

Annex 4 – Annual Action Programme 2012 for the Republic of Moldova

1. IDENTIFICATION

Title/Number	Pilot regional development programmes (PRDPs) CRIS: ENPI/2012/23418		
Total cost	EU contribution: EUR 7 million		
Aid method / Method of implementation	Project approach Component 1 – direct centralised management Component 2 – indirect centralised management with GIZ		
DAC-code	43010	Sector	multi sector aid

2. RATIONALE

2.1. Sector context

The Communication on the Eastern Partnership¹ proposed the conduct of a regional policy dialogue and cooperation with partner countries on Pilot Regional Development Programmes (PRDPs) modelled on the EU Cohesion policy. The PRDPs seek to provide structured input for the development of short term programmes to advance the economic, social and territorial cohesion of Eastern Partnership (EaP) countries (convergence within the countries) and thereby also to accompany the partners' process of economic integration with the EU (convergence with the EU).

Actions similar to the PRDPs have already been carried out in the Republic of Moldova (hereinafter Moldova) through three TACIS projects and bilateral donor funded projects/programmes. Following approval of the Law on Regional Development (RD) in December 2006 and the National Strategy for Regional Development 2010-2012 (NSRD) in February 2010, an institutional framework of RD was put in place at the start of 2010. Six development regions were designated: Centre and North that would presumably classify under NUTS² 2 level and Chisinau, South, Gagauzia and Transnistria that would fall under NUTS 3 level³. It was decided that in an initial stage, RD policy would apply to the most vulnerable regions – North, Central and South and that Gagauzia would be a region in its own right. According to the Government programme, the RD process should be extended to Administrative Territorial Unit (ATU) Gagauzia in 2012 and to other regions – Chisinau and Transnistria as soon as is possible.

RD in Moldova is generally based on a programming approach, with Regional Development Strategies (RDSs) being the core programming documents and Regional Operational Plans (ROPs) intended to guide and plan their implementation.⁴ Programming details are mostly defined in the description of priorities and measures in RDSs. The objectives of the RDSs are developmental and generally thematic in nature⁵. Priorities are well enough defined in general terms but, given the weakness of related sectoral policies and available data, they fail to provide adequate guidance for the development of particular investments.

¹ COM(2008)823

² Nomenclature of territorial units for statistics.

³ The final classification is subject to agreements with EU.

⁴ The Law on Regional Development no. 438 of 28 December 2006.

⁵ Main thematic areas: (i) physical infrastructure (water supply, waste water/sanitation) and roads (secondary, i.e. regional); (ii) environmental protection measures (solid waste management) and tourism; and (iii) productive investment/business infrastructure. In terms of projects submitted to the National Fund for Regional Development (NFRD) to date, around 90% fall into either (i) or (ii).

It has been recognised by all stakeholders that Moldova has made very significant progress in starting a RD process and many of the general principles identified by the PRDPs Guidelines already characterise the Moldovan system. Nevertheless, despite significant and solid progress, the Moldovan system itself is in an initial, somewhat experimental stage. Main problems identified to date are as follows:

- In 2010, the projects emerging from the RD process were too small, local, fragmented and possibly not viable, especially in areas of waste management, water and sanitation.
- The entire RD planning and programming process (from NSRD to RDSs & ROPs) would have benefited from much more robust and structured statistics. This also poses problems for the future and for on-going monitoring and especially evaluation of change in context and impact of interventions. The core problem is the lack of good regional statistics.
- The DFID-Sida Review⁶ identified a wide range of improvements (practical and more systemic) that should be made. More systemic changes are to be addressed in the future EU Twinning to support RD and results will take time to come on-stream. It is important to ensure adequate support to the existing system in the interim.
- Despite the recognised difficulty in orienting regional actors to identify and develop practical projects focused on developing the regional economy, it is now recognised that it is essential to rebalance the regional development in this direction.
- More generally it is recognised that the capacity of the regional development community (composed mainly of local public and some private/NGO bodies) is very weak.

2.2. Lessons learnt

Two main challenges are identified for the further planning and implementation of RD system in Moldova, both to be pursued together and simultaneously:

1. To continue the process on the ground to make the benefits of RD visible in terms of improved quality of life & regional economy (sustaining support for wider reforms).
2. To improve the RD system so that it responds more efficiently and effectively to core developmental concerns of regions consistent with national policies.

2.3. Complementary actions

- The TACIS project “*Support to Regional Development Implementing Bodies*” (2005-2007) resulted in the first drafts of the NSRD and relevant legislation and a DFID/Sida project “*Moldova: Cooperation in Regional Development*” (£4.2 million) supported the finalisation and implementation of the Law on Regional Development passed in December 2006 and rolled out the NSRD.
- In February 2010, the “*Modernisation of local public services in the Republic of Moldova*” Project, financed by the German Ministry of Economic Cooperation and Development (EUR 3 million) and the Romanian Ministry of Foreign Affairs (EUR 0.7 million) implemented by the German Development Cooperation (GIZ) started with the objective to improve public services in rural communities in Moldova. This 5 year project

⁶ Co-operation in RD - Review of Moldova's Regional Development Legal Framework – Conclusions and Final Recommendations” (DFID-Sida, OPM, February 2011).

is divided into 2 phases: (I: 1.2010 – 06.2012; II: 07.2012-12.2014). The Ministry of Regional Development and Constructions (MRDC), Regional Development Agencies (RDAs), Regional Development Councils (RDCs), local public administrations at both levels are main project's partners. To date, the Project has focused especially on water, waste water and sanitation, solid waste management and energy efficiency at local public administration level (*raions* and *primarias*) and is running pilot approaches in five *raions* and twelve *primarias*. From mid-2012, the second phase financed by Sweden (EUR 3.3 million) will include regional wide planning of these sectors based on an established methodology and from this exercise, will identify investments and develop them to "viable project concepts". This project is synergetic with the PRDPs as proposed.

- The EU-Twinning project "Capacity Building in Regional Development in the Republic of Moldova", scheduled to begin in early 2012, will focus at the national level: a revised NSRD, review/revision of the legislative and regulatory framework for RD, review/revision of procedures of NFRD and capacity development.
- With a view to the efficiency of assistance offered by newer EU Member States to developing countries, at least six of them (CZ, ET, LV, LT, PL, RO, SK) will assist Moldova in areas related to RD (institutional capacity development, regional civil society development, improving regional statistics) from 2012 onwards in the framework of the EU12 initiative. These are interventions of a significantly smaller scale than PRDPs.
- EU is funding a Sector Policy Support Programme on economic stimulation in rural areas (EUR 45 million), running until 2013 and having few conditions linked with regional development policies (strategy, action plans, institutions strengthening, implementation).
- Romania has decided a EUR 100 million grant for Moldova including investments in roads, education, energy and support in emergency situations.
- Finally, USAID will launch in 2012 a project focused on local service delivery by *raion* centres (service centres). Details are to be identified in inception/assessment period.

2.4. Donor coordination

Much effort has been made in the past 18 months in mobilising and engaging donors in RD and in coordinating their activities. In mid-2011, a Coordination Council on Foreign Aid in Regional Development and Construction was established to improve transparency, avoid duplication and reduce transaction costs for the Government of Moldova and donors active in RD. GIZ emerged as a lead development partner in this area. The strength of donor coordination has been apparent in the formulation phase of the PRDPs.

3. DESCRIPTION

3.1. Objectives

The overall objective is to support Moldova in advancing its economic, social and territorial cohesion with focus on the development of the policy, legal and institutional framework for an effective development policy for Moldova's regions.

The **specific objectives** are:

- To improve regional statistics as a basis for improved, evidence-based policy planning, programming, monitoring and evaluation;

- To facilitate a regional planning process leading to the development of a project pipeline relevant to specified areas and concerns of Moldovan RD and EU Cohesion Policy;
- To develop capacities of relevant institutions/actors, in particular RDAs essential to sustaining the above objectives and support the wider regional development process.

3.2. Expected results and main activities

The PRDPs are expected to result in:

- Improved regional statistics – consistent as far as possible with Eurostat standards for NUTS 2 and 3 regions;
- Detailed regional plans covering five thematic fields essential to the development of Moldova’s regions (water and sanitation, solid waste management, local roads of key importance and regional roads, business infrastructure and support, energy efficiency in public buildings/assets);
- Updated regional operational plans for each region where RD institutions are in place;
- A pipeline of ready to go, ready to finance and ready to procure projects in the five thematic fields;
- Validated capacity among responsible bodies relevant to the above results, including capacity to continuously manage a project pipeline.

To achieve the above, the following **main activities** will be supported by the PRDPs:

Component 1 – Improved regional statistics

The main goal of this component is to achieve markedly improved regional statistics – consistent as far as possible with Eurostat and international (OECD) standards for NUTS 2 and NUTS 3 regions and thus enable improved, evidence-based policy planning, programming, monitoring, evaluation and greater comparability with EU regions⁷.

Main activities include:

- Identification of purposes for statistics – assistance to review regional statistical indicators currently produced by the National Bureau of Statistics (NBS) and other authorities, assessing their compliance with Eurostat practices, assessing user needs and proposing areas where the NBS could further enhance the supply of RD indicators
- Identification of required statistics and levels – advice to NBS on compilation of a complete list of regional statistics indicators to be produced. These need to cover all key areas relevant for RD policy – economic, social, environmental, transport, health, education, employment and labour market, energy etc. As the statistical regions do not currently follow the designation of “development regions” as currently practised in Moldova, assistance will be provided for development of an optimal alignment, which meets the domestic needs, and is also consistent with the EU’s NUTS classification.

⁷ The implementation of the component 1 should take into account the possible links with the future population census.

- Development of systems to collect, process and make available regional statistics – technical assistance will initially help undertake these tasks and through capacity building and methodological advice, embed them as standard practice for the NBS and potentially for other relevant institutions.
- Development of systems and procedures for using regional statistics for RD planning, monitoring and evaluation purposes – assistance will be provided to MRDC and RDAs to develop an interconnected information system enabling an evidence-based regional strategic planning, monitoring and evaluation of RD policy.

Component 2 – Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova

The main goals of this component are to put into practice – based on wide agreement and acceptance – a regional planning approach that will ensure coherence and targeting of investments of optimally sized and located infrastructures, essential to the development of regions, thus underpinning and contributing to a much stronger regional planning and programming. The main activities to be targeted are:

- Stronger ***Regional Planning*** in each thematic field, involving national, regional/local public authorities, the civil society and other stakeholders as appropriate, will allow for identification of investments on the basis of sector strategies and regional and local needs, thus enabling a process of appropriate “scaling up” and configuring of investments. Regional planning as described – according to processes and methods already in part piloted and agreed⁸ – is the critical pathway to identification of possible investments. The direct outputs of this will be detailed regional plans for investments in five specific fields and identification of possible investments and projects. The civil society will play an important role in the identification of possible investments and projects through the participation and consultation.
- ***Identification and development of “Viable Project Concepts”***. Potential project concepts emerging from regional planning will be scoped, developed and tested to arrive at a list of those considered to be “viable”, having come through a pre-feasibility stage. These will be proposed by experts and agreed by relevant stakeholders, including the RDCs. Donors and international financial institutions will be invited at this stage to review them, and indicate interest in supporting their later implementation or development.⁹
- ***“Ready to go/finance/procure” projects***, including all relevant technical documentation, economic and financial studies, legal permits, procurement documentation etc. will be developed based on the “Viable Project Concepts”. The level of documentation will be proportionate to the nature and size of the project, meet legal requirements, be consistent with good international practice and be adapted to the requirements of any identified potential donor. Projects will be developed for support from any available form of financing¹⁰. The consultancy support will work closely with the RDAs in each region and it will be responsible for ensuring achievement of component results.

⁸ GIZ

⁹ This might be envisaged on a case by case basis, where the size or complexity of a project implies very significant preparation costs and efforts beyond what might be provided under this Component.

¹⁰ In cases where they are targeted on the NFRD, they will follow the process and meet the requirements foreseen by the Law on RD as a condition for financing. In other cases, projects should be submitted by the RDCs, subject to recommendation from RDAs to the relevant donors/ IFIs, respecting modalities, agreed by the Moldovan government, regulating these institutions’ operation in Moldova.

- *Updating of Regional Operational Plans (ROPs)* that are specified by the Law on RD and are in fact lists of projects and project concepts agreed by RDCs on recommendation of RDAs. The ROPs will be updated as the outputs of the above regional planning come on stream and will take on a stronger programming dimension in relevant fields.
- *Capacity Development:* policy advice, planning and technical advice, facilitation, moderation, expert opinions, surveys, studies of any required kind, identification and development of viable project concepts, development of project documentation of any kind, assistance to organisation planning, assistance to learning and development of relevant staff (on-the-job training, e/distance-learning, coaching or mentoring, study visits, assignments, etc.).

3.3. Risks and assumptions

The principal risks to implementation of PRDPs are:

- Political instability;
- Confusion with regard to the specific understanding of Regional Development (within context of PRDPs) and as under Moldovan laws and practice;
- Inability to reach timely agreement with regard to potential investments/projects, to agree on “viable project concepts” and even on “ready to go/finance/procure” projects
- Insufficient commitment from key bodies concerned;
- Lack of clarity relating to policy, strategic and operational responsibilities and insufficient commitment to resolve differences rapidly;
- Lack of free availability of information from relevant public bodies and Institutes essential to good planning and to the development of projects;
- Some fluidity currently exists in Moldova with regard to technical standards in construction in that certain older Soviet norms¹¹.

The primary assumptions are:

- The Government of Moldova remains firmly committed to its reform agenda and to enhanced political and economic relations with the European Union;
- The Government of Moldova is able to amend the legislation on the tasks incumbent on the NBS, specifically mandating the NBS to produce identified regional statistics as part of the series of “official statistics”;
- The Government of Moldova is able to adopt an updated NSRD that defines clearly a territorial vision, on-going policy and institutional developments and clarifies the interfaces between regional and spatial planning and between regional and national sectoral planning;

¹¹ Those regions that best succeed in defining investments should be incentivised by the prospect of early financial support to their projects. Provision may need to be made to assist with consensus related to building standards in cases lack of clarity on standards produces delays.

- The Government of Moldova allocates the necessary human, financial and technical resources to support the implementation of the NSRD and RDSs.

3.4. Cross-cutting Issues

RD in Moldova has already proved it can embrace good governance practices and these have been furthered through consultations relating to the PRDPs. Significant involvement and transparent decision-making will continue to characterise the PRDPs implementation at regional level. Balanced gender involvement, equality, good governance and transparency will be respected. Through improvement of statistics a better basis will be developed for evidence-based policy making. Further, the process of regional planning foreseen will help to fill an evident gap in governance which currently hinders appropriate improvement in specific development areas. All interventions will be monitored for their potential environmental impact and appropriate EIA will be commissioned.

3.5. Stakeholders

MRDC is the main beneficiary and key counterpart of both PRDPs' Components. Other key counterparts will be NBS as direct beneficiary of Component 1, RDAs, RDCs, other ministries, and given the focus of Component 2, relevant development partners and even IFIs. A large number of raions and municipalities will also be involved in regional planning, project identification and project development processes. The capacity building activities will embrace all of the above and further certain non-governmental and private organisations.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

The programme and its components will be implemented through direct and indirect centralised management:

- Component 1 direct centralised management through a service contract;
- Component 2 indirect centralised management with a delegated partner.

Indirect centralised management is the proposed method of implementation for Component 2 and the Delegatee proposed is **GIZ**, which is already present in Moldova and has been working since 2010 in the area of regional development. GIZ has extensive experience in Moldova in regional and local planning, in particular in the fields of water and sanitation, solid waste and energy efficiency. Under its current activities (project "Modernisation of local public services in the Republic of Moldova" - see also section 2.3 above), GIZ already affords support to the MRDC and other regional development bodies;. From mid-2012, the second phase of this project, financed by Sweden, will include regional planning of these sectors, the identification of investments and the development of "viable project concepts". The EU funding for PRDPs, as defined in the present action fiche, , will complement this project.

Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), GmbH has been chosen as the delegatee in accordance with Article 54(2)(c) of the Financial Regulation.

- GIZ is compliant with the "six pillars" assessment (Annex I to this AF). All relevant recommendations (1, 2, 3 and 8) will be addressed in the delegation agreement.

- GIZ was audited in accordance with the criteria set out in Article 56 FR in 2011.
- GIZ is already present in Moldova and has been working since 2010 in the area of local services. GIZ already affords support to the MRDC and other RD bodies, it has extensive experience in Moldova in regional and local planning in particular in the fields of water and sanitation, solid waste management and energy efficiency.
- Prior local consultation has been conducted with development partners and the Moldovan government.
- In December 2011 GIZ signed a grant agreement with SIDA/Sweden on Modernisation of Local Public Services.

Indirect centralised management is justified for the realisation of the following tasks:

- Choice, after the call for tender launched by the delegatee, of the company(ies) that will undertake or assist in relevant data collection, analysis, elaboration of regional plans in various fields, technical studies, project documentation, capacity building etc. for the implementation of Component 2;
- Coordination and supervision of the contract(s) for the implementation of Component 2. These contracts have to be in line with the implementation of related projects;
- Close cooperation with the MRDC and EU Delegation, including regular reporting.

The change of management mode constitutes a substantial change except where the Commission "re-centralises" or reduces the level of tasks previously delegated to the beneficiary country, international organisation or delegatee body under, respectively, decentralised, joint or indirect centralised management.

4.2. Procurement and grant award procedures

Direct centralised management (component 1)

All contracts implementing the action must 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 in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI Regulation. Extension 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.

Indirect centralised management (component 2)

Procurement contracts implementing the action must be awarded in accordance with the Delegatee procurement procedures recognised as fulfilling the criteria set out in the Financial Regulation and equivalent to those of the Commission.

Grant contracts must be awarded in accordance with the rules and principles set out in Title VI 'Grants' of the Financial Regulation applicable to the General Budget.

4.3. Budget and calendar

EUR 7 million is allocated under the present programme to PRDPs for Moldova for the programming period 2011-2013. Additional resources may be added from the ENPI national envelope with the agreement of the Moldovan authorities. The project is also open to co-financing and contributions in kind from other donors and allows for the participation of EU Member States and other donors in the implementation.

Indicative breakdown of EU contribution:

Component 1 – Improved regional statistics	EUR 2,000,000
Component 2 – Regional Planning and Project Pipelines for Development Regions North, South, Central (eventually others)	EUR 5,000,000
Total Budget	EUR 7,000,000

These funds may be used for evaluation and audit activities.

The indicative operational duration of the programme is 60 months from signature of Financing Agreement.

The tender procedure for component 1 will be launched within 12 months indicatively following the entry into force of the Financing Agreement. The delegation agreement for component 2 will be concluded within 6 months indicatively following the entry into force of the Financing Agreement.

4.4. Performance monitoring

A Steering Committee will be established to monitor the implementation of the programme under the chairmanship of MRDC. The Committee will meet at least twice a year. The indicators that will be monitored as to performance will be defined in the Financing Agreement.

4.5. Evaluation and audit

Evaluation and audit will be decided by the European Commission on a case-by-case basis and may be carried out with the support of technical advice of external consultants recruited by the Commission.

4.6. Communication and visibility

Each component under this programme will have its own communication and visibility component and budget in accordance with “Communication and Visibility Manual for EU External Actions”.

Appendix to Annex 4 of the Annual Action Programme 2012 for the Republic of Moldova – Pilot Regional Development Programme (PRDP) – Component 2

Regarding the verification of the conditions for indirect centralised management provided for in Art. 56 of the Regulation 1605/2002 (financial regulation)

The Financial Regulation (FR) (Council Regulation No. 1605/2002) and its implementation rules (Commission Regulation No. 2342/2002) are applicable to the Budget Line 19 08 01 03.

For indirect centralised management:

Based on successful pilot project done by the GIZ in the regional development in Moldova (with SIDA and German Ministry of Economy funding) the EU found it justified to continue the intervention in the sector using GIZ as most experienced implementation Agency in this particular area of action. For the Phase two of intervention SIDA has already dedicated some funds for the smaller scale intervention to be implemented by GIZ. Now with EU additional funds the whole sector could be covered and the most efficient, cost effective and coordinated way is to use the same implementation agency (GIZ) for the whole intervention.

An assessment made by DEVCO in March 2011 (Ares ref. 2011/243979) confirmed that the criteria envisaged by Article 56.1 of the Financial Regulation are fulfilled:

Summary table

Article 56.1 FR criterion	Comment
(a) Transparent procurement and grant-award procedures, which are non-discriminatory and exclude any conflict of interests and which are in accordance with the relevant FR provisions	Compliant with the Financial Regulation
(b) An effective and efficient internal control system for the management of operations, which includes effective segregation of the duties of authorising officer and accounting officer or of the equivalent functions	Compliant with the Financial Regulation
(c) An accounting system that enables the correct use of EU funds to be verified and the use of funds to be reflected in EU accounts.	Compliant with the Financial Regulation
(d) An independent external audit exercised by a national institution for independent external auditing	Compliant with the Financial Regulation

(e) Adequate annual ex post publication of beneficiaries of funds deriving from the EU budget.	Compliant with the Financial Regulation
Prevention of irregularities and fraud and recovery of funds if necessary	<i>Adequate clauses will be included in the Agreement with the delegatee</i>
The Commission will ensure supervision, evaluation and control of the implementation of the tasks entrusted	<i>Adequate clauses will be included in the Agreement with the delegatee</i>

Conclusion: In his note of 04/03/2011 (see note ARES ref. 2011/243979), Director General of DEVCO confirmed that the conditions placed by Article 56 the FR are currently being met (according to the positive audit report).
On this basis, the Director Directorate DEVCO F proposes that the applicable implementation method for the Annual Action Programme 2012 for Moldova (the action entitled "**Pilot Regional Development Programme (PRDP) Component 2** - Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova) be **indirect centralised management** and submits it to the Commission for decision.

Date: 27/03/2012

Signature: M. Cornaro, Director DEVCO/F
Authorising officer subdelegated on BUDGET