



Brussels, 5.8.2013
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COMMISSION IMPLEMENTING DECISION

of 5.8.2013

**on the Annual Action Programme 2013 in favour of the Republic of Moldova to be
financed from the general budget of the European Union**

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,
Having regard to Regulation (EC) No 1638/2006 of the European Parliament and of the Council of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument (ENPI)¹, and in particular Article 12 thereof,
Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002² (hereinafter referred to as 'the Financial Regulation'), and in particular Article 84(2) thereof,

Whereas:

- (1) The Commission has adopted the ENPI Strategy Paper 2007-2013³ for the Republic of Moldova and the Multiannual National Indicative Programme for the period 2011-2013⁴, point 3 of which provides for the following priorities: good governance, rule of law and fundamental freedoms; social and human development; trade and sustainable development.
- (2) The objectives pursued by the Annual Action Programme are: 1) to modernize and streamline the Vocational Education and Training in order to increase the competitiveness of the national economy; 2) to contribute to the peaceful settlement of the Transnistrian conflict and to promote confidence building in the Republic of Moldova; 3) to support the Republic of Moldova in preparation, negotiation, conclusion and implementation of its new contractual relations with the EU; 4) to contribute to the improvement of the mobility of Moldovan nationals.
- (3) This Decision complies with the conditions laid down in Article 94 of Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (hereinafter referred to as 'the Rules of Application').
- (4) The Commission may entrust budget-implementation tasks under joint management (indirect management with an international organisation) to the entities identified in this Decision, subject to the conclusion of a contribution agreement. The responsible authorising officer has ensured that these entities comply with the conditions of Article 53d of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the

¹ OJEU L 310, 9.11.2006, p. 1

² OJ L 298, 26.10.2012, p. 1.

³ C(2007)672

⁴ C(2010)1144

Financial Regulation applicable to the general budget of the European Communities⁵ (hereinafter referred to as 'the Financial Regulation 1605/2002') and of Articles 35 and 43 of its Implementing Rules⁶.

- (5) It is appropriate to acknowledge that grants may be awarded without a call for proposals by the responsible authorising officer who ensures that the conditions for an exception to a call for proposals according to Article 190 of the Rules of Application are fulfilled. Where the reasons for and potential beneficiaries of such award are known at the moment of the adoption of this Decision, they should be identified therein for reasons of transparency.
- (6) This decision should allow for the award of grants in the form of lump sums and/or unit costs and/or flat-rate financing for the reasons and amounts set out in the Annex 3 on the basis of Article 124 of the Financial Regulation and Article 182 of the Rules of Application.
- (7) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of the Financial Regulation and Article 111(4) of the Rules of Application.
- (8) The Commission is required to define the term "non-substantial change" in the sense of Article 94(4) of the Rules of Application to ensure that any such changes can be adopted by the authorising officer by delegation, or under his or her responsibility, by sub-delegation (hereinafter referred to as the 'responsible authorising officer').
- (9) The measures provided for in this Decision are in accordance with the opinion of the ENPI Committee set up under Article 26 of Regulation (EC) No 1638/2006,

HAS DECIDED AS FOLLOWS:

Article 1

Adoption of the programme

The Annual Action Programme 2013 in favour of the Republic of Moldova, constituted by the actions identified in the second paragraph, is approved.

The actions, the description of which is set out in the attached Annexes 1 to 4, respectively, shall be:

- Support to the implementation of the Vocational Education Training Strategy;
- Confidence Building Measures;
- Framework Programme in support of EU – Republic of Moldova agreements;
- Support to Implementation of Visa Liberalisation Action Plan.

Article 2

Financial contribution

⁵ OJ L 248, 16.9.2002, p.1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

⁶ Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities. OJ L 357, 31.12.2002, p.1. These provisions remain applicable until 31 December 2013 according to Article 212 of the Financial Regulation.

The maximum contribution of the European Union authorised by this Decision for the implementation of this programme is set at EUR 100 million to be financed from budget line 19 08 01 03 of the general budget of the European Union for 2013.

Article 3

Implementation modalities

The budget-implementation tasks under joint management shall be entrusted to the entities identified in the attached Annexes, subject to the conclusion of the relevant agreements. Section 4 of the Annexes referred to in the second paragraph of Article 1 sets out the elements required by Article 94(2) of the Rules of Application.

Grants may be awarded without a call for proposals by the responsible authorising officer according to Article 190 of the Rules of Application. Where known at the moment of the adoption of this Decision, the reasons for this as well as the potential beneficiaries shall be identified in the attached Annexes.

The Commission authorises the use of lump sums and/or unit costs and/or flat-rate financing exceeding EUR 60.000 per beneficiary, in accordance with the conditions set out in the Annex 3.

The financial contribution referred to in Article 2 shall also cover any possible interests due for late payment.

Article 4

Non-substantial changes

Increases or cumulated changes to the allocations of specific actions not exceeding 20 % of the contribution referred to in Article 2 shall not be considered substantial, provided that they do not significantly affect the nature and objectives of the actions.

The responsible authorising officer may adopt these non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 5.8.2013

For the Commission
Cecilia MALMSTRÖM
Member of the Commission

ANNEXES

- Annex 1: Support to the implementation of the Vocational Education Training Strategy;
- Annex 2: Confidence Building Measures;
- Annex 3: Framework Programme in support of EU – Republic of Moldova agreements;
- Annex 4: Support to Implementation of Visa Liberalisation Action Plan.

ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of the Republic of Moldova

Action Fiche for Support to the Implementation of the Vocational Education Training Strategy

1. IDENTIFICATION

Title/Number	Support to the implementation of the Vocational Education Training Strategy <i>ENPI/2013/024-404</i>		
Total cost	Total amount of EU budget contribution: EUR 25,000,000 (budget support)		
Budget support			
Aid method / Method of implementation	Direct (centralised) management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	11330	Sector	Vocational Training

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The objective of the Sector Reform Contract is to modernize and streamline the Vocation Education and Training (VET) in the Republic of Moldova (hereinafter Moldova) in order to increase the competitiveness of the national economy, by training competent and qualified workforce, in line with current and future requirements of the market.

2.2. Country context

Moldova is one of the poorest countries in Europe and passed through a difficult transition during the last decade of the 20th century. Low productivity, especially in traditional sectors such as agriculture, combined with a long economic restructuring and privatisation, as well as the impact of the global economic crisis, affected the Moldovan economy severely. Moldova's transition to market economy was marked by a prolonged and deep recession. Although growth restarted in 2000, the strength of the recovery was weaker than in other neighbouring countries, resulting in a GDP in 2005 which was less than half of the 1980 level, one of the worst performances amongst the transition countries listed by EBRD, leaving the GDP as the lowest in Europe.

2.2.1. *Main challenges towards poverty reduction/inclusive and sustainable growth*

GDP grew on average by 4.6% annually during 2000-2012, with high disparities from 6.3% during 2000-2005, to 3.2% for the rest of the period, due to a strong influence of the global economic trends. The current estimates indicate an average annual GDP growth of 4.7% during 2012-2020. The economic model remained, to a large extent, based on consumption, with limited impact over the creation of new jobs in the country. Remittances, rather than wages, became an important source of revenue, particularly, in rural area.

Inflation is constant at around 7-8% over the last years. The fiscal consolidation process continued in 2011 with a budget deficit of 2.4 % of GDP that further reduced to 2.1% of GDP in 2012. The absolute poverty rate decreased from 67.8% in 2000 to 21.9% in 2010.

The share of the population registered as active has decreased constantly over the recent years from 59.9% in 2000 to 40.7% in 2012. Of these, the 15-29 years age group counts for 27.2%. The unemployment rate among them is 13.9%, nearly double the national unemployment rate of 7.4%. In 2010, only 22% of young people found a job after graduation. The phenomenon is worse in rural areas where only 54% of this group found a permanent job vs. 75% in urban ones.

2.2.2. *Fundamental values*

Since 1991 Moldova has built foundations of a democratic system of government, based on respect for fundamental rights and freedoms. Local and parliamentary elections have been generally held in an orderly manner ever since. Moldova to date remains the only CIS state where every single transition of power — including the one in August 2009 — has taken place peacefully after contested elections, rather than through staged successions or a ‘coloured revolution.’ Significant reforms have been pursued to strengthen democracy, rule of law, respect for human rights (including the media freedom and minority rights), the fight against corruption and trafficking in human beings. Further positive developments in these key areas are underway, attesting democratic evolution of Moldova’s political, legal and socio-economic system and its ability to sustain cooperation with the European Union.

2.3. Eligibility for budget support

2.3.1. *Public policy*

- a) The National Development Strategy "Moldova 2020" (NDS) is the basis of Moldova’s development policy. It focuses on seven development priorities among which "aligning the education system to labour market needs" ranks first. The overall objective is to produce a global social and economic impact. The cumulative effect of solving the problems will remove critical barriers that prevent the optimal use of resources and ensure qualitative economic development and poverty reduction.
- b) The NDS pursues the reforms outlined in the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP) and the Moldova-European Union Action Plan (MEUAP) aiming at aligning Moldova to EU standards with the objective of economic integration. National policies focus on economic development and reduction of poverty by increasing access to the key sectors: education, healthcare, social protection and employment. NDS initiatives are reflected in the national

budget and in the Medium-Term Budget Framework (MTBF), a process introduced in 2002. The new budget classification system introduced in 2012 will focus on non-financial performance information, ensuring that the priorities of the NDS are reflected in the budgets.

- c) The development of the NDS is based on a large public consultation. The Government and, to a larger extent, the political stakeholders are committed to its successful implementation for which they are largely accountable. The 2013-2020 VET Strategy Plan includes contributions from all stakeholders, including international donors and was developed through a participatory process.

On the basis of this assessment, it is concluded that the policy is considered sufficiently relevant and credible for budget support programme objectives to be largely achieved. Therefore, the policy can be supported by the Commission with the proposed budget support programme.

2.3.2. *Macroeconomic policy*

In addition to the remittances (23 % of GDP in 2011), the importance of the agricultural sector remains significant with 12% of GDP, 28% of the labour force and more than 45% of exports through a strong agro-processing industry contributing an additional 8% to GDP. The rural poverty is the highest at 30% (2010). The real GDP growth is projected to slightly recover in 2012 at 0.3% before rebounding to 4% in 2013 on the account of a recovering agriculture and gradual improvement in external conditions. The budget deficit is projected at a higher than expected 1.9% of GDP in 2012 due to lower revenue, stemming mainly from the cyclical weakness of the economy. Pursuant to the agreements with International Financial Institutions (IFIs)⁷ the Government of Moldova is implementing measures for preserving macroeconomic stability:

- Enacting a law on public finance containing a new *fiscal responsibility framework* in 2013.
- New mechanism for allocating capital expenditure based on projects' viability, economic growth potential, and capacity for implementation with the view to increasing *efficiency of public investment*.
- Strengthen *tax administration* along several dimensions, including reducing tax evasion.
- Undertaking structural reforms for reducing the losses and inefficiencies generated in the state owned enterprises.

The measures on reducing the vulnerability to external shocks, mono-cultural economy and dependence on limited export destination will show their impact in the coming years together with the improvement of the business environment and developing capacity in the public sector for facilitating businesses and foreign trade. Since January 2010, the IMF supported the Government of Moldova in its efforts to restore fiscal, external, and financial sustainability and promote growth by two arrangements: the Extended Credit Facility and the Extended Fund Facility, amounting in total to SDR 369.6 million (USD 562.5 million at present). Five reviews have been completed so far, releasing SDR 320 million to support the

⁷ IMF and World Bank.

balance of payments. The sixth review is still pending due to some delays in programme implementation and due to political uncertainty. The IMF programme which was due by end of April was put on hold rather than went off the track for the same reason. According to IFIs, some decisions taken by the Moldovan authorities on the last day before resignation, by adopting increases in pensions and wages for top civil servants as well as by introducing common tax for agricultural producers, might hinder further stabilization of economy and fiscal consolidation. The IMF is also expecting the Government of Moldova to implement measures agreed on the stabilisation of the Banca de Economii, a majority state-owned bank having an important systemic role in country's financial system. As the IMF's conditions mentioned above are only part of a whole package of measures it can be expected that the Moldovan authorities will make the necessary decisions in the short term and comply with the IMF conditions, as they are crucial for the access of funding provided by the donor community and other international organisations. Except for this delay since 2010 the Government of Moldova has demonstrated very high level of commitment for reforms and followed credible stability-oriented macro-economic policy.

Based on the analysis above it is concluded that the authorities pursue a credible and relevant stability oriented macroeconomic policy aiming at restoring fiscal stability and sustainability, although some slippages in macroeconomic policies implementation could be observed. These should be seen and perceived in context of current political turmoil which once settled will put Moldova back on track towards its commitments to IMF and other IFIs.

2.3.3. Public financial management (PFM)

- a) The Moldovan budget classification system captures all basic elements of an administrative, economic and functional classification. There are no unreported government operations and all projects funded by major donors are part of budget appropriations and fiscal reports. The latest Public Expenditure and Financial Accountability (PEFA) assessment denotes full transparency in terms of public access to key fiscal information. The only relevant risk to the implementation of the VET Strategy' Sector Reform Contract is the inefficient revenue collection system. The State Tax Service is implementing a Compliance Risk Model for increasing volunteer payment of taxes due. However more systematic measures have to be applied based on unpopular policy decisions in order to tap major sources of taxes. Measures addressing all areas of unsatisfactory performance according the PEFA 2011 are implemented by the Moldovan authorities supported by technical assistance and twinning projects. In this aspect it can be concluded that there is a credible programme for improving the PFM and it is in process of implementation.
- b) The overall PFM reform agenda (despite of not being yet formulized in a overarching PFM strategy) is considered sufficiently *relevant* because well designed reforms have been undertaken in all PFM aspects. A top-down approach has been used so far for setting up the general PFM legal framework; reengineering the PFM process and updating the PFM related IT systems. The PFM reform strategy is considered sufficiently *credible* because it has dealt with the PFM basics so far by establishing well performing mechanisms for MTBF, IMF GFS2001 standards' compliant budget classification and chart of accounts, annual budgeting, maintaining sound cash control via the Treasury Single Account, keeping the public expenditure within the budget allocations, producing compliant and comprehensive budget execution reports, made

available to the public together with the audit opinion.

2.3.4. Budget transparency and oversight of the budget

Over the years the Ministry of Finance of Moldova has succeeded to adopt a disciplined approach in preparing reasonably good quality budget documents. In terms of timeliness the budget calendar has been always respected by the Government and Parliament. The Court of Accounts has always provided an opinion (unqualified) on the State budget' execution report.

Satisfactory progress is considered to be made as the Executive's budget proposal and the enacted budget for 2013 were published respectively on the 26 September 2012⁸ and 21 December 2012⁹. All the budget related documents are published in Romanian and Russian on several web-sites.

2.4. Lessons learnt

The most recent review from the European Training Foundation identifies three serious gaps in the current Moldovan VET system: governance and involvement of the social partners, the need to establish a life learning approach and the lack of an efficient resources allocation scheme. The VET Strategy comprehensively addresses these gaps.

2.5. Complementary actions

Technical Assistance for this sector is financed under the AAP2012. This covers, among others, the reorganisation of the excellence centres, the development of the role and concrete development of the social partners, the linking of the VET system with labour market needs.

The EU is, furthermore, providing expert assistance to Moldova through the European Training Foundation (ETF). Moldova takes part in the "Torino Process" (two-year ETF-guided self-assessment of the VET sector). ETF's activities for 2013 focus on empowering authorities and social partners in their respective roles in the management of VET reform, the skills dimension of the labour market and migration, as well as assisting authorities in finalising the National Qualifications Framework (NQF).

The Austrian Development Cooperation (ADC) is funding several projects (MOLAGRI and ECO-NET), developing sustainable business activities and competence centres in agriculture as well as the piloting of training firms within seven colleges. Another ADC project focuses on developing better opportunities for skills development and upgrade of labour force in the water and sanitation sector.

The German Federal Ministry for Economic Cooperation and Development (BMZ) finances a project to improve the long-term professional training and career orientation of the younger generation towards a priority occupation as well as intensive continuous training of school trainers and students by German masters, development and implementation of new curricula, modification and implementation of new assessment models and assessor training with industry involvement. It also supports a

⁸ http://www.gov.md/public/files/ordinea_de_zi/26.09.2012/Intr03.pdf

⁹ <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=345921>

"Returning Experts Programme" that facilitates the integration of German trained skilled workers in Moldova. The German Cooperation also funds a project to enhance the teachers' capacities in modern teaching methods. It aims at developing a national curriculum and training materials for VET teachers, based on the local and German experience, with a view to develop a certification system. Germany, together with the private sectors, funds internships for managers from various companies.

2.6. Risk management framework

a) Identification of the major risks

The major financial risk is the non-allocation of the entire funding for the VET reform in the MTBF 2014 – 2016 and in the Annual Budget Law for 2014.

There is middle level risk of absorption of the allocated funds due to delayed approval procedures in selecting the Centres of Excellence, late start of procurement, low capacity of the public procurement unit of the Ministry of Education.

b) Overview of the mitigating measures

The only effective risk mitigation measure on the fund allocation is amendment of the MTBF 2014 – 2016 that has to be endorsed by the Parliament to prevent eventual alternations by the Government or the Ministry of Finance. The inclusion of the procurement of the Centres of Excellence in the priority list of capital investment for 2014, 2015 and 2016 is also a compulsory measure.

The prevention of delays in the absorption of funds can be secured by very detailed procurement action plan of the Ministry of Education, which has to be monitored by the VET Sector Committees which should be naturally interested in the establishment of the Centres of Excellence.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

Sector context

The Government of Moldova adopted early 2013 a VET Sector Development Strategy 2013 – 2020, following a wide stakeholder's consultation. Its clear objectives will be achieved on the basis of a prioritised action plan which specifies indicators of achievement, distribution of funds and a clear timeline. It also sets out clear mechanisms for monitoring, review and updating, it identifies as well the different roles of the stakeholders in the process, as well as the key areas where further research and analysis are required.

The Strategic Plan of Expenditure for the Education Sector 2013-2015 provides an overview of the problem areas, the suggested actions, the costs of implementing the actions over the period from 2013-2015, as well as monitoring indicators.

Sector budget

The VET budget is based on historical figures. No standards, ratios, quality, economy, effectiveness or efficiency indicators are used. Major political and fiscal sustainability risks are adequately addressed. The credibility of the budget does not indicate any risk of potential failure either in the budget preparation or in the budget execution phase. The financial requirement of the VET Development Strategy is covered to a large extent by the MTBF. The budget allocation among the six specific objectives is detailed in the Action Plan.

Institutional capacity

The Directors of the 66 VET schools are directly appointed by the Ministry of Education (MoE) for an unlimited period and are granted unconditional budget allocations. The attractiveness of the VET secondary schools has decreased over the years, whereas in secondary specialized education the number of graduates has, on the contrary, increased. Because of the inadequacy of the curricula and training facilities, most graduates remain unemployed (53.25% in 2010). The VET governance is concentrated within the MoE, but ineffective intermediary bodies exist. There is ample room for reviewing the attribution of functions in an effective manner among existing institutions.

Coordination and performance monitoring

The Sector Development Strategy establishes under the auspices of the Education Council a structured stakeholder consultation process, including the donors, through an annual review.

The VET Strategy outlines the overall framework for monitoring the implementation of sector policies and strategies, through an annual, periodic and final assessment of the achievements, involving the civil society. In line with the National Development Strategy, the MoE will develop by 2015 Strategy impact assessment reports, which will be widely shared with the public.

3.1. Objectives

The **overall objective** of this Sector Reform Contract is to re-conceptualize the education program within VET sector and to streamline the VET institutions network aiming to increase efficiency of professional education and to provide a competitive workforce for national and regional economy that would meet the labour market needs in terms of quality and quantity requirements.

This objective is a subset of the VET Development 2013-2020 Strategy overall objective to modernize and streamline the VET in order to increase the competitiveness of the national economy, by training competent and qualified workforce, in line with current and future requirements of the market.

The **specific objectives** of this Sector Reform Contract are derived from the objectives of the VET Development Strategy:

- Restructure the VET into two levels – secondary and post-secondary and reconfigure the network of institutions by 2017.
- Ensure vocational training is based on competences and adjust it to the labour market requirements, so that employment rate increases by 10 percentage, from 50.6% in 2012, for graduates from the secondary specialised education, and from 50% in 2012 for graduates from the secondary vocational education.
- Increase the quality of the VET by improving the efficiency of the utilization of financial means and by creating and implementing the quality assurance system, so that, by 2017 a functional entity for the assessment and accreditation of these institutions is in place.
- Synchronise scientific, cultural and methodological provision of the VET, so that 100% of curricula is adjusted to the National Qualifications Framework by 2020.

- Increase the quality of the teaching staff, including by upgrading the initial and continuing professional development of teaching staff for the VET, and improving the motivation of these, so that, by 2020, the entire teaching staff is trained according to the National Qualifications Framework.

- Increase attractiveness and access to the VET, so that by 2020, the number of students increases by 10%.

Cross-cutting issues: This support will directly contribute to good governance by improving the work of public institutions and management of public resources. It will also directly contribute to ensuring respect for human rights and fundamental freedoms. In addition, in preparation of activities, attention will be paid to ensure gender equality, impact on environment and sustainable development.

3.2. Expected results

Through a dialogue with the stakeholders, several key results areas have been identified where achievements and targets will be more specifically supported; the numbering corresponds to the results of the VET Development 2013-2020 Strategy:

Result 1: Identify the VET institutions to be reorganized as excellence centres specialised into fields of the national economy and which will become professional leaders in their area of competence.

Result 2: Create Sector Committees for the 7 specialisation fields.

Result 3: Create an accreditation and quality assurance structure in the VET.

Result 4: Develop and apply new funding mechanisms of the VET system.

Result 5: Provide proper education conditions in the VET.

Result 6: Strengthen capacities of the VET Centre (CRDIP) for the scientific, methodological and curricular supply of the VET.

Result 7: Publish teaching materials, curricula, course support, instructive materials, e-learning materials, professional guidance materials, for the adult training.

Result 8: Continuously promote modern teaching technologies with the use of the Informational Technologies and Communications (ICT).

Result 9: Promote in the VET institutions courses on: entrepreneurship, IT and foreign languages (English, Russian).

3.3. Rationale for the amounts allocated for budget support

The total amount allocated to the Vocational Training Sector under the NIP is EUR 25,000,000 of which 100 % is to be delivered under the present budget support programme. This amount is based on the following facts:

- A well-defined sector policy is in place since the government approved the VET Sector Strategy Plan 2013-2020, that includes an Action Plan with indicators of achievement, distribution of funds and a clear timeline.
- The analysis of the macroeconomic framework shows that the macroeconomic policy is conducive to maintaining macroeconomic stability and is not expected to put at risk sector objectives.
- The analysis of PFM shows that Moldova has established a credible and relevant programme of improvement of PFM. The independent PFM assessments and the PFM reform review processes carried out show that trends in PFM justify the allocation of budget support with respect to the legal requirements concerning this eligibility criterion.

3.4. Main activities

3.4.1. Budget Support

The main activities correspond to the expected results:

Result 1 - Activities

- Development and approval by the Government of the VET Sector Restructuring Plan, as well as the corresponding Public Procurement Plan, covering construction works, supply of general equipment and ICT & software;
- Preparation and implementation of contracts of creating 8 centres of excellence, including securing funding in Ministry of Education, strengthening of infrastructure and provision of modern equipment.

Result 2 - Activities

- Support to the setting up of four Sector Committees: Agriculture and food industry; Transport and road infrastructure; Informational Technologies and Communications (ICT); and Constructions;
- Support the full functioning of three additional Sector Committees: Trade, Food Services and Tourism; Light Industry: textiles and confection, shoes and leather; Energy);
- Support seven Sector Committees to draft proposals for new professions, assessment of existing curricula in line with the labour market needs.

Result 3 - Activities

- Develop the institutional framework for performing accreditation and quality assurance in VET (including regulation, design and initiation of the accreditation unit and the National Qualification Framework unit);

Result 4 - Activities

- Develop the legal framework for new funding mechanisms.

Result 5 - Activities

- Reconstruct physical environment for dormitories for eight centres of excellence;
- Prepare two reconstruction contracts for the Ministry of Education 2018 budget.

Result 6 - Activities

- Drafting of the Strategic Plan and Action Plan for the VET Republican Centre (CRDIP) and its approval by the Government of Moldova.

Result 7 - Activities

- Support to the development and approval of curricula in seven sectors;
- Support to the publication and dissemination of the above-mentioned curricula and training materials on web platform/digital database;
- Purchase specialised literature/software for 100% of VET institution libraries.

Result 8 - Activities

- Install and connect ICT equipment and digital learning materials in a VET network.

Result 9 – Activities

- Promote the availability of courses in foreign languages in 100% of VET institutions.

3.4.2. Complementary support

Not applicable.

3.5. Donor coordination

Donors have developed a good level of coordination. Two sector committees were created in 2007-2008 with the support of SIDA¹⁰, in the agriculture and construction sectors. They have been associated in defining methodologies for developing occupational standards and for the validation of non-formal and informal learning.

The Sector Development Strategy outlines the institutional framework for monitoring the implementation of sector policies and strategies, which includes the development partners. Since January 2013, the Ministry of Education organises donor coordination.

3.6. Stakeholders

The Ministry of Education, and more specifically the VET department, as well as the Ministry of Labour, Social Protection and Family have a direct stake in VET. The National Employment Agency is also an important stakeholder, responsible for developing Labour Force Forecasts. Other stakeholders are the Republican Centre for VET Development and the National Council on Occupational Standards, Accreditation and Certification.

3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

The major financial risk is stated above as the allocation of funding for the VET reform in the MTBF 2014 – 2016 and in the Annual Budget Law for 2014. The approximate amount per year is EUR 10 million. The cost of non-intervention is the deterioration of the VET infrastructure, which will in turn lead to a downsizing of the VET system.

There is middle level risk of absorption of the allocated funds due to delayed approval procedures in selecting the Centres of Excellence, late start of procurement, low capacity of the public procurement unit of the Ministry of Education. The cost of non-intervention is the failure to initiate vital parts of the VET reform process as detailed in the VET Strategy 2013-2020.

4. IMPLEMENTATION ISSUES

4.1. 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 the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. will be carried out, is 36 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

¹⁰ Swedish International Development Cooperation Agency

4.3. Criteria and indicative schedule of disbursement of budget support

Instalments of the budget support will be payable to the Moldovan State Treasury, subject to fulfilment of General and Specific Conditions agreed in the Policy Reform Matrix that will be appended to the Financing Agreement's Technical and Administrative Provisions.

The release of the all tranches under this Programme will require compliance with Conditions related to:

- Satisfactory progress in the implementation of VET Sector Development Strategy 2013 – 2020 and continued credibility and relevance of that or any successor strategy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of its programme to improve public financial management.
- Satisfactory progress with regards to the public availability of accessible, timely, comprehensive, and sound budgetary information.

The conditions for disbursement of the variable tranches will be connected to the main components of the Sector Reform Contract: (1) restructure the VET into two levels and reconfigure the network of institutions by 2017, (2) ensure vocational training is based on competences and adjust it to the labour market requirements, (3) increase the quality of the VET, (4) implement a scientific, cultural and methodological provision to the VET, (5) increase the quality of the teaching staff, (6) increase attractiveness and access to the VET.

The chosen performance targets will apply for the duration of the Programme. However, in duly justified circumstances, the Government of Moldova may submit a request to the Commission for the targets and indicators to be changed should the circumstances justify it.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions) based on fiscal year of the partner country.

Country fiscal year	2014				2015				2016				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Base tranche													
Variable tranche		3.5				10.0				11.5			25.0
Total		3.5				10.0				11.5			25.0

4.4. Details on complementary support

Complementary technical assistance (external review missions, technical support, evaluation and audit, communication and visibility etc.) in the amount of indicatively EUR 5 million shall be provided through AAP 2012 (“Strengthening the governance of the Vocational Education Training sector” programme - CRIS ENPI/2012/023-419).

4.5. Indicative budget

Module	Amount in EUR million	Third party contribution
Budget support - Support to the implementation of the Vocational Education Strategy of Moldova	25.0	not applicable
Total	25.0	

4.6. Performance monitoring

Monitoring missions will take place at the end of each financial year to review the progress of the reform, checking financial and budget executions reports in order to collect evidence on the funding and the budget allocations.

The programme will be subject to independent reviews that will assess the level of compliance with the indicators set forth in the Financing Agreement. The performance criteria to be reached according the sector strategy action plan, as defined in the Sector Policy Support Matrix as well as in the Technical and Administrative Provisions, will be used as disbursement target.

4.7. Evaluation and audit

Prior to the completion of the sector budget support programme, the European Commission will appoint additional expertise to carry out an independent final evaluation of the programme.

The European Commission reserves the right to employ consultants to carry out, an audit of a sample of expenditures related to the implementation of the government's VET sector development policy.

4.8. Communication and visibility

As part of the financing agreement, the Moldovan government undertakes to ensure that the visibility of the EU contribution to the Sector Reform Contract is given appropriate coverage in the various publicity media. The project will endeavour to further enhance the positive image of the EU in the context of its work in Moldova. At appropriate milestones during the project duration and after appropriate events, press releases will be issued, in co-operation with the EU Delegation in Chisinau. The Communication and Visibility Manual for EU External Actions will be applied.

ANNEX 2

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour
of the Republic of Moldova

Action Fiche for Confidence Building Measures

1. IDENTIFICATION

Title/Number	Confidence Building Measures <i>ENPI/2013/24401</i>		
Total cost	Total estimated costs: EUR 28,000,000 Total amount of EU budget contribution: EUR 28,000,000		
Aid method / Method of implementation	Project approach Direct centralised management Joint management with UNDP (component I), IOM (component Va) and WHO (component Vb)		
DAC-code	15220	Sector	Civilian peace building, conflict prevention and resolution

2. RATIONALE AND CONTEXT

2.1 Summary of the action and its objectives

The overall objective of the programme is to facilitate the settlement of the Transnistrian issue by increasing confidence between Chisinau and Tiraspol through joint initiatives involving local authorities, civil society organizations and other stakeholders from both sides of the river. The action also aims at fostering technical dialogue (Working Groups) and approximation between the Right and Left banks in the event of a significant rapprochement.

2.2 Context

Transnistria (eastern region of the Republic of Moldova), situated on the left bank of the Nistru river, self-proclaimed its independence in September 1990; it stands today as an unrecognized entity within the boundaries of the Republic of Moldova

The settlement of the Transnistria conflict has three main components. Firstly, at a political level, Chisinau and Tiraspol, assisted by three international mediators (the OSCE¹¹, Russia and Ukraine - EU and USA as observers) have been discussing a possible settlement within the so-called "5+2 format" which officially resumed in November 2011. Secondly, a technical process of post-conflict settlement and reconstruction is taking place – in the framework of the expert Working Groups - aiming at increasing confidence between the two sides. Third, sectoral confidence building initiatives have been implemented which contribute to cross-river cooperation on the ground and – in turn - to the dialogue process described above.

¹¹ Organization for Security and Co-operation in Europe.

Furthermore, as the Republic of Moldova has started negotiations on an Association Agreement with the EU (in parallel with negotiations towards a Deep and Comprehensive Free Trade Area) as well as the visa dialogue, significant opportunities for assistance in terms of political and economic reforms have appeared and can potentially be exploited in the prospect of a political settlement and for the benefit of the whole population of Moldova.

In parallel, the Autonomous Territorial Unit (ATU) of Gagauzia ("Gagauzia Yeri"), which has benefited from a large autonomy since the organic law adopted in December 1994, is facing important socio-economic challenges whereas the recent debated elections have shown the persistence of centrifugal forces toward Chisinau. The region is not at present directly targeted by the first phase of the National Strategy for Regional Development 2010-2012¹² and does not benefit from the corresponding EU assistance through the Pilot Regional Development Programmes (PRDPs). Engaging Gagauz authorities and civil society in regional development and enhanced cooperation with Chisinau encapsulates in this respect a clear confidence building potential.

2.3 Lessons learnt

Drawing upon the experience of the previous and on-going Confidence Building Measures (CBMs) packages, the main lesson learnt are as follows:

- to avoid a top-down approach and ensure that the decision makers on both banks continue to be fully-engaged in the design and implementation of the assistance;
- to ensure that the assistance is demand-driven, notably following the development in the working groups, in order that the beneficiary assumes ownership;
- to follow a "step by step" approach by ensuring that the assistance focuses primarily on non-politically sensitive topics, while progressively opening new fields for cooperation – including through the extension of projects that have been implemented so far in the rest of the country;
- to continue building capacity of civil society organizations (CSOs) in Transnistria, foster cooperation and establish sustainable partnerships between organizations on both banks;
- to pay a specific attention to other potential centrifugal forces in the country;

The design of this programme reflects these lessons learned: the programme is beneficiary and agreement driven; it provides a critical mass of support; and the interventions build on previous successes while targeting new areas of interventions, including through the extension of projects that have been implemented so far on Moldova's "Right Bank" only.

2.4 Complementary actions

EU engagement with the Republic of Moldova on conflict settlement has grown over the past years, including through the implementation of the EU-Moldova Action Plan (which calls for “shared responsibility in conflict prevention and conflict resolution”) and the implementation of European Union Border Assistance Mission (EUBAM). The EU also showed its interest

¹² Gagauzia should be however covered by the second phase of the National Strategy for Regional Development 2013-2015, to be adopted.

and readiness to support CBMs implementation as requested by the Moldovan Government back in November 2007. It has in this respect launched two packages of CBMs in 2009 and 2010¹³. On January 10th, 2012, a Financing Agreement between the EU and Moldova was signed, providing for a third confidence building measures package of EUR 12,000,000 under the ENPI Annual Action Programme (AAP) 2011 for Moldova¹⁴. The bulk of the assistance is channelled through a contribution agreement with UNDP Moldova Office to foster CBMs in the areas of business development, social infrastructures and environment, as well as civil society, whereas a Technical Assistance (TA) project, aiming at reinforcing the capacity of the relevant institutions involved in the settlement process, has been launched early 2013. These actions are flanked by local or regional projects funded notably under the thematic EIDHR¹⁵ programme. The EU has emerged as the first provider of assistance related to conflict settlement.

In February 2012, the Prime Ministers of Moldova and Ukraine signed a Memorandum of Understanding establishing a Dnestr/Nistru Euroregion, whose aim is to foster cooperation at regional level between local decision makers, including with the Camenca and Ribnitsa rayons located in the Transnistrian region. Though concrete projects within this framework have yet to be designed, the initiative encompasses a clear potential for possible future confidence building projects.

2.5 Donor coordination

Donor coordination meetings on Transnistria are organised once every three months and are chaired by the EU Delegation. In addition activities under the joint EU/UNDP Support to Confidence Building Measures programme are discussed within a Project Board, including the main donors involved in the region (with the exception of Russia). Regular consultations are held with the Moldovan Government and the Tiraspol de facto leadership.

Only a limited number of donors are working with Transnistrian civil society, although there seems to be indications that this trend is reversing following the December 2011 elections in the Transnistrian region. The main donors currently active in this sector are the UNDP (though, with limited proper means, it acts rather as project implementing partner for the EU) and other UN agencies, the World Bank, the Council of Europe, USAid, as well as some EU Member States Embassies or agencies (Czech Republic, Finland, Hungary, Swedish development agency SIDA, United Kingdom). A large bulk of the implemented projects focuses on humanitarian assistance, social infrastructures, people to people contacts as well as economic and rural development.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** is to contribute to the peaceful settlement of the Transnistrian conflict and promote confidence building in the Republic of Moldova.

¹³ "Support to Civil Society in Transnistria" (ENPI/2009/205-215); "Building confidence between Chisinau and Tiraspol (IFS-RRM/2009/219-955).

¹⁴ Decision ENPI/2011/022-516 "Confidence Building Measures".

¹⁵ European Instrument for Democracy and Human Rights.

The **specific objectives** are

- To contribute to economic, social and sectoral rapprochement between the two banks of the Nistru River.
- To foster civil society development and help establishing cross-river platforms for cooperation.
- To assist the relevant authorities involved in the settlement process and to foster functioning technical dialogue mechanisms in relation to the existing working groups.
- To empower local actors in Gagauzia in order to enable them to implement and monitor development priorities in cooperation with Moldovan central authorities.
- To progressively include Transnistria in Moldovan-wide development initiatives

3.2. Expected results and main activities

Expected results

- Economic exchanges and sectoral cooperation initiatives have been enhanced between the two sides of the Dniester/Nistru River.
- Capacity of civil society in the Transnistrian region has increased; joint platforms for cooperation have been established between NGOs from both banks.
- Chisinau authorities and Tiraspol de facto administration have developed concrete roadmaps for sectoral approximation/reintegration and are sufficiently equipped in know-how and expertise.
- ATU Gagauzia has elaborated a clear regional development strategy and is progressively integrated in national-wide development policy.
- Transnistria is fully involved in Moldovan-wide initiatives in the fields of health and migrations for which approximation processes have been engaged.

Main Activities

Component I: Sectoral confidence building measures and infrastructures projects

This component builds on the previous successful initiatives – implemented by UNDP and benefiting from UN agencies pool of sectoral expertise - which provide a clear potential for confidence building in Transnistria and in the Security zone. This component will help materializing high level rapprochement initiatives, both in terms of infrastructures and establishment of networks. This component also takes into consideration the opportunities offered by the DCFTA negotiations and by the establishment of the Dniester Euroregion. It is broken down as follows:

a) Business development

The goal of business development projects is to stimulate sustainable economic development while promoting cooperation between economic actors and creating platforms for stakeholders from both sides to interact. In particular, it will promote support to business activities (cooperation between business associations from both banks, participation to joint business events), stimulate business development services (establishment of an enterprise support centre, certification of business consultants and capacity building for specialized

business consultants from both banks) and promote a culture of entrepreneurship in the Transnistrian region, in cooperation with business and education specialists. Based on the feasibility study conducted under the on-going CBM programme, a microfinance facility for small and medium enterprises (SMEs), accompanied by a clear exit strategy, will be established to promote economic cohesion of both banks and address one other key shortcoming, lack of accessible funding.

b) Social and community infrastructure, transports, environment

Handled in a non-political, development-focused way, the infrastructure component has proved efficient and sustainable from the viewpoint of confidence-building during the previous phases, generating community involvement and fostering closer links between the banks. This component will be enhanced and will focus heavily on the Security zone and on issues and community problems that have a high confidence-building potential. This includes social institutions, kindergartens, schools, hospitals, the transport sector (e.g. bridges), water and waste management systems, as well as and other social institutions that are used by both sides and where both sides have an interest in working together to enhance their functionality. Projects will be selected on the basis of competition, and priority will be accorded to projects in which communities from both banks work in a partnership. To tackle the lack of reliable data from the Left bank, cooperation between statistics offices from Chisinau and Tiraspol will also be encouraged throughout.

Component II: Support to civil society

This component builds on and expands the civil society related activities under the current CBM programme (AAP 2011). Considering the sensitive nature of this cooperation and the visibility potential it entails, this component will be managed through direct centralised management via a call for proposals.

The priorities of the call will focus primarily on promoting cross-river exchanges and capacity building, by encouraging sustainable partnerships. In order to further promote capacity building and support grassroots organizations, the call will also include the possibility for sub-granting.

Taking into account the recent opening of the de facto authorities on the Left bank to explore new areas of cooperation, the scope of the call will be designed for reconciliation, rapprochement and harmonization in a wide fashion to cover joint initiatives and encourage the creation of platforms of cooperation in the following fields: human rights, media and journalism, education, social sector and persons with disabilities, gender, business development, consumer protection, environment, health, arts, sports, culture.

Component III: Support to the technical dialogue and the Working Groups

Based on the TA which is currently provided to the Bureau for Reintegration¹⁶ in the framework of the on-going CBM programme, this component will further develop the following activities:

- Information/media campaign on the Transnistrian settlement– to provide communities on the Right bank as well as in the Transnistrian region with information aimed at objectively depicting the issues at stake, the benefits of reintegration, the need for cooperation, stereotype-breaking as well the EU involvement. This action could also include a component on training/capacity enhancement for local media.
- Studies on the impact and financial implications of reintegration – to support the conflict resolution process with providing analysis of the costs and benefits of the full reintegration of the population of the left bank (for example the consequences on the health and social protection system etc.). The studies will also include a sectoral data collection component.
- Technical assistance facility: continued support for the “Working Groups on Confidence Building” – to provide timely expertise on the issues commonly agreed by the two sides: economic cooperation, banking systems, customs, statistics, standards and norms, transport, telecommunication, visa liberalization dialogue and these activities’ impact on the Transnistrian region.
- The Technical Dialogue Initiative: should prolong and transform the on-going Dialogue programme (AAP 2011), which convenes actors from both banks of the Nistru to foster rapprochement at different levels (the so-called Tracks II and III diplomacy) and ends in March 2015, into a full-fledged technical dialogue articulated around the Working Groups, with the aim to feed in the technical dialogue between relevant institutions from both banks.

This component will be implemented through a service contract which will be completed by ad hoc framework contracts to provide support and expertise to the technical settlement process.

Component IV: Support to regional development, local public authorities and civil society in ATU Gagauzia

a) Integration of ATU Gagauzia in the national framework for regional development

This sub-component aims at promoting economic and social development in the Gagauzia region while encouraging cooperation with Chisinau and other Moldovan local authorities. The intervention will be based on a prior diagnosis of the needs and the planning of local development strategies in the region against the current decentralization process undertaken in the country.

The intervention will support the creation of an enabling environment for regional development by building institutional capacity to implement regional development according to standards and practices in other regions (south, center and north regions), regional strategic

¹⁶ "[Technical assistance to the Bureau for Reintegration of the Republic of Moldova](#)" (ENPI/2013/311-386).

planning support and project formulation for accessing regional development funds and define future projects through feasibility studies.

This action will be implemented through a service contract preceded by a needs-assessment study conducted under a framework contract.

b) Support to local public authorities and civil society in ATU Gagauzia

Based on the intervention exposed above and on the successful experience of cooperation with local communities in the Transnistrian region, this sub-component will provide a grant for a comprehensive action aiming at strengthening CSOs and local public authorities in Gagauzia, in partnerships with counterparts from other regions of Moldova, in order to ensure an adequate level of confidence building.

Based on these capacity building activities, the action will allow for the possibility to provide sub-granting to joint initiatives stemming from local CSOs and public authorities in order to promote good governance and socio-economic development. The sub-grant may also cover the refurbishment of small scale infrastructures (such as kindergartens, small scale sports and education facilities for youth, social centres, etc.).

The grant will be awarded through a separate lot under the call for proposals envisaged in Component II.

Component V: Transposition of sectoral programmes to Transnistria

As foreseen in the National Indicative Programme 2011-2013, a part of the funds earmarked for CBMs can be channelled to extend to Transnistria programmes that have been implemented so far in the rest of the country, provided that the implementation has given satisfaction. Under this programme, two projects have been identified which present the advantage to be rapidly transposable, non-politically sensitive and to entail a high potential for confidence building:

a) Transposition of the project: Supporting the implementation of the migration and development component of the EU-Moldova Mobility Partnership¹⁷: This project, implemented by the International Organization for Migration (IOM) on the right bank, tackles the challenge of migrations which affects the country on both banks of the Nistru/Dniester river. The extension of its geographical scope will entail a clear confidence building potential notably through exchange of expertise, joint community initiatives and joint academic and research activities.

b) Transposition of capacity building activities in the Health Sector¹⁸: The activities implemented with World Health Organisation (WHO) under this project accompanying the AAP 2008 Health Budget Support on the right bank have been crucial in accelerating a series of complex and challenging reforms. Similar effect could be expected by scaling up the on-going initiatives to the left bank including mutual sharing of the experience with the final aim of rapprochement through harmonization of health policies, population based services and

¹⁷ ["Supporting the implementation of the migration and development component of the EU-Moldova Mobility Partnership"](#) (ENPI/2009/229-284).

¹⁸ "Health Sector Budget Support Related Technical Assistance" (ENPI/2010/228-860).

health personnel management. The area appears as non-politically sensitive while the Transnistrian de facto administration has expressed a strong interest in benefiting from Right bank Moldova's experience, setting the ground for confidence building activities and approximation.

These two projects will be transposed through ad hoc new contracts based however on the same description of the action, adapted to the specificities of the Transnistrian region and including clear provisions for confidence building activities.

3.3. Risks and assumptions

Risks have been identified as part of the formulation process and captured in the risk log frame below:

Risk Log Frame

Description of risk	Type and Category	Risk management actions/ Assumptions
Volatile political and security environment subject to unforeseen and sudden changes.	Political/ High	The activities will be planned and approached with caution, in a flexible fashion, and focus primarily on non-political issues. Diplomatic back-up will be provided when necessary.
Lack of engagement and/or opposition from local stakeholders.	Operational /Medium	Continuous engagement and transparency with key stakeholders – including in Transnistria - will be ensured, as well as mobilisation of local resources to promote ownership. Partners will be chosen carefully in order to minimize "reputational risk".
Different legal and financial system in the Transnistrian region.	Operational /Medium	The EU will consider different funding channels and ensure on a case by case basis that proper dispositions are agreed upon with the local administrations before any fund transfer.
Low capacity of CSOs and local actors in Transnistria and in Gagauzia to implement and absorb the assistance.	Operational /High	To avoid this risk, a mixed approach towards implementation of activities is taken. The civil society and local actors related programmes will include different capacity development activities and transfer of know-how.

3.4. Cross-cutting Issues

Considering the specificity of the region, good governance, gender equality and human rights as well as sustainable development are promoted throughout the activities proposed within the new CBM package.

This programme also takes into the consideration the Security-Development nexus, as stated in Council Conclusion on Security and Development of 20 November 2007.

3.5. Stakeholders

The main stakeholders are the Moldovan Government, the Bureau for Reintegration, the Working Groups on Confidence Building, members of the Permanent Council on Political Issues within the Framework of the Negotiation Process of the Transnistria Settlement, civil

society, businessmen and academic circles from both banks of the Dniester/Nistru, local municipalities, donors and international organizations, other relevant institutions involved in the settlement process.

4. IMPLEMENTATION ISSUES

4.1. 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 the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is **48 months**, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

4.3.1 Component I - Joint management with an international organisation (sectoral confidence building measures and infrastructures projects)

This action with the objective of contributing to economic, social and sectoral rapprochement between the two banks of the Nistru river will be implemented in joint management with UNDP Moldova. This implementation is justified because of the specific experience of UNDP in the Transnistrian region, in relation to prior EU funded confidence building measures programmes promoting infrastructures and business cooperation. Joint management with this international organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (Financial and Administrative Framework Agreement – FAFA – of 29 April 2003).

The contract is expected to be signed in second quarter of 2014 and in any case before 31 December 2014.

The change of method of implementation constitutes a substantial change except where the Commission “re-centralises” or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.3.2 Component II - Grants: call for proposal "Support to Civil Society" (direct centralised management)

There will be one single call for proposals addressing both Component II and Component IVb. Specific eligibility conditions for Component IVb are defined in module 4.3.4.2 below.

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

The objective of the call is to support joint initiatives aiming to foster civil society development and help establishing cross-river platforms for cooperation, as per paragraph 3.2.

- (b) Eligibility conditions

The call will primarily focus on civil society organizations (CSOs) as well as local public authorities (LPAs) from the Transnistrian region.

- (c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80%.

(e) Indicative trimester to launch the call

The call for proposals is expected to be launched in the second quarter of 2015.

4.3.3 Component III - Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Information/media campaign on the Transnistrian settlement and Technical Dialogue Initiative	Services	1	Starting from the 1 st quarter of 2015
Studies on the impact and financial implications of reintegration	Services	Demand driven – up to 5 contracts	Starting from the 1 st quarter of 2015
Technical assistance facility	Services	Demand driven – up to 5 contracts	Starting from the 1 st quarter of 2015

4.3.4 Component IV

4.3.4.1 Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Integration of ATU Gaguzia in the national framework for regional development (component IVa)	Services	Up to 2	3 rd quarter of 2014

4.3.4.2 Grants: call for proposal "Support to Civil Society" (direct centralised management)

The sub-component Support to local public authorities and civil society in ATU Gagauzia (Component IVb) will be implemented as a separate lot in the framework of the call for proposals foreseen under Component II (see module 4.3.2 above). The call will primarily focus on civil society organizations (CSOs) as well as local public authorities. (LPAs) from the Gagauz region. The call for proposals is expected to be launched in the Second quarter of 2015.

4.3.5 Component V

These two actions with the objective of progressively include Transnistria in Moldovan-wide development initiatives will be implemented in joint management with IOM and with WHO.

4.3.5.1 Joint management with an international organisation (Transposition of the project “Supporting the implementation of the migration and development component of the EU-Moldova Mobility Partnership”)

This action will be implemented in joint management with IOM Moldova. This implementation is justified because it constitutes the extension to Transnistria of a project that is being implemented by IOM in other parts of Moldova. Joint management with this organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (Framework Agreement of 8 November 2011).

The contract is expected to be signed in the second quarter of 2014 and in any case before 31 December 2014.

The change of method of implementation constitutes a substantial change except where the Commission “re-centralises” or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.3.5.2 Joint management with an international organisation (“Transposition of capacity building activities in the Health Sector”)

This action will be implemented in joint management with WHO Moldova. This implementation is justified because it constitutes the extension to Transnistria of a project that is being implemented by WHO in other parts of Moldova. Joint management with this organisation in accordance with Article 53d of Financial Regulation 1605/2002 is possible because the organisation is bound by a long-term framework agreement (FAFA).

The contract is expected to be signed in the second quarter of 2014 and in any case before 31 December 2014.

The change of method of implementation constitutes a substantial change except where the Commission “re-centralises” or reduces the level of budget-implementation tasks previously entrusted to the international organisation.

4.3.6 External evaluation and audit - Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
External evaluation and audit	Services	Up to 3	According to needs (see sections 4.7)

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of the basic act (ENPI) on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative Budget

Categories	EU contribution
	EUR million
Component I: Sectoral Confidence Building Measures & Infrastructures Projects (<i>Joint management</i>)	10.0
a) Business development	2.5
b) Social and Community Infrastructure, Transports, Environment	7.5
Component II: Support to Civil Society (<i>Direct centralised management – Grant contracts</i>)	5.5
Component III: Support to the technical dialogue and the Working Groups (<i>Direct centralised management – Service contracts</i>)	4.0
Component IV: Support to regional development, local public authorities and civil society in ATU Gagauzia (<i>Direct centralised management</i>)	5.0
a) Integration of ATU Gagauzia in the national framework for regional development (Service contracts)	2.0
b) Support to local public authorities and civil society in ATU Gagauzia (Grant contracts)	3.0
Component V: Transposition of sectoral programmes to Transnistria (<i>Joint management</i>)	3.0
a) Transposition of the project: Supporting the implementation of the migration and development component of the EU-Moldova Mobility Partnership	1.5
b) Transposition of capacity building activities in the Health Sector	1.5
External Evaluation and Audit (<i>Direct centralised management – service contracts</i>)	0.5
TOTAL	28.0

4.6. Performance monitoring

A steering committee will be established. In order to avoid parallel structures and donor-led procedures, existing Moldovan monitoring institutions will be used to a maximum extent.

All project activities carried out by the implementing partners will be subject to continuous monitoring by project implementers and beneficiaries against the indicators determined in the project monitoring plan, which will be developed during the project inception phase, and be reviewed through quarterly steering committees and annual reviews.

4.7. Evaluation and audit

An indicative amount of EUR 500,000 is set aside for evaluation and audit. Standard procedures for evaluation and audit of EU funded projects apply.

4.8. Communication and visibility

The Communication and Visibility Manual for EU External Actions will apply. Particular attention will be paid to carry a similar message – both in content and intensity - on both banks of the river.

A particular emphasis will be put in promoting visibility and communication of EU funded projects, especially when these are implemented through joint management procedure.

ANNEX 3

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour of the Republic of Moldova

Action Fiche for Framework Programme in support of EU – Republic of Moldova agreements

1. IDENTIFICATION

Title/Number	Framework Programme in support of EU – Republic of Moldova agreements <i>ENPI 2013 / 024-403</i>		
Total cost	Total estimated cost: EUR 26,000,000 Total amount of EU budget contribution: EUR 26,000,000		
Aid method / Method of implementation	Project approach Direct centralised management (grants – call for proposals and direct award; procurement of services and supplies)		
DAC-code	15110	Sector	Public Sector policy and administrative management

2. RATIONALE AND CONTEXT

2.1. Summary of the action and its objectives

The overall objective is supporting the Republic of Moldova (hereafter Moldova) to prepare, negotiate, and implement its new contractual relations with the EU in the framework of the Eastern Partnership (EaP), and to meet the objectives of the EU-Moldova European Neighbourhood Policy (ENP) Action Plan and future Association Agenda.

2.2. Context

The priorities of the Government Programme *European Integration: Freedom, Democracy and Welfare 2011-2014* coincide with those of the EU-Moldova ENP Action Plan and with the goal of greater political and economic integration with the European Union. The Government Programme focuses upon reinforcement of the democratic processes, sustainable economic development, poverty reduction, public administration reform and the consolidation of the rule of law. In the recently approved National Development Strategy “Moldova 2020”, the Government aims to eliminate main constraints which restrain economic growth and poverty reduction, namely in the areas of education, roads, business environment and finances, energy, justice and pensions. A number of other sector strategies have been drafted and/or are currently being revised, notably related to justice, police and law-enforcement, anti-corruption, environment, energy, transport and integrated border management. The Strategic Development Plans¹⁹ provide a framework and an Action Plan for the introduction

¹⁹ The Strategic Development Plans are documents elaborated by each beneficiary institution where the organisation defines their genuine strategy. These plans are basic tools for the design of the strategic planning of the assistance.

of the reforms necessary to upgrade the institutional capacity to design, manage, implement and monitor interventions in support of the Government Programme, EU-Moldova ENP Action Plan and a future Association Agreement.

2.3. Lessons learnt

Drawing upon the results of the mid-term review of the ENPI, the Results Oriented Monitoring (ROM) reports and the stakeholder analysis, it is possible to distil a number of lessons learned:

- to avoid a top-down approach and ensure that the beneficiary is fully-engaged in the design, management, implementation and monitoring phases of the assistance;
- to ensure that the assistance is demand-driven, for the beneficiary to assume ownership;
- to provide a critical mass of support to the reform process through more rigorous programming and enhanced donor co-ordination and co-operation;
- to properly sequence the assistance, ensuring *inter alia* that there is a pre-existent reform agenda, which defines the policy framework and strategic approach, and which is then supported by interventions to strengthen the institutional and human resource capacities to manage that reform agenda;
- to introduce an approach to capacity building that focuses upon strengthening technical capacities and internal management systems as opposed to one that emphasises training/human resource development;
- to avoid capacity substitution: i.e. the recruitment of temporary local experts to cover institutional weaknesses

The design of this Framework Programme reflects these lessons learned: the Programme is beneficiary and agreement driven; it provides a critical mass of support; and the interventions designed to strengthen institutional capacity are firmly rooted in a reform agenda underpinned by future treaty obligations.

With respect to Moldova's participation in the EU programmes, experience shows that the exchange of practices between partner countries and Member States, who are already participating in the EU programmes, will provide valuable and important lessons to Moldovan institutions. This is of particular importance with regard to capacity building of institutions on how to prepare good project proposals and to make effective use of the available EU funds. In addition, in order to mobilize private and public organizations to participate in the EU programmes, it will be necessary to organize awareness-raising campaigns and to strengthen their knowledge of EU procedures and mechanisms. In addition, for those EU programmes which require different institutional arrangements (for example where agencies participate, instead of line ministries), responsible line ministries should ensure that their capacities are improved prior to their participation in the relevant EU programme. Finally, if Moldova wants to participate in the EU programmes, it needs to build the administrative capacities, plan timely financial contributions from the state budget and create mechanisms for taking part in the management of the programme and ensure that the necessary financial controls are in place.

2.4. Complementary actions

The assistance planned under this Framework Programme will complement and extend Twinning and technical assistance (TA) initiatives funded through the ENPI Annual Action

Programmes (AAPs) 2007-2012, including in the framework of Comprehensive Institution Building (CIB). The EU High Level Policy Advice mission has provided valuable support in the development of sector policies, the elaboration of the Strategic Development Plans and the preparation of the Association Agreement negotiations. There are several on-going and upcoming Twinning projects that support approximation to EU standards (for example: in food safety, public internal financial control, accreditation and conformity assessment, capacity building for regional development, market surveillance and consumer protection, public private partnerships and external public audit). Specific assistance is provided to the State Chancellery for their role as national CIB coordinator and Programme Administration Office (PAO); TA projects in the field of anti-corruption and reform of the Ministry of Internal Affairs (including police and personal data protection) target CIB-related areas.

A Programme entitled *Support to the Justice Sector Policy Reforms* has been approved under the AAP 2011 and a Justice Sector Budget Support approved under AAP 2012. Close coordination with the activities foreseen under these programmes will be ensured.

Complementary assistance in institution building is available through TAIEX and SIGMA.

2.5. Donor coordination

This Framework Programme will complement work currently being done by multilateral and bilateral donors: the World Bank managed and SIDA²⁰-funded multi-donor Trust Fund is supporting the implementation of the Central Public Administration Reform and provides support to the enhance policy planning capacities at the central level and to all line ministries. A UNDP project *Transitional Capacity Support Project for the Public Administration of Moldova*, was providing a wide-range of support addressing gaps in institutional capacity, strengthening human resource capacities. A second UNDP project, *Building the institutional capacity of the Ministry of Foreign Affairs and European Integration (MoFAEI)*, is providing policy advice to the MoFAEI linked to European integration, helping to strengthen the institutional and human resource capacities of the Ministry, is supporting legal approximation and is offering training to a number of other ministries. USAID, GIZ²¹ and the Soros Foundation are also active in the sectors covered by the CIB on each one of the sub-components that are explained under section 3.2. A World Bank project in agriculture competitiveness, of USD 31 million will focus on some Deep and Comprehensive Free Trade Area (DCFTA) engagements.

Donor coordination meetings, chaired by the UN, are held monthly. In addition, the EU Delegation convenes bi-monthly EU donor coordination meetings. The EU Delegation will ensure the coordination of projects under this programme in all the donor coordination forums.

3. DETAILED DESCRIPTION

3.1. Objectives

The **overall objective** is supporting the Republic of Moldova to prepare, negotiate, and implement its new contractual relations with the EU in the framework of the Eastern

²⁰ Swedish International Development Cooperation Agency

²¹ Deutsche Gesellschaft für Internationale Zusammenarbeit

Partnership, and to meet the objectives of the EU-Moldova ENP Action Plan and future Association Agenda.

The **specific objectives** are:

- To ensure effective institution-building of a limited number of core institutions that are central to prepare the ground for and implement the future Association Agreement, including the DCFTA;
- To support the relevant institutions within the Moldovan public administration to comply with the commitments set forth in the EU-Moldova ENP Action Plan;
- To assist the national authorities to carry out the preparatory, supervisory, monitoring, audit and evaluation work necessary for the timely and efficient launch and implementation of actions in the framework of EU assistance;
- To further accelerate Moldova's approximation and cooperation with the EU by fostering Moldova's participation in the EU programmes and agencies in a broad range of areas.

3.2. Expected results and main activities

This Framework Programme is expected to result in the following:

1. Enhanced capacity of the Moldovan authorities to negotiate and conclude the future Association Agreement including the DCFTA;
2. Strengthened institutional (including strategic planning), technical (including policy-making and annual and medium-term budgetary processes) and human resource capacities within the core institutions to co-ordinate the European approximation process and to manage, implement and monitor their respective components of the EU-Moldova ENP Action Plan;
3. Strengthened capacity to participate effectively in the programming exercises in priority sectors in line with the EU-Moldova ENP Action Plan and future Association Agenda;
4. Completion of negotiations to allow for Moldova's participation in EU programmes and in the work of EU programmes and agencies, which best match Moldova's priorities and capacities.

Component I – Comprehensive Institution Building (CIB)

Component Ia: CIB – Reforming the Public Administration

The Government is presently engaged in substantive reforms of the public administration system. The focus to date has primarily been upon strengthening policy development and management capacities, reform to the public finance management system, the introduction of more transparent and user-friendly procedures (e-governance, e-procurement and mechanisms for consultation with civil society). A new Public Administration Reform Strategy is expected in 2013; Strategic Development Plans for each public institution and a “change management” approach are being introduced.

This Framework Programme will assist the Government to implement the new Strategy and its Action Plan. Technical assistance will be provided to support the introduction of the “change management” approach. Further support will be provided through technical assistance, Twinning and training to the targeted core institutions to enable them to implement their Strategic Development Plans. Policy advice (e.g. EU High Level Policy Advisers) constitutes another modality for assistance and may also address other CIB sub-components of the present programme. Assistance will be provided to address weaknesses in the coordination of the legal approximation process, notably with respect to prioritising the

drafting of particular legislation and ensuring synergy between the Government and Parliamentary agenda. Provision of ancillary needs linked with other actions under this component can be provided via supply contracts.

Component Ib: CIB – Consolidating the rule of law and respect for human rights and fundamental freedoms

The assistance will be targeted on irregular migration and border management, migration management, as well as on public order and security, preventing and fighting corruption and supporting institutional changes related to organisational restructuring of the Ministry of Internal Affairs (Police), the integration of the Border Police into the Ministry of Internal Affairs, as well as support to the Bureau for Migration and Asylum. This Framework Programme will assist these institutions, through technical assistance and possible Twinning projects related to legal approximation, institutional change and capacity building. Provision of ancillary needs linked with other actions under this component can be provided via supply contracts.

Component Ic: CIB – Preparing the Republic of Moldova in view of a possible DCFTA with the EU

Following the DCFTA negotiations between Moldova and European Union, policy advice and technical assistance will be given to the Government of Moldova for the implementation of the commitments that are undertaken by Moldova under the DCFTA, especially in the following areas:

1. Overall coordination and administrative capacity building; 2. Market access for goods/trade statistics; 3. Tariff and non-tariff barriers (NTBT); 4. Technical barriers to trade (TBT); 5. Sanitary and phyto-sanitary (SPS) measures; 6. Trade facilitation and customs administration; 7. Rules of origin (RoO); 8. Services and investment; 9. Intellectual property rights (IPR); 10. Public procurement; 11. Competition; 12. Sustainable development (social and labour issues; environment). Provision of ancillary needs linked with other actions under this component can be provided via supply contracts.

Component II: Support to the implementation of the EU-Moldova ENP Action Plan

Actions under this component will support the development of institutional and administrative capacities for the implementation of the EU-Moldova ENP Action Plan commitments, including regulatory approximation. The assistance under this component will be targeted at institutions not covered by the CIB. In addition, assistance will be provided for the identification, formulation, audit and evaluation of actions under the Framework Programme. Provision of ancillary needs linked with other actions under this component can be provided via supply contracts.

Component III: Fostering Moldova's participation to the EU programmes and agencies

Following the Protocol to the Partnership and Cooperation Agreement²², this component will foster Moldova's participation to internal EU programmes. In 2012 Moldova joined the “7th Framework Programme for Research and Technological Development²³”. Participation in

²² Protocol to the Partnership and Cooperation Agreement between the European Communities and their Member States, of the one part, and the Republic of Moldova, of the other part, on a Framework Agreement between the European Union and the Republic of Moldova on the general principles for the participation of the Republic of Moldova in Union programmes, 19.01.2011.

²³ According to the Memorandum of Understanding between the European Union and the Republic of Moldova on the association of the Republic of Moldova to the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013).

other internal EU programmes will be explored according to the priorities expressed by the beneficiary, its financial possibilities, and the needs in the relevant sectors. An ongoing dialogue with the Moldovan authorities is underway in order to identify sectors for future cooperation in this matter.

Under component III, the reimbursement of the fees for Moldova's participation in EU programmes and agencies will be provided under the ENPI as a reimbursement of up to 50% of the "entry ticket" (fees for year n) for the EU programmes for which a Memorandum of Understanding (MoU) is in force. Reimbursement of the 50% fees for year n+1 may also be considered. The participation of the beneficiary in EU programmes shall follow the specific terms and conditions set out for each such programme/agency in the MoU.

3.3. Risks and assumptions

The principal risks to implementation are:

- The work of the Government and Parliament is disrupted by personal and political disputes
- Lack of institutional, technical and human resource capacities and high staff turnover result in a failure to absorb the available assistance efficiently and effectively
- Macro-economic imbalances inhibit Moldova's capacity to provide co-financing and/or to provide adequate budgetary support to the core institutions
- Middle ranking officials are resistant to the proposed institutional and operational changes
- Weaknesses in the legislative process, compounded by a deficient system for the coordination of legal approximation and the implementation of laws and regulations

Each of these risks, if they were to materialise, could significantly disrupt implementation. The Government is aware and is actively monitoring and addressing the situation. On-going projects are supporting the development of a comprehensive Medium Term Budgetary Framework, the enhancement of public finance management capacities and the approximation of laws and regulations. This Framework Programme has been designed to assist the Government to mitigate several of the above risks.

The primary assumptions are:

- The Government of Moldova remains firmly committed to its reform agenda and to enhanced political and economic relations with the European Union and is willing and able to pursue negotiations leading to the conclusion of Association Agreement.
- The selected core institutions allocate the necessary human, financial and technical resources to support the implementation of the Strategic Development Plans.

The critical assumption is that the Government will not abandon its commitment to the reform agenda. A change in priorities is considered unlikely, whatever is the outcome of any forthcoming election, but evidence of a continued commitment to the European integration process should be regarded as conditionality for the implementation of this Framework Programme.

3.4. Cross-cutting Issues

The interventions planned under each of the components above will be carefully monitored during the implementation phase to ensure compliance with the criteria of democracy, gender equality, good governance, corruption prevention, transparency and human rights. In addition, all interventions will be monitored for their potential environmental

impact and where appropriate an assessment will be commissioned during the project design phase.

3.5. Stakeholders

The stakeholders' analysis identified the following institutions as the principal beneficiaries under this Framework Programme: the State Chancellery, the Public Procurement Agency, the Ministry of Internal Affairs, the Centre for Combating Economic Crime and Corruption, the Border Guard Service, the Bureau of Migration and Asylum, the General Prosecutor's Office, the Ministry of Economy and Trade, the Ministry of Agriculture, the Ministry of Finance, and institutions subordinate to both the Ministry of Agriculture and Ministry of Economy and Trade directly involved in the implementation of the DCFTA. This list accords with the institutions recommended by the CIB Coordinator as potential beneficiaries and is in line with the Government request for assistance to the EU Delegation. These institutions have demonstrated their commitment to the reform process through the adoption of appropriate policies, harmonisation of legislation and regulations and the implementation of institutional changes. Nevertheless, they still require additional support to strengthen their institutional and technical capacities and to prepare the staff to implement the future Association Agenda.

4. IMPLEMENTATION ISSUES

4.1. 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 the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out, is **60 months**, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Implementation components and modules

A number of implementation modalities will be used: service, supply and grant contracts. In particular, Twinning grant contracts will be preferred when an action targets the approximation to EU *acquis* (therefore when a public expertise in Member States is available) and when the Beneficiary institution meets minimum requirements in terms of absorption capacities and institutional stability.

Under the CIB component, and in the framework of the implementation of each Strategic Development Plan, a financial contribution of at least 20% (parallel procurement) will be required whenever EU funding is used for supply of EU norm driven equipment.

4.3.1. Grants: call for proposal for Twinning projects (direct centralised management)

Under the present programme, it is expected to conclude up to 10 Twinning grant contracts.

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

The Twinning calls for proposals modality will be used for implementing actions under objectives defined in section 3.1.

The activities and expected results of the Twinning calls for proposals will be in line with the expected results and activities defined in section 3.2.

- (b) Eligibility conditions

In line with Article 15(2)(a) ENPI, 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 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%²⁴.

- (e) Indicative timing to launch the calls

The launch of the calls for proposals is indicatively planned during 2015, 2016 and 2017, depending for each Twinning call for proposals on the time needed to finalise the Twinning fiches, to conduct the Twinning call for proposals and to prepare the corresponding Twinning grant contracts. Twinning activities are expected to end in 2018.

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

Twining contracts include a system of unit costs, defined in the Twinning Manual, for the reimbursement of the public sector expertise provided by the selected Member States administrations. This system of unit rates exceeds the amount of EUR 60,000 per beneficiary of a Twinning contract.

4.3.2. Procurement (direct centralised management)

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Component I (Comprehensive Institution Building)	Services	Up to 10	Quarter 3 2014 – Quarter 2
	Supply	Up to 5	

²⁴ As foreseen for in the Twinning Manual.

Component II (Support to the implementation of the EU-Moldova ENP Action Plan)	Services	Up to 4	2017
	Supply	Up to 5	
Component III (Fostering Moldova's participation to the EU programmes and agencies)	Services	Up to 2	

Supply contracts will not exceed 10% of the budget allocated for Component I and 15% of budget allocated for Component II. Supply contracts will be linked/ancillary to the implementation of other projects under these components.

4.3.3. Grant: direct award (direct centralised management)

Implementation of Component III (financial support to the participation of Moldova in internal EU programmes) will take the form of a reimbursement of up to 50% of the corresponding accession fee(s). This reimbursement will take the form of an ad hoc grant directly awarded to the institution that will pay the fees. The fees will be reimbursed to the institution after receiving a payment request from the Government of Moldova and evidence of payment of the total fee. Specific provisions will be introduced in the Financing Agreement. No pre-financing is foreseen under this scheme.

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

The objective is to contribute up to 50% of the annual fee for the participation of Moldova to selected internal EU programmes, for up to 2 consecutive years.

- (b) Justification of a direct grant

Under the responsibility of the authorising officer by delegation, the recourse to an award of a grant without a call for proposals is justified because the purpose of this operation is to provide a direct support to the relevant institution(s) of Moldova.

- (c) Eligibility conditions

Only the institution(s) that pay the fees for the participation in the selected internal EU programmes are eligible.

- (d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the concerned institution(s), which will be verified by ensuring that the institution(s) are the one(s) in charge of the payment of the fee(s) and that the payment of the entire fee(s) has been done.

The essential award criteria are relevance of the proposed action to the objective as described under Component III of section 3.2 above.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this type of grant is 50% of the annual fee.

4.4. Scope of geographical eligibility for procurement in direct centralised and decentralised management

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with the article 21(7) of the basic act ENPI on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.5. Indicative budget

Component	Amount in EUR
4.3.1 Component I: Comprehensive Institution Building pillars	15,565,000
a) Twinning projects (grants)	6,175,000
b) Support to institutions under CIB (service contracts)	7,840,000
c) Provision of ancillary needs linked with other forms of technical assistance under CIB (supply contracts)	1,550,000
4.3.2 Component II: Support to the implementation of the EU-Moldova ENP Action Plan	8,085,000
a) Twinning on support of the implementation of the EU-Moldova ENP Action Plan for non-CIB institutions (grants)	5,000,000
b) Support to non-CIB institutions (service contracts)	2,000,000
c) Provision of ancillary needs linked with other forms of technical assistance under component II (supply contracts)	1,085,000
4.3.3 Component III: Fostering Moldova's participation to the EU	2,150,000

programmes and agencies	
a) Re-imburement of entry fees according to relevant MoU (grants)	2,000,000
b) Technical assistance for institutions (service contract)	150,000
4.4 Evaluation and audit	200,000
Totals	26,000,000

4.6. Performance monitoring

A CIB Steering Committee will monitor activities and results in CIB-related areas; its detailed composition and functions will be established by a common agreement between EU Delegation and the State Chancellery of the Republic of Moldova (national CIB coordinator). The Commission may carry out Results Oriented Monitoring (ROM) via independent consultants, starting from the sixth month of project activities, which will be finalised at the latest 6 months before the end of the operational implementation phase.

4.7. Evaluation and audit

Evaluation and audit (*mid-term, final, ex post*) will be identified for each project separately. Standard procedures for evaluation and audit of EU funded projects apply.

4.8. Communication and visibility

Each project under this framework programme will have its own communication and visibility component and budget, according to the Communication and Visibility Manual for EU External Actions.

ANNEX 4

of the Commission Implementing Decision on the Annual Action Programme 2013 in favour
of the Republic of Moldova

Action Fiche for Support to the Implementation of the Visa Liberalisation Action Plan

1. IDENTIFICATION

Title/Number	Support to Implementation of Visa Liberalisation Action Plan <i>ENPI/2013/024-405</i>		
Total cost	Total amount of EU budget contribution: EUR 21,000,000 of which: EUR 20,000,000 for budget support EUR 1,000,000 for complementary support		
Budget support			
Aid method / Method of implementation	Direct centralised management Sector Reform Contract		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	15210	Sector	Security system management and reform
Complementary support			
Aid method / Method of implementation	Direct centralised management (procurement of services)		
DAC-code	15210	Sector	Security system management and reform

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The overall objective of this programme is to improve the mobility of Moldovan nationals, while ensuring public order and security, consolidating the rule of law and strengthening human rights protection in line with European standards and best comparative practices.

2.2. Country context

The main goal of the Government in this area is to conclude a visa-free travel agreement with EU, while promoting free and secure movement of persons inside EU and in its vicinity. Depending on the level of fulfilment of the benchmarks of Visa Liberalisation Action Plan (VLAP) and the overall development of EU-Moldova relations, the European Commission will be enabled to request the European Parliament and the Council to lift the short-stay visa requirements for Moldovan citizens through an amendment to Regulation 539/2001²⁵.

2.2.1. Main challenges towards poverty reduction/inclusive and sustainable growth

GDP of Republic of Moldova (hereafter Moldova) grew on average by 4.6% annually during 2000-2012, with high disparities from 6.3% during 2000-2005, to 3.2% for the rest of the period, due to a strong influence of the global economic trends. The current estimates table on an average annual GDP growth of 4.7% during 2012-2020. The economic model remained, to a large extent, based on consumption, with limited impact over the creation of new jobs in the country. Remittances, rather than wages, became an important source of revenue, particularly, in rural area.

Inflation is constant at around 7-8% over the last years. The fiscal consolidation process continued in 2011 with a budget deficit of 2.4 % of GDP that further reduced to 2.1% of GDP in 2012. The absolute poverty rate decreased from 67.8% in 2000 to 21.9% in 2010.

The share of the population registered as active has decreased constantly over the recent years from 59.9% in 2000 to 40.7% in 2012. Of these, the 15-29 years age group counts for 27.2%. The unemployment rate among them is 13.9%, nearly double the national unemployment rate of 7.4%.

2.2.2. Fundamental values

Since 1991 Moldova has built foundations of a democratic system of government, based on respect for fundamental rights and freedoms. Local and parliamentary elections have been generally held in an orderly manner ever since. Significant reforms have been pursued to strengthen democracy, rule of law, respect for human rights (including the media freedom and minority rights), the fight against corruption and trafficking in human beings. Further positive developments in these key areas are underway, attesting democratic evolution of Moldova's political, legal and socio-economic system and its ability to sustain cooperation with the European Union.

2.3. Eligibility for budget support

2.3.1. Public policy

- d) The National Development Strategy "Moldova 2020" (NDS) is the basis of Moldova's development policy. Its overall objective is to produce a global social and economic impact, the cumulative effect of solving the problems will remove critical barriers that prevent the optimal use of resources and ensure qualitative economic development and poverty reduction.
- e) The NDS pursues the reforms outlined in the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP) and the Moldova-European Union Action Plan (MEUAP)

²⁵ Council Regulation (EC) No 539/2001 of 15 March 2001 listing the third countries whose nationals must be in possession of visas when crossing the external borders and those whose nationals are exempt from that requirement (OJ L81 of 21/03/2001).

aiming at aligning Moldova to EU standards with the objective of European integration. National policies focus on economic development and reduction of poverty by increasing access to the key sectors: rule of law and democratic governance. NDS initiatives are reflected in the national budget and in the Medium-Term Budget Framework (MTBF), a process introduced in 2002. The new budget classification system introduced in 2012 will focus on non-financial performance information, ensuring that the priorities of the NDS are reflected in the budgets.

- f) The development of the National Development Strategy and specifically the Annotated Agenda on implementation of Visa Liberalisation Action Plan are based on a large public consultation process. The Government and, to a larger extent, the political stakeholders are committed to its successful implementation for which they are largely accountable. These documents include contributions from all stakeholders, including international donors and were developed through a participatory process.

On the basis of this assessment, it is concluded that the policy is considered sufficiently relevant and credible for budget support programme objectives to be largely achieved. Therefore the policy can be supported by the Commission with the proposed Sector Reform Contract.

2.3.2. Macroeconomic policy

In addition to the remittances (23 % of GDP in 2011), the importance of the agricultural sector remains significant with 12% of GDP, 28% of the labour force and more than 45% of exports through a strong agro-processing industry contributing an additional 8% to GDP. The rural poverty is the highest at 30% (2010). The real GDP growth is projected to slightly recover in 2012 at 0.3% before rebounding to 4% in 2013 on the account of a recovering agriculture and gradual improvement in external conditions. The budget deficit is projected at a higher than expected 1.9% of GDP in 2012 due to lower revenue, stemming mainly from the cyclical weakness of the economy. Pursuant to the agreements with International Financial Institutions²⁶ the Government of Moldova is implementing measures for preserving macroeconomic stability:

- Enacting a law on public finance containing a new *fiscal responsibility framework* in 2013;
- New mechanism for allocating capital expenditure based on projects' viability, economic growth potential, and capacity for implementation with the view to increasing *efficiency of public investment*;
- Strengthen *tax administration* along several dimensions, including reducing tax evasion;
- Undertaking structural reforms for reducing the losses and inefficiencies generated in the state owned enterprises.

The measures on reducing the vulnerability to external shocks, mono-cultural economy and dependence on limited export destination will show their impact in the coming years together with the improvement of the business environment and developing capacity in the public sector for facilitating businesses and foreign trade. Since January 2010, the IMF supported the Government of Moldova in its efforts to restore fiscal, external, and financial sustainability and promote growth by two arrangements: the Extended Credit Facility and the Extended

²⁶ IMF and World Bank.

Fund Facility, amounting in total to SDR 369.6 million (USD 562.5 million at present). Five reviews have been completed so far, releasing SDR 320 million to support the balance of payments. The sixth review is still pending due to some delays in programme implementation and due to political uncertainty. The IMF programme which is due by end of April was put on hold rather than went off the track for the same reason. According to IFIs, some decisions taken by the Moldovan authorities on the last day before resignation, by adopting increases in pensions and wages for top civil servants as well as by introducing common tax for agricultural producers, might hinder further stabilization of economy and fiscal consolidation. The IMF is also expecting the GoM to implement measures agreed on the stabilisation of the Banca de Economii, a majority state-owned bank having an important systemic role in country's financial system. As the IMF' conditions mentioned above are only part of a whole package of measures it can be expected that the Moldovan authorities will make the necessary decisions in the short term and comply with the IMF conditions, as they are crucial for the access of funding provided by the donor community and other international organisations. Except for this delay since 2010 the Government of Moldova has demonstrated very high level of commitment for reforms and followed credible stability-oriented macro-economic policy.

Based on the analysis above it is concluded that the authorities pursue a credible and relevant stability oriented macroeconomic policy aiming at restoring fiscal stability and sustainability, although some slippages in macroeconomic policies implementation could be observed. These should be seen and perceived in context of current political turmoil which once settled will put Moldova back on track towards its commitments to IMF and other IFIs.

2.3.3. Public financial management (PFM)

- c) The Moldovan budget classification system captures all basic elements of an administrative, economic and functional classification. There are no unreported government operations and all projects funded by major donors are part of budget appropriations and fiscal reports. The latest Public Expenditure and Financial Accountability (PEFA) assessment denotes full transparency in terms of public access to key fiscal information. The State Tax Service is implementing a Compliance Risk Model for increasing volunteer payment of taxes due. However more systematic measures have to be applied based on unpopular policy decisions in order to tap major sources of taxes. Measures addressing all areas of unsatisfactory performance according the PEFA 2011 are implemented by the Moldovan authorities supported by technical assistance and twining projects. In this aspect it can be concluded that there is credible programme for improving the PFM and it is in process of implementation.
- d) The overall Public Finance Management (PFM) reform agenda (despite of not being yet formulized in a overarching PFM strategy) is considered sufficiently *relevant* because well designed reforms have been undertaken in all PFM aspects. A top-down approach has been used so far for setting up the general PFM legal framework; reengineering the PFM process and updating the PFM related IT systems. The PFM reform strategy is considered sufficiently *credible* because it has dealt with the PFM basics so far by establishing well performing mechanisms for MTBF, IMF GFS2001 standards' compliant budget classification and chart of accounts, annual budgeting, maintaining sound cash control via the Treasury Single Account, keeping the public expenditure within the budget allocations, producing compliant and comprehensive budget execution reports, made available to the public together with the audit opinion.

2.3.4. Budget transparency and oversight of the budget

Over the years the Ministry of Finance has succeeded to adopt disciplined approach in preparing reasonably good quality budget documents. In terms of timeliness the budget calendar has been always respected by the Government and Parliament. The Court of Accounts has always provided an opinion (unqualified) on the State budget' execution report. Satisfactory progress is considered to be made as the Executive's budget proposal and the enacted budget for 2013 were published respectively on the 26 September 2012²⁷ and 21 December 2012²⁸. All of the budget- related documents are published in Romanian and Russian on several web-sites.

2.4. Lessons learnt

Since the EU VLAP was presented to the Moldovan Government on 24 January 2011, the process of its implementation has been permanently monitored, reviewed and assessed by all the parties involved (EU and Moldova). The first progress report on the implementation of the Phase I of the VLAP was submitted to the EC by the Moldovan Government already on 23 May 2011.

As a result, a series of EC expert missions were carried out in July – August 2011 that assessed the degree of implementation by the Moldovan authorities of the benchmarks set in all the 4 thematic blocks of the VLAP. The EC consolidated report on the implementation of the Phase I benchmarks issued on 21 September 2011 mentioned the considerable progress made by the Moldovan authorities in the amendment, adjustment and development of the legal framework in the area.

The gaps identified in the EC report have been addressed in the second and third progress reports submitted by the Moldovan Government during 2011 and 2012. In consequence, in November 2012, the EU Council has taken the decision to pass to the Phase II of the implementation of the VLAP after Moldovan Government has fulfilled all the benchmarks with regard to legal approximation of Phase I.

In February and March 2013, a series of EC expert missions have assessed the level of implementation of Phase II benchmarks by the MD authorities and the consolidated evaluation report will be made public already in the middle June 2013.

2.5. Complementary actions

EU support helped in achieving the VLAP objectives during the first phase of the VLAP implementation, and setting groundwork for the second phase. The Border Police, in particular, continues to benefit from numerous EU-funded or co-funded technical assistance (TA) and equipment delivery projects ("Fixed and Mobile Communications Network Project"). More support will be available by ways of twinning for the Ministry of Interior and other stakeholders. The Justice Sector Policy Support Programme will also contribute to the needs of the visa dialogue, by supporting Moldova's criminal investigation sub-sector reform.

Moldova is also a pilot country benefitting from the 'Mobility Partnership' with EU through 85 joint bilateral and multilateral projects with various member states. The instrument has helped greatly in managing the migration flows. USAID will continue its contributions to the

²⁷ http://www.gov.md/public/files/ordinea_de_zi/26.09.2012/Intr03.pdf

²⁸ <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=345921>

sector by way of technical assistance activities to build capacity at Ministry of Interior and General Prosecutor's Office, and will provide comprehensive support for the introduction of e-courts system.

2.6. Risk management framework

c) Identification of the major risks

The major risk remains with the stability of the newly elected Government and its high level commitment and capacity to follow the dynamic pace of reforms and actions set in this sector. Other risks related to lack of single policy document for visa liberalisation, polarisation and partisanship, institutional and absorption capacity, are also the factors exposing the action to certain risks.

d) Overview of the mitigating measures

The political instability in Moldova and discontinuity of governmental structures can be mitigated by the overwhelming political consensus as to the acceptability of objectives of VLAP, as a core precondition of Moldova's economic and social development and inevitable pathway towards closer EU integration. It is thus reasonable to assume that any new composition of the Government will continue implementation of the VLAP objectives.

Lack of a single policy document: the Sector Programme consisting of a vast number of wider and narrower policy papers can be mitigated by a clear ownership of the sector by the Government and the fully operational coordination mechanism, able to channel and streamline the policy, if needed.

Polarisation and partisanship among some sector stakeholders (especially those not under the vertical control of the Executive, such as Prosecutor General Office) with regard to some aspects of the sector reforms, delaying or undermining the programme formulation and implementation also need special attention. This can be mitigated by an efficient coordination mechanism. Moreover, the vast extent of the programme activities will be directed towards the Government-controlled stakeholders and built around them (notably the Ministry of Interior).

Insignificant absorption capacity of the main institutions and high staff turnover, difficulties in filling in vacancies for governmental positions, including finance department and procurement units can be mitigated by the relatively strong and consistent staffing of the core (Ministry of Interior) and other stakeholders, and the existence of 'back-office' capacity within the stakeholders to help successfully implement the programme.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

The overall objective of this Sector Reform Contract is to improve the mobility of Moldovan nationals, while ensuring public order and security, consolidating the rule of law and strengthening human rights protection in line with European standards and best comparative practices.

The specific objectives of this Sector Reform Contract are derived from the EU-Moldova Action Plan on Visa Liberalisation:

1. Enhanced border management;

2. 2. Enhanced migration management;
3. 3. Enhanced public order and security.

3.2. Expected results

Through a dialogue with the stakeholders, several key results areas have been identified where achievements and targets will be more specifically supported; the numbering corresponds to the results of the VLAP.

- Result 1.1** Operational Integrated Border Management (IBM) System is developed
- Result 1.2** Operational coordination mechanism and policy development in border management are in place
- Result 2.1** Comprehensive system of collection and analysis of data on migration stocks and flows and asylum is functional
- Result 2.2** Capabilities at One-Stop Shop (OSS) for documentation of foreigners are developed and improved
- Result 2.3** Operational mechanism for combating illegal migration is in place
- Result 2.4** Operational system for integration of foreigners, refugees and beneficiaries of humanitarian protection is functional and sustainable multi-year budget funding is ensured
- Result 2.5** Capabilities for reception of asylum seekers are developed and sufficient staff and funding is provided
- Result 2.6** Operational coordination mechanism and policy development in migration management are in place
- Result 2.7** Document security and reliability capabilities are developed in line with EU best practices
- Result 3.1** Performance in fighting organised and cross-border crime is improved
- Result 3.2** Performance in fighting high level corruption and corruption in law enforcement is improved
- Result 3.3** Integrated Information System (IIS) between various law enforcement agencies involved in detection and prevention of crime is established and operational, including on trafficking of human beings (THB)
- Result 3.4** Intelligence-led policing (ILP) concept in detection and prevention of crime is applied, alongside a strategic analysis model
- Result 3.5** Operational mechanism for coordination and policy development of national and international detection and prevention of crime is in place

3.3. Rationale for the amounts allocated for budget support

The total amount allocated to the implementation of the Visa Liberalisation Action Plan under the NIP is EUR 21 million, of which 100 % is to be delivered under the present programme. This amount is based on:

4. 1. A well-defined sector policy is in place since the government approved the EU-Moldova Action Plan on Visa Liberalisation, including an Action Plan with indicators of achievement, distribution of funds and a clear timeline.

5. 2. The analysis of the macroeconomic framework shows that the macroeconomic policy is conducive to maintaining macroeconomic stability and is not expected to put at risk sector objectives. A three-year agreement for a combined Extended Credit Facility (ECF) and Extended Fund Facility (EFF) was agreed with the IMF in January 2010 and has remained on track during its implementation since.
6. 3. The analysis of PFM shows that Moldova has established a credible and relevant programme of improvement of PFM confirmed by a PEFA Assessment update in late 2011 in which most indicators were assessed at A or B. The assessment and the PFM reform review processes carried out show that trends in PFM justify the allocation of budget support with respect to the legal requirements concerning this eligibility criterion.
7. 4. The requirement on transparency and oversight of the budget has been fulfilled. The Annual Budget Law for 2013 has been approved in November 2012 and published in the Official Gazette of the Republic of Moldova in December 2012. The approved law has been placed on the Moldovan legislation web-portal.²⁹ The latest annual audit report dates September 2012. The latest 2008-2010 PEFA assessment denotes full transparency in terms of public access to key fiscal information.³⁰

3.4. Main activities

The main activities to implement the budget support package are policy dialogue, financial transfers, performance assessment, reporting, capacity development, procurement and supplies.

3.4.1. Budget Support

Result 1.1 - Operational Integrated Border Management (IBM) System is developed:

- Feasibility study for an Integrated Information System (IIS);
- Procurement of a secured IIS integrating personal data protection;
- Develop and implement the interoperability with other national ISS;
- Creation of national Joint Risk Analysis Group at national level tasked with identification of border management risks, including on THB risk analysis;
- Development of face recognition software (FRS) capabilities in conjunction with Moldovan Customs and purchase of hardware.
- Introduce fixed technical surveillance systems along the land border.
- Acquire sufficient equipment for second-line checks for every BCP as recommended by the Schengen Catalogue. Acquire devices for checks on vehicles for the purpose of detecting hidden persons.

Result 1.2 - Operational coordination mechanism and policy development in border management are in place:

²⁹ <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=345921>

³⁰ According to PEFA assessment, the *public access to key fiscal information* (indicator PI-10) has been rated with highest "A" mark, denoting full transparency and access to budget information in line with the standards and best practices. All key dimensions of this indicator (annual budget documentation, in-year budget execution reports, year-end financial statements, external audit reports, public contract awards) have been reported as compliant.

- Approximation with Schengen standards and best European practices on information exchange in border control area;
- Operational communication channels and data exchange networks between Moldovan and foreign IIS based on Schengen rules and principles.

Result 2.1 - Comprehensive system of collection and analysis of data on migration stocks and flows and asylum is functional:

- Development of risk analysis, intelligence and data flow management capabilities with special emphasis on reinforcement of the risk analysis units within Bureau of Migration and Asylum.

Result 2.2 - Capabilities at One-Stop Shop (OSS) for documentation of foreigners are developed and improved:

- Development of a BMA (Bureau of Migration and Asylum) web site;
- ‘On-the-spot’, mobile and online services provided on BMA website in compliance with European standards and best practices.

Result 2.3 - Operational mechanism for combating illegal migration is in place:

- Development of inland detection capabilities and mobile units;
- Amendment of the policy and regulatory framework in accordance with European standards and best practices;
- Creation of dedicated units to combat illegal migration, and reinforce cooperation with the Border Police.

Result 2.4 - Operational system for integration of foreigners, refugees and beneficiaries of humanitarian protection is functional:

- Development and approval of the legal framework for the creation of integration centres for foreigners (ICF);
- Development and approval of the legal framework for the creation of integration centres for refugees and beneficiaries of humanitarian protection (ICR);
- Creation of central and local points for ICR and ICF.

Result 2.5 - Capabilities for reception of asylum seekers are developed:

- Cooperation agreements with non-governmental organisations (NGOs) and civil society organisation (CSOs) on social, psychological and legal services for asylum seekers;
- Social, psychological and legal services for asylum seekers (including online) developed and provided at central and local level, including in partnerships with NGOs and CSOs.

Result 2.6 - Operational coordination mechanism and policy development in migration management:

- Approximation with European standards and practices on information exchange in migration area;
- Gap analysis and approximation of regulatory framework according to European standards and best practices;
- Develop and implement operational communication channels and data exchange networks between Moldovan and foreign IIS.
- Organise public information campaigns on the rights and obligations for Moldovan citizens of visa-free travel with the EU.

Result 2.7 - Document security and reliability capabilities are developed:

- Procurement of the necessary technology to produce new identification documents (IDs) according to EU standards;
- Develop and implement methodologies for the fully automatized issuance of new IDs and biometric passports, abandon any manual processing.
- Efficient exchange of information regarding the lost and stolen passports.

Result 3.1 - Performance in fighting organised and cross-border crime is improved:

- Development of substantive and procedural law in fighting and prevention of organised and cross-border crime in accordance with European standards and best practices;
- Make use of joint investigative teams (JITs);
- Develop and implement legal and intervention tools for the recovery of proceeds of crime;
- Development of capacities for addressing trafficking in human beings (THB), including prevention, prosecution and the protection, assistance and re-integration of victims;
- Development of capabilities in fighting cyber-crime, money laundering, drugs and terrorism.
- Development of legislation and practice on the control of unjustified wealth of civil servants and politicians.

Result 3.2 - Performance in fighting corruption in law enforcement is improved:

- Development of capabilities in preventing and fighting high-level corruption.
- Development of capabilities in fighting corruption in law enforcement;
- Creation and development of specialised central units (National Anti-corruption Centre, Ministry of Interior, Prosecutor's General Office).
- Draft and systematically enforce the bylaws on lifestyle checks performed by NAC.
- Install video-surveillance in every booth at BCPs to prevent and investigate corruption in the Border Police and Customs.
- Train law-enforcement authorities in financial investigations.

Result 3.3 - Integrated Information System (IIS) between various law enforcement agencies involved in detection and prevention of crime is established and operational:

- Feasibility study and procurement of equipment;
- Implementation interoperability with other national ISS.

Result 3.4 - Intelligence-led policing (ILP) concept in detection and prevention of crime is applied:

- Set-up of intelligence analysis units capable of identifying risks and threats;
- Develop the methodologies and the institutional framework to ensure their use by law enforcement, justice sector and other actors.

Result 3.5 - Operational mechanism for coordination and policy development of national and international detection and prevention of crime is in place:

- Creation of national crime detection and prevention coordination at national and local levels;
- Establish an international crime detection and prevention coordination mechanism;

- Through a gap analysis develop an approximation with European standards and best European practices on information exchange in detection and prevention of crime;
- Develop operational communication channels and data exchange networks between Moldovan and foreign IIS.

3.4.2. Complementary support

EUR 1 million is reserved for complementary technical assistance, which will consist in the reviews for the first, second and third instalments, as well as in an ex-post evaluation after the third instalment. Complementary support may also include audit activities as described in section 4.8.

3.5. Donor coordination

The donor coordination is organised regularly at national level by the State Chancellery of the Government and at sector level by several authorities: Ministry of Interior, National Anti-corruption Centre, and Ministry of Justice.

3.6. Stakeholders

The Ministry of Interior, including constituent semi-autonomous segments of the system, Border Police, Bureau of Migration and Asylum, Criminal Police (former Investigation) Departments, as well as the Ministry of Foreign Affairs and European Integration, the Ministry of Labour, Social Protection and Family have a direct stake in the VLAP. Other stakeholders include the State Chancellery, the National Integrity Commission, National Anti-corruption Centre and separate units or divisions of some of the ministries, departments or agencies.

3.7. Conclusion on the balance between risks (2.6.) and expected benefits/results (3.2.)

Substantial progress across the board of Moldovan interior, law enforcement and security sector will require additional support by EU and other donors, and will not be fully covered by the on-going donor actions. While Moldova already receives a substantive portion of funds by way of EU sector budget support, this particular programme can be distinguished by its objectives which do not only seek to foster sector wide-reform by improving the domestic sector environment towards greater compliance with European standards and best practices, but also deserve a specific goal of helping the country implement an important strategic engagement of which EU itself is a party (VLAP), in turn helping to promote free and secure movement of persons in EU and its vicinity. This direct dual benefit of the programme to the beneficiary country and EU serves as a main justification of the intervention.

4. IMPLEMENTATION ISSUES

4.1. 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 the Financial Regulation.

4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.4. and 4.4. will be carried out, is 48 months, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

4.3. Criteria and indicative schedule of disbursement of budget support

Instalments of the budget support will be payable to the Moldovan State Treasury, subject to fulfilment of General and Specific Conditions. The release of all tranches under this programme will require compliance with conditions related to:

- Satisfactory progress in the implementation of Visa Liberalisation Action Plan and continued credibility and relevance of that or any successor strategy.
- Maintenance of a credible and relevant stability-oriented macroeconomic policy or progress made towards restoring key balances.
- Satisfactory progress in the implementation of its programme to improve public financial management.
- Satisfactory progress with regards to the public availability of accessible, timely, comprehensive, and sound budgetary information.

The conditions for disbursement of the variable tranches will be connected to the main components of the Sector Reform Contract: (1) enhanced border management, (2) enhanced migration management, (3) enhanced public order and security.

The chosen performance targets will apply for the duration of the programme. However, in duly justified circumstances, the Government of Moldova through the Ministry of Foreign Affairs and European Integration may submit a request for the targets and indicators to be changed should the circumstances justify it.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions) based on fiscal year of the partner country.

Country fiscal year	2014				2015				2016				Total
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Variable tranche		6				7				7			20
Total		6				7				7			20

4.4. Details on complementary support

Complementary assistance will be scheduled as required. It will include the reviews for the first, second and third instalments, as well as an ex-post evaluation after the third instalment. It may also include audit activities as described in section 4.8.

Subject	Type	Indicative number of contracts	Indicative trimester of launch of the procedure
Review missions	Services	1	1 st quarter of 2014

Ex-post evaluation	Services	1	4 th quarter of 2016
Audit	Services	1	3 rd quarter of 2015

4.5. Scope of geographical eligibility for procurement

Subject to the following, the geographical eligibility in terms of place of establishment for participating in procurement procedures and in terms of origin of supplies and materials purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 21(7) of ENPI Regulation on the basis of the unavailability of products and services in the markets of the countries concerned, for reasons of extreme urgency, or if the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	Amount in EUR million
Budget Support - Sector Reform Contract	20.0
Complementary Support (review missions, ex-post evaluation, audit) - Procurement (direct centralised) of services	1.0
Total	21.0

4.7. Performance monitoring

Monitoring missions will take place at the end of the financial year to review the progress of the reform, checking financial and budget executions reports in order to collect evidence on the funding and the budget allocations. The performance criteria to be reached according the sector strategy action plan, will be used as disbursement.

On-going technical and financial monitoring of the implementation of the Visa Liberalisation Action Plan, including this Sector Reform Contract, is the responsibility of the Ministry of Foreign Affairs and European Integration, in cooperation with other sector stakeholders coordinated under the auspices of the Visa Liberalisation Task Force. The results of both the technical and financial monitoring will be reported at least twice a year to the Steering Committee and will form the basis for the assessment of the sector performance.

At the top level, the overall strategic monitoring of the implementation of the Visa Liberalisation Action Plan, including this Sector Reform Contract will be carried out by Governmental Commission for European Integration, chaired by the Prime Minister.

The overall donor coordination activity is ensured by the State Chancellery at the national level and at the sector level by several authorities: Ministry of Interior, National Anti-corruption Centre, and Ministry of Justice, which are organising on regular basis donor coordination meetings.

Oversight of the programme, and responsibility for the overall monitoring of the status of compliance with the conditions for disbursement, will be entrusted to a Steering Committee chaired by the Minister of Foreign Affairs and European Integration.

4.8. Evaluation and audit

Prior to the completion of the sector budget support programme, the European Commission will appoint consultants to carry out an independent final evaluation of the programme. Thus the programme will be subject to independent reviews that will assess the level of compliance with the indicators set forth in the Financing Agreement. The European Commission reserves the right to employ consultants to carry out, an audit of a sample of expenditures related to the implementation of the government' sector development policy.

4.9. Communication and visibility

The Moldovan Government will undertake to ensure that the visibility of the EU contribution to the programme is given appropriate coverage in the various publicity media. The project will endeavour to further enhance the positive image of the EU in the context of its work in Moldova. At appropriate milestones during the project duration and after appropriate events, press releases will be issued, in co-operation with the EU Delegation to Moldova. The Communication and Visibility Manual for EU External Actions will be applied.