



This action is funded by the European Union

ANNEX 2

Commission Implementing Decision on the Annual Action Programme 2017 in favour of Republic of Moldova

Action Document for Strengthening the growth potential of the Republic of Moldova through a more transparent, efficient, competitive and resilient economic environment

INFORMATION FOR POTENTIAL GRANT APPLICANTS

WORK PROGRAMME FOR GRANTS

This document constitutes the work programme for grants in the sense of Article 128(1) of the Financial Regulation (Regulation (EU, Euratom) No 966/2012 in section 5.3.1 concerning calls for proposals and in section 5.3.3 concerning grants awarded directly without a call for proposals

1. Title/basic act/ CRIS number	Strengthening the growth potential of the Republic of Moldova through a more transparent, efficient, competitive and resilient economic environment CRIS number: ENI/2017/040-480 Financed under the European Neighbourhood Instrument
2. Zone benefiting from the action/location	The action shall be carried out at the following location: the whole territory of the Republic of Moldova
3. Programming document	Single Support Framework (SSF) for EU support to the Republic of Moldova (2017-2020)
4. Sector of concentration/ thematic area	Priorities 1, 2, and 3 of the SSF
5. Amounts concerned	Total estimated cost: EUR 12 250 000 Total amount of EU budget contribution : EUR 12 000 000 This action is co-financed in joint co-financing by the European Bank for Reconstruction and Development contribution for an amount of EUR 250 000

6. Aid modality(ies) and implementation modality(ies)	Project modality			
	Direct management: grants (calls for proposals and direct award) and procurement of services Indirect management with the European Bank for Reconstruction and Development (EBRD) and with the World Bank Group			
7. DAC code(s)	15110 Public sector policy and administrative management			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance			✓
	Aid to environment	✓		
	Gender equality (including Women In Development)		✓	
	Trade Development		✓	
	Reproductive, Maternal, New born and child health	✓		
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	✓	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	✓	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	✓		<input type="checkbox"/>
	Climate change adaptation	✓		<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagship	Not applicable			

SUMMARY

The overall objective of the programme is to support the potential for economic growth in the Republic of Moldova¹ through a more transparent, efficient, competitive and resilient economic environment. To this end, this programme will help address some of the underlying challenges in the field of the economic governance and the business environment; digital-, trade and energy infrastructure as well as economic governance and the management of state assets. The programme will also assist national authorities to capitalise on the political, social and economic development opportunities arising from the European Union (EU) – Moldova Association Agreement (AA) and Deep Comprehensive Free Trade Agreement (DCFTA).

This programme is in line with the objectives of 2017-2020 Single Support Framework (SSF) for Moldova, the EU – Moldova Association Agenda for 2017-2019 and the AA and DCFTA.

¹ Hereinafter referred to as Moldova.

It will also support the implementation of the Eastern Partnership's "20 Deliverables by 2020", in particular as they relate to economic development and market opportunities but also relevant aspects of the good governance and institution building and connectivity priorities.

The programme objective will be achieved through measures targeted at improving business environment and strengthening the capacities of the judiciary to apply commercial legislation in an equitable and transparent manner; enhancing capacities of the Moldovan public authorities to implement the AA/ DCFTA; improving management of state assets and public investment through a better governance of State-Owned Enterprises (SOEs), improving management of the Road Fund, strengthening the protection of investors' rights; and furthering reforms to the oversight of the financial sector, increasing Moldova's capacity to participate in the digital economy through the further development of fixed and mobile broadband coverage, and tackling cyber-crime. Moreover, this action will support reforms within the Moldovan energy market towards more transparency, effectiveness and competitiveness to build foundation for a successful operation of Energy interconnections.

The programme will be implemented through a mix of twinning, technical assistance and delegation agreements with the World Bank Group (WBG) and the European Bank for Reconstruction and Development (EBRD).

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

As outlined in the 2017-2020 Single Support Framework, Moldova's relations with the EU are guided by the AA / DCFTA which fully entered into force on 1 July 2016 after being applied provisionally since September 2014.

The AA highlights the need for key priority reforms in democracy, the rule of law, human rights and fundamental freedoms, good governance, a functioning market economy and sustainable development. EU assistance is synchronised with the priorities and objectives set out in the AA and it is framed in the Single Support Framework (SSF) 2017-2020 which focuses EU support in the field of Economic development and market opportunities; Strengthening institutions and good governance, including the Rule of Law and Security; Connectivity, energy efficiency, environment and climate change; Mobility and people-to-people contacts, including support to the continuous fulfilment of the Visa Liberalisation Action Plan benchmarks and to education, training and research. A complementary provision of the SSF is dedicated to capacity development and institution building activities for the implementation of priority commitments deriving from the EU agreements.

The Association Implementation Report on the Republic of Moldova of 10 March 2017² recognised that with extensive support from the EU, Moldova has already adopted a number of reforms. These aim to restore the independence of the judiciary and tackle corruption, make the public administration more efficient, restore macro-economic stability, and

²SWD(2017)

approximating the legislation on electricity and natural gas. However, further reform efforts are needed to improve the rule of law and the business environment, which is still affected by endemic corruption, as well as inconsistent policymaking.

Several structural challenges hold back the country's economic growth. These range from the recent financial instability and efforts in strengthening the governance in the banking sector to a lack of efficient and transparent management of state assets including with regards to SOEs. But these weaknesses have also impacted the country's infrastructure, which remains a crucial aspect to the economic outlook and growth potential. In particular there is a need to strengthen the management of the Road Fund and to improve the approximation of the energy sector to the EU *acquis* as to increase its transparency, resilience and competitiveness. Moreover Moldova's broadband infrastructure remains relatively weak holding back potential productivity gains in the economy and widening the digital gap in the country and the region. The transparency and attractiveness of the business environment would be further improved with a more efficient commercial justice system, investor protections, improvements of financial sector governance – while cyber security is a growing concerns not only to the state and citizens but also to businesses. Taken together, these challenges create obstacles for Moldova to become a more secure, efficient, competitive and transparent economy and by extension challenge its economic growth outlook.

The choice of the sectors was defined taking these challenges into account as well as the current capabilities of the Government of Moldova for the fulfilment of the obligations arose from the AA and the complementarity with the on-going support, provided by the EU or other donors.

1.1.1 Public Policy Assessment and EU Policy Framework

The proposed action would therefore be central in supporting the implementation of key aspects of the AA/DCFTA, SSF and the Council Conclusions as well as the relevant priorities outlined in the "20 Deliverables by 2020" Joint Staff Working Document.

The proposed Action is aligned to the following 5 out of 7 priorities of the National Development Strategy ("Moldova 2020"):

- 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;
- Increasing the quality and efficiency of justice and fighting corruption in order to ensure equity for all citizens.

Moreover, the Action is consistent with the National Plan for the implementation of the AA/DCFTA 2017-2019³ and the EU-Moldova Association Agenda for 2017-2019. The analysis of the public policy and the applicable EU policy framework per component is presented as follows.

1.1.1.1 Economic Governance

³ <http://lex.justice.md/index.php?action=view&view=doc&lang=2&id=369730>

Strengthening of governance of SOEs is included in the Government's Action Plan for the implementation of AA for 2017-2019. Moreover, containing fiscal risks related to operations of SOEs is one of key measures to safeguard fiscal stability into the on-going three years International Monetary Fund (IMF) programme⁴ and of the upcoming Macro-Financial Assistance to Moldova. The activities to be supported by the Action arise from the recommendations of SIGMA Review of Governance of SOEs (2016) and WB diagnostic study of the reform of SOEs (2017). This component of the action will also contribute to the implementation of the Public Administration Reform (PAR) strategy 2016-2020 which envisages measures to streamline and simplify administrative processes in public authorities and institutions and to improve transparency and control of government over state-owned enterprises and public limited company with focus on accounting, bookkeeping and financial reporting standards.

The Moldovan Transport and Logistics Strategy 2013-2022 targets improvements to the financial management and planning capacities of the Road Fund. The strategy also puts forward actions aimed at increasing the revenues of the Road Fund to ensure proper maintenance, rehabilitation and modernisation of the road network.

The Strategy for Business Regulatory Framework Reform 2013-2020 outlines national priorities for administrative simplification. Its main focus is on “smart” regulation in order to move away from the overly quantitative indicators used in past regulatory reforms.

The programme will also include measures designed to better manage systemic risks to financial stability in line with international standards and relevant aspects of the AA. Those activities are aligned to the objective of strengthening institutions and the policy framework in the financial sector under the IMF programme and will complement the upcoming Macro-Financial Assistance to Moldova.

1.1.1.2 Commercial Justice

The rule of law is a central part of a more effective but also more predictable economic environment, and the country's attractiveness to domestic and international investors. The Republic of Moldova is committed to the introduction of the Rule of Law in accordance with the AA/DCFTA and the provisions of the National Justice Sector Reform Strategy (JSRS) for 2011-2016 (extended by one year in December 2016). While some work has been done to date to strengthen the judiciary and improve the criminal justice system, less attention has been paid so far to enhancement of commercial justice. The Strategy recognises the need to ensure fair, transparent and equitable application of commercial law in order to inspire confidence amongst foreign and domestic investors, and to introduce non-judicial forms of commercial dispute resolution.

1.1.1.3 Energy market transparency and competitiveness

The diversification and security of energy supply is of strategic relevance to the economic resilience and outlook of the country. The AA foresees that Moldova should enhance the security of energy supply, facilitating the development of appropriate infrastructure, increasing market integration and regulatory approximation towards key elements of the EU *acquis*, and promoting energy efficiency and the use of renewable energy sources. Moreover, as a member of the Energy Community (EnC) Moldova is committed to implement key EU

⁴ IMF Country Report No. 16/343

energy legislations, develop an adequate regulatory framework and liberalise its energy market in line with the EU *acquis*. Those reforms should pave the way for an enhanced cross-border trade and integration with the EU energy market and will contribute to promoting diversification of energy supply sources which will enhance energy security of the country (Moldova ranks 116 out of 125 worldwide in 2016 according to World Energy Trilemma Index) and increase competition on the Moldovan energy market.

1.1.1.4 Implementation of the AA/DCFTA, including broadband development and cyber security.

The AA/DCFTA defines the actions to be taken by the Moldovan Government in order to maximise the opportunities offered by the AA/DCFTA and ensure smooth access to the European Single Market through effective trade related measure and economic cooperation.

In addition, the Government of Moldova, recognizing the importance of high-speed broadband roll-out to the productivity of the economy, and in accordance with the AA, has elaborated the *Digital Moldova 2020 Strategy*. The Strategy aims at creating conditions through minimum state intervention but with maximum effect for information society development, focusing efforts on three pillars: 1) Access and infrastructure – improvement of connectivity and network access; 2) Digital content and electronic services- promoting digital content and generating services; 3) Capacities and utilisation- strengthening literacy and digital skills to enable innovation and stimulate usage. The establishment of a high-speed broadband platform throughout the country, not just in the capital and major towns, will be essential if investors are to be attracted to the rural areas.

With a proper Cyber Security Strategy absent still, the main normative document that currently governs cyber security is the National Programme on Cyber Security 2016-2020. Its main objectives include, among others, preventing and fighting cybercrime as well as developing emergency prevention and response capacities at national level.

1.1.2 Stakeholders analysis

The proposed Action was formulated in consultation with the Moldovan counterparts and the implementing partners.

The Ministry of Foreign Affairs, the State Chancellery and the Ministry of Economy (MoE) are responsible for the overall coordination of the implementation of AA/DCFTA from the Government side. Coordination with the legislature regarding the legal approximation with the EU *acquis*, needs to be further enhanced.

Component 1 - Economic Governance: Regarding the SOEs, the activities will be implemented in co-ordination with the MoE, responsible for the execution of state policy on management and privatisation of state property and exercise of ownership rights and the Ministry of Finance, in charge of financial monitoring of majority owned SOEs. A reform of the State management of SOEs is being considered by the government and may constitute an opportunity to address the current fragmentation of the ownership function. The action will also involve the management of SOEs including for capacity building activities.

The Ministry of Finance will lead activities on public asset management with the involvement of other State bodies for data collection.

The implementation of the activities related to the management of the Road Fund will involve the Ministry of Transport and Road Infrastructure, Ministry of Finance as well as the State Roads Administration.

The Prime Minister Office, namely the State Chancellery, and the MoE are the main counterparts for the activities related to the protection of investors' rights.

The National Bank of Moldova (NBM) and the National Commission for Financial Markets (MCFM), independent state institutions under the Parliament, are the counterparts for the activities on financial governance. Both bodies have sufficient institutional, human and administrative capacities to lead the proposed activities. The Ministry of Finance, having the right of legislative initiative on the matters related to the financial sector, will be associated to the Action when it comes to the modification of the legal framework. Private operators, including banks, non-bank credits institutions, insurance companies, etc., will be part of the programme's activities.

Component 2 - Commercial Justice: The Ministry of Justice is the main counterpart for Commercial Justice Component. Other government stakeholders, and Moldova's business operators, in particular small enterprises that would not necessarily have the resources to opt for out-of-court means, will be also involved in the implementation of the programme.

Component 3 - Energy market transparency and competitiveness: The implementation of the component on Energy market transparency and competitiveness will involve the Directorate-General for Energy (DGE) in the Ministry of Economy. This Department is in charge of promoting the state policy in the field of energy efficiency and renewable energy sources, electricity, gas and thermal energy and development of new energy infrastructures like interconnections. Cooperation will also be sought with the National Agency for Energy Regulation (ANRE) which governs the economic and commercial activities carried out in the electricity, heat and natural gas sectors, and ensures the functioning of the electricity and gas markets.

Component 4 – Support to the implementation of the AA/DCFTA: The MoE and other relevant state institutions will be main counterparts for the activities related to the implementation of AA/DCFTA.

The digital economy sub-component will be implemented in co-ordination with the Ministry of Information Technology and Communications (MITC), responsible for the implementation of the Digital Moldova 2020 Strategy and the National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI).

For the cyber security component, the activities will be implemented with the Centre for Special Telecommunications (CST) and more in particular with its cyber emergency response team. The CST is a key player in maintaining the Public Administration Authorities' network and services a total of 108 agencies.

There are capacity constraints across the public administration, low remuneration being one of the main reasons for high turnover, limited capacities and lack of staff. A reform of central public administration, initiated by the government in 2016, aims at optimising the existent structures, increasing efficiency and improving employment conditions. Therefore, the design of the activities foreseen under this Action will have to take those elements into account and ensure an appropriate capacity building.

1.1.3 Priority areas for support/problem analysis

1.1.3.1 Component 1: Economic Governance

SOEs in Moldova continue to play significant role in the economy. SOE assets account for more than 32% of GDP. The top ten SOEs control over 74% of total SOE assets and are engaged in nationally important activities and infrastructure, such as gas import and distribution, electricity networks, telecommunications, railways, transport, including national airline and roads infrastructure. However, citizen satisfaction with the quality of and access to these services is low. In addition, many SOEs offer important public services such as the registration or issuing of documents and records. Yet, SOEs are making losses and their long-term debt is rising, thus adding the costs to Moldova's economy, damaging its sustainability and exposing the Government to fiscal risk. Most SOEs in Moldova use sole source procurement for goods and services which generates significant risks including potentially paying above market prices and increased scope for corruption, including bribery and related-party transactions.

Moldova lacks a unified database on state assets. The information on state property is fragmented and does not offer a complete picture. In order to achieve a more efficient delivery of public services, it is necessary to have a better management of fixed assets, which would not only reduce the associated costs, but also optimise the services of the state, as whole. To attain this objective, it is critical to maintain updated, integrated and consolidated records on what the state possesses in a single asset registry. This would be a step forward towards implementation of the public sector accounting standards based on International Public Sector Accounting Standards (IPSAS) that the Government is committed to pursue in the coming years.

The Road Fund presently accounts for around 5.5% of the State Budget and over 1.2% of GDP. Improving the efficiency and transparency of Road Fund governance and increasing capacities to prioritise and monitor road investment projects and ensure cost-effectiveness of expenditures is in line with the AA/DCFTA provisions on Transport Policy, notably Title IV Economic and other sector co-operation, Article 81. Proper functioning of the Road Fund is fundamental to ensure regular maintenance and rehabilitation of the Moldovan Road network which has received over last years substantial funding from the donors, including the EU.

Regarding the activities on strengthening the protection of investors' rights, there is wide scope to reduce the administrative burden for the private sector, improve regulatory transparency, reduce the regulatory implementation gap, manage the level of political risk and raise investor confidence. Support will be provided to ensure the equitable and transparent implementation of business-related laws and to close the regulatory implementation gap. The focus will be on the conduct of annual business surveys, the development of regular and systematic feedback consultations with businesses and surveys to monitor overall levels of business confidence. Specific attention will be paid to the development and application of investor protection guarantees, the establishment of grievance and dispute mechanisms consistent with international good practices and strengthening the capacities to operate grievance tracking and management mechanisms.

While progress has been made in addressing the weaknesses which led to the large scale banking fraud in 2015, reforms of the financial sector need to be pursued. According to the provisions of the Annex XXVIII-A Financial services of the AA, a new legal framework on macro-prudential supervision of the financial sector under Pillar 2 of the European Capital

Requirements Directive (CRD IV/CRR)⁵ is to be adopted by Moldova by September 2017. Once the primary and secondary legislation will be in place, the NBM will need support in enhancing the new framework and ensure that it is properly implemented by the private operators. Assistance will be also offered on enhancement of the recently adopted law on bank recovery and resolution, which is based on the EU Bank Recovery and Resolution Directive⁶. Strengthening the regulatory framework and oversight of non-financial institutions, notably of the insurance sector will also be addressed by the assistance.

Among non-bank financial institutions, a key challenge is being posed by non-bank credit institutions and insurance companies. Therefore, the proposed Action will support the authorities in putting in place a new regulatory framework on non-bank credit institutions. A new draft law on insurance, aligned to the EU Directive Solvency II⁷, is being prepared by the NCFM with WB support. It is planned that the EU will further assist the NCFM in developing the secondary legislation and enhancing the new framework.

1.1.3.2 Commercial Justice

While the Republic of Moldova scores relatively well on global governance indicators compared to its peers in the former Soviet Union, it is behind EU Member States, including neighbouring Romania. In fact, its ranking remains below the 50th percentile for all six Worldwide Governance Indicators; with the rule of law and control of corruption indices either stagnant or deteriorated. Low trust in Moldova's justice system resists all reforms and perception of corruption remains high.

In the recent past, the Republic of Moldova has seen an increase in demand for arbitration/mediation services. In fact, the largest increase in demand has been in the area of commercial disputes where the number of mediation/arbitration cases jumped from 1 case in 2014 to 72 cases in 2015 and a close to 100 % successful mediation/arbitration rate. However, there is still further work to be done to promote the arbitration and mediation facilities and conduct a targeted communications and outreach campaign tailored to key stakeholders and potential users.

1.1.3.3 Energy market transparency and competitiveness

The Moldovan energy market is still currently faced with limited competition and low transparency. The limited connectivity with larger energy markets in neighbouring countries and the underdeveloped institutional and regulatory framework contribute largely to the current structural problems.

Moldova has been accelerating these last years the implementation of strategic interconnection projects with the EU. In 2014, the Iasi-Ungheni pipeline was inaugurated with financial support of the EU and offered the opportunity for Moldova to receive some first very limited gas from Romania and the EU market. With regards to Electricity sector, two feasibility studies were finalised in 2016 and came to the conclusion that electricity interconnection should be developed between Moldova and Romania.

⁵ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms

⁶ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms

⁷ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II)

The interconnections will create a potential for diversification of supply away from the current limited sources. However, major legal, regulatory and operational improvements in the gas and power sectors need to be made so that the interconnections can operate in a functioning energy market permitting them to deliver results in the form of cheaper and more diversified energy supply to the benefit of all the citizens of the country.

1.1.3.4 Implementation of the AA/DCFTA, including broadband development and cyber security.

Titles IV & V of the AA/DCFTA define the actions to be taken by the Moldovan Government in order to maximise the opportunities offered by the AA/DCFTA and ensure smooth access to the European Single Market. The Conclusions of the Council of the European Union (February 2016) were highly critical of Moldova’s progress in the implementation of the AA. Only 25% of the commitments set out in the Action Plan for 2015 were met. The Government has subsequently taken steps to accelerate implementation. Nevertheless, while Moldova has already aligned and harmonised much of its legislative and regulatory framework with the requirements set out in Titles IV and V of the AA, there is still further work to be done in order to remove technical and administrative barriers to trade and meet sanitary, phytosanitary and food safety standards.

Assistance will be provided to establish a digital map of the country in view of informing further development of digital service across the country.

Moreover, the project will support enhancement of the capacities of the Centre for Special Telecommunications in the field of cyber defence (i.e. better protecting the Republic of Moldova's telecommunications system of Public Administration Authorities). This assistance will be complementary to the Cyber Emergency Response Team (CERT) that will be set up – though not through EU assistance – within the Ministry of Defence.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Vested interests and corruption hamper reforms.	H	Continuous policy dialogue at sectorial and political level including with the President of the Republic for strengthened anti-corruption efforts preventing the prevalence of vested interests in policy making.
Political turnover following 2018 National Elections diverts the Republic of Moldova from the AA implementation.	H	Intensified policy dialogue with the Government within the framework of the Association Council and follow-up measures. Moldova will also sign with the EU a financing agreement for this programme.
There is resistance to the Government’s proposal for reform of SoEs	H	Continuous dialogue, together with the WB & IMF, regarding management reform and restructuring of SoEs

Decreasing interest from Romania to promote Electricity Interconnection with the Moldova	M	Regular meetings with the relevant Romanian authorities to better coordinate development of the strategic investments.
High staff turnover limiting the capacity to pursue reforms in the sector and implement major infrastructure project in a timely manner	H	Capacity building and closer coordination between implementing bodies and local stakeholders on defining and agreeing operational management structures for long term sustainability.
Major decrease of the prices of electricity coming from the Eastern market putting at risk the economic viability of energy interconnection projects	M	Regular monitoring of local Energy market and intensive policy dialog with the Ministry of Economy on the implementation of the national Energy Strategy
Assumptions		
<ul style="list-style-type: none"> • The Government continues to implement the EU-Moldova agreement in a timely and efficient manner • The Government is committed to implement the reforms covered by the Action. 		

3 LESSONS LEARNED, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learned

The choice of the areas of intervention has been informed by lessons learned during the previous programming cycle:

- It is important to ensure that the adopted legislation is effectively enforced. In this aspect, progress has been mixed and additional efforts are required to ensure effective enforcement of new legal frameworks.
- Institutional fragmentation, politicisation, low administrative capacity, lack of proper policy analysis capacities, poor quality of law-drafting, poor inter-ministerial coordination, etc. are general issues that cannot be solved within one sector alone. Therefore the action shall ensure consistency with the horizontal public administration reform (PAR) efforts, as planned in the National PAR Strategy 2016-2020;
- There is a need to ensure that private sector is adequately prepared for the application of the new legal framework under Title IV "Economic and other sector co-operation" and Title V "Trade and Trade Related matters" of AA/DCFTA. This should be done by providing targeted support to business operators enabling them to fully benefit from business opportunities offered by the DCFTA;
- Considering EU Member States comparative advantages, twinning and TAIEX facilities, when designed in close coordinated with the partner institutions, proved to be an effective tool for legal approximation with EU acquis;
- Infrastructure development requires associated technical assistance to promote accompanying sectoral reforms, and ensure sustainability of the new investments. In

this sense, adequate tariffs and their timely adjustment are necessary to ensure modernisation of energy infrastructures. Assistance to the most vulnerable population should be put in place when adjusting energy tariffs;

- Special attention should be put on ensuring appropriate visibility of EU support focusing on concrete and tangible benefits for the citizens.

3.2 Complementarity, synergy and donor coordination

At policy level, the proposed activities will be supported by EU High Level Advisory Mission which is comprised of policy advisors present in each of the sectors covered by this Action: Economy, Energy, Finance, Transport and Justice.

There is complementarity with the wide range of initiatives being implemented by EU, EU Member States, other bilateral donors and the International Financing Institutions, notably related to trade including implementation of DCFTA, judicial reform, public finance, energy and transport. The activities focusing on economic and financial governance are coordinated with the on-going IMF programme and the upcoming EU Macro Financial Assistance programme.

The proposed action will complement the assistance provided under budget support operations, notably "DCFTA Sector Reform" (2015-2017), "Public Finance Policy Reforms" (2015-2017) and the complementary technical assistance. Regarding trade facilitation, the activities are complementary to the on-going regional programmes in the Eastern neighbourhood such as the SME Panel and Trade Panel initiatives; the East Invest and Eastern Partnership Business Fora, the SME Flagship project.

Moreover, synergies will be established with the projects supported by the Comprehensive Institution Building Programme and the Neighbourhood Investment Facility. Coordination with the joint EU/OECD Support for Improvement in Governance and Management (SIGMA) initiative will be ensured on issues related to public administration reform, including public finance management.

With regard to Energy sector, the Action will be complementary to other EU-led initiatives such as EU4Energy programme, EU-funded technical assistance project focused on modernisation of the Energy sector and other actions implemented in Moldova including the programme on development of the Ungheni-Chisinau Gas Interconnector. Synergies and donor coordination should be ensured by the coordinating structures in place (State Chancellery) as well as within the framework of the Energy Donor Coordination Working-Group, the Quadrilateral Meetings (Moldova, Romania, European Financing Institutions and European Commission on interconnections and the High-Level Coordination for Power System Interconnections.

The action to strengthen the application of commercial law complements the ongoing support provided by other development partners, notably EBRD's project with the Ministry of Justice on promoting the use of mediation and arbitration in the business community.

The action to enable the acceleration of high-speed broadband roll-out across Moldova will be implemented in coherence with the first regional EU4Digital programme 2017-2020, including in particular its national level actions for Moldova.

Coordination with the on-going and future projects with civil society organisations and private sector, supported by the EU or other donors', will be ensured in all sectors covered by

the Action. Synergies and donor coordination should be sought by the coordinating structure (State Chancellery) as well by the relevant Sector Coordination Councils led by the national authorities.

3.3 Cross-cutting issues

Gender equality will be streamlined under the proposed Action in line with the EU “Strategic engagement for gender equality 2016-2019”. In this sense, activities focusing on DCFTA should contribute to increase female labour-market participation and the equal economic independence of women and men. A special attention will be paid to promote equality between women and men in decision-making in most of the sectors covered by the Action. Wherever applicable, performance data will be disaggregated on gender basis.

The principle of social inclusion will be applied to the present action. Efforts will be made to ensure that socially disadvantaged and marginalised groups (including but not limited to households living on or below the poverty line, the physically and mentally handicapped, young persons and ethnic minorities) have equal access to the opportunities offered by the programme.

The programme focuses in particular on securing the rights of investors, facilitating fair and equitable competition between enterprises in the public and private sectors, and ensuring the transparent application of commercial laws and regulations.

The application of principles of good governance, accountability, and transparency will be promoted throughout the Action, the fight against corruption will be streamlined. The application of EU PAR principles⁸ will be promoted under the relevant activities.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results and options

The **overall objective** is to support a more transparent, efficient, competitive and resilient economic environment in the Republic of Moldova.

The **specific objectives** are:

Component 1: Economic Governance :

- To enhance the governance, management, transparency and accountability of SoEs;
- To strengthen the Government’s capacity to formulate and implement evidence-based policies on the management of state assets;
- To strengthen revenue management as well as expenditure monitoring and evaluation within the Road Fund;
- To enhance the protection of investors’ rights through improved implementation of the Investment Protection Law and grievance mechanisms;
- To strengthen supervision, corporate governance and risk management in the financial sector.

Component 2: Commercial Justice

⁸ <http://www.sigmaweb.org/publications/principles-public-administration-european-neighbourhood-policy.htm>

- To strengthen Out-of-Court Means of Settling Commercial Disputes via Mediation and Arbitration.

Component 3: Energy market transparency and competitiveness

- To reform the gas and electricity markets in line with the Third Energy Package with a view to ensure successful operation of the future gas and electricity interconnections;
- To enhance market competition, transparency and security of energy supply by eliminating existing collusive and/or corrupt practices, and help reduce the pressure of increasing costs for end-consumers.

Component 4: Support to the implementation of the AA/DCFTA

- To enhance capacities of the Moldovan public authorities to implement the AA/DCFTA;
- To enable the acceleration of high-speed broadband roll-out across Moldova, concentrating where possible on priority broadband users such as small and medium enterprises (SMEs), schools and public services;
- To reinforce the Centre of Special Telecommunications' capacities in protecting the Information and Communication Technologies (ICT)-network between Moldova's Public Administration Authorities

The *expected results of the programme* are:

Component 1: Economic Governance

- Transparency of SOEs' operations is increased through disclosure of both financial and non-financial information ;
- Performance of SOEs is improved notably thanks to increased efficiency of management Boards;
- A comprehensive information on state assets is available through a Unified Register of the State Assets and Property;
- Investments of the Road Fund are transparent, efficient and performance based and citizens are able to assess information on maintenance plans and expenditure details for individual road links that may affect their communities;
- Protection of investors' rights is strengthened through improved implementation of the grievance mechanisms;
- Systemic risks to financial stability posed by the private sector banks and other financial operators are mitigated through an effective supervisory framework aligned to international standards as well as an improved governance and risk management systems.

Component 2: Commercial Justice

- Increased usage of commercial arbitration and mediation as out-of-court means of settling commercial disputes.

Component 3: Energy market transparency and competitiveness

- Increased Energy Security through successful operation of the gas and electricity interconnections;
- Third Energy Package implemented in practice and promoting more openness, transparency and efficiency of the Moldovan Energy market;

- Citizens benefit of better services and lower tariffs thanks to increased competitiveness of the Moldovan energy market.

Component 4: Support to the implementation of the AA/DCFTA

- Progress is made on the compliance with provisions of the Title IV "Economic and other sector co-operation" and Title V "Trade and Trade Related matters" of the AA/DCFTA;
- High-speed broadband development is accelerated through improvements to the regulatory environment and identification and removal of barriers to the provision of broadband connectivity;
- Standard operating procedures to better protect the Public Administration Authorities' ICT network are effectively implemented.

4.2 Main activities

The activities are arranged under four components.

Component 1: Economic Governance

Support will be provided to the Ministry of Finance and the Public Property Agency by sharing international best practice on SoE governance, different legal forms of SoEs and management policies between the MoF, PPA and SoEs, the development of a comprehensive SoE database and the creation of a system to monitor and enforce publication of audited financial statements and management reports. In addition, assistance will be given to the MoF and the PPA to develop a consolidated database of state assets and property, carry out an inventory of state property, and strengthen capacity to collect information on state property and update the database.

Assistance will be provided to the Ministry of Transport and Roads Infrastructure, the State Roads Administration and Local Public Administrations in order to increase capacities to prioritise and monitor road investment projects financed through the Road Fund, develop analytic tools for analysing the cost-effectiveness of expenditures, and build to use and apply the Roads Administration Management System for data collection, processing and prioritisation of investments.

Support will be provided to the State Chancellery and the MoE, to ensure the equitable and transparent implementation of business-related laws and to close the regulatory implementation gap. The focus will be on the conduct of annual business surveys, the development of regular and systematic feedback consultations with businesses and surveys to monitor overall levels of business confidence. Specific attention will be paid to the development and application of investor protection guarantees, the establishment of grievance and dispute mechanisms consistent with international good practices and strengthening the capacities to operate grievance tracking and management mechanisms.

Support will be provided to the NBM on strengthening macro-prudential supervision and implementing the Bank Recovery and Resolution Framework. Assistance will be provided to the NCFM in preparing the secondary legislation on insurance and enhancing the new regulatory framework. Moreover, assistance will be given to the relevant authorities to approve and implement a new legal framework strengthening supervision of non-bank credit organisations.

Component 2: Commercial Justice

Assistance will be given to the Ministry of Justice and the private sector operators for the development of alternative dispute resolution mechanisms that would allow businesses to avoid time-consuming and costly court trials. The activities under this component will be divided in two sub-components: 1). Strengthening out-of-Court means of settling commercial disputes – mediation and arbitration and 2). Testing out-of-Court means among Moldova's Small Enterprises. The implementation of the first sub-component will entail: (a) development of a business-to-business single point of entry arbitration facility specifically targeting small businesses, b) development of a business-to-business single point of entry mediation facility, and c) outreach campaign advocating for the usage of and access to new out-of-court facilities focusing on businesses as the initiators and attorneys. In addition to strengthening the supply side and raising awareness among Moldova's business community, in particular small enterprises, a second activity will focus on the demand-side through a pilot of the above mentioned out-of-court means of settling commercial disputes.

Component 3: Energy market transparency and competitiveness

Assistance will be given to the MoE and Energy Operators to align electricity market and gas regulations with the new legislative framework compliant with the Energy Community Treaty. The action will focus on removing legal and contractual barriers to competition and will support the successful operation of gas and electricity interconnections with the EU market. Particular emphasis will be put on the question of affordability of tariffs within the sector and the development of the mitigating measures that may be requested.

Assistance will be provided to allow electricity exchanges through the installation of power interconnection between Moldova and Romania which will open a new independent source of electricity supply from the European Market. The main activities of this Investment component (EUR 40 million) will be confirmed in the European Neighbourhood Investment Facility (NIF) application form to be submitted to the NIF technical meeting.

Component 4: Support to the implementation of the AA/DCFTA

Technical assistance will be provided to the MoE and other state agencies on the implementation of the DCFTA, notably on further alignment of the legislative and regulatory frameworks identified in Title V "Trade and Trade Related matters" of the AA. This will tentatively cover the following areas (the list is not exclusive): National treatment and market access for goods; trade remedies; technical barriers to trade – standardisation, metrology, accreditation and conformity assessment; sanitary and phytosanitary measures; customs and trade facilitation; establishment, trade in services and electronic commerce; current payments and movement of capitals; public procurement; intellectual property rights; competition and state aid; trade-related energy; transparency; trade and sustainable development; and dispute settlement.

Technical assistance will be provided to the ANRCETI in order to assess the current situation regarding the deployment of broadband networks and services in Moldova and to encourage investment in fixed and mobile broadband networks in those geographical areas where there is insufficient economic incentive or limited competition. The support will also focus on improving the regulatory framework related to the development of broadband infrastructure and services and develop measures designed to increase efficiency in the use of existing infrastructures and to reduce costs and obstacles to deploying new networks. Furthermore, the assistance will identify barriers to entry, investment and innovation in the provision of broadband connectivity, and will implement an informational system "Infrastructure Map".

Technical assistance will be provided to the Centre of Special Telecommunications (CST) in terms of drafting Standard Operating Procedures (SOPs) for CST staff; cyber defence training to CST staff and cyber officers of relevant Public Administration Authorities and in setting up and executing repeated cyber defence exercises for CST staff and cyber officers of relevant Public Administration Authorities.

4.3. Intervention logic

The proposed Action will assist Moldova to address underlying structural challenges to its economic growth as well as to its ability to capitalise on the opportunities arising from the conclusion of the AA and to meet its obligations under Titles III "Freedom, Security and Justice", IV "Economic and other sectoral cooperation" and V "Trade and trade-related matters" of the AA/DCFTA. To achieve a more transparent, resilient and efficient economic environment, the programme will strengthen economic governance with a focus on SOEs governance, management of state assets and the Road Fund, financial sector supervision, the business environment and investor protection. It will also help improve the efficiency and transparency of the economy through a more effective management of commercial cases (via a greater use of arbitration and mediation). It will address key aspects of infrastructure issues for a more resilient economic environment by focusing on measures to increase the security, affordability, efficiency and diversification of energy supplies as well as the roll out of broadband and strengthened cyber security measures.

The visible and tangible benefits of the programme include: an improved, more transparent and equitable business environment, with an increased level playing field for both private and public sector enterprises; an improved legal and regulatory base for investing and doing business consistent with the *acquis communautaire* and international best practice; and more effective enforcement of the laws and regulations and court decisions. The programme will help to inspire confidence amongst the business community, attract foreign and domestic investment and facilitate trade with the EU and the global marketplace, which in turn will stimulate economic growth, increase employment opportunities and reduce poverty. For more details, see Annexe 1 Logical framework.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of Regulation (EU, Euratom) No 966/2012.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the Financing Agreement.

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; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3. Implementation modalities

5.3.1 Grants: –call for proposals "Strengthen supervision, corporate governance and risk management in the financial sector" (direct management)

(a) Objectives of the grants, fields of intervention, priorities of the year and expected results

Twinning call for proposals modality will be used in order to strengthen the capacity of the NBM to enhance macro-prudential supervision under pillar 2 of the CRD IV/CRR and implement the Bank Recovery and Resolution framework. The expected results are that the NBM will implement the EU Capital Requirements Directive, establish a macro-prudential policy committee and implement and enforce the Bank Recovery and Resolution Directive. In addition, assistance will be provided to enhance the regulation and supervision of non-bank credit organisations and insurance sector. Given that this action will focus on the legal approximation with a part of the EU acquis and implementation thereof, the use of twinning appears to be relevant, as it will bring together public sector expertise from EU Member States on that particular acquis with the beneficiary country.

(b) Eligibility conditions

In line with Article 4(10) (b) of Regulation (EU) No 236/2014, participation in Twinning calls for proposals is limited to public administrations of the EU Member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control - provided they act for the account and under the responsibility of that Member State.

(c) Essential selection and award criteria

The essential selection criterion is the operational capacity of the applicant.

The essential award criteria are the technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

(d) Maximum rate of co-financing

The rate of co-financing for Twinning grant contracts is 100%⁹.

(e) Indicative timing to launch the calls

2nd quarter of 2018

(f) Use of lump sums/flat rates/unit costs

Twinning contracts include a system of unit costs and flat rate financing, defined in the Twinning Manual for the reimbursement of the public sector expertise provided by the selected Member State(s) administration(s). The use of this system of unit costs and flat rate financing, which exceeds the amount of EUR 60 000 per beneficiary of a Twinning contract, is authorised through Commission Decision C(2017)1122.

5.3.2 Procurement (Direct Management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance to DCFTA	Services	2	second trimester 2018

⁹ As provided for in the Twinning Manual

Cyber security			
(2) Evaluation/audit	Services	4	Second trimester 2021 Second quarter 2022 Fourth trimester 2022

5.3.3 Grant: direct award "Economic rule of Law" (direct management)

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

The World Bank Group (WBG) will implement the sub-components of SOEs, Road Fund and Regulatory Transparency for investors of the component "Economic Governance", sub-component "Strengthening out-of-Court means of settling commercial disputes – mediation and arbitration" of the component "Commercial Justice" and the component "Energy market transparency and competitiveness". The objectives of the grant, fields of intervention, priorities and the expected results are described in the sections 1.1.3.1; 1.1.3.2; 1.1.3.3; 4.1 and 4.2.

(b) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the WBG.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified because in accordance with Article 190 (1) (f) of Commission Delegated Regulation (EU) No. 1268/2012, the action has specific characteristics requiring a specific type of beneficiary for its technical competence, specialisation or administrative power in the area of Economic rule of Law, including Economic governance, Commercial Justice and Energy market transparency and competitiveness.

The fields covered by the action are part of the core mandate of the WBG which supports policy makers to reach well informed, evidence-based decisions that promote equity and inclusion, sustainable macroeconomics, public sector transparency and efficiency, productivity, and financial sector deepening and stability - all foundational elements for reducing poverty and promoting inclusive growth. The objectives of the WBG country partnership strategy for the Republic of Moldova for 2014-2017 include 1) increasing Competitiveness via institutional reforms for a business enabling environment and governance and 2) promoting a green, clean and resilient Moldova through energy security and efficiency increase.

It is proposed to entrust the implementation of the activities listed above to the WBG because of the following reasons:

- (i) The WBG has a worldwide sector and thematic expertise in the areas covered by the project and a long record in supporting reforms in those areas in Moldova;
- (ii) The proposed action will continue the on-going assistance delivered by the WBG on the governance of SOEs governance, Commercial Justice and Energy and previous work on state asset management;

- (iii) The WBG has a comparative advantage in terms of logistical and management capacities, notably via access to a worldwide network of experts in the areas concerned.

(c) Essential selection and award criteria

The essential selection criteria are the financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

(f) Indicative trimester to conclude the grant agreement

2nd quarter of 2018

5.3.4. Indirect management with the World Bank Group

A part of this action may be implemented in indirect management with the WBG in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails the state asset management sub-component of the Component "Economic governance" and the second sub-component "Testing Out-of-Court Means among Moldova's Small Enterprises" being a sub-component of the "Commercial Justice" component.

This implementation is justified because of the mandate and specific technical expertise of the WBG.

The collaboration with the WBG for the two above mentioned areas will be done through an Hybrid Trust Fund (consisting of Bank-Executed Trust Fund – BETF - and recipient-executed Trust Fund - RETF) which falls under the umbrella of Commission-WBG Programmatic Trust Fund (PTF) EC-World Bank Partnership on Europe and Central Asia (EEPP) or as the case may be another PTF that would be concluded for covering the collaboration between the two entities.

Regarding the component "Economic governance", most of the activities will be recipient-executed with a small part corresponding to Bank-executed supervision and expertise. The activities associated with this sub-component include the development of the integrated database (the Unified Register of the State Assets and Property), the first phase of data collection, and initial capacity-building on information management. The procurement of these activities (most probably in one package) is expected to be done by the Government under WBG supervision, based on the following grounds:

- (iv) The recipient has greater capacity than the WBG for the procurement of goods and works;
- (v) In order to avoid conflicts of interest the WBG prefers not to carry out feasibility studies or develop technical specifications for IT applications;
- (vi) Under recipient-execution the Government will maintain ownership of the software along with the contractual arrangements for all the procurement and the possibility of sanctioning the software-developer for underperformance.

- (vii) This approach also avoids any risk of breach of confidentiality of government data since the software developer may require the government agency to share confidential data with the developer.

Regarding the Component "Commercial Justice" most of the activities will be recipient-executed with a small part corresponding to Bank-executed supervision and expertise.

Recipient-executed activities will consist of the development of the software to operate a single point of entry to arbitration and mediation for small businesses and consumers. This activity would need to be financed through a recipient-executed Trust Fund for the reasons given above for state asset management. Another recipient-executed activity is titled "Testing Out-of-Court Means among Moldova's Small Enterprises". This has been set up as recipient-executed in order to retain the focus on the demand side and to strengthen the Ministry of Justice's in-house capacity as the responsible agency for out-of-court means of settlement.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.6.

5.3.5 Indirect management with the European Bank for Reconstruction and Development

A part of this action may be implemented in indirect management with the European Bank for Reconstruction and Development in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation entails implementation of the activities on "Broadband Development project".

This implementation is justified because the comparative advantage and the extensive expertise of the EBRD in the area covered by the project.

The EBRD is a regional development bank established in 1991 with a membership of 65 countries plus the European Union and the European Investment Bank. The purpose of the Bank is to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Central and Eastern European countries committed to and applying the principles of multiparty democracy, pluralism and market economics.

The EBRD Country Strategy for Moldova 2014-2017 includes the objectives of creating the enabling conditions for private sector development.

EBRD has the required sector thematic experience in the area of development of digital economy gained in previous work with ANRCETI as well as the required understanding of the complexities of the cooperation between the public and the private sector, inherent to the roll out of broad band internet. The EBRD maintains a permanent local office in Chisinau which can support the implementation of the proposed project.

The entrusted entity would carry out the following budget-implementation tasks: tendering, concluding and managing the resulting contracts, including making the related payments.

If negotiations with the above-mentioned entrusted entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.6.

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

For the reasons explained in section 5.3.4 and 5.3.5, awarding the grants to WBG and EBRD has been identified as the most suitable for implementing the corresponding activities.

It is however sensible to consider an alternative implementation approach should it reveal not possible to conclude the planned agreements due to certain factors that cannot be mitigated at this stage. The alternative second option selected to replace indirect management mode with WBG and EBRD will be direct management (procurement of service contracts):

Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Economic governance Commercial Justice Broadband Development project	services	3	First trimester 2019

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 in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 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, in currency identified
Component 1: Economic Governance and Component 2: Commercial Justice and Component 3: Energy market transparency and competitiveness composed of	9 600 000	N/A
<i>5.3.3 Direct management with the WBG</i>	<i>6 825 000</i>	<i>N/A</i>
<i>5.3.4 Indirect management with WBG</i>	<i>1 025 000</i>	
<i>5.3.1 Twinning Call for proposals "Strengthen supervision, corporate governance and risk</i>	<i>1 750 000</i>	<i>N/A</i>

<i>management in the financial sector" (direct management)</i>		
Component 4: Support to the implementation of the AA/DCFTA composed of	2 400 000	N/A
5.5.4. Procurement (direct management) <i>"technical assistance to support the implementation of the DCFTA"</i>	<i>1 700 000</i>	<i>N/A</i>
5.3.5 Indirect Management with EBRD	<i>400 000</i>	<i>EUR 250 000</i>
5.3.2 Procurement (direct management) <i>'technical assistance to enhance cyber security'</i>	<i>100 000</i>	N/A
5.8 –Evaluation, 5.9 - Audit	200 000	N/A
Totals	12 000 000	EUR 250 000

5.6 Organisational set-up and responsibilities

The State Chancellery is the coordinating institution responsible for external assistance and will contribute to the programming of the activities to be performed and to the monitoring of project results.

The main counterparts of this Action will be the WBG, the EBRD, the MoF, the MoE (also in charge of the Energy Sector), the State Chancellery, the NBM, the NCFM, the Moldova Energy Projects Implementation Unit (MEPIU) and the ANRE.

A Steering Committee will be created for each individual activity financed under direct management procedures in order to supervise the implementation of the project. The Steering Committee shall review and orientate the work of the action and shall supervise its overall implementation. The Steering Committee shall indicatively meet at least twice a year or more frequently if needed. At the end of the implementation of the contract(s) or agreement(s), the Moldovan counterpart shall take over those tasks as deemed appropriate.

The steering arrangements for Components 1, 2 and 5 will be defined in accordance with WB and EBRD procedures. The Delegation of the European Union to the Republic of Moldova will co-chair all Project Steering Committees.

5.7 Performance monitoring and reporting

As contracting authority, the EU Delegation will execute regular monitoring tasks as per its monitoring plan, using standard procedures and tools.

The day-to-day technical and financial monitoring of the implementation of this action and projects resulting from a call for proposals will be a continuous process and part of the implementing partner's responsibilities. To this end, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action to elaborate the progress and completion reports for regular reporting (preferably annual) on the achievement of the results using as reference the logframe matrix (for project modality). Every report – whether progress or completion - shall provide a complete account of all relevant aspects of the implementation of the Action for the period covered. The report shall describe the implementation of the Action, difficulties encountered and eventual changes introduced, as well as the degree of achievement of its results (Impact, Outcomes or Outputs) as measured by corresponding indicators. 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 Action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through 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 nature of the action, an ex-post evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that part of the activities may lead to further support.

The Commission shall inform the implementing partner at least two months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner 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.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in the second quarter of 2022.

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.

Indicatively, three contracts for audit services shall be concluded under a framework contract within the 12 months following the end of activities of the relevant actions, indicatively in the second quarter of 2021 and the fourth quarter of 2022.

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 and supported with the budget indicated in section 5.5 above.

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 Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

In order to ensure full synergy with EU strategic communication provided in this sector, all visibility activities for this action will fall under the provisions and branding of EU4Business, as well as other EU4 initiatives which will be agreed (EU4Moldova; EU4Energy).

As part of the Financing Agreement, the Moldovan government undertakes to ensure that the visibility of the EU contribution is given appropriate coverage in the various publicity media.

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 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.

Outreaching/awareness raising activities will play a crucial part in the implementation of the action, in the case of budget support the national government shall ensure that the visibility of the EU contribution is given appropriate media coverage. The implementation of the communication activities shall be the responsibility of the implementing organisations, and shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (European Neighbourhood Policy and Enlargement Negotiations) will be strictly adhered to.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

It is the responsibility of the implementing organisation to keep the EU Delegations and, where relevant, DG NEAR, fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities.

The implementing organisation shall report on its visibility and communication actions, as well as the results of the overall action to the relevant monitoring committees.

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.

The implementing organisation shall coordinate all communication activities with EU Delegations as well as regional communication initiatives funded by the European Commission to the extent possible. All communication strategies developed as part of this action shall ensure they are in line with the priorities and objectives of regional communication initiatives supported by the European Commission and in line with the relevant EU Delegation's communication strategy under the "EU4Country" umbrella initiative.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for listing the activities as well as new columns for intermediary targets (milestones) when it is relevant and for reporting purpose on the achievement of results as measured by indicators.

		Intervention logic	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact		To support a more transparent, efficient, competitive and resilient economic environment in the Republic of Moldova.	Improvement of economic environment in the Republic of Moldova	Qualitative assessment of the economic environment in Moldova in 2017	More secured and transparent economic environment by the end of the programme	EU reports WB Doing business, WB Governance Index Global Competitiveness Index Assessments by non-government organisations
Specific objective(s): Outcome(s)	Component 1: Economic Governance	Improved capacity of relevant national institutions and SOEs to govern, regulate, enforce and disseminate high-quality SOEs governance practices in the Republic of Moldova in line with recent international trends and good EU practices	Administrative and technical measures, ensuring oversight and improved transparency of State-Owned enterprises are established by end of the project	N/A in 2017	Qualitative progress on the SOEs governance practices	EU Progress Reports and qualitative assessment by the end of the project
		Accurate and complete information on state assets is available for the decision-makers through the Unified Register of the State Assets and Property	A Unified Register of the State Assets and Property is developed, tested and put into operation.	No unified register available in 2017	A unified register fully operational by the end of the project	MoE, MoF reports

		Revenue accumulation processes and expenditure monitoring and evaluation are strengthened within the Road Fund	The expenditures of the Road Fund are improved and investments in the sector are transparent, efficient and performance based	No baseline available in 2017	Qualitative progress on the management of the Road Fund	MoF.; Ministry of Transport and Roads Infrastructure; State Road Administration (SRA) reporting and qualitative assessment by the end of the project
		Protection of investors' rights is strengthened through improved grievance mechanisms	Number of Bi-Lateral Investment Treaties (BITs), Treaties with Investment Provisions (TIPs) and Investment Relates Instruments (IRIs) signed and applied by Moldova	Baseline – 0% in 2017	The Key Performance Indicators (KPIs) outlined in the 2020 CC SIDP are achieved by at least 80% by end 2020 At least 20 additional such BITs / TIPs / IRIs signed and applied by Moldova by end 2020	Moldovan and EU trade statistics Global Competitiveness Index Annual Reports
		Supervision, corporate governance and risk management in the financial sector are strengthened	Systemic risks to financial stability posed by the private sector banks and other financial operators are mitigated through an effective supervisory framework aligned	Qualitative assessment of systemic risks as specified in 2016 IMF programme and 2014 Financial Sector Assessment Programme	Qualitative progress on the mitigation of systemic risks to financial stability	WB & IMF reports and NBM and NCFM Annual Reports and qualitative assessment by the end of the project
	Component 2: Commercial Justice	Out-of-court settlement of commercial disputes is strengthened	Increased usage of commercial arbitration and mediation as out-of-court means of settling commercial disputes by small businesses	0 in 2017	100 by the end of the programme	EU Progress Reports MoJ reports

Component 3: Energy market transparency and competitiveness	Increased Energy Security through successful operation of the gas and electricity interconnections	Level of diversification of Energy Supply (gas and electricity)	100% of Electricity imported coming from Power Station in Transnistria Region (2016) 99.9 % of Gas imported coming from Gazprom (2017) 116 out of 125 worldwide / level of Energy security	Consequent diversification of Electricity supply (2020) Consequent diversification of gas supply (2020) Improvement in ranking (2020)	National Statistics World Energy Trilemma Index
	Third Energy Package implemented in practice and promoting more openness, transparency and efficiency of the Moldovan Energy market	Effective implementation of Energy Community Treaty market principles	Transposition of 3 rd Energy Package not finalised and principles not applied in practise	3 rd Energy Package fully transposed and principles applied in practise (2020)	Annual Implementation Report for Moldova prepared by the Energy Community Treaty
	Citizens benefit of better services and lower tariffs thanks to increased competitiveness of the Moldovan energy market	Level of tariffs in Gas and Electricity sector	2017	Substantial reduction of tariffs (2020)	ANRE reports
Component 4: Support to the implementation of the AA/DCFTA	The provisions of the Title IV "Economic and other sector co-operation" and Title V "Trade and Trade Related matters" of the AA/DCFTA are complied with	% of actions included in the 2017-2019 AA/DCFTA Action Plan successfully implemented	Baseline – 0% in 2017	At least 80% by end 2020	EU Progress Reports MoE reports, DCFTA monitoring reports
	High-speed broadband development is accelerated through improvements to the regulatory environment and identification and removal of barriers to the provision of broadband connectivity	Acceleration of high-speed broadband roll-out across Moldova, concentrating where possible on priority broadband users such as small and medium enterprises (SMEs), schools and public services implemented	N/A	Qualitative progress on high-speed broadband development	ANRCETI reports and qualitative assessment by the end of the project

		Standard operating procedures to better protect the Public Administration Authorities' ICT network are effectively implemented	Standard Operating Procedures for CST staff in the field of (i) setting up passive network protection and (ii) conducting cyber forensic investigations are operational	N/A	Qualitative progress on the effectiveness of standards operating procedures	Customized CST Reports to the EU Delegation and qualitative assessment by end of the project
Induced outputs	Component 1: Economic Governance	Aggregate reporting on SOEs performance, including both financial and non-financial information is available to the large public and is based on SOEs' audited financial information	Aggregate reporting is implemented and published	Only financial data as part of the Budget Project is made public in 2017	Publication of aggregate report by 2019 for the financial year 2018	MoTRI reports, NRA reports, MoJ reports, NFCM reports, EU Progress Reports, MoE reports, IMF & World Bank reports
		Key performance indicators developed for SOEs' management and Board members	Key performance indicators developed and adopted	N/A in 2017	KPIs developed and adopted by 2021 for at least large SOEs	
		A comprehensive information on state assets is available through a Unified Register of the State Assets and Property;	Needed software developed / purchased, installed and the entire system is tested Data on state assets and property collected and consolidated through the integrated software	2017 - No integrated database on state asset and property.	2020 - A simplified repository with consolidated data and information on state assets and property is fully installed and functional	WB progress reports
		Prioritised maintenance plans developed and approved by the responsible Roads Administration	The number of prioritised maintenance plans developed and approved	0	To be established during the first year of implementation	State Road Administration / Ministry of Transport and Road Infrastructure / Local Public Authorities
		Road Expenditure data is publicly reported and maintenance plans publicly disclosed	Availability of Road Expenditure data	No disclosure in 2017	By the end of the project	
		Notice and Comment system is set up	Proportion of new laws and regulations that have gone through the Notice and Comment System	Baseline 0	50% by year 2; 100% by year 4)	WB reports Level of business/investor satisfaction with the rule-making process: an index of business satisfaction will be created

		Business to government feedback loops to assess reform implementation gaps	Number of corrective actions taken by government to improve implementation quality based on feedback	Baseline - 0	2 by year 2; 6 by year 3; 12 by year 4	WB reports
		Regulatory impact assessments is piloted	The pilot of Regulatory impact assessments is successfully carried out Officials trained in carrying out RIAs	Baseline - 0;	3 by year 3; 5 by year 4 15 by year 2; 25 by year 4;	WB reports
		Supervision framework in line with Basel III principles is fully implemented	Enforcement of the new legal framework	2017 - Supervisory in line with Basel III principles is being developed	The framework is fully implemented by 2020	WB & IMF reports NBM and NCFM Annual Reports EU assessments
		Bank recovery and resolution framework in line with EU standards Resolution Directive implemented and enforced	Enforcement of the new legal framework	2017 – new bank resolution and recovery framework is provided by the law but not enhanced	The framework enforced by 2020	
		New legislation on supervision of insurance sector and on third party liability motor insurance aligned to EU <i>acquis</i> is enforced.	Enforcement of the new legal framework	2017 – legislation on insurance is not aligned to EU <i>acquis</i>	New legislation enforced by 2020	
		A new legal framework strengthening supervision of non-bank credit organisations is enforced.	Enforcement of the new legal framework	No legislation on supervision of non-bank credit organisations is in place	A new legal framework enforced by 2019	
Component 2: Commercial Justice:	The use of mediation and arbitration services for the settlement of commercial disputes is piloted among small businesses in Moldova	Number of small businesses benefitting from out-of-court means to settle commercial disputes	0 in 2017	100 by the end of the project	EU Progress Reports MoJ reports	

		The private sector and citizens have an easy access to information on commercial mediation and arbitration services.	Increase knowledge among the population on the out-of-court means for settling commercial disputes/ Number of advocacy campaigns conducted	0 in 2017	3 by the end of the project	
Component 3: Energy market transparency and competitiveness		New Laws on Electricity and Natural Gas in line with Third Energy Package are approved and enhanced	Enforcement of the new legal framework	No secondary legislations approved and laws not enforced	Enhancement by the end of the project	Annual Implementation Report for Moldova prepared by the Energy Community Treaty Secretariat
		Energy Sector Action Plan and Power Reform Action Plan are fully implemented	Implementation of the Actions Plans	Energy Sector Action Plan and Power Reform Action Plan not fully implemented	Full implementation by the end of the project	EU and Government's reports
Component 4: Support to the implementation of the AA/DCFTA		Delivery of the outputs defined in Titles IV & V of the DCFTA	Timely delivery of outputs of the required quality	Baseline – 0% in 2017	% of actions included in the 2017-2019 AA/DCFTA Action Plan successfully implemented	EU Progress Reports MoE reports DCFTA monitoring reports
		Concept for development of “Infrastructure Map” in line with Directive 2014/61/EU is developed	A detailed National Broadband Implementation Plan developed	2017 – no plan	Plan developed by the end of the project	ANRCETI reports
		A publicly accessible Infrastructure Map is available to all existing or prospective electronic communications operators by creating a single data base and an access point functional	Implementation of a National Infrastructure Map	2017 – no map available	Map available by the end of the project	ANRCETI reports
		Standard operating procedures to better protect the Public Administration Authorities' ICT network are effectively implemented through the CERT that operates within the CST.	Customized Standard Operating Procedures for CST staff in the field of (i) setting up passive network protection and (ii) conducting cyber forensic investigations that can also be used in the framework of the CERT are operational.	In 2017, no Strategy nor Standards Operating Procedures	By the end of 2019, a comprehensive set of Standards Operating Procedures will be delivered, tested and implemented	Customized CST Reports to the EU Delegation