

Annex 3: Action Fiche for the Republic of Moldova – AAP 2011

1. IDENTIFICATION

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| Title/Number | Framework Programme in support of EU-Republic of Moldova agreements (CRIS: ENPI/2011/22679) | | |
| Total cost | EU contribution: EUR 14,000,000 | | |
| Aid method / Method of implementation | Project approach – direct centralised management and joint management | | |
| DAC-code | 15110 | Sector | Public sector policy and administrative management |

2. RATIONALE

2.1. Sector context

This framework programme is fully in line with the EU-Republic of Moldova (hereinafter Moldova) ENP Action Plan and the National Indicative Programme 2011-2013, prioritizing good governance, rule of law and fundamental freedoms, the public administration reform and facilitation of a new EU-Moldova Agreement, including a Deep and Comprehensive Free Trade Agreement (DCFTA). These priorities coincide with the sectors identified in the framework of the Comprehensive Institution Building programme (CIB), an Agreement-driven programme intended to assist Moldova with institution building for a number of core institutions central in preparing the ground for and implementing the future EU-Moldova Agreements. Under the NIP 2011-2013, EUR 41.16 million has been earmarked for the CIB.

Negotiations on an EU-Moldova Association Agreement (AA) are under way since January 2010. This agreement will widen and deepen EU-Moldova cooperation under the Eastern Partnership by promoting further convergence towards EU *acquis* across a wide range of sectors. When the right conditions will be met, the EU and Moldova will establish a DCFTA providing for mutual market access.

The new Government of Moldova, which took office in January 2011 after the 28 November 2010 parliamentary elections, reconfirmed that European integration is regarded as a fundamental priority of the domestic and foreign policy of the Republic of Moldova and reiterated the commitment to the Central Public Administration Reform approved in 2005 (CPAR), as reflected in the Government Programme “European Integration: Freedom, Democracy and Welfare” 2011-2014. This programme also promotes real economic integration with the EU, particularly by supporting a future Deep and Comprehensive Free Trade Agreement (DCFTA).

Under CPAR, all ministries and other central administrative authorities prepared Institutional Development Plans for 2009-2011 (IDPs), as a tool for activity prioritization and identifying the needs of capacity development. In March 2011 the methodology for new Strategic Development Programmes (SDPs) was adopted by the Government and the new SDPs for all central public authorities will be elaborated throughout 2011. The SDPs will fulfil the role of Institutional Reform Plans (IRPs) foreseen to be developed as part of the CIB. In this context the CIB will support the Government in the application of the new SDP methodology for those institutions covered by the CIB Framework Document.

The Ministry of Internal Affairs has elaborated a *Concept Document on the Reform of the Ministry of Internal Affairs*, including a Police Reform Roadmap and Action Plan. A *National Strategy for Prevention and Combating Corruption* in Moldova is in place since 2004, but with the support of EU-funded experts an evaluation of the National Strategy and an assessment of the institutional capacities of the Centre for Combating Economic Crimes and Corruption (CCECC) will be carried out until the end of 2010.

The EU is preparing a programme *Support to the Justice Sector Policy Reforms in Moldova*, with the objective to accelerate a sustainable justice sector reform and to increase the efficiency of the Judiciary and the Ministry of Justice. As part of this project, support to the Prosecutor's Office is envisaged, to further ensure the independence of the prosecution. The Government of Moldova has elaborated a DCFTA Action Plan, however, the challenge of having operational institutions in place with adequate number of well trained staff in the public administration remains.

This programme will consist of three components: preparation for implementation of the CIB programme, implementation of the CIB programme and other technical assistance/Twinning for support to other areas of cooperation under the EU-Moldova agreements not covered by the CIB.

2.2. Lessons learned

Previous EU-funded projects have identified lack of administrative capacity of the beneficiary institutions, lack of efficient governmental structures, low absorption capacity for external assistance, pending approval of new laws by the Parliament and other issues as the main obstacles in efficient implementation of EU-funded assistance. To raise the effectiveness of EU-funded projects, monitoring reports have advised on putting maximum emphasis on the consolidation of project results and the interaction with other donor projects in order to share the accumulated experience. In this regard, better donor coordination in a given sector will be ensured, and where possible, joint interventions with other donors could be envisaged.

Despite opening access to the institution building instruments like Twinning for Moldova already in 2006, their use until 2008 was rather limited and the absorption of the available funds has been rather slow. Finally, only at the end of 2010 the Twinning pipeline has been consumed and new Twinning projects are requested by state institutions. In order to better plan use of Twinning funds and to avoid ad hoc requests for support through the Twinning instrument, a programming exercise will be put in place in 2011. However, due to the weakness of many public institutions, a capacity assessment of any potential Twinning institution will be made prior to Twinning fiche development. In order to mitigate the risk of low absorption capacity, a more thorough assessment of the most adequate instruments to be used for each assistance request by the Government has to be carried out, as the CIB programme allows for use of different instruments.

An underlying principle for all EU assistance is the need for increased ownership of undertaken reforms. To ensure sustainability of these reforms, support needs to be fully demand-driven and based on the real needs identified by the beneficiaries. In addition, the projects should be results oriented and project design should allow for elaboration of objectively verifiable performance indicators.

2.3. Complementary actions

The EU High Level Policy Advisers shall provide valuable input for preparation of the CIB programme and assessing the institutional capacity for Twinning projects. Activities under the planned EU-funded *Support to the Justice Sector Policy Reforms in Moldova* and possible

justice sector budget support programme will be closely coordinated for support to the institutions in the rule of law area, to avoid any overlaps. Support to institutions crucial for the trade sector will be closely coordinated with the newly started and planned Twinning projects in the area of procurement, intellectual property rights, food safety and competition, as well as the 2010 sector budget support *Economic Stimulation in Rural Areas*. Close cooperation will be ensured with SIDA intervention in the trade sector, as well as other donors, such as GTZ, World Bank, Millennium Challenge Corporation, International Fund for Agricultural Development and FAO assisting the agriculture sector.

The CIB programme will build on the results and outputs of the Multi-Donor Trust Fund (MDTF), set up by the World Bank with financial contributions from SIDA, DFID and the Government of Netherlands, to implement the CPAR. An assessment on the progress in implementation of the Public Administration Reform is being carried out and will enable the Government to identify gaps in reform implementation and propose intervention areas for the CIB programme. In addition, a DFID funded project *Support for Moldova's National Development Strategy* has been assisting the Government to put in place effective mechanisms for policy planning. A follow-up project *Support to Strengthening Policy Management Capacity* will continue until mid-2012 with funding from SIDA. A UNDP *Transitional Capacity Support Project* since August 2010 paves the way for CIB programme, as it seeks to address the short-term capacity needs of the public administration by engagement of capacity building consultants to support the ministries in priority reform areas.

2.4. Donor coordination

Intervention under this framework programme will be done in line with the Development Partnership Principles, approved in March 2010 by the Government of Moldova and its development partners, and the Implementation Plan (PIIP) endorsed by the donors at the end of November 2010. Monthly EU donor coordination meetings, chaired by the EU Delegation and monthly Donor Coordination Meetings, chaired by the UN, give the opportunity to exchange information between the donors on a very general level. According to a 2010 Government decision on regulating the coordination of foreign assistance, Sector Coordination Councils, led by the relevant ministry, are to be set up for coordination of foreign assistance at the sector level. Once all the Sector Coordination Councils are set up under respective ministries, greater Government ownership and more efficient donor coordination already at the policy formulation stage could be foreseen. This will be very important for elaboration and implementation of the Strategic Development Programs.

3. Description

3.1. Objectives

The overall objective of this programme is to effectively support the Republic of Moldova in preparation and implementation of the new contractual relations with the EU (Association Agreement, DCFTA, visa liberalization dialogue) and in meeting the objectives of the EU-Moldova ENP Action Plan.

The specific objectives of this programme are the following:

- To ensure effective institution-building of a limited number of core institutions central in preparing the ground for and implementing future EU-Moldova Association Agreement, including the DCFTA and visa liberalization dialogue.
- To support the relevant institutions within Moldovan administration to comply effectively with the commitments set forth in the EU-Moldova ENP Action Plan.

- To implement preparatory, supervisory, monitoring, audit and evaluation work necessary for timely and efficient launch and implementation of actions in the framework of ENPI annual programming in priority sectors under ENP Action Plan.

3.2. Expected results and main activities

The expected results are the following:

- Further progress on ENP AP commitments and overall reform process is achieved by closer EU-Moldova cooperation and increased assistance in priority sectors.
- Improved capacities of the Government for strategic planning, policy making and budgeting according to national and EU-integration priorities.
- Selected institutions have the technical capacity and the necessary human and financial resources to further negotiate the EU-Moldova agreements and implement the undertaken commitments.
- Project interventions under ENPI annual programming in the priority sectors are relevant and timely, and project implementation is monitored and evaluated.

To meet the results, the current framework programme will have the following components:

1. Preparatory work for the development of CIB Strategic Development Programmes

1.1. Support to the CIB Coordinator

The Secretary General of the State Chancellery of the Republic of Moldova has been designated as the CIB Coordinator. Also the Programme Administration Office (PAO) and the National Coordinating Unit (NCU) are located in the State Chancellery. To support these structures for implementation of this framework programme, a technical assistance project *Support for institutional capacity building of the State Chancellery* will start in July 2011 (funded from AAP 2008) to assist the State Chancellery to coordinate preparation and implementation of the CIB programme, assist the CIB beneficiary institutions in preparation of their multi-annual Strategic Development Programs, enable to use the Twinning instrument and other donor assistance more efficiently. It will provide support for technical leadership in the identification and preparation of activities under the CIB.

1.2. Support to the development of Strategic Development Programmes

The project *Support to the implementation of EU-Moldova Agreements* has already provided support for institutional capacity assessment and recommendations for a Strategic Development Program for the CCECC according to the common methodology prepared by the State Chancellery. An upcoming project *Support to the Government of Moldova in the field of anti-corruption, reform of the Ministry of Internal Affairs and the Police, and personal data protection* (funded from AAP 2010, envisaged to start in July 2011) will carry out an institutional assessment of the Ministry of Internal Affairs. For all other institutions under the CIB programme, if needed, the project mentioned in component 1.1 will provide short-term experts for institutional assessments and for elaboration of the Strategic Development Programs. Some additional support for this component is envisaged under this framework programme, if necessary.

2. Support to the implementation of selected components of Strategic Development Programmes

Based on the CIB Framework Document for Moldova, signed in November 2010 between the European Commission and the Government of the Republic of Moldova, the CIB programme will focus on three clusters: public administration reform; consolidation of the rule of law and respect for human rights and fundamental freedoms; preparations in view of a future DCFTA with the EU. The CIB Framework Document also identifies a number of institutions on an indicative basis according to the three clusters, to take account of the possibility of government restructuring and further evolution of Association Agreement negotiations.

The indicative list of institutions is the following:

- Public Administration Reform (the State Chancellery, the Ministry of Finance, the Public Procurement Agency)
- Rule of Law and respect for human rights and fundamental freedoms (the Ministry of Internal Affairs, the Centre for Combating Economic Crimes and Corruption, the General Prosecutor's Office)
- Preparation in view of future DCFTA (the Ministry of Economy, the National Agency for the Protection of Competition, the State Agency on Intellectual Property, the Ministry of Agriculture and Food Industry, the General Inspectorate for Phyto-Sanitary Surveillance and Seed Control, the Sanitary-Veterinary and Animal Origin Food Safety Agency, the Public Health Service of the Ministry of Health)

The methodology for new Strategic Development Programmes is being finalized and new SDPs will be elaborated throughout 2011, therefore details of which components of individual plans will be supported cannot be provided at this time. The EU will closely coordinate with the Government of Moldova to identify which activities among those included in the SDPs will receive priority support through the CIB.

3. Support to implementation of the EU-Moldova ENP Action Plan

Actions under this component will support development of institutional and administrative capacities for regulatory approximation and implementation of ENP AP commitments in sectors recognised as priorities as well as identification and formulation of actions related to implementation, follow up and monitoring of actions. This component will cover other sectors and institutions than those benefiting from the CIB Programme.

3.3. Risks and assumptions

Programme implementation might face the following risks: continued political fragility and discontinuity of governmental structures; lack of political support from the Parliament for approval of new legislation approximated to the EU standards; lack of practical implementation of the new legislation and/or regulation after it has been adopted; lack of interest from the selected institutions to undergo institutional reforms and go forward with further legal approximation with the *EU Acquis*; lack of ownership of the CIB programme from the side of the Government; due to the increased amounts of EU assistance to Moldova; the low absorption capacity of main partner institutions; high turnover of staff.

Successful implementation of this programme shall be based on the following assumptions: Government of Moldova continues European integration course through negotiations on an Association Agreement and DCFTA, and pursues harmonization with EU standards and best practices; implementation of the Public Administration Reform continues; elaboration of the new SDPs is timely and the institutions feel strong ownership of SDPs; the selected institutions are able to formulate their needs for assistance and can contribute to donor

coordination per sector; the selected institutions are able to allocate the necessary funds and human resources for co-financing the CIB and other Twinning projects and technical assistance.

3.4. Crosscutting Issues

Implementation of this framework programme 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 projects under this framework programme, attention will be paid to ensure gender equality, impact on environment and sustainable development.

3.5. Stakeholders

The Secretary General of the State Chancellery is the CIB Coordinator, and the State Chancellery will be the key interlocutor for implementation of this programme. Preparation of this Action Fiche has been closely coordinated and consulted with the State Chancellery. Apart from the State Chancellery, twelve other institutions have been selected as direct beneficiaries (on an indicative basis) of the CIB programme: the Public Procurement Agency, the Ministry of Finance, the Ministry of Economy and Trade, the Ministry of Agriculture and Food Industry, the Prosecutor General's Office, the Ministry of Internal Affairs, the Centre for Combating Economic Crimes and Corruption, the National Agency for the Protection of Competition, State Agency on Intellectual Property, the General Inspectorate of Phyto-Sanitary Surveillance and Seed Control, the Sanitary-Veterinary and Animal Origin Food Safety Agency and the Public Health Service of the Ministry of Health. The selected institutions have provided their initial input for preparation of the CIB Framework Document by submitting their reform priorities. In the process of developing the Action Fiche, these institutions have been involved indirectly, as the exact scope of assistance will depend on the new Strategic Development Programs to be elaborated throughout 2011.

For other Twinning and technical assistance projects, all state institutions can benefit directly, based on their competences in the European integration process and based on Government priorities for external assistance. Population at large will indirectly benefit from implementation of this programme through more efficient public administration, promotion of rule of law and respect for human rights, through gradual approximation to EU standards, opening access to EU markets and increased mobility. Prior coordination and discussions have taken place with several EU Member States as well as interested international organizations on CIB programme. An in-country workshop for planning CIB programme implementation will be organized in the beginning of 2011.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The main implementation method for projects under this framework programme will be direct centralised management. Service, twinning, grant and framework contracts are considered to be used for all Components. For Component 2, supply of EU norm driven equipment can also be envisaged, as can works contracts for specialised infrastructure essential to implement SDP.

According to the Guidelines for the preparation of the CIB programme, CIB will also be open to co-financing from other donors and should allow for the participation of EU Member States and other donors willing to contribute to CIB programme implementation.

In specific circumstances and based on the needs and requests from the beneficiary, one or more Standard Contribution Agreements for the implementation of this Framework programme could be signed with an International Organisation (IO), except for twinning projects.

Three International Organisations are considered for joint management: the World Bank, the Council of Europe and the UNDP. All three meet the conditions as required by the Financial Regulation.

Their pre-selection is based on:

- their presence in the country with a strong country office.
- their accumulated local expertise in a given area (PFM and public administration reform for WB, institutional capacity-building for UNDP, rule of law, anti-corruption and democratisation for CoE) through previous projects implemented in Moldova.
- in the case of CIB, the specific experience of the World Bank, which has already a multi-donor trust fund on PFM, a multi-donor trust fund for Central Public Administration Reform, which has helped to elaborate the methodology for SDPs.

The precise formulation of the expertise needed in the context of the CIB will depend on the content of the SDPs which are developed by the individual central public administration authorities. It is currently planned that the said SDPs will be completed by autumn 2011. Their content will enable to select the most appropriate International Organisation(s) among the three.

4.2. Procurement and grant award procedures

1) Contracts

All contracts implementing the action will be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by Financial Regulation applicable to general budget. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in Article 21(7) of the ENPI Regulation.

2) Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VI 'Grants' of the Financial Regulation applicable to the general budget. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 80%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities.

- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 112 of the Financial Regulation applicable to the general budget.

3) Joint management

In cases of an agreement with an international organisation, all contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

4.3. Budget and calendar

The overall estimated budget of this framework programme is EUR 14 million. EUR 8 million of the total amount will be dedicated to Components 1 and 2, EUR 5.8 million will be used for Component 3 and EUR 0.2 million will be used for audit and evaluation. If the money from one component will not be spent, it could be reallocated for implementation of another component.

The Government of Moldova is expected to contribute to the implementation of this framework programme financially or in kind. At least 20% co-financing will be required when community funding will be used for supply and infrastructure contracts under the CIB programme. A minimum requirement for all projects is for the beneficiary institution to provide the long-term project experts with adequate office space and basic communications. The exact share of technical assistance projects and supply contracts is not defined as it will greatly depend on the Government's ability to provide the necessary co-financing.

The foreseen operational duration is 48 months from the signature of the contract(s) and contribution agreement(s).

4.4. Performance monitoring

For the purpose of the European Commission, the projects under this framework programme will be monitored throughout their implementation by Results-Oriented Monitoring System of Projects and Programmes of External Co-operation. For overall monitoring of the implementation of the CIB programme, it is envisaged to set up a Steering Committee, to involve all national stakeholders and donors, as well as all relevant project representatives.

4.5. Evaluation and audit

Evaluation and audit will be decided by the European Commission on a case-by-case basis and will be carried out with the support of technical advice of external consultants recruited by the Commission. A mid-term evaluation and final evaluation of the CIB programme implementation is envisaged.

4.6. Communication and visibility

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