

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 OSCE¹, 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.

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

¹ Organization for Security and Co-operation in Europe.

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 2010-2012² 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 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 2010³. On January 10th, 2012, a Financing Agreement between the EU and Moldova was

² Gagauzia should be however covered by the second phase of the National Strategy for Regional Development 2013-2015, to be adopted.

³ "Support to Civil Society in Transnistria" (ENPI/2009/205-215); "Building confidence between Chisinau and Tiraspol (IFS-RRM/2009/219-955).

signed, providing for a third confidence building measures package of EUR 12,000,000 under the ENPI Annual Action Programme (AAP) 2011 for Moldova⁴. 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 EIDHR⁵ 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.

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.

⁴ Decision ENPI/2011/022-516 "Confidence Building Measures".

⁵ European Instrument for Democracy and Human Rights.

- 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 Reintegration⁶ 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.

⁶ "Technical assistance to the Bureau for Reintegration of the Republic of Moldova" (ENPI/2013/311-386).

- 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 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 Partnership⁷: 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 Sector⁸: 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 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

⁷ "Supporting the implementation of the migration and development component of the EU-Moldova Mobility Partnership" (ENPI/2009/229-284).

⁸ "Health Sector Budget Support Related Technical Assistance" (ENPI/2010/228-860).

		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 Gaguzia (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 Gaguz 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 (Joint management)	10.0
a) Business development	2.5
b) Social and Community Infrastructure, Transports,	7.5

Environment	
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.