be pursued where possible.

It should be seen as complementary to other ongoing actions supported by the EU under the SME Flagship, such as East Invest, the Advice for Small Business, the Women in Business Support Programmes implemented by EBRD, as well as the direct grant to ODIMM in support of the PARE 1+1 and Women in Business national programmes. The proposed action will target micro and small sized rural business not covered by these facilities, as well as specific gender mainstreaming and women economic empowerment local initiatives such as the National Moldovan Women Platform (NMWP).

This action will also seek synergy and complementarity with actions currently under implementation. This includes, inter alia, the Citizens’ Empowerment programme, which supports constructive participation of CSOs in local, regional and national decision making processes; the Focal Regions programme (EU4Cahul and EU4Ungehni), which contains measures supporting anti-corruption, gender equality and fighting domestic violence; the upcoming "Rural SMEs Support Policy Window" project; and initiatives financed through the Cross-Border Cooperation programme 2014-2020. The Action will also capitalise on the work being undertaken by the Joint Research Centre (JRC) for the development of a national smart specialisation strategy, especially where it leads to the identification of priority areas for innovation.

The Action will continue to promote the best practices of the Sector Reform Contract "Support to the implementation of the VET reform in Moldova (budget support)" and the ongoing Twinning “Enhancing the quality and effectiveness of the Vocational Education and Training (VET) system”. It should be also seen as complementary to “Support for Moldova's participation in Erasmus+ programme”.

It will build on results achieved in the context of the “EU Support to Confidence Building Measures V” programme (2019-2022), and will promote best practices and build on the success of the ENPARD programme, the EU funded project "Moldova Energy and Biomass"

as well as the EU-funded SARD Programme implemented in the ATU Gagauzia and Taraclia districts.

In addition, support to rural development is provided through bilateral assistance from countries such as Germany, the United Kingdom, Poland, Romania, Slovak Republic, Sweden, Austria, Czech Republic, Lithuania, Latvia, Swiss Development Cooperation (SDC) and the United States of America. The Action will reinforce the outcomes of the project "Migration and Local Development", which is part of the multi-annual programme 2015-2018 "Moldova – Making the Most of Migration" funded by the Swiss Agency for Development and Cooperation as well as local development programme and "Comunitate Mea" of USAID.

The action will also seek complementarity with the Subsidy Fund for Agriculture and Rural Development, the Energy Efficiency Agency, Environmental Fund, Regional Fund and Social Investment Fund governed by the national public structures.

Synergies and donor coordination should be ensured by the national coordinating structures in place. The EU Delegation is active in all donor groups and supports the development of aid coordination as a whole.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

The overall objective is to improve the quality of life and to address the economic and social consequences of COVID-19 in selected local communities of the Republic of Moldova, thus contributing to their longer-term resilience.

The **specific objectives** (SO) of the action are:

1. To improve the quality of local public service delivery within the selected local communities.
2. To enhance the access of men and women to social, economic and technical infrastructure and associated services in the selected local communities.
3. To enhance business and job opportunities for men and women in the selected local communities.
4. To enhance Community-Led Local Development in the selected local communities.

The action will achieve the following outputs:

Output 1) Improved capacity of local public authorities for effective and efficient public service delivery in the selected local communities.

Output 2) Improved public infrastructure and public utilities performance in the selected local communities.

Output 3) Diversified economic opportunities outside agriculture in the selected local communities.

Output 4) Implementation of community-led initiatives in support of local development.

The localities will be selected on the basis of the following criteria: (1) Impact of COVID 19 (social, economic, health); (2) Economically active population; (3) Access infrastructure; (4) Economic potential or economic development potential; (5) Business support infrastructure;

Moreover, a number of other elements will be taken into account:

- (i) Strategic economic and local development potential, based on the proximity to Romania, the EU, and Chisinau.
- (ii) Availability of local economic development strategies, which will be used to guide and prioritise programme interventions. Local economic development plans under the Mayors for Economic Growth initiative could be taken into account.
- (iii) The local public authorities demonstrate a track record of high commitment to local socio-economic development,
- (iv) The record of local public authorities successfully implementing and ensuring the sustainability of EU-funded projects in the past;
- (v) The local public authorities taking steps towards amalgamation of public services;
- (vi) Other programmes foreseen under AAP 2016, 2017 and 2018 targetting local communities (notably in the areas of water supply/sanitation/economic development/ITC/CLLD).
- (vi) The local public authorities have demonstrated a strong commitment to implementing the action.

These criteria reflect the ambition to work with local champions with a good track record of adherence to principles of good governance, and with those in Moldova with demonstrable commitment to supporting the reform process.

The localities will be subject to final scrutiny based on a public commitment to principles of accountability, transparency, and the rule of law.

Indicative activities

Under Output 1

Component 1: Redesigning delivery models²⁶ to enhance the quality of selected public services, with a view to functionally amalgamating public service delivery where appropriate

- Organising consultations with civil society, think tanks, local administration, business associations, and local communities on new models for public service delivery, with a view to functionally amalgamating public service delivery where appropriate. Citizens with different social and economic backgrounds will be invited to actively participate, regardless of gender, age, or nationality.

²⁶ Public funding, user charges, tariffs, separately for investments and operational expenses.

- Supporting the development of appropriate business models and finalising the costing of the delivery of certain public services, with due consideration to territorial planning, financing, and quality.
- Supporting the implementation and upgrading (where appropriate) of Local Socio-Economic Development Strategy (LSEDS) and Local Economic Development Plans (LEDP)²⁷ with a strong focus on gender mainstreaming. Focus on implementation of anti-corruption plans will be also made.
- Supporting the implementation of training, guidance and continuous support to LPAs and public utilities to maximise their administrative and fiscal capacity and increase their level of performance in response to the needs of the selected local communities.
- Facilitating dialogue with the population and organising awareness-raising campaigns in the selected local communities to foster understanding of the added value of new infrastructure, and acceptance of potential tariff increases to recover operation costs.
- Supporting initiatives facilitating and/or promoting non-formal education and lifelong learning.

Under Output 2

Component 2: Building and renovation of local communities' public, technical and social infrastructure

- Building or upgrading social, economic, and technical infrastructure²⁸ to connect the selected local communities.
- Providing grants to legal entities for:
 - Joint initiatives between CSOs, LPAs, and/or social entrepreneurs, associations in the delivery of high-quality, cost-efficient social public services – including in particular those related to the COVID-19 response - targeted principally at women, children, youth, elderly persons and the socially disadvantaged.
 - Rehabilitation of suitable infrastructure (including where appropriate support to purchase related equipment) to serve as multi-service hubs or public centres including health centres and health related infrastructure, schools, kindergartens.
 - Rehabilitation of facilities in the green zone (such as infrastructure for sports, cultural events, etc.), improved access to the green zone, clean water in the lakes, etc.

Under Output 3

Component 3: Diversification of economic activities in selected local communities:

- Providing grants to legal entities for:

²⁷ Being updated by the EU initiative Mayors for Economic Growth.

²⁸ as developed by EU funded "Modernization of Local Public Services Project" and EU funded "Construction of Water Supply and Sanitation infrastructure as well as Energy Efficiency in Public buildings" both implemented by GIZ and EU4Moldova: Clean Water for Cahul implemented by KfW).

- Economic activity for green, sustainable and/or innovative local businesses, providing higher value-added products and services. Priority will be given to women-led enterprises.
- Joint initiatives with the diaspora to address the needs of the community.
- Projects supporting the creation and functioning of business linkages, such as clusters and/or value chain development (e.g. smart specialisation and small holders' inclusion, quality standards certification and implementation for instance in the food processing and tourism sectors).
- Projects aimed at mitigating the impact of COVID-19 in the local communities, contributing to their longer-term social and economic resilience.

The size of the grant and the level of co-financing will be variable and subject to a case-by-case assessment.

- Technical assistance focusing on the needs of individual SMEs will be provided in parallel to entrepreneurs, including those involved in social entrepreneurship.

Synergy will be sought with the EU funded Technical Assistance "Rural SMEs Support Window" for capacity building, mentoring and support of SMEs in order to link with EU4Business access to finance credit lines.

Under Output 4

Component 4: Enhance Community-Led Local Development (CLLD) (LEADER):

- Implementing capacity building and mentoring programmes to strengthen the capacities of the Local Action Groups (operating in and/or bordering the selected local communities) as regards planning management, implementation, monitoring, and evaluation of Local Development Strategies. Coherence and complementarity between the Local Development Strategies of LAGs and the Local economic development plans of LPAs (under the EU initiative Mayors for Economic Growth) will be pursued.
- Providing grants to Local Action Groups and the National Leader Network for:
 - Innovative initiatives and social enterprises, possibly with other Local Actions Groups, in support of gender equality, the green agenda, community-driven private sector development or the mitigation of the impact of COVID-19 in the local communities.
 - Initiatives focused on the implementation of projects under LEADER Local Development Strategies, including support to the efficient functioning of Local Action Groups.
 - Joint initiatives with Local Action Groups within the selected local communities and neighbouring localities, including the focal regions Ungheni and Cahul.
 - Community development, such as partnership building and exchanges with Local Action Groups within Moldova, with the National Rural Development Network, with the Eastern Partnership countries , or in the European Union.

For all components of this action, priority will be given to services, projects, or initiatives which are targeting women, led by women, or otherwise contributing to gender equality in the

selected localities. Emphasis will be also placed at initiatives and proposals which address the short-term and longer-term consequences of the COVID-19 crisis on the socio-economic development and resilience of the local communities.

4.2 Intervention Logic

In order to achieve long lasting, environmentally sustainable socio-economic development to improve the quality of life in selected local communities, and in order to address the short and long-term socio-economic consequences of the COVID-19 pandemic, this action will intervene in the following ways:

The first stream of activities will seek to initiate the process of territorial amalgamation in the selected local communities with a view to achieving greater sustainability as well as added value for citizens and economic operators. Emphasis will be placed on the functional amalgamation of services through the development and/or adaptation of inter-municipal models (e.g. inter-municipal cooperation²⁹, mobile teams, multi-service hubs, remote assistance through IT solutions) for basic service delivery in the selected rural communities. Capacity building and coaching to local authorities, civil society, and the private sector will be offered to enable the implementation of those models³⁰. Intensive communication, consultation and public participation to create trust, consensus and cooperation between the selected rural communities will be carried out. The selected local communities will apply for this component of the programme on a voluntary basis.

On the basis of these initiatives, the second component will focus on rehabilitating and modernising social, economic, and technical infrastructure, which will enable high-quality, efficient public service delivery and ensure concrete and sustainable improvements to standards of living in the selected localities. This will be accompanied by technical assistance on the running and maintenance of the infrastructure, as well as awareness campaigns to efficiently communicate the added value of the new structures and in turn facilitate acceptance of potential increases in the cost of operations.

The third component of the action will seek to promote economic development by providing bespoke support to SMEs, encouraging and incentivising innovation, clusters development, technology transfer and high-value added economic activities in the selected local communities. In order to ensure the co-ownership and commitment of supported businesses, all grants will require a degree of co-financing. SMEs will also benefit from improved public service delivery and social, economic, and technical infrastructure mentioned above.

Finally, the fourth component will continue the consolidation of the LEADER approach in the Moldova through capacity building and mentoring programmes, support for functioning of the Local Action Groups in the selected local communities, grants for the implementation of various local development initiatives, and an overall scaling-up of the national LEADER

²⁹ E.g. cities with rural municipalities, or only rural municipalities, but also models of cooperation between tier 1 and tier 2 units: rayons with rural municipalities or rayons with cities and rural municipalities, if deemed necessary.

³⁰ Idem as above

experience. This, in turn, will contribute to sustainable improvements in quality of the living conditions and inclusive economic growth in local communities. Local Action Groups may also provide incentives for and to contribute to territorial reform, as the groups serve a territory beyond administrative boundaries.

Three clusters of local communities in the raions of Strășeni, Leova, and Edinet have been pre-identified as possible beneficiaries of this action. However, taking into account the impact of the COVID-19 crisis in the Republic of Moldova, those communities will be a subject of final confirmation, based on the analysis of the needs.

Throughout the implementation of the action, special emphasis will be placed on targeting women, youth, marginalised groups and elderly people, and on environmentally conscious and sustainable solutions.

4.3 Mainstreaming

The principles of **gender equality and empowerment of women** are central to this action, as women in Moldova continue to face disadvantages when it comes to jobs, wages, age-based discrimination, and involvement in public and political life. These issues are aggravated by gender stereotypes, which leave them to do unpaid care work. The implementation of this Action will be guided by the principles and objectives of the EU Gender Action Plan. The outputs and outcomes of the Action will be disaggregated along gender lines.

The **environment, natural disasters and climate change** influence the living conditions and health of people, as well as the economic development. Moldova is confronted with high water pollution, natural resource degradation (including soil and forests) and hazards. Activities undertaken under this action shall contribute to the transition of Moldova into a sustainable, socially just, resilient and climate neutral economy. None of the supported activities will result in a harm to climate.

Innovation will be encouraged in local governance and in supporting economic development. Attention will be paid to creatively adapting good practices to local conditions, producing innovative designs by involving communities in planning, using the appropriate “smart” applications, and implementing environmentally-friendly solutions (like solar cells, LED lamps, energy saving technologies, etc.) to community problems, inter alia.

4.4 Contribution to Sustainable Development Goals (SDGs)

This intervention is relevant for the United Nations 2030 Agenda for Sustainable Development. It contributes primarily to the progressive achievement of goals 4 (Quality Education), 5 (Gender Equality), 6 (Clean Water and Sanitation), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation, and Infrastructure), 11 (Sustainable Cities and Communities), and 13 (Climate Action).

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 80 months from the date of adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Decision and the relevant contracts and agreements.

5.3 Implementation modalities

The Commission will ensure that the appropriate EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³¹

5.3.1 Indirect management with entrusted entities

This action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria: proven knowledge and expertise in the given areas of intervention, very good track record and the capacity to develop good working relations with local partners and demonstrated capacity to deliver. In addition, the entity should be able to demonstrate operational and technical capacities required to efficiently manage envelopes dealing with works and supplies.

This implementation entails provision of capacity building and coaching activities to local public authorities, entrepreneurs, local action groups, implementation of hard investments in local infrastructure, small scale socio-economic rural infrastructure, as well as grant support to economic regeneration and implementation of CLLD initiatives.

The entrusted entities will be responsible for the implementation of all activities described under Section 4.1.

If negotiations with the above-mentioned entities who meet the criteria as set out above fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2 below.

³¹ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.3.2 Changes from indirect to direct management mode due to exceptional circumstances

Should no adequate entity be found, or the negotiations with an entity fulfilling the above-mentioned criteria fail, the action will be implemented in direct management via grants as indicated in the following paragraph.

5.3.2.1. Grants: (direct management)

(a) Purpose of the grant(s)

Grants will be used to implement the activities under Section 4.2, providing support in improving the living conditions in rural areas, including but not limited to capacity building and coaching activities to local public authorities, entrepreneurs, local action groups, implementation of hard investments in local infrastructure, small scale socio-economic rural infrastructure, as well as grant support to economic regeneration and implementation of CLLD initiatives.

(b) Type of applicants targeted

Entities which have experience implementing projects in the Republic of Moldova, which are legal entities, in particular Member State organisations, or international organisations, or non-governmental organisations (NGOs).

5.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution
Objective/ outputs 1,2,3 and 4 – EU4Moldova – Local communities composed of:	16 000 000	
- Indirect management with entrusted entity cf. section 5.3.1	16 000 000	

Evaluation (cf. section 5.8) Audit/expenditure verification (cf. section 5.9)	will be covered by another decision	N/A
Communication and visibility (cf. section 5.10)	will be covered by another decision	N/A
Total	16 000 000	

5.6 Organisational set-up and responsibilities

The steering of the project will be led by EU Delegation. A quarterly steering committee will be led by the EU Delegation for reviewing the results of the Action and guide the way forward with main stakeholders. These will include but may not be limited to: representatives of the entrusted entity(-ies), representatives of the selected local communities, national associations of local authorities, representatives of the relevant Ministries, civil society representatives and private sector associations. The lead entrusted entity will also act as Secretariat for the Action.

Regular monthly project management meetings will be held between the entrusted entity (-ies) and the EU Delegation.

5.7 Performance and results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action, and of projects resulting from a call for proposals and calls for tender, will be a continuous process and part of the responsibilities of the entrusted entity(ies). To this end, the entrusted entity(ies) shall establish a permanent internal, technical and financial monitoring system for the action, and elaborate regular progress reports (no less frequent than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of implementation.

The Commission may undertake additional project monitoring visits, by its own staff as well as by independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance and nature of the action, mid-term and final evaluations will be carried out for this action and its components via independent consultants contracted by the Commission.

The evaluation reports shall be shared with the partner country and other key stakeholders. The entrusted entity(ies) and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a Financing Decision.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a Financing Decision.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Requirements for European Union External Action ³² (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness of interventions financed by EU and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

Communication and visibility measures for the project activities under this Action Document will be reinforced, coordinated and implemented through the Action Document for Strategic

communication and media support, which is part of the Annual Action Programme 2017 for the benefit of the Republic of Moldova.

With regards to the Neighbourhood East, all EU-supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this action. Visibility actions should also promote transparency and accountability on the use of funds.

This action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

APPENDIX - INDICATIVE LOGFRAME MATRIX

	Results chain: Main expected results (maximum 10)	Indicators (at least one indicator per expected result)	Baselines (incl. reference year)	Targets per locality (incl. reference year)	Sources of data	Assumptions
Impact (Overall Objective)	To improve the quality of life and to address the economic and social consequences of COVID-19 in selected local communities of the Republic of Moldova, thus contributing to their longer-term resilience.	Level of Regional GDP per region	16 % (North) (2017) 15 % (Centre) (2017) 7.5 % (South) (2017)	17 % (North) (2025) 16 % (Centre) (2025) 9 % (South) (2025)		<i>Not applicable</i>
Outcome(s) (Specific Objective(s))	Specific Objective 1: To improve the quality of local public service delivery within the selected local communities	People’s level of satisfaction with the improved or new service delivery models, disaggregated by the type of services and sex	20 % (2020)	70 % satisfied with the improved services (50 % men and 50 % women).	Satisfaction survey Local authorities reports Public opinion barometer	Low LPA staff turnover Willingness of LPAs to implement common development policies, common projects
	Specific Objective 2: To enhance the access of men and women to social, economic and technical infrastructure and associated services in the selected local communities	Population access rate (%) to public services and utilities, disaggregated by the type of services and sex	20 % (2018)	40 % (2025)	Water supply, solid waste and waste water treatment utilities reports Public opinion barometer WHO/UNICEF / Eurostat / National Bureau of Statistics data	Consensus of LPAs to implement common development policies, common projects Local Public Authorities are open for dialogue

	Specific objective 3: To enhance the business and job opportunities for men and women in the selected local communities	Employment levels of the inhabitants in the selected local communities, disaggregated by sex	31.7 % (North) (2018) 36.7 % (Centre) (2018) 33.3 % (South)	33.3 % (North) (2025) 37 % (Centre) (2025) 34 % (2025)	AIPA reports ODIMM reports National Employment Agency reports National Bureau of Statistics	
	Specific objective 4: To enhance Community-Led Local Development in the selected local communities	No. of people directly involved in local development projects activities (disaggregated by sex, age)	3000 people directly involved in local development projects in (2020)	3500 people directly involved in local development projects in (2025)	- LAGs activities reports; - Monitoring visits; - Questionnaire	Local Action Groups are active. National LEADER Network provides support and technical assistance for LAG managers LAG managers are active LPA support activities of the LAGs
Outputs	Output 1: Improved capacity of local public authorities for effective and efficient public service delivery in the selected local communities	No. of staff from local public authorities in the selected rural localities trained No. of inter-municipal cooperation and/or multi-service hubs established for the management of the regionalised	15 staff of local public authorities trained (2020) 2 (2020)	40 staff of local authorities additionally trained (2025) 5 (2025)	- reports from CSOs - Live broadcast of LPAs sessions - Contracts between LPAs signed - LPAs reports	

		public service in the selected rural localities				
	Output 2: Improved public infrastructure and local public utilities performance	No. of improved and expanded local basic public infrastructure	0 (2020)	15 infrastructure projects implemented; (2025)	- Public utilities reports - CSOs reports - Citizens complaints	
	Output 3: Diversified economic opportunities outside agriculture in the selected local communities	No. of created and/or expanded micro and small enterprises in productive sectors and traded services outside of primary agricultural production. % of the supported SMEs led by women No. of new jobs created, disaggregated by sex No. of companies connected to a cluster within the selected	500 (2020) Baseline to be established at the beginning of the programme 0 (2020) 0	30 newly created business 50 expanded businesses; (2025) At least 30 % of supported SMEs led by women 100 full-time jobs created, of which 30 % are held by a woman receiving the same salary as a man in a similar position (2025) 20 micro and small companies connected to a	- ODIMM reports - Regional Development Agencies' reports - Business service providers support - National Bureau of Statistics -AIPA reports	

	local communities	(2020)	cluster (2025)		
Output 4: Implementation of community-led initiatives in support of local development	No. of local development projects implemented	10 development projects implemented (2020)	60 development projects implemented (2025)		
	No. of social entrepreneurs supported, including women entrepreneurs	Baseline to be established at the beginning of the programme	5 social entrepreneurship initiatives implemented of which 2 initiatives led by women (2025)		
	% of initiatives supporting gender equality, the green agenda, and private sector development	Baseline to be established at the beginning of the programme	30 % initiatives supporting gender equality (2025) 30 % initiatives supporting the green agenda 30 % initiatives supporting private sector development	LAGs activities reports; Call for LAGs; Monitoring visits; Questionnaire.	
	No of cultural activities (festivals, fairs, competitions) organised in the selected local communities	10 cultural activities (2020)	15 cultural activities (2025)		

