

ANNEX 2

of the Commission Implementing Decision on the "Annual Action Programme 2014 in favour of the Republic of Moldova"

Action Document for the “ENPARD Moldova – Support to Agriculture and Rural Development”

1. IDENTIFICATION

Title/Number	ENPARD Moldova – Support to Agriculture and Rural Development CRIS number: ENI/2014/034-128		
Total cost	Total estimated cost: EUR 64.075 million Total amount of EU budget contribution is EUR 64 million, of which: – EUR 53 million for budget support – EUR 11 million for complementary support Estimated co-financing by potential grant beneficiaries: EUR 0.075 million		
Budget support			
Aid method / Management mode and type of financing	Direct management Sector Reform Contract (SRC)		
Type of aid code	A02 – Sector Budget Support	Markers	BSAR
DAC-code	31120	Sector	Agriculture development
Complementary support			
Aid method / Management mode and type of financing	Direct management – grants – calls for proposal (including Twinning) Direct management – procurement of services Indirect management with United Nations Development Programme (UNDP)		
DAC-code	31120	Sector	Agriculture development

2. RATIONALE AND COUNTRY CONTEXT

2.1. Summary of the action and its objectives

The overall objective of this programme is to: 1) assist the Government of the Republic of Moldova³² in eradicating poverty, promoting sustainable and inclusive growth, consolidating and improving democratic and economic governance; 2) to foster confidence building in the Moldova, by targeting - through a specific component - those regions of Moldova that have tense relationships with central authorities.

The specific objectives are to: 1) improve the financial capability of the government to achieve agricultural and rural development policy objectives; 2) promote agricultural and rural development policies and reforms; 3) improve service delivery in the agricultural and rural sector; 4) improve governance in agricultural and rural development; 5) address the basic needs of the population 6) sustainable management of natural resources, including water and biodiversity and 7) foster rapprochement between Government of Moldova and regional authorities of those regions of Moldova that have tense relationships with central authorities.

2.2. Country context

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

Poverty in Moldova is a crucial socio-economic development aspect that is the running thread of action in the 2012-2020 National Development Strategy (NDS). Moldova's economic recovery since 2000 has reduced income poverty, though poverty reduction, especially in the rural areas, has recently stalled. Moldova is characterised by volatile economic growth and high levels of social exclusion and income disparities. The country's Gross Domestic Product (GDP) per capita increased from USD 950³³ in 2006 to USD 2 200³⁴ in 2012, but the country remains among the poorest in Europe, with absolute poverty of around 20%. The proportion of the population living in poverty has decreased from 30.2 % to 16.6 % between 2006 and 2012. There are large and persistent region and urban/rural disparities in Moldova, particular in relation to access to education, health care, clean water or central heating. Non-urban areas in Moldova are characterized by lower incomes and poverty in non-urban rural areas was 12.9 percentage points higher than in the urban areas. Moldova is ranked 113 in the 2012 Human Development Index³⁵.

Significant improvements were made in easing conditions for the business environment in Moldova. Moldova has undergone a number of regulatory reforms in the last 5 years, and its ranking has advanced from place 86 in 2013 to place 78 in 2014 (out of 185 countries) in World Bank's Doing Business report, with major improvements in starting business, access to financing and taxation³⁶. Corruption though remained a main obstacle to development. The World Economic Forum's Global Competitiveness index placed Moldova 89th among 148 countries, stressing corruption and political instability among the top obstacles for doing business in the country. Poor state of road infrastructure (148th place out of 148), low independence of judiciary and inability of the country to retain talent (both at 145th place out of 148) are amongst factors that need improvement.

³² Hereafter referred to as Moldova

³³ World Bank, World Development Report (2014)

³⁴ IMF, World Economic Outlook, (October 2013)

³⁵ <https://data.undp.org/dataset/Table-1-Human-Development-Index-and-its-components/wxub-qc5k>

³⁶ <http://www.doingbusiness.org/data/exploreconomies/moldova>

The growth was driven mainly by domestic consumption fuelled by remittances. The key challenge in the foreseeable future is to shift from the current consumption-based growth model towards one based on raising investments, increasing productivity and competitiveness, developing export industries, and promoting a knowledge-based society. The achievement of the development objectives set in NDS will require macroeconomic stability and timely implementation of structural and systemic reforms. This programme anchors the public finance policy and public finance management reforms to provide macroeconomic stability.

2.2.2. *Fundamental values*

The Moldovan Government has adhered to the fundamental values of democracy, rule of law and human rights.

According to Amnesty International (2012), the Government has made significant progress in bringing legislation and practice in line with European and international human rights standards, but it still faces significant challenges in combating discrimination³⁷. As per the latest report (2013) of the European Commission against Racism and Intolerance (ECRI), by adopting several action plans, the authorities have demonstrated their willingness to undertake major reforms, which would make it possible to combat racism and racial discrimination more effectively. These plans concern inter alia the honouring of Moldova's commitments to the Council of Europe and the European Union³⁸. The report of Freedom House (2014) reported that Moldova has a freedom status of "partially free". However, the scores for political rights and civil liberties are "3", which is the closest score to the "free" status³⁹. The Law "On guaranteeing equality" No 121 was adopted on the 25th of May 2012⁴⁰. The law provides for the establishment of a specialised body to combat racism and racial discrimination – the *Council to Prevent and Combat Discrimination and Ensure Equality*.

The issues of concern raised by ECRI and still to be addressed by the authorities include: (i) non ratification of Protocol No. 12 to the European Convention on Human Rights; (ii) cases of non-registration of ethnic minorities by municipalities; (iii) cases of police reluctance to register complaints of racism and racial discrimination; (iv) non-use of their power by Parliamentary Advocates to apply to a court to protect the interests of alleged victims of discrimination.

The 5th report on the implementation of the Visa Liberalisation Action Plan (VLAP), adopted in November 2013 by the European Commission, concluded that Moldova meets all the benchmarks set in the four blocks of the second phase showing positive progresses on data protection and human rights matters.

According to the most recent Human Rights Watch report of 2011 corruption remains a major drawback in guaranteeing protection of human rights and the anticorruption legislation needs to be broadened⁴¹. In the latest reports of Transparency International (2013), the corruption perception index is 35, ranking Moldova 102nd out of 177 countries in 2013, dropping from 89th place four years earlier⁴².

³⁷ Towards Equality, Discrimination in Moldova, Amnesty International, 2012

³⁸ ECRI report on the Republic of Moldova (fourth monitoring cycle), October 2013

³⁹ Freedom House, *Freedom in the world*

2014: <http://www.freedomhouse.org/sites/default/files/Freedom%20in%20the%20World%202014%20Booklet.pdf>

⁴⁰ <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=343361&lang=1>

⁴¹ <http://www.hrw.org/news/2011/10/21/moldova-broaden-anti-discrimination-bill>

⁴² <http://www.transparency.org/cpi2013/results>

2.3. Eligibility for budget support

2.3.1. Public policy

The National Development Strategy (NDS) - Moldova 2020 provides the overall strategic development vision for Moldova. The NDS complements other strategic documents including “Re-think Moldova” and the 2011-2014 Government Action Plan: "European Integration: Freedom, Democracy, Welfare". The objective of the NDS is to ensure qualitative economic development and, consequently, poverty reduction.

Agriculture remains a key sector of the country’s economy, accounting for 13% of GDP, 50% of total exports and 28% of the labour force.

Following an assessment of ARD in Eastern Partnership countries during 2012, various gaps and priorities were identified, including a general lack of rural development policy and supporting measures. In this context, the Government approved the 2014-2020 Agricultural and Rural Development Strategy (ARDS) in March 2014, which addresses this gap and raises changes in associated legislation and budget allocations. According to the Ministry of Agriculture and Food Industry (MAFI) the Strategy will contribute to: a) the modernisation of the agricultural and agri-food sector; b) the improvement of living and working conditions in rural areas and c) the promotion of existing agri-food activities in harmony with the natural environment thus maintaining the biodiversity, cultural and traditional values for future generations. This strategy is also in line with targets and activities foreseen in the Association Agreement to be signed shortly between Moldova and EU.

Another key strategic document is the 2011-2015 Food Safety Strategy. Sanitary and Phyto-Sanitary (SPS) measures are especially important in regard to the development of trade relations and the reduction of technical barriers. Support to institutional development in SPS is planned as a first priority within the Comprehensive Institution Building Programme (CIB) - developing the institutional capacity of the National Food Safety Agency (ANSA).

The envisaged SRC will have a direct impact on the following cross-cutting issues: poverty through improved overall economic performance of regions, employment and well-being of its population; environment through the sustainable use of natural resources; a reduction of regional/rural disparities through the improvement of living and working conditions in rural areas. Especially in the rural development component of this SRC specific actions will be undertaken that will benefit women.

Confidence Building Measures

There are a number of regions in Moldova where regional authorities have tense relationships with central Government, such as Gagauzia. Based on the successful approach in mitigating the tensions between Transnistria and central Moldovan authorities through specific Confidence Building Measures implemented by UNDP, similar approaches will be applied for other regions where such tensions exist, like for instance Gagauzia. Gagauz economy is essentially composed of small and rural production structures concentrating their activities on raw materials, wineries, tobacco, cattle (sheep and goats in particular), dairy products as well as poorly diversified crops inherited from the former Soviet Union. The region faces important challenges in terms of business environment (complex and changing local legislation, poorly managed land cadastre) as well as infrastructures (irrigation, waste management, pesticides).

The Autonomous Territorial Unit (A.T.U.) Gagauzia relies on the "Strategy of Social and Economic Development of Gagauzia" (2009-2015) which encompasses agriculture and rural development throughout its eight priorities⁴³. In this context, harmonizing the local social and economic development strategy with the objectives - and funding - set out in the ARDS would be instrumental both in terms of local development and of rapprochement between Chisinau and Comrat.

The Monitoring and Evaluation Framework (M&E) is the responsibility of the State Chancellery, in charge of overall coordination and integration of the performance reports. M&E is primarily done using statistical data and the National Bureau for Statistics of Moldova (NBS) is the main producer of such statistics. The Law on: "Official Statistics" broadly corresponds to the European Statistics Code of Practice.⁴⁴

Furthermore, there was a M&E system created by Governmental Decision No. 168 dated 9th March 2010, according to which specific units are entitled to carry out systematic M&E of relevant public policies. Such units have been established within each Ministry and Agency including MAFI. The State Chancellery is in charge of the development of the methodological guidelines for M&E reporting, which in practice is substituted by instructions issued on a case-by-case basis.

Since October 2011 the State Chancellery has introduced a web-based monitoring platform, which is being updated quarterly, providing information regarding the implementation of the Governmental NDS-based Action Plan.

Annual synthesis reports are prepared by the State Chancellery based on information provided by the ministries and agencies regarding the performance registered in their sectors. Based on above assessment it can be concluded that there is a credible and relevant sector development strategy in place that supports the objectives of poverty reduction, sustainable and inclusive growth, and democratic and economic governance.

2.3.2. Macroeconomic policy

During 2000-2008 the Moldovan economy experienced a period of sustained economic growth with an average annual real Gross Domestic Product (GDP) growth rate of 5.9%. The GDP growth in 2011 was 6.4%. The economic growth was negative in 2012 with 0.7% contraction of GDP. The growth recovered the following year, and at the end of 2013 GDP came in at 8.9%. This was a much higher growth rate than expected. This growth was mostly contributed by the agricultural sector output of 30%, which had experienced a substantial 20% contraction in 2012.

The average rate of inflation in 2011 was 7.6%, slightly higher than the 7.4% rate registered in 2010. The increase in prices in 2011 reflected rises in the international prices for food and energy, as well as increases in the administratively-set tariffs for electricity, gas and heating in

⁴³ These include: 1. Consolidation of local and regional authorities: increasing effectiveness and efficiency of the regional public authorities; improvement of financial management, public assets management, etc.; 2. Permanent development and improvement of the small and middle business support policies; 3. Development of regional policies for a sustainable and competitive regional industrial sector; 4. Elaboration of the regional policies to support and improve agriculture sector; 5. Elaboration of regional policies for mobilization of investment in Gagauzia; 6. Development of the regional infrastructure; 7. Development of rural, ecological and cultural tourism; 8. Education of new generation of the top-manager for regional economy

⁴⁴ Adapted Global Assessment (AGA) of the National Statistical System of Moldova, Eurostat funded project 'Global assessments of statistical systems of candidate and potential candidate countries as well as ENP countries'

Moldova. The inflation rate decelerated in 2012 and 2013 to 4.6%. The drop in the inflation rate in 2012 reflected the drop in international prices of key components of the consumer price index.

The fiscal deficit dropped from 6.3% of GDP in 2009 to 2.5% in 2010, and was further reduced to around 2.4% in 2011. At the end of 2012 the fiscal deficit was 2.2% of GDP, and at the end of 2013 it was 1.8%. It is projected that it will increase to 2.6% of GDP in 2014. This is a result of much needed widening of capital spending which increased from 5.2% and 6.3% in 2011 and 2012 to 7.2% of GDP in 2013 and 2014 projected. At the same time, the Government continues to restrain the recurrent spending which is projected to be 32% of GDP against 34% in 2012.

The stock of public and publicly guaranteed debt as a share of GDP is modest and has followed a downward trend over the last three years. At end-2011 public and publicly guaranteed debt as share of GDP amounted to 28.3%, down from 30.2% and 32.4% at end-2010 and end-2009, respectively. In 2012 and 2013 the stock of public and publicly guaranteed debt was 31.1% and 30.2% of GDP and it is estimated that it will remain stable at this level during the following several years. Overall Moldova's public debt is at acceptable levels and is well below the regional averages.

Moldova has a fairly high tax revenue/GDP ratio (32%) compared to other Commonwealth of Independent States (CIS) countries. By this indicator Moldova is marginally below the maximum of lower Middle Income Countries - MICs (36.6%) and is well above the median of upper MICs (26.8%)⁴⁵. The revenue collection is quite high for lower middle income countries and is higher than in many CIS and Eastern European countries. The Government continues intensification of its tax and customs administration efforts to safeguard fiscal revenue. These measures include (i) Improvements in customs clearance procedures to reduce the discretion of customs officers and the time spent by vehicles crossing the border; (ii) Intensification of inland control and inspections to monitor the final destination of imported products and reduce misclassification; (iii) Better monitoring of free economic zones' imports, production, exports, re-exports, and unjustified build-up of inventories to identify and correct inconsistencies.

The Moldovan economy is vulnerable to adverse external shocks on key markets for its exports and/or host countries for its migrants. The current account deficit increased from 7.9% in 2010 to 11.4% of GDP in 2011 and decreased to 7.7% and 7.1% in 2012 and 2013 respectively, mostly reflecting an increase in the trade deficit. It is expected that starting from 2014 the current account deficit will remain at the range of 7-8%.

In October 2012, the IMF identified the following elements as factors posing serious downside risks to the Moldova economy: (i) Possible intensification of the euro area crisis; (ii) Slowdown of world growth affecting Moldova's CIS trading partners; (iii) Sharp increase in world oil prices; (iv) Deterioration of Moldova banking system's soundness^{46,14}. The year 2013 has confirmed the fragility and opacity of the Moldovan banking sector. More recently, the geopolitical destabilisation in the region related to the Ukraine crisis is another major source of further vulnerability for the small, open economy of Moldova.

The IMF supported the Moldovan Government's macroeconomic programme under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements, which run from January 2010 until April 2013, for an amount equivalent to SDR 369.6 million (about USD569.4 million). In November 2013, the government of Moldova requested from

⁴⁵ IMF, 2011, Revenue Mobilisation in developing countries

⁴⁶ IMF Country Report No. 12/288, October 2012

the IMF a new financing programme. In January 2014, an IMF mission was in Moldova to negotiate a new programme and almost agreed on a 15-month arrangement, combination of a Stand-by Arrangement and a concessional Stand-by Credit Facility. In view of Moldova's relatively comfortable external financial situation (external indebtedness represented about 80% of GDP and foreign reserves represented five months of imports at year-end 2013), the planned arrangement was to be of precautionary nature: IMF funds would be drawn upon only in the case of an adverse shock. However, both parties agreed that the risks of an adverse shock materializing were quite high, in view of a possible impact of a slowdown in the Russian economy, trade restrictions imposed by Russia and lower remittances resulting from a tightening of immigration rules in Russia (Moldova depends heavily on remittances of its migrant workers in Russia). The fragility and opacity of the banking sector also exposes Moldova to a financial crisis and capital outflows which, should they worsen, could push the country in an unsustainable balance-of-payments' situation. However, no agreement was concluded, as the Moldovan authorities were reluctant to implement potentially unpopular structural policy measures advocated by IMF staff in an electoral year.

Still, Moldova has shown good economic performance over the last three years. The Government also managed to maintain acceptable levels of inflation (below 5% in 2012 and 2013). Authorities have manifested fiscal prudence: capital expenditure has increased faster than current expenditure within a decreasing overall fiscal deficit (below 2% of GDP in 2013). The Moldovan authorities also managed to maintain public debt at relatively low levels (around 30% of GDP at year-end 2013). Lastly, the Moldovan authorities have managed to remain broadly on track with the IMF programme implemented between 2010 and 2013, meeting most quantitative targets and structural benchmarks.

Based on the above analysis, and despite the vulnerability of the Moldovan economy to external shocks and the need to implement further reforms in key areas of the economy, it is concluded that, overall, the authorities pursue a credible, stability oriented macroeconomic policy.

2.3.3. Public financial management

In July-November 2011 the Government of Moldova updated the Public Expenditure and Financial Accountability (PEFA) assessment first undertaken in 2006 and updated in 2008. PEFA 2011 is the most recent diagnostic study of public financial management in Moldova covering fiscal years 2008-2010.

PEFA 2011 results show progress in overall public financial management (PFM), including (i) improvement in twelve performance indicators; (ii) stability in thirteen indicators, of which six with maximum score of "A"; and (iii) deterioration in only three indicators.

The weaknesses of the existing PFM system include:

- Low quality of macroeconomic projections and revenue forecasting;
- The current MTBF framework does not provide transparent expenditure discipline for the medium-term largely due to the inconsistency in the presentation of planned expenditures between the MTBF and the annual Budget appropriation structure;
- Cases of delays in meeting the deadlines of the budget calendar;
- Flaws in financial reporting and accounting standards;
- Weak management of operational risks and fragmented debt recording system;

- Members of Parliament have limited capacity in scrutinising the budgetary documents and have little experience in interpreting reports of the Court of Accounts;
- Weaknesses in the contents of the Court of Accounts (CoA) reports, whose focus is often on cases for the law enforcement agencies and not necessarily on topics of interest for a parliamentary discussion;
- Unsatisfactory follow up of the CoA reports by the Government.

Following the PEFA 2011 study the Government drafted and approved the Strategy for Development of Public Finance Management 2013-2020 (PFM Strategy 2013-2020)⁴⁷, which formalised the Government’s commitment to improve in a sustainable way accountability and performance of public financial systems. The Ministry of Finance has approved the 2013-2014 action plan⁴⁸ detailing the actions envisaged in the Strategy and establishing a formal monitoring framework to follow up the implementation process. Therefore the current action plan and following action plans approved by the Ministry of Finance (MoF) along with their monitoring reports will be used by the EU Delegation to Moldova for both PFM performance and the reform programme annual monitoring. This will substitute the “Summary Table” provided in the budget support guidelines and will avoid duplication and reduce the monitoring transaction costs for both the EU Delegation and the Government.

The Government’s PFM reform programme is relevant, because the approved PFM Strategy updates the status in crucial PFM areas, defines the areas of attention and weaknesses and presents the reform measures to address these weaknesses. The programme ensures full coverage of the weaknesses identified in PEFA 2011 and other PFM related technical documents. The PFM Strategy also constitutes a synthesis of on-going reforms by consolidating in one document the other policy actions and strategies already under way in several critical components of PFM⁴⁹. The Strategy is in essence a summary of high level objectives in terms of short term realisable targets and longer term aspirations for meeting EU and international standards and practice.

Corruption risks related to the management of the capital budget, public procurement and payroll management are recognised and addressed in the Strategy. Also, measures related to improving internal control, financial inspection and fraud investigation are at the core of the PFM Strategy. These along with the establishment and staffing of internal audit structures in all central public authorities and in second level local authorities are reform measures to be implemented in short-term.

The PFM reform programme is credible, because the reform process is well sequenced, there is a high level of political commitment to reforms and clear leadership by the Ministry of Finance, the issues related to corruption and fraud are addressed, and there are clear arrangements for coordination and monitoring.

Based on the analysis above it is concluded that there is a credible and relevant programme (Strategy for Development of Public Finance Management) to improve public financial management.

⁴⁷ GoM Decree N 573 of 6th August 2013

⁴⁸ MoF Order N 130 of 20th September 2013

⁴⁹ Including (1) Public Debt Management Reform Plan, Moldova; (2) Strategy for Developing Public Internal Finance Control, Moldova; (3) State Tax Service, Moldova State Tax Service Development Plan for 2011-2015; (4) State Customs Service, Strategic Development Programme of Customs Service of Moldova 2012-2014

2.3.4. Budget transparency and oversight of the budget

Moldova's draft and enacted budgets are published in the official gazette called *Monitorul Oficial*, and are made publicly available in printed form. In addition, the draft and enacted budgets are published on the website of the Ministry of Finance⁵⁰, as well as on the official website covering the entire legislation of Moldova⁵¹.

The Executive's 2014 budget proposal was approved by the Government Decree No. 960 of 3rd December 2013. The budget proposal was published as a separate book. The budget proposal was also published and made available:

- In *Monitorul Oficial* No 284-289, Article No. 1066 of 6th December 2013.
- On the official website of the Moldovan legislation⁵².
- On the website of the Ministry of Finance⁵³, including the text of the law, all seven annexes, as well as all explanatory, informative and analytical notes and tables prepared by the Government and accompanying the budget submission to the Parliament.

The 2014 budget was approved by the Parliament by the Law No. 339 of 23rd December 2013. The approved budget was published and made available:

- In *Monitorul Oficial* No 14-16, Article No. 34 of 21st January 2014.
- On the official website of the Moldovan legislation⁵⁴, including the text of the law with annexes.

Based on the evidence above the entry point is considered to be met.

The Government's intentions towards more transparency and oversight of the budget are relevant, because the PFM Strategy also addresses weaknesses in the area of transparency (a distinct section in the PFM Strategy), as well as PFM oversight and accountability.

The Government's intentions are credible, because there is a clear political commitment to further improve the transparency and quality of the budgetary information made available to the public. In addition, the Government has committed to participate in the forthcoming Open Budget index survey and start the publication of the Citizen's Budget, which are targets, set in the PFM Strategy.

Based on the analysis above it is verified that the government has published both the Executive's proposal and the enacted budgets, and that the eligibility on transparency and oversight of the budget is met.

2.4. Lessons learnt

Reviews of on-going and former programmes to assist the Moldovan Government funded by the EU as well as other donors have led to the following conclusions:

- There has been specific design problems in sector budget support programmes due to inconsistency together with a large number of Specific Conditions attached to

⁵⁰ www.mf.gov.md

⁵¹ www.justice.md

⁵² <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=350544&lang=1>

⁵³ <http://mf.gov.md/TranspDeciz/ProiecDeciz/bsparl>

⁵⁴ <http://lex.justice.md/viewdoc.php?action=view&view=doc&id=351191&lang=1>

disbursements. This practice has increased the risk of failure of programmes and decreased fiscal predictability.

- There is a need for clearer and more focused design:
 - o to avoid delays in the implementation resulting from the plurality of state agencies involved in the attainment of the indicators; and
 - o to remove differences in interpretation regarding performance and calculation of payments for the variable tranches between the Government and the EU.
- The programme must include a few, clearly defined conditions for disbursement and responsibility/accountability structures for the institutions responsible for the fulfilment of the variable tranche indicators. Visibility and publication is also a critical factor.

The specific lessons learnt during the implementation of previous sector budget support programmes is that technical assistance complementary to budget support has been essential in assisting the Government to meet its reform objectives.

2.5. Complementary actions

There is a large number of donors, both multilateral as well as bi-lateral, assisting Moldova in the field of agriculture and rural development. The most significant of these are the European Union (e.g. ESRA sectoral budget support programme, support to the use of biomass for energy - and EIB – Wine Sector Restructuring Programme), United States (USAID - Agricultural Competitiveness and Enterprise Development Project - and MCC – High Value Agriculture and Irrigation Infrastructure Reconstruction Programme) and World Bank (Rural Investment and Services Project and Moldova Agricultural Competitiveness Project). Most of these donor programmes and projects have a strong capacity-building and institutional-strengthening component that will undoubtedly contribute to the sector reform focus envisaged under this programme.

2.6. Risk management framework

The current risk profile of Moldova can be summarised as follows:

Risk	Level	Assumption and Risk mitigation
Governance and political		
Lack of commitment from the Government and from local authorities in undertaking targeted reforms	Moderate	Continuous policy dialogue with the Government and with local authorities within the framework of the Association Agreement

Macroeconomic		
Fiscal and balance-of-payments position could be negatively affected by: (i) slowdown in growth of main trading partners, in particular CIS countries; (ii) geopolitical destabilisation in the region related to the Ukraine crisis; (iii) possible trade	High	Continuation by the Government of stability-oriented macro-economic policy.

restrictions imposed by Russia and lower remittances resulting from a tightening of immigration rules; and (iv) the fragility and opacity of the banking sector.		
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Public Financial Management		
Lack of commitment from the Government to implement PFM strategy	Moderate	Continuous dialogue with the Government on public finance policy issues and PFM reforms, use of the EU aid delivery mechanisms (budget support conditionality and complementary capacity building) to facilitate and embed the reforms

EU budget support programme		
Low predictability of budget support, delays in disbursements beyond the fiscal years they are planned for	Moderate	Use of clearly defined and realistic conditions for disbursement, clear and focused design of the Programme, minimisation of the differences in interpretation regarding performance and calculation of payments

Corruption and fraud		
Political resistance to implementing anti-corruption measures and increasing public sector transparency	Substantial	Continuous dialogue with the Government to apply rigorously the anti-corruption legislation and rules, as well as monitoring of corruption cases and their legal consequences

Corruption and fraud are the risk areas for EU budget support programmes.

The on-going Public Administration Reform supported important developments towards an integral and efficient public service. A legal framework is being implemented which targets corruption (consisting of *Law on public service and status of public servant*, *Law on conflict of interest*, including a *Code of conduct*, *Law on public functions* and *Law on National Integrity Commission*) and includes subsequent bylaws. Laws and amendments on status and professional activity of judges and prosecutors were adopted that reduce their universal immunities and allow investigation and prosecution of magistrates for corruption related acts. The Introduction of professional integrity testing and lifestyle checks in the public sector is underway. Financial Management and Control systems are being introduced in the public sector that will ensure sound financial management of public funds. International Financial Reporting Standards (IFRS) are being introduced to the private sector. Low capacity and lack of political will for implementation are risks, despite a generally good legal framework.

Legislation to reform the National Anticorruption Centre, re-subordinated from the Legislative to the Executive, have been approved as well as the National Integrity Commission has been set up and made operational. The reform of the Prosecutor's General Office has been initiated with strong emphasis on the reform of the Anti-corruption Prosecution system.

3. DETAILED DESCRIPTION OF THE BUDGET SUPPORT CONTRACT

3.1. Objectives

Objectives

The **overall objectives** of this programme are: 1) to assist the Government of Moldova in eradicating poverty, promoting sustainable and inclusive growth, and consolidating and improving democratic and economic governance; 2) to foster confidence building in Moldova, by targeting - through a specific component - those regions of Moldova that have tense relationships with central authorities.

The **specific objectives** are to: 1) improve the financial capability of the government to achieve agricultural and rural development policy objectives; 2) promote agricultural and rural development policies and reforms; 3) improve service delivery in the agricultural and rural sector; 4) improve governance in agricultural and rural development; 5) address the basic needs of the population; 6) sustainable management of natural resources, including water and biodiversity and 7) foster rapprochement between Government of Moldova and regional authorities of those regions of Moldova that have tense relationships with central authorities.

3.2. Expected results

The expected results of this intervention are:

- Improved design and implementation of agricultural and rural development policies, notably with respect to:
 - legal and regulatory frameworks;
 - institutional strengthening and capacity building of agriculture and rural development policy and implementation bodies.
- Improved service delivery, notably with respect to:
 - In the area of competitiveness of the agricultural and agri-food sector through restructuring and modernisation:
 - increased investment in the modernisation of the agriculture, agri-food and feed chains meeting EU food safety and quality requirements;
 - improved education, research and extension services in the agriculture, agri-food sector, including facilitating information systems, and
 - improved access to capital, input and output markets for farmers.
 - In the area of ensuring the sustainable management of natural resources:
 - improved sustainable agricultural land and water management practices;
 - increased use of environmentally friendly production practices and products ensuring biodiversity;
 - reduction of the agriculture areas affected by natural disasters (floods and droughts): and
 - mitigation of climate change.

- In the area of improving conditions for living and working in rural areas:
 - enhanced investment in physical infrastructure in support of the development of the agricultural and agri-food sector; and
- Increased employment and income opportunities in rural areas in support of the agricultural and the agri-food sector. Improvements in key indicators of service delivery with respect to reduced geographical and gender disparities of access and quality.
- The regions of Moldova that have tense relationships with national authorities are fully involved and grasp the benefits of the National Agriculture and Rural Development Strategy (ARDS).
- For the Confidence Building Measures component, it is suggested to develop an intervention focusing on three pillars: 1) Enhanced dialogue between central and regional authorities that experience tense relations with central authorities on Agriculture and Rural Development (through experts missions, seminars, joint study tours etc.); 2) Promotion of local entrepreneurship; 3) Mobilisation and capacity building of regional and local authorities and refurbishment of small-scale infrastructures. In this respect, it is proposed to replicate - and amplify - the intervention logic tested successfully in the Left bank of the Nistru/Dniester River⁵⁵.

Complementary support combined with specific measures planned under the Comprehensive Institution Building (CIB) programme (including, amongst others: support to the Food Safety Agency, support to equipment purchase for food laboratories and support to IT food traceability system) will provide capacity building and institutional strengthening support to the action stakeholders during the implementation of this SRC. In addition complementary support is expected to enhance civil society organisations and local authorities associations' role in monitoring, implementation of the action and participating in regional/rural policy dialogue. Such support, especially in the field of designing, establishing, maintaining and upgrading stringent SRC M&E systems will also, on the one hand, measure progress in attaining the specific SRC reform conditions set and, on the other hand, will facilitate and ensure a transparent implementation process of the SRC as a whole.

3.3. Rationale for the amounts allocated for budget support

The total amount allocated for budget support under this programme is EUR 53 million.

The rationale for this amount is based on a broad qualitative assessment that took into account, inter alia, an analysis of the following elements:

- Financing needs of the partner country;
- Commitment of the partner country to allocate national budget resources (including EU budget support) in line with development strategy and objectives and to follow standard national budget procedures;
- Track record and absorption capacity of past disbursements and how effectively agreed objectives were achieved with budget support operations.

The Agriculture and Rural Development Strategy 2014-2020 (ARDS) is centred on subsidies in agriculture and the rural development sector. Overall subsidy applications to Agency for

⁵⁵ Cf. ENPI/2012/284-007 Support to Confidence Building Measures, which includes Component 1 focussing on cross-river development and Component 2 on Infrastructures.

Intervention and Payment in Agriculture (AIPA) in 2012 amounted to MDL 3.5 billion (requiring a subsidy fund of MDL 700 million at 20% to meet the applications in full, against the MDL 400 million available). The budget scenario set out in the ARDS is based on total subsidy applications of MDL 4 billion in 2014, rising by 10% per year thereafter, with the average subsidy rate increased from an average of 20% to 30%. As such, the budget scenario of the ARDS for 2014, for instance, indicates a total amount of MDL 4 billion investments, requiring a subsidy fund increase of 300% to MDL 1.2 billion in order to meet the applications in full.

The total 2014 budget approved for the MAFI amounts to MDL 1 238 million (approximately EUR 69 million, representing 4.4% of total state budget expenditures). Although this represents a 8% decrease in expenditure against 2013 MAFI budget (MDL 1 348 million), it does represent a significant increase of 26% in expenditure against 2012 MAFI budget (MDL 986 million).

Within the framework of national agricultural and rural policy, in particular the ARDS 2014, and increased subsidy applications, the proposed SRC is crucial. It is expected to create the required additional fiscal space for the Government to be able to implement the ambitious overall sector reform goals laid out, amongst others, in the ARDS.

This action will concretely enhance the prospects for executing future and more ambitious sector expenditure plans to be set out in the State Budgets of Moldova. It is therefore important to ensure coordination of the Ministry of Finance and the Ministry of Agriculture and Food Industry, which will to report to EU Delegation to Moldova concerning the tasks implemented and the targets achieved.

3.4. Main activities

Main activities to be carried out within the framework of this programme will include:

- Continued policy dialogue with the Government with a particular focus on areas reflected in the programme's objectives;
- Regular monitoring of budget support eligibility criteria of macro-economic and PFM developments, budget transparency, as well as progress in implementation of the public policy;
- Transfer of funds to State Budget against the achieved results from the policy matrix;
- Continued effort to reinforce Government's capacities in the area of PFM in the context of existing programmes;
- Continued dialogue between the EU Delegation and other donors to coordinate and further align our development cooperation with a view to avoiding duplication of activities and relieving the Government from multiple reporting duties.

Budget Support will also be accompanied complementary support measures.

3.4.1. Budget Support

Main activities to be carried out within the framework of the Budget Support component of this SRC will include:

- Engagement in dialogue around conditions and Government reform priorities;

- Verification of conditions and the payment of budget support against the results achieved according to the policy matrix.

3.4.2. Complementary support

Main activities to be carried out will include:

- Grants/Call for Proposal to promote Civil Society Organisations' (CSOs) and local authorities involvement in the implementation of ARD policy supporting especially actions that are gender equality and woman empowerment oriented;
- Call for proposal for capacity building of the Agricultural Intervention and Payment Agency (AIPA) through a Twinning project;
- Procurement of a Technical Assistance (TA) service contract to accompany the implementation of the SRC. Main activities foreseen include capacity-building and institutional-strengthening TA services in the area of:
 - improving competitiveness of the agri-food sector through restructuring and modernisation;
 - ensuring the sustainable management of natural resources including water and biodiversity;
 - improving adjustment to the EU food safety and quality standards as specified in the AA/DCFTA;
 - improving conditions for living and working in rural areas covering, amongst others: the development of agri-food sector physical infrastructure; stimulating local community involvement in rural development, including by benefitting from the LEADER best practices;
 - supporting, especially MAFI, in designing, carrying out and reporting on the accompanying SRC performance achievements using proven M&E tools;
 - supporting, especially MAFI and its subordinated agencies, in improving the effectiveness and efficiency of their operations and staff skills through the design and delivery of cross-component or component-specific capacity-building and institutional-strengthening actions including - but not limited to - formal training, study tours, mentoring approaches, etc.
- Procurement of evaluation and audit missions;
- Confidence Building Measures for those regions of Moldova that have a tense relationship with central authorities - Indirect Management Delegation Agreement with UNDP.

3.5. Donor coordination

Agriculture and Rural Development

Donor coordination in Moldova is characterised by governmental ownership, mutual accountability through a high level Joint Partnership Council and a transparent gathering and presentation of all donor related information.

There is a large number of donors, both multilateral as well as bi-lateral, assisting Moldova in the field of agriculture and rural development. The most significant of these are the European

Union (e.g. ESRA sectoral budget support programme, support to the use of biomass for energy - and EIB – Wine Sector Restructuring Programme), United States (USAID - Agricultural Competitiveness and Enterprise Development Project and MCC – High Value Agriculture and Irrigation Infrastructure Reconstruction Programme) and World Bank (Rural Investment and Services Project and Moldova Agricultural Competitiveness Project). Most of these donor programmes and projects have a strong capacity-building and institutional-strengthening component that will undoubtedly contribute to the sector reform focus envisaged under this programme.

Both the State Chancellery as well as the Ministry for Agriculture and Food Industries (MAFI) organise at regular intervals national or sector coordination council meetings to which involved donor organisations are invited. During these meetings, intervention coordination between the different donor institutions is sought after in view of either creating intervention synergies and/or avoiding duplications and overlaps. Both the State Chancellery as well as MAFI try to ensure that donor interventions are in line with the 2014-2020 NDS or the different sector strategies.

Confidence Building Measures

A relatively low share of international assistance is redirected by the central authorities to regions that have tense relationships with central authorities like, for instance, Gagauzia. Turkey, which enjoys close cultural links with the Gagauz people, has developed some direct assistance programme to the region in the fields of irrigation and post-secondary education. The USAID is implementing a nation-wide programme to support local authorities that has benefitted to Comrat City Hall.

The OSCE has been active in documenting and brokering discussions on a potential reform of the autonomous status though the organization does not provide direct funding to the region.

The EU, in the framework of the energy and biomass projects⁵⁶, has funded seven local projects. In addition, the EU Delegation is currently considering the possibility to redirect part of the funds committed under the support to Confidence Building Measures programme⁵⁷ in order to provide immediate and highly visible assistance to the region by refurbishing small-scale social infrastructures.

Under Decision ENPI/2013/024-401 (Confidence Building Measures IV), EUR 5 million are earmarked to support the creation of an enabling environment for regional development by building institutional capacity and local authorities and civil society engagement. In this respect, the proposed action, by focusing on socio-economic development and business, would contribute to long term, consistent and inclusive development of the region.

3.6. Stakeholders

In Moldova the State Chancellery is responsible for leading and coordinating the overall reform process. At sector level, it is primarily the Ministry for Agriculture and Food Industry that is responsible for agriculture and food industry development policy-setting, and seeks competence in rural development. Specialised agencies, including the Agricultural Intervention and Payment Agency (AIPA) are responsible for the actual implementation of policy. The Ministry of Finance will play a crucial role in planning and financing the programmes determined for agriculture and rural development.

⁵⁶ ENPI/2010/258-556 Moldova Energy and Biomass Project

⁵⁷ ENPI/2012/284-007 (EC) Support to Confidence Building Measures

For this particular SRC, the main stakeholders will be the Ministry of Agriculture and Food Industry (MAFI) and its subordinated agencies including the Agriculture Intervention and Payments Agency (AIPA), the Agriculture Information Centre (AIC) and the National Office of Vine and Wine. Other important stakeholders will include the National Food Safety Agency (ANSA), the Moldsilva Agency (forest and hunting) and Apele Moldovei (water resources), which are subordinated to other Moldovan governmental agencies than MAFI as well the National Bureau of Statistics. Also included will be the service providers, notably the agricultural education and research institutions, the National Agency for Rural Development, the Regional Environmental Centre - Moldova and other service-providing NGOs.

Main indirect stakeholders and ultimate beneficiaries of the SRC will be the Moldovan farmers, agricultural enterprises and rural population at large that will, especially, benefit from improved service delivery, improved competitiveness of the agri-food sector through restructuring and modernisation, improved and sustainable management of natural resources and improved living and working conditions in rural areas.

The SRC will also contribute to Moldova's on-going decentralisation reform process, which aims at consolidating the capacities of the local public administration authorities as well as improving the management and the quality of public services provided to the citizens. Despite initial good progress, the decentralisation process in Moldova has recently stalled, not in the least due to the "politicising" of the whole process by certain political parties, especially within the opposition.

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

Comparing the expected benefits and results as enumerated in section 3.2. to the risks listed in section 2.6 of this Action Document, the potential benefits/expected results of the envisaged budget support programme far outweigh any risks identified.

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 Regulation (EU, Euratom) No 966/2012.

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 60 months from the date of entry into force of the financing agreement or, where none is concluded, from the adoption of this Action document, subject to modifications to be agreed by the responsible authorising officer in the relevant agreements. The European Parliament and the relevant Committee shall be informed of the extension of the operational implementation period within one month of that extension being granted.

4.3. Criteria and indicative schedule of disbursement of budget support

The general conditions for disbursement of all tranches are as follows: Satisfactory progress in the implementation of the action-relevant chapters of the Agriculture and Rural

Development Strategy (ARDS) and continued credibility and relevance thereof; implementation of a credible stability-oriented macroeconomic policy; satisfactory progress in the implementation of the Strategy for Development of Public Finance Management 2013-2020; satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

The specific conditions for variable payment tranches may be covering the following three budget support component areas: a) agricultural and agri-food sector modernisation and restructuring; b) ensuring the sustainable management of natural resources and c) improving living and working conditions in rural areas.

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

	2015				2016				2017				2018				
Type of tranche	Q1	Q2	Q3	Q4	Total												
Base tranche						17											17
Variable tranche										17				19			36
Total						17				17				19			53

4.4. Details on complementary support

4.4.1. Grants: call for proposal “Strengthening role of civil society and local authorities in ENPARD context” (direct management)

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

The objective of the grants is to support specific ARD sector development actions, especially actions that are gender equality and woman empowerment oriented, enhancing civil society organisations and local authority associations’ role.

Expected results of this action are: a) stronger gender equality and woman empowerment consciousness by MAFI and subordinated agencies whilst implementing the ARDS; b) better monitoring and evaluation quality and enhanced understanding of the ARDS implementation by the Moldovan “public” at large and c) enhanced sector policy dialogue between government and local authorities as well as sector-relevant CSOs, especially SME organisations.

(b) Eligibility conditions

Application is open to local/international CSOs including CSOs that are SME associations and to local authorities.

(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; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

Priority will be given to the actions that are promoting cooperation and improving structured dialogue between civil society organizations, local authorities and relevant line ministries.

(d) Maximum rate of co-financing

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

The maximum possible rate of co-financing may be up to 100 % in accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.

(e) Indicative quarter to launch the call

1st quarter of 2015.

4.4.2. Grants: call for proposal for Twinning project with AIPA

(a) Objectives

The Twinning call for proposal modality will be used for implementing actions under objectives defined in section 3.1, providing assistance to the Agency for Intervention and Payment in Agriculture (AIPA) with the objective of strengthening the institutional capacity to administer agriculture and rural development support measures in line with EU norms and standards.

(b) Eligibility conditions

In line with Article 5(10)(b) of Regulation (EU) No 236/2014, participation in Twinning call for proposals is limited to public administrations of the EU member States, being understood as central or regional authorities of a Member State as well as their bodies and administrative structures and private law bodies entrusted with a public service mission under their control provided they act for the account and under the responsibility of that member State.

(c) Essential selection and award criteria

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

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

(d) Maximum rate of co-financing

The rate of co-financing for the twining grant contracts is 100%⁵⁸.

(e) Indicative quarter to launch the call

2nd quarter of 2015.

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

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

⁵⁸ As provided for in the Twinning Manual.

4.4.3. Procurement (direct management)

Subject	Type (works, supplies, services)	Indicative number of contracts	Indicative quarter of launch of the procedure
Accompanying TA to the SRC “ENPARD”	Services	1	Q2 2015
Evaluation and Audits	Services	2	Q4 2016

4.4.4. Indirect management with UNDP – Confidence Building Measures (CBM) in those regions of Moldova that have tensions with national authorities

A part of this action, with the objective of fostering the rapprochement between Moldova Government and Regional Authorities of those regions that have tense relationships with central authorities will be implemented in indirect management with the United Nations Development Programme (UNDP) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because of 1) Successful UNDP implementation of similar confidence building measures programmes in the Transnistrian region; 2) Building forward on lessons learnt and best practices from previous experience on engagement with regions having tense relationships with central authorities; 3) Knowledge of the region and of the local authorities; 4) Absence of credible implementing alternatives.

UNDP would undertake the following tasks:

- a) Ensure enhanced dialogue between National and Regional Authorities that have tense relationships with central bodies - including Gagauzia - on Agriculture and Rural Development.

This component will aim at promoting dialogue between central and local authorities through expert missions, seminars, joint study tours in order to foster the local implementation of the ARDS and help the beneficiary regions to grasp its benefits. An ‘intervention package’ to enhance good governance and local public management in specified areas will be designed and applied. Benchmarking and peer review with similar municipalities from outside target regions will foster the exchange of best practices and experiences, and confidence building measures.

- b) Promote local entrepreneurship.

Support will be provided to enhance SMEs development, strengthen and connect to national networks existing business support infrastructure; promote the culture of entrepreneurship through various innovative actions. Through targeted assistance programs access to finance will be improved and production based for SMEs will be diversified. Important sector development strategies will be updated and better represented in the national framework; together with specific support in the statistic field to improved availability of data.

- c) Mobilise and build capacity of local authorities and refurbish small-scale infrastructures.

In line with Strategy for Agriculture and Rural Development (priority 3) support will be provided to enhance investment in physical infrastructure and rural services, as well as to stimulate local community involvement in rural development. To achieve that, a holistic approach will be pursued, encouraging the cooperation of rural inhabitants in decision making processes and development of their communities. Inter-municipal cooperation with other Moldovan localities will also be encouraged. In this respect, it is proposed to replicate –and amplify – the intervention logic tested successfully in the Left bank of the Nistru/Dniester River⁵⁹.

For part of these tasks UNDP will conclude and manage contracts.

UNDP is currently undergoing the ex ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012. In anticipation of the results of this review, the responsible authorising officer deems that, based on a preliminary evaluation and on the long-standing and problem-free cooperation with this entity, it can be entrusted with budget-implementation tasks under indirect management.

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

4.5. Scope of geographical eligibility for procurement

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The responsible authorising officer may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) 236/2014 (CIR Regulation) on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

4.6. Indicative budget

Module	EU contribution (in EUR millions)	Third party contribution (indicative in EUR millions)
3.4.1. – Budget support	53	N.A.
3.4.2. – Complementary support	11	0.075
<i>4.4.1. – Call for proposals “Strengthening the role of civil society in the ENPARD context” (direct management)</i>	<i>0.3</i>	<i>0.075</i>
<i>4.4.2 – AIPA Twinning Project (direct management)</i>	<i>1.2</i>	<i>N.A.</i>
<i>4.4.3. – Procurement (direct management)</i>	<i>2.8</i>	<i>N.A.</i>
<i>4.4.4. – CBM (indirect management with UNDP)</i>	<i>6.5</i>	<i>N.A.</i>

⁵⁹ Cf. ENPI/2012/284-007 (EC) Support to Confidence Building Measures, which includes Component 1 focussing on cross-river development and Component 2 on Infrastructures.

4.8. – <i>Evaluation and audit</i>	0.2	N.A.
Totals	64	0.075

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.

Six-monthly programme steering committee meetings, organised and held under the auspices of MAFI, and to which all relevant action stakeholders including EU Delegation to Moldova will be invited, will review and assess overall performance in achieving the SRC's reform objectives and indicators. At these meeting corrective measures, if so warranted, will also be discussed and agreed upon.

4.8. Evaluations and audit

The European Commission foresees to launch evaluations and audits during the implementation and after completion of the Programme.

4.9. Communication and visibility

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

This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 4.6 above.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country, contractors, grant beneficiaries and entrusted entities. Appropriate contractual obligations shall be included in, respectively, financing agreements, procurement, grant contracts and delegation agreements.

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

As part of the Financing Agreement, the Moldovan government undertakes to ensure that the visibility of the EU contribution to the SRC is given appropriate coverage in the various publicity media. The accompanying TA Service Contract will endeavour to further enhance the positive image of the EU in the context of its work in Moldova and specific provision for this purpose will be included in this TA Service Contract.

At appropriate milestones during the SRC duration and after appropriate events, press releases will be issued, by MAFI in co-operation with the EU Delegation to Moldova. In all these actions, the EU visibility guidelines will be strictly adhered to.