

**EUROPEAN COMMISSION'S SUPPORT TO THE  
REPUBLIC OF MOLDOVA**

**COUNTRY LEVEL EVALUATION**

Final Synthesis Report

November 2007

*Evaluation for the European Commission*



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The evaluation is managed by the Evaluation Unit which also chairs the Reference Group

***The opinions expressed in this document represent the authors' points of view  
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**LIST OF ACRONYMS**

| <b>List of Acronyms</b> |  |
|-------------------------|--|
| AI                      | Amnesty International  |
| BOMMOLUK                | Improvement of Border Controls at the Moldova-Ukraine Border |
| CBC                     | Cross Border Co-operation                                    |
| CCF                     | Country Co-operation Framework                               |
| CIS                     | Commonwealth of Independent States                           |
| CoE                     | Council of Europe  |
| CPAR                    | Central Public Administration Reform                         |
| CRIS                    | Common Relex Information System                              |
| CFSP                    | Common and Foreign Security Policy                           |
| CSP                     | Country Strategy Paper                                       |
| DFID                    | Department for International Development                     |
| DG                      | Directorate - General of the EC                              |
| DP                      | Disease Prevention   |
| EAR                     | Emergency Aid Reserve  |
| EC                      | European Commission  |
| ECHO                    | EC Humanitarian Aid Department                               |
| EGPRSP                  | Economic Growth and Poverty Reduction Strategy Paper         |
| EIB                     | European Investment Bank                                     |
| EIDHR                   | EU Democracy and Human Rights Programme                      |
| ENP                     | European Neighbourhood Policy                                |
| ENPI                    | European Neighbourhood and Partnership Instrument            |
| EQ                      | Evaluation Question  |
| EU                      | European Union   |
| EUBAM                   | EU Border Assistance Mission to Moldova and Ukraine          |
| EUSR                    | European Union Special Representative                        |
| FDI                     | Foreign Direct Investment                                    |
| FSP                     | Food security Programme                                      |
| GDP                     | Gross Domestic Product                                       |
| GoM                     | Government of Moldova  |
| GSP                     | EU General System of Preferences                             |
| HMIS                    | Health Management Information System                         |
| HP                      | Health Promotion   |
| HR                      | Human Rights   |
| IFIs                    | International Financial Institutions                         |
| IMF                     | International Monetary Fund                                  |
| IMR                     | Infant Mortality Rate  |



| List of Acronyms |   |
|------------------|---|
| IOM              | International Organisation for Migration                                    |
| IPA              | Instrument for Pre-Accession  |
| JC               | Judgement Criteria  |
| JHA              | Justice and Home Affairs  |
| MAC              | Migrant Accommodation Centre  |
| MDG              | Millennium Development Goals  |
| MoU              | Memorandum of Understanding   |
| MS               | EU Member State(s)  |
| MTEF             | Medium -Term Expenditure Framework  |
| NAPHR            | National Action Plan for Human Rights                                       |
| NGO              | Non-governmental Organisation   |
| NIP              | National Indicative Program   |
| NIS              | Newly Independent States  |
| NSDS             | (Country) National Sustainable Development Strategy                         |
| OECD             | Organisation for Economic Co-operation and Development                      |
| PCA              | Partnership and Co-operation Agreements                                     |
| PM               | Project Manager   |
| PRGF             | Poverty Reduction and Growth Facility                                       |
| PRSP             | Poverty Reduction Strategy Paper  |
| RG               | Reference Group   |
| RIP              | Regional Indicative Programme   |
| RoL              | Rule of Law   |
| RRM              | Rapid Reaction Mechanism  |
| RSP              | Regional Strategy Programme   |
| SHR              | Support to Health Reform  |
| SIA              | Special Incentive Arrangements  |
| SIGMA            | Support for Improvement in Governance and Management                        |
| SIDA             | Swedish International Development Co-operation Agency                       |
| SME              | Small and Medium Enterprises  |
| SWOT             | Strengths, Weaknesses, Opportunities, Threats                               |
| TA               | Technical Assistance  |
| Tacis            | Technical Assistance to the Commonwealth of Independent States              |
| TEMPUS           | The trans-European mobility scheme for university studies                   |
| TI               | Transparency International  |
| THB              | Trafficking in Human Beings   |
| <b>TN</b>        | <b>Transnistria<sup>1</sup> - Please note that the Transnistria-related</b> |

<sup>1</sup> Please note that the Transnistria-related terminology used in this report follows the official EC approach (e.g., CSPs). During the 2<sup>nd</sup> RG meeting at 16.03.2007, the Moldova government's representative stressed that this terminology is not in line with the official terminology used by the Republic of Moldova. The Republic of Moldova uses in this context the term "Transnistrian Region".

| List of Acronyms |   |
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| ToR              | Terms of Reference  |
| TQM              | Total Quality Management  |
| UN               | United Nations  |
| UNDP             | United Nations Development Programme  |
| UNHCR            | United Nations High Commissioner for Refugees   |
| UNICEF           | The United Nations Children's Fund  |
| USAID            | US Agency for International Development   |
| US\$             | United States Dollar  |
| WB               | World Bank  |
| WHO              | World Health Organisation   |
| WTO              | World Trade Organisation  |

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## 1. EXECUTIVE SUMMARY

### 1.1. Purpose of the evaluation

The purpose of this evaluation is to provide policy-makers and managers of the Commission's relevant external co-operation Services as well as other relevant DGs (such as DG Trade and DG Environment), and the EC Delegations in Chisinau and Kiev, with an independent assessment of the EC programme of co-operation with Moldova. The quality of EC assistance is assessed on the basis of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) criteria of relevance, effectiveness, impact, efficiency, and sustainability. The "3Cs" of coordination, complementarity, and coherence are also covered.

The period covered by the evaluation is 2000-2006. However, as it is intended to be a forward-looking document, the team did not abruptly truncate the analysis at the end of 2006.

### 1.2. Analysis and main findings

The ten Evaluation Questions (shown in the accompanying diagram) cover:

- Major strategic goals as set forth in EU Communications and the Country Strategy Paper (CSP): support for addressing the social consequences of transition, support to the private sector, assistance for economic development and support to institutional, legal and administrative reform.
- Major issues related to implementation, adapting to change and the added value of the EC coordination function.

Each EQ was approached on the basis of Judgement Criteria (JCs) which, in their turn, were assessed on the basis of Indicators.

In general, the evaluation team found the EC's co-operation engagement with Moldova to be of reasonable quality although a number of weaknesses were identified. It was relevant to national needs - although the team believes that some opportunities were missed (e.g. in the field of HR/democratisation) - and coherent with long-term EC objectives. While tangible impacts were identified in a number of areas, major economic problems, many of them structural in nature, remain in place. To some extent this is because the development context in Moldova, which the team reviews in detail, is particularly challenging. A problem which affected the quality of the programme was the fact that, until recently, there was no EC Delegation in Chisinau, and it is only in recent months that full competences have been transferred.

### 1.3. Overall Conclusions

- Overall Conclusion a)

There has been a wide gap between policy formulation - often significantly advanced by EC TA - and tangible impacts on development outcomes. In most sectors reviewed – JHA, SME development, trade and FDI promotion, and environment – legislation has been reformed, international best practice has been adopted where relevant, and GoM partners have benefited from European expertise. Yet implementation has lagged.

- Overall Conclusion b)

The EC has contributed to Civil Society development mostly within the “safe zone” of social service delivery. It was involved to a limited extent in the more controversial aspects of Civil Society development, specifically human rights, rule of law (RoL) and democratisation. The EIDHR instrument was not consistently used. The contribution of the EC co-operation programme to resolving the Transnistria issue has consisted almost entirely of the border control programme EUBAM which, while generally judged a success, leaves aside the social and development aspects of the frozen conflict. In general, the team believes that opportunities were missed in the social sphere.

- Overall Conclusion c)

With a few exceptions (the FSP being the most notable), the EC has not consistently supported aid coordination by devoting substantial resources to TA and capacity building.

- Overall Conclusion d)

The ongoing move to general budget support in Moldova is clearly in line with Paris Declaration commitments to channel a greater share of assistance through the Government budget. Experience with the FSP shows that such assistance can be flexibly aligned with GoM priorities and re-aligned as these change. However, the FSP was accompanied by intensive TA and capacity building in the Ministries affected, and it is unclear that this will be the case with general budget support. The main danger with general budget support is that weaker (usually social) Ministries will not be able to access budget support funds because they will be unable to represent their case effectively at the level of the Ministry of Finance. The support that they do receive/received may be inefficiently handled; monitoring and reporting may be weak, and so forth. Moreover, outside central Ministries (such as Trade and Economy and Finance), GoM officials do not appear to fully understand the direct budget support modality; in particular the nature and extent of conditionality is not appreciated in line Ministries.

- Overall Conclusion e)

The quality of EC co-operation in Moldova over the evaluation period was adversely affected by the low presence of the EC in Chisinau.

#### 1.4. Overall recommendations

- Based on Overall Conclusion a)

The team have picked two particular areas where impact has been low: corruption and trade/economy /rural development. Regarding the first, the team would recommend that the EC explore with the GoM a possible programme for empowering local law enforcement officials and judges to deal with corruption cases, the explicit goal being to increase the number of prosecutions and the severity of legal sanctions. At the same time, the initiative should recognise and propose approaches for coming to grips with the causes of corruption. In the area of trade and the economy, the team believe that the reason for low impact is not lack of commitment to reform but the fact that the policies promulgated are not capable of surmounting the challenges faced if taken one by one. The team have noted the key role played by rural development in Moldova. In this challenging context, stand-alone, sector-by-sector policy reform alone is insufficient to generate tangible impacts. The Tacis 2000 evaluation suggested that emphasis be placed on strengthening environmental sustainability in agriculture. The team would go further and suggest a holistic approach to development at regional level which might include SME promotion, promotion of food and agricultural exports (including the key area of standards and product quality), while concentrating on environmentally sustainable farm and production practices and containing a substantial community-level development component. In recognition of the important role played by secondary cities and towns, the team would stress that this should be a regional approach, not simply traditional rural development. As a first step, the team recommends that the EC convene a meeting of major donor agencies, GoM officials, and international experts to assess the state of the art in regional development, describe existing activities and lessons in Moldova, and assess the potential for a coordinated regional approach.

- Based on Overall Conclusion b)

The team recommend that the EC should review its support for Civil Society with a view to broadening it. In this context, the team recommend that the EC examine, perhaps starting with a dialogue with Member States (MS) with experience in the area, the potential for small, low-key, “people-to-people” social and development actions related to Transnistria. As a first step, the team recommends that the EC critically review experience with EIDHR and formulate a plan for more effective use of the instrument.

- Based on Overall Conclusions c) and d)

Since the main challenge for general budget support in Moldova is GoM capacity for aid coordination and strategic planning, it is sensible to make recommendations covering these two conclusions simultaneously. Whatever coordination structure is in place, the need for capacity building will be substantial. The team recommends that the EC should stand ready to provide resources and TA in this regard. As a first step, the team recommends that the EC stand ready to assist the GoM in streamlining and improving its aid coordination mechanisms and provide TA to the institutions put in place.

The team recommends that the EC should be pro-active in managing GoM expectations by steadily transmitting the message that (i) in line with EC commitments to the Paris and Rome processes, budget support resources are being placed at the disposal of the GoM, but that at the same time (ii) this is being done only under well-defined conditionality conditions. This awareness-raising process must reach well beyond the central Ministries. As a first step, the EC should consider holding a high-profile seminar entitled something like “ENPI and You” in which GoM officials and a range of other stakeholders, including Civil Society, are given an urgent course in the changes currently taking place and what they mean for EC assistance to Moldova.

The provision of TA and capacity-building in the context of general budget support needs to be ensured. As a first step the team recommend that the EC should study the generally positive experience in the FSP, where budget support was accompanied by TA and capacity building for coordination and management, as well as for policy formulation. The generally positive experience of TA for policy formulation in the health sector is also worth examining. The EC should review, with the GoM, capacity needs in both central and line ministries and how they may be met.

- Based on Overall Conclusion e)

The team compliments the EC on having accomplished the process of transferring responsibilities from the Kiev EC Delegation to the new Chisinau EC Delegation. The team recommends that the EC ensures adequate Delegation capacity in Chisinau, particularly for strategy formulation. A good first step towards implementing this recommendation would be to elaborate a review and strategic plan for human resource development and capacity-building needs. Finally, in view of the low visibility of the EC to date, the team strongly advises that the new Delegation give priority to effective outreach and communications.

## 2. FINDINGS, CONCLUSIONS AND ANSWERS TO EVALUATION QUESTIONS

### 2.1. Overview of Evaluation Questions

The main DAC criteria covered by each EQ are given in Table 1 on the next page. It is no longer customary to assess each DAC criterion in each thematic area (i.e., in the present case, fill in a 5 x 10 matrix); the team need to make sure only that the EQs, taken as a whole, cover the entire range of DAC criteria as well as the “3Cs”.

The proposed approach called for EQs to be answered following a structured logical path. In the presentations below, Judgement Criteria (JCs) were assigned to each question and it was stipulated which of the DAC quality dimensions or which of the “3Cs” is addressed by the JC. In some cases, the EQs were broad, requiring up to four JCs in order to arrive at a reasonably comprehensive answer. This could have given rise to ambiguities as some parts of the EC’s approach might have been judged to be of high quality and others of poor quality, but the alternative would have been to limit EQs to cover only a subset of the actual EC approach.

A set of potential indicators by means of which findings may be arrived at for each JC was assigned. As the Field Phase proceeded, this list was still subject to modification. The team again proposed multiple indicators for each JC; this might have posed problems for arriving at an overall assessment if some indicators had been positive and others negative but most JCs, like the EQs themselves, are multi-dimensional. Experience teaches that many indicators are considered in the early phases of evaluations but few are actually used for supporting key conclusions. Some indicators are point measures (“Number of judges trained”), others represent trends (“Increased number of SMEs operating in rural areas”), while others are extremely broad (“Improved availability of services for victims of human trafficking”). The evaluators recognised that some of the indicators listed would prove difficult to measure precisely, and anticipated that many of them would have to be assessed in qualitative terms, mostly through interviews, rather than through literature and data sets. Work carried out during the Desk Phase assessed the extent of these difficulties and involved designing approaches to surmount them.

A set of “sub-questions” was given for each EQ. They are simply heuristic narrative instruments designed to probe “whys and wherefores” – intentions, priorities, inputs, contextual and background conditions, institutional factors, and so on – that explain the JCs taken as a whole. They are examples of the sorts of questions that might have needed to be asked or kept in mind when examining the evidence base for answering the EQ.

For many EQs an important reference document was the 2000 Tacis Evaluation. This document is invaluable for its description of initial conditions. The issues identified and recommendations made were intended to provide the basis for determining whether lessons learned had been properly incorporated (for more information see Annex 14: *“Follow-up of recommendations of the “2000 Tacis Evaluation”* ).



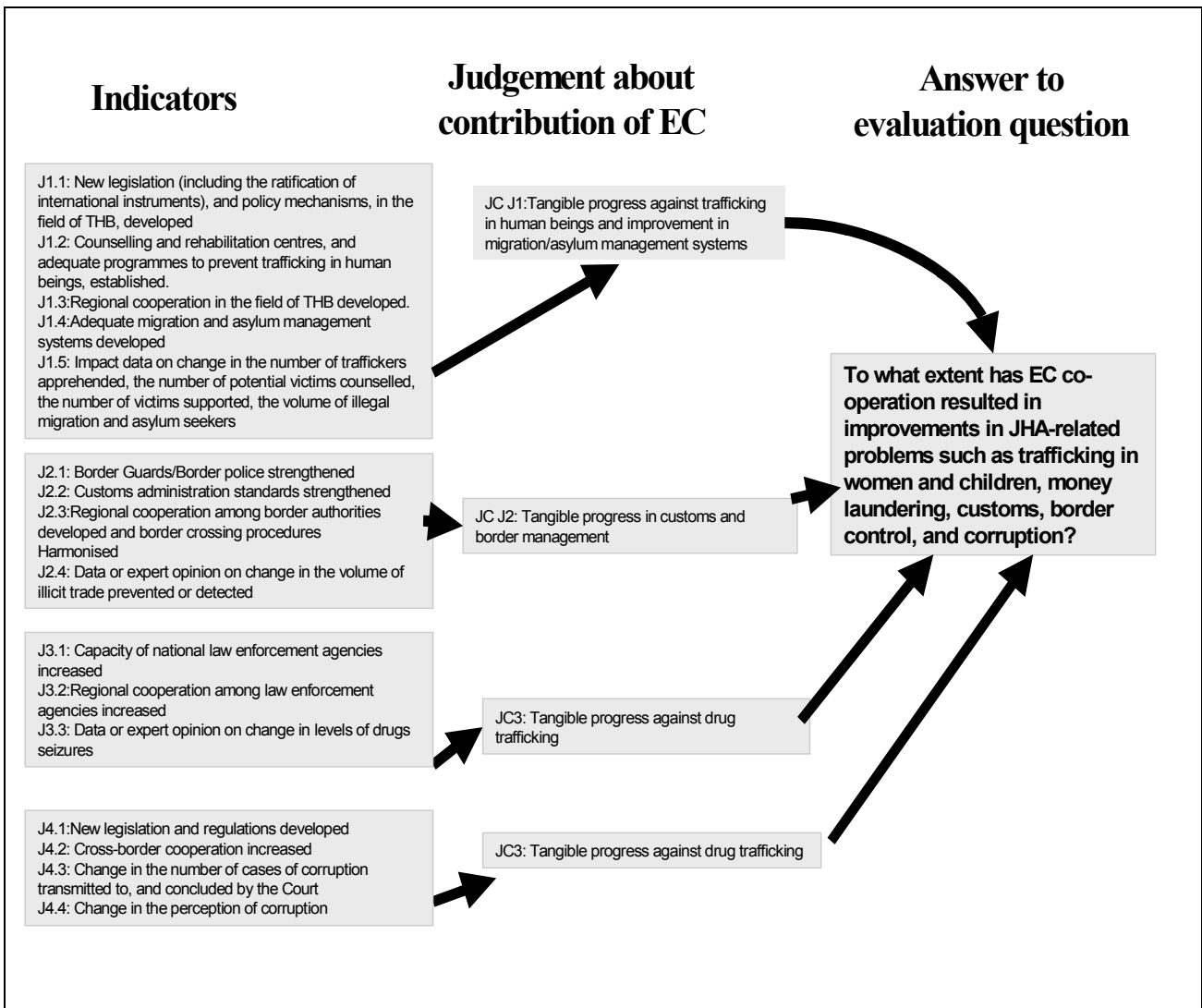
Table 1 - Ten Evaluation Questions (EQs)

| The Eight Evaluation Questions (EQs) |   |                            |                                |
|--------------------------------------|---|----------------------------|--------------------------------|
| Theme – Sector/specific area         | The question  |                            |                                |
| Justice and Home Affairs issues (J)  | To what extent has EC co-operation resulted in improvements in JHA-related problems such as trafficking in women and children, money laundering, Customs, border control, and corruption? [Impact]  | Sector related conclusions | Sector related recommendations |
| NGOs and Civil Society (N)           | To what extent has EC co-operation resulted in a strengthened role of an independent Civil Society? [Effectiveness]   |                            |                                |
| SMEs and rural development (S)       | To what extent has EC co-operation in the areas of SMEs and rural development (including the off-farm sector) given rise to sustainable reductions in unemployment and living standard? [Impact]  |                            |                                |
| Trade and economy (E)                | To what extent has EC co-operation contributed to strengthening trade and economic links between Moldova and the EU, particularly Moldovan exports to the EU and EU FDI in Moldova? [Impact]  |                            |                                |
| FSP (F)                              | To what extent has the FSP resulted in tangible alleviation of the distress of the most vulnerable groups (rural poor, women, children, elderly)? [Effectiveness],  |                            |                                |
| Health (H)                           | To what extent has EC co-operation in the health sector mitigated the consequences of transition for the health of the most vulnerable groups (rural poor, women, children, elderly)? [Impact]  |                            |                                |
| Environment (X)                      | To what extent has EC mainstreaming of environment into its co-operation programme resulted in enhanced environmental sustainability of development in Moldova? [Effectiveness]   |                            |                                |
| Transnistria (T)                     | To what extent has the EC's co-operation programme with Moldova resulted in tangible progress towards a viable solution to the Transnistria conflict? [Effectiveness]   |                            |                                |
| Theme - Synthesis / generic area     |   |                            |                                |
| Relevance and coherence (R)          | To what extent was the EC's engagement with Moldova, taken as a whole, relevant to national needs and coherent with EC long-term policy objectives? [Relevance, Coherence]  | Overall Assessment         | Overall Recommendations        |
| Coordination and complementarity (C) | To what extent was the EC-Moldova bilateral co-operation programme coherent with and complementary to regional and cross border programmes and other EC instruments, as well as with interventions of other major donors? [Coordination, Complementarity] |                            |                                |

**2.2. EQ (J) Justice and Home Affairs**

**To what extent has EC co-operation resulted in improvements in JHA-related problems such as trafficking in women and children, money laundering, Customs, border control, and corruption? [Impact]**

Figure 1- Illustration of links of indicators, judgement criteria and answers to evaluation questions based on the JHA sector



**2.2.1. Judgement criterion J1: Tangible progress against trafficking in human beings and improvement in migration/asylum management systems**

Findings:

*Indicator J1.1: New legislation (including the ratification of international instruments), and policy mechanisms, in the field of THB, developed*

As described in the “special focus” section in Annex 2, human trafficking is a significant problem in Moldova. Yet there have been significant legislative advances, and new institutional and policy mechanisms put in place, since the early 2000s.

In 2002, a Directorate for Combating Trafficking in Human Beings was established within the Ministry of Internal Affairs. Two new Laws on "Trafficking in Human Beings" and "Trafficking in Children" were approved in the same year. A Law on Migration was adopted in 2002. In 2005 Moldova amended the Criminal Code to take illegal migration into account. In February 2006 it ratified the European Convention on the Legal Status of Migrant Workers. At the same time Moldova ratified the UN Palermo Convention against Transnational Organised Crime and its Protocols on Smuggling of Migrants and Trafficking in Persons. A National Programme of Action on Migration and Asylum was adopted in March 2006.

Through the Tacis project on Strengthening Migration Management in the Republics of Moldova and Belarus (TACIS/2005/104-300), International Organisation for Migration (IOM) is currently reviewing existing laws on illegal immigrants, particularly on issues of detention.

In the field of asylum, a number of legislative amendments have been developed through the Tacis project implemented by UNHCR (TACIS/2003/066-125), to improve implementation of the refugee legislation. It is worth noting that, until 1999, Moldova had almost no legal or administrative provisions to address issues relating to refugees and asylum seekers and that the country only acceded to the 1951 Geneva Convention on the Status of Refugees and its later protocol in November 2001. The Law on Refugee Status was adopted in July 2002 and entered into force on 1 January 2003. In 2005, amendments to the Law on Refugee Status were adopted, introducing humanitarian status protection into Moldovan law, and expanding the way in which existing laws define humanitarian protections for refugees.

It is also worth noting that on 25 April 2007 the first "Common Visa Application Centre" in the history of European Union visa policy was officially opened in Moldova. Moldova was identified as one of the most appropriate countries for the launch of a pilot project, following the accession of Romania. In addition the European Commission is finalising a proposal to facilitate the transit of Moldovan citizens through Romania as well as border crossings for those Moldovan citizens who live close to the Romanian border.

#### Findings:

*Indicator J1.2: Counselling and rehabilitation centres, and adequate programmes to prevent trafficking in human beings, established*

Moldova's only Rehabilitation Centre for victims of trafficking, implemented by IOM, was supported by the EC (TACIS/2003/072-590). Between 2000 and 2005 1,848 victims were assisted through such services as temporary accommodation, medical and psychological assistance, legal support, educational programmes, and reintegration assistance.

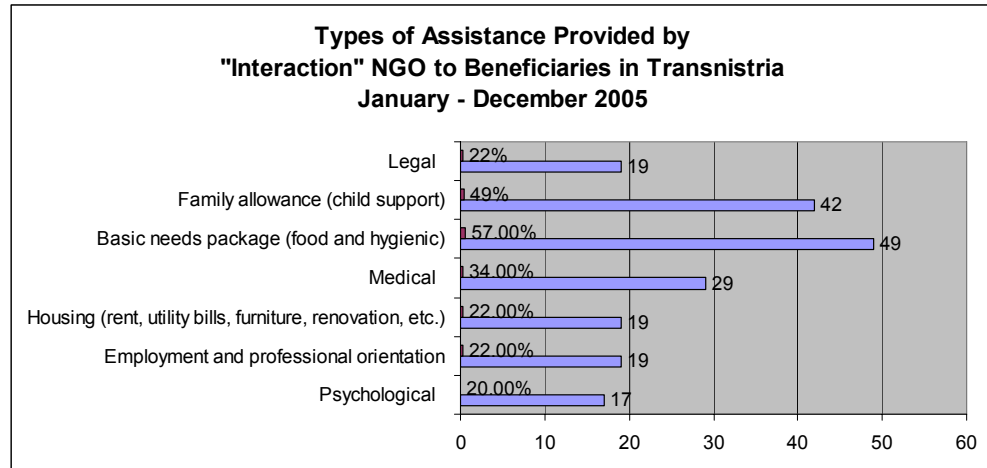
Tacis has also supported the establishment of a comprehensive referral mechanism involving NGOs, international organisations and state agencies. The Moldovan authorities have recently agreed to mainstream this referral scheme by taking over its management.

Through one of the Tacis projects (TACIS/2005/104-300), IOM delivered a series of Counter-Trafficking seminars on Investigative Techniques and Options for the regional counter-trafficking agencies of Moldova. These seminars involved the Counter-Trafficking Directorate of the Mol, the General Prosecutor's Office, the Moldovan Police Academy and local NGOs.

With support from the EC, technical equipment was provided to the Directorate for Combating Trafficking in Human Being of the Mol's General Directorate for Combating Organised Crime. This included an integrated database hosting intelligence related to persons involved in the recruitment, transportation and exploitation stages of trafficking in human beings, which was established within the newly-created analytical crime intelligence unit of the Directorate for Combating Organised Crime.

IOM has further facilitated the setting up of a support structure for legal assistance to victims of trafficking willing to testify against their perpetrators or in need of other relevant and related legal assistance. This structure is being operated in close co-operation with the Directorate for Combating Trafficking in Human Beings of the MoI, the Information Technologies Department and other relevant public authorities. It is worth noting that, according to a report by the OSCE<sup>2</sup>, victims and witnesses frequently fail to appear in court and 25% of all trial postponements are due to their absence.

During the life of the Tacis project on Combating Trafficking in Women (TACIS/2002/030-263) – see Annex 10 -, IOM provided different types of legal assistance to 296 victims of trafficking. In addition, over 180 survivors of trafficking, who



were either self-returnees or were coming from countries with no active return and assistance programmes, were provided with cash grants for their period of reinstallation in their home country.

Figure 2- Assisting the victims of trafficking in TN (source: IOM)

Finally, in co-operation with the Moldovan authorities and experts from the EU, IOM has developed a curriculum for the training of officials from the General Prosecutors Office and judiciary in combating trafficking in human beings.

#### Findings:

##### *Indicator J1.3. Regional co-operation in the field of THB developed*

In addition to a wide range of regional co-operation mechanisms with Ukraine promoted through the EUBAM project, regional co-operation with the anti-trafficking authorities of the Russian Federation, Belarus, Albania and Romania was supported by Tacis. Such co-operation has already contributed to identifying and taking into custody presumed traffickers and their accomplices, including Moldovan citizens. In addition, as a result of one of these visits, Moldova adopted a new procedure resulting from Albanian legislation, which allows the pre-trial consolidation of the witness's statement in court, and which can thus greatly improve victim protection schemes.

Visits of senior Moldovan officials to Interpol, in France and Norway, were also supported by the EC, leading to new co-operation arrangements in addition to detailed briefings on the drafting of core training material for the police; collaboration between law enforcement and IGO-NGO sector in combating trafficking in persons, including converting victims into witnesses; and mechanisms to strengthen efforts in the facilitation and promotion of mutual assistance between police authorities from different countries, and in raising the level of intelligence exchange on tackling crimes connected with trafficking in women for sexual exploitation; this is in line with the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, supplementing the UN Convention Against Transnational Organised Crime.

The Hotline for victims of human trafficking has been promoted through a wide range of NGOs, hotlines, rehabilitation centres, shelters and embassies abroad. In addition, thirty thousand

<sup>2</sup> '6-Month Analytical Report: Preliminary Findings on the Experience of Going to Court in Moldova', Vienna:OSCE, November 2006

passport inserts were produced and distributed as part of a pilot project at three Western border crossings and the Moldovan airport.

Findings:

*Indicator J1.4: Adequate migration and asylum management systems developed*

Adequate migration and asylum systems were established through EU-supported activities implemented by IOM and UNHCR. These activities have been successful in developing capacity in the fields of visa regimes; immigration certificates, residence and work permits; refugee status determination procedures; and detention, appeals and expulsion procedures.

In the field of asylum, the EC has contributed significantly through Tacis project 2003/066-125 to improving the access of persons in need of international protection to fair and effective procedures; developing administrative capacities for the reception of asylum-seekers and refugees; and raising public awareness of refugee protection issues. The capacities of the relevant authorities have been consolidated by the refurbishment of premises, and provision of equipment for registration purposes, furniture, and vehicles for transportation of asylum seekers. Reception facilities for refugees have also been developed through the construction of a new Temporary Accommodation Centre.

Findings:

*Indicator J1.5: Impact data on change in the number of traffickers apprehended, the number of potential victims counselled, the number of victims supported, the volume of illegal migration and asylum seekers*

Comprehensive data on traffickers or victims of trafficking is not available. However, according to a report by the US State Department<sup>3</sup>, Moldova investigated 386 cases of trafficking in 2005. Of the 314 cases that were referred for prosecution, 58 traffickers were convicted, an increase from 23 convictions in 2004. However, only 36 traffickers actually received imprisonment, the rest only paying fines or being granted amnesty.

Figures on the number of victims assisted by IOM (the main provider of such assistance in Moldova) show that the numbers have remained stable between 2000 (308 victims assisted) and 2005 (300 victims assisted). However it is noteworthy that about 20% of trafficked women are under the age of 18 and, between 2000 and 2004, 10% of repatriated survivors of trafficking were minors. Destination countries have included the Balkan States (Macedonia, Bosnia, Albania and Kosovo), Western Europe, Russia, Turkey, the United Arab Emirates and Israel.

While a majority of victims are identified by law enforcement authorities, there appears to be an increase in the number of sex trafficking victims identified by NGOs, international organisations and Moldovan embassies.

The number of asylum-seekers and refugees, most of whom originate from Chechnya, Iraq, and Afghanistan, has remained stable during the period of reference: there were 198 asylum seekers and 68 refugees in 2000, compared to 184 refugees and 57 asylum seekers in 2004. There does not appear to be any significant backlog of asylum claims and recognition rates are relatively high (between 25% and 30%).

In terms of illegal migrants, and based on court decisions, 355 foreign citizens in 2005, and 283 in 2004, were expelled. In addition, according to information provided by the Mol, the number of migrants intercepted by the police increased substantially from 5,804 in 2004 to 6,254 during the first nine months of 2005. In 2005 the Border Guards Service intercepted 1,060 illegal migrants on green borders and 70 on checkpoints, compared with 163 illegal migrants on green borders and 218 on checkpoints in 2004. A significant route for illegal migration is through North Moldova into

<sup>3</sup> U.S. State Dept. Trafficking in Persons Report, June 2006

Ukraine and on to EU Member States, mainly Poland, Slovakia and Hungary, which are used either as final destination countries or as transit points for entry into other Member States.

In 2003, it was estimated that close to 2 million Moldovan nationals (27% women, 73% men) were working abroad. During the same year migrants' remittances amounted to some US\$ 320 million.

### **2.2.2. Conclusions relating to JC J1 Tangible progress against trafficking in human beings and improvement in migration/asylum management systems:**

EC support in the field of Trafficking in Human Beings has been channelled, primarily, through the Tacis Regional project on combating trafficking in women in Moldova (2002/030-263). The project aimed to 'contribute to the efforts of the Moldovan Authorities to combat trafficking in women by reinforcing prevention activities, promoting the further criminalisation of trafficking and introducing measures for the reintegration of victims'. It was fully in line with the Social and Economic Development Strategy of Moldova, the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), the Partnership and Co-operation Agreement (PCA), and also with the EU Framework Decision on Trafficking in Human Beings.

The project's activities in its three main areas of intervention - Prevention, Prosecution/Criminalisation, and Protection – appear to have been very efficient. One of the significant initiatives taken by the project, in co-operation with the US Embassy and the OSCE, was the transformation of two telephone hotlines, previously managed by different NGOs, into a new national toll-free hotline, operating 24 hours. The National Toll-Free Hotline aims to widen the access of potential victims to information related to migration, trafficking in persons, and also to provide assistance and support to actual victims. The Hotline has been continuously promoted by national NGOs, schools, orphanages, Youth Centres, Social Assistance Departments, Employment Offices, National Employment Agency, as well as through foreign NGOs, hotlines, Rehabilitation Centres, shelters and embassies, so as to ensure access to assistance for trafficked persons on their return.

Project activities further included publication of a manual for teachers, newsletters and counter advertisements. Activities in the Rehabilitation Centre were developed, legal assistance to victims and support to their rehabilitation was provided, as well as training activities targeted at media and law enforcement agencies. Most activities were implemented in co-operation with public institutions, other donors and NGOs. The effectiveness of the Moldovan authorities in prosecuting trafficking in women appears to have been gradually enhanced. The lack of effective protection of witnesses, however, appears to have limited the effectiveness of the EC interventions.

In the field of asylum, the Tacis project on 'Strengthening the asylum systems of Ukraine and Moldova' has been effective in: improving the access to fair and effective procedures for persons in need of international protection; developing administrative capacities for the reception of asylum-seekers and refugees; and raising public awareness about issues of refugee protection. A number of legislative amendments have been developed in co-operation with the project, to improve implementation of the refugee legislation. The capacities of the relevant authorities have been consolidated by refurbishment of premises, and provision of equipment for registration purposes, furniture, and vehicles for transportation of asylum seekers. Reception facilities for refugees have also been developed through the construction of new Temporary Accommodation Centres.

Overall, through the various projects implemented, in particular by IOM and UNHCR, the EU has contributed very significantly to the efforts of the Moldovan authorities to combat trafficking in women and to enhance the GoM's legal and operational capacity in the field of asylum policy.

In the field of migration management, the Tacis project on Strengthening Migration Management in the Republics of Moldova and Belarus, which is on-going, has set out to ensure that international standards are applied in accommodation of irregular migrants; in developing a health care system (including the creation of a health post) for irregular migrants held in the migrant accommodation centre (MAC); in providing basic legal and consular assistance for migrants based at the MAC; and in enhancing the capacity of the GoM through the transfer of best practices from Austria, Belgium, Greece, United States. The capacity of the Border Guards Service to detect illegal immigration from green borders and checkpoints has also been enhanced.

### 2.2.3. Judgement criterion J2: Tangible progress in Customs and border management

#### Findings:

*Indicator J2.1: Border Guards/Border Police standards strengthened*

As was reported in the previous section, through a range of Tacis projects, most notably that on 'Capacity Building and Technical Co-operation for Moldovan Border Guards and Border Officials' (Tacis/2003/077-575), the EU has contributed very significantly to upgrading the capacity and standards of Moldova's Border Guards Service. This has included in particular assistance for the transition of Moldovan Border Guards from Military to Civil Service; provision of training and equipment on document verification, passenger flow management, internal service organisation at checkpoints, and inter-agency co-operation; and training and advice on the application of modern equipment for and techniques of green border surveillance and on methods of converting to a control system conforming to European standards.

Tacis has further supported the drafting of various proposals for legislative reform on migration management, border control modalities, Customs control, issuing of visas, processing of passenger and transport entry and exit flows. It has also implemented various assessments of the correspondence between national laws and international obligations stemming from the treaties and conventions to which Moldova is, or is seeking to be, a party.

#### Findings:

*Indicator J2.2: Customs administration standards strengthened*

Through the Tacis projects on 'Reform and Modernisation of the Moldovan Customs Administration' (Tacis/2004/096-362) and 'Border Management – Simplification and Harmonisation of Customs Procedures in Moldova' (2006/108-114821) and the EUBAM and BOMMOLUK projects, the EU has been successful in achieving progress in the areas of: Approximation of Legislation; Customs Controls and Customs Clearance; and Risk Analysis.

A number of secondary legislation documents were developed, some of which (e.g. on concept of risk management system in the Customs Service) have already been adopted by the GoM. Several Regulations have also been adopted either through Government resolutions or internal orders of the Moldovan Customs Service.

In terms of training, about 200 Customs officers participated in training events and 28 in four study tours. Furthermore five dog-handler teams have been trained on soft and hard drugs detection. Additionally a Customs Laboratory was established with EC support and two units for oil products distillation were supplied.

Through the Tacis project on Border Management – Simplification and Harmonisation of Customs Procedures in Moldova (2006/108-114821), technical assistance was successful in:

- contributing to reform of the system of control of Rules of Origin;
- introducing the system of post-custom control/audit;
- strengthening transparency in the relationship between Customs and Economic Agents, especially in the perception of Customs as a service provider, rather than as a "Special Service". This was achieved in particular through preparation and publication of information material, organisation of round-tables and seminars, and joint meetings between the Customs Service and the Chamber of Commerce and Industry.

Other policy areas addressed by this Tacis project have included support for development of an adequate legal framework, training and study tours in relation to Protection of Intellectual Property.

Customs-related revenues increased by 40% annually between 2002 and 2005 and now represent about 70% of the State Budget. It is reported that the EUBAM mission actively supported the Moldovan authorities in collecting statistics on the registration and reimbursement process.

However the spread of corruption in the Customs Service of the Republic of Moldova remains a cause for concern. The Global Corruption Report 2006 mentions the Customs Service as one of the most corrupt institutions in such countries as Russia, Ukraine, Moldova, Romania and Bulgaria. According to estimates from TI around 40% of cross-border transport costs in Moldova are linked to bribes.

During the period of reference for this evaluation, however, the Customs Service of Moldova appears to have taken concrete steps to ensure greater transparency and to prevent corruption among its staff. Thus in 2005, based on the experience of the World Customs Organisation, a Code of Ethics for Customs officers was adopted. In the same year the Moldovan Customs Service introduced the ASYCUDA (Automated System for Customs Data) integrated information system for registration of Customs transactions, which was developed by UNCTAD. Reportedly, the introduction of the ASYCUDA system, which has benefited from Tacis assistance, has contributed to better controls, identification, and simplification of procedures, as well as to a reduction in the average control time from 200 minutes to 107 minutes (the target being 70 minutes).

Furthermore, in 2006 a Customs broker system was established, an officer-in-charge of anti-corruption activities was appointed within the Customs Service, and a system of rotation of Customs officers was introduced. Moreover, an anti-corruption hotline was established, together with an online system for registering complaints. The internal security service enlarged the spectrum of its activities to include anti-corruption education for Customs officers. According to Transparency International, all these measures have had some positive impact on the quality of the Customs Services.<sup>4</sup>

#### Findings:

*Indicator J2.3. Regional co-operation among border authorities developed and border crossing procedures harmonised*

Regional co-operation was successfully promoted through the EUBAM project, which aims to harmonise Moldova's and Ukraine's border management standards and procedures. EUBAM was particularly successful in enhancing the professional capacities of the Moldovan and Ukrainian Customs and border guard services at operational level; developing the risk analysis capacity of both border authorities; and improving co-operation and complementarity between the border guard and Customs services, and with other law enforcement agencies.

Since 2001 several bilateral agreements were signed between Moldova and Ukraine, including agreements on the organisation of joint controls at five Border Crossing Points.

Co-operation Agreements were also concluded between the Customs Service of Moldova and the Custom Services of other countries, with the assistance of the Tacis project on Border Management – Simplification and Harmonisation of Customs Procedures in Moldova (2006/108-114821). This has included agreements on Intelligence Information Exchange with the relevant authorities of Italy and the Netherlands.

In addition, EUBAM has forged a number of partnerships with international organisations. The OSCE is represented on the EUBAM Advisory Board and relations were established with SEESAC (South Eastern European Clearinghouse for the Control of Small Arms and Light Weapons). EUBAM has also become an observer at SECI (the Southeast European Co-operative Initiative).

<sup>4</sup> Exploring the perceptions and experiences with the customs control, services, and border officers in 2002-2005', Chisinau: Transparency International, 2006



*Indicator J2.4 Data or expert opinion on change in the volume of illicit trade prevented or detected*

Although it has not been possible to obtain comprehensive data on illicit trade prevented or detected during the evaluation period, EUBAM has indicated that there have been 'improvements' in the checking of vehicles, goods and people at the Border Control Points. In response to EUBAM's recommendations, surveillance of the green border has been stepped up and, together with the enhanced control performance of EUBAM's counterparts; this has contributed to detection of large-scale meat and cigarette smuggling. Nevertheless, the smuggling of foodstuffs, and most notably chicken meat, remains very significant, and EUBAM has estimated that, between October 2005 and May 2006 alone, the Ukrainian budget suffered a potential loss of up to €43m, while the Moldovan budget has accrued a value at risk of up to €18m.

#### **2.2.4. Conclusions related to JC J2: Tangible progress in Customs and border management**

The EU has been the most important donor and technical assistance provider in the fields of Customs and border management, even if there appear not to have been any active synergies between EUBAM and Tacis projects such as the one on 'Border Management – Simplification and Harmonisation of Customs Procedures in Moldova' (2006/108-114821). The EC was instrumental in upgrading legislation, institutional frameworks, infrastructure and equipment within both the Border Guards Service and the Customs Service. Operational and risk analysis capacities have been improved significantly, and Customs-related revenues have increased steadily since 2002.

One important achievement to date, through the EUBAM project, has been the contribution to the implementation of the Joint Declaration, which introduced a new Customs regime (signed by the Prime Ministers of Moldova and Ukraine on 30 December 2005). Under this regime companies based in the Transnistrian region of Moldova may only export to and via Ukraine with official Moldovan stamps.

Approximation of legislation and adoption of regulations in line with EU standards were successfully achieved within both the Border Guards and Customs authorities. In particular, the analysis of compliance of national Customs laws with EU provisions shows that the adoption of the Customs Code of the Republic of Moldova in 2003 has established an adequate legal framework, at the level of the organic laws, for the implementation of mechanisms applicable in the EU. Some gaps, however, still remain to be addressed, for the example the fact that the Customs Code does not differentiate the Post-Clearance Audit function from the general rules of other Customs procedures. Other minor changes are still to be introduced in the general legal framework, especially with regard to the cancellation of the obligation of physical control of goods subject to Customs clearance.

Despite the above positive steps, EUBAM's Field Offices have often come across instances where laws or regulations were not applied consistently, particularly in cases involving people in positions of power. Two cases in point are the treatment of so-called 'privileged vehicles' at ICCPs in Moldova, which often cross the border without any controls by the police, and the inconsistent treatment applied to people using expired, invalid or internal passports to cross Ukrainian border crossing points.

EUBAM has delivered a range of training modules on the identification of false passenger and vehicle documentation, inspecting and examining vehicles, identifying stolen vehicles and car trafficking and improving competence in using available equipment. It has also advised on passenger passport control in many areas, advocating streamlining of checking procedures, avoidance of duplication and the recognition, application and integration of additional checks on foreign nationals into normal protocol. It appears, however, the lack of full demarcation of the green border has often precluded the prosecution of offenders, as there can be no conclusive proof that the border has been crossed illegally.

In terms of co-operation between the Customs and Border Guards authorities, there appear to have been some worthwhile improvements at central level, and to a lesser extent at regional level, with increased information exchanges and joint risk analyses implemented by the two Services.

However, the problem of corruption within the Customs Service remains significant and available statistics do not show any significant reversal of the trend during the period of reference for this evaluation.

### **2.2.5. Judgement criterion J3: Tangible progress against drug trafficking**

Findings:

*J3.1: Capacity of national law enforcement agencies to tackle drugs trafficking, including through adequate mechanisms for intelligence gathering and processing, increased*

Through the BUMAD projects I, II and III the EU has been highly instrumental in increasing the capacity of all relevant national agencies, to prevent and respond to drug trafficking. This has included in particular support for the adoption of new laws and training of judges and prosecutors; establishment of analytical teams, and provision of equipment, for land border and sea port controls; development of police drug intelligence systems; contribution to the establishment of a National Observatory on Drugs and a Drug Information Network; and organisation of study tours to the EU.

Through the BUMAD projects the EU has contributed in particular to the drafting of the Law on modification of the Penal Code and the Code of Administrative Offences; and to the Law on combating illegal traffic in narcotics, psychotropic substances and precursors. A Task Force on Drugs Control Legislation was also set up to monitor and facilitate the adoption and implementation of new legislation. The Task Force includes representatives of the Ministry of the Interior, the Supreme Court of Justice, Legal Department of the President and the General Prosecutor's Office.

The Task Force seems to have been instrumental, among other things, in improving the assessment mechanism of criminal investigation of crimes related to traffic in narcotic, psychotropic substances and precursors, as well as in facilitating the procedures and implementation of international legal assistance in criminal matters.

In addition, through the BUMAD projects several Draft Government Resolutions were prepared on: the technical requirements of facilities and industrial units for keeping narcotic drugs, psychotropic substances and precursors; transit through the territory of Moldova of narcotic drugs, psychotropic substances and precursors; and procedures for determining small, large and very large quantities of narcotic drugs or psychotropic substances, and of plants containing narcotic or psychotropic substances found in illegal traffic.

Finally, a prevention curriculum was prepared for, and adopted by, the Police Academy, and training was given on organisation of prevention campaigns.

Findings:

*Indicator J3.2: Regional co-operation among law enforcement agencies responsible for anti-drugs trafficking increased*

Through the BUMAD projects, which involve co-operation between Belarus, Ukraine and Moldova, the EU has contributed very significantly to increasing co-operation and harmonised procedures between the three countries. Joint assessment missions were conducted in Belarus, Ukraine and Moldova to examine existing legislation and institutional frameworks, and to recommend harmonised approaches.

Needs assessments were also conducted at the land borders of the three countries, involving both the border guards and Customs authorities, and upgraded police intelligence systems were established.

Internationally, co-operation was increased with Interpol and the European Monitoring Centre for Drugs and Drug Addiction (an EU agency). Co-operation with members of the Danish Police has also been established, and study tours were organised in various EU Member States for representatives of the relevant Moldovan authorities.

Moldova, Azerbaijan, Georgia, and Ukraine also participated in the 40<sup>th</sup> session of the Sub-Commission on Illicit Drug Traffic and Related Matters in the Near and Middle East, held in Baku in September 2005. The resulting 'Baku Accord on Regional Co-operation against Illicit Drugs and Related Matters: a Vision for the 21st Century' is expected to strengthen further co-operation in the region in combatting drug trafficking and other forms of crime.

#### Findings:

*Indicator J3.3: Data or expert opinion on change in levels of drugs seizures, extent of narcotics usage*

The trend in drugs seizures over the period of reference shows a mixed picture. Whilst seizures of heroin increased from 69.5g in 2002 to 237g in 2004, and of poppy plants from 3,635 kg in 2002 to 8,950 kg in 2004, seizures of most other drugs have decreased significantly during the reference period.

The number of registered drugs-trafficking-related offences also decreased from 2,481 cases in 2001 to 2,106 cases in 2005. However, according to the "Summary of the Reports to the Sixth EUBAM Advisory Board Meeting", published on 22 June 2007, there were substantial seizures of cocaine in the port of Odessa. This suggests that Odessa has become a significant transit point for trafficking of hard drugs.

On the other hand, the rate of prevalence of drug use registration per 100,000 inhabitants increased uninterruptedly from 114 in 2000 to 185,9 in 2004. Between 1991 and 2004 the rate increased by over 1,000%.

Table 2 - Drug Seizures in 2002-2004

| Drug Seizures in 2002-2004<br>(By type of drug) |               |              |              |
|---|---------------|--------------|--------------|
|   | 2002          | 2003         | 2004         |
| Poppy straws                                    | 1,509 000 g   | 704,000 g    | 460,000 g    |
| Marijuana                                       | 322,497,000 g | 454,000 g    | 707,000 g    |
| Opium acetyl                                    | 17,682,000 g  | 5,991,170 g  | 13.5 L       |
| Ecstasy   | 155 pills     | 276 pills    | 124 pills    |
| Codeine   | 3,241 pills   | -            | 10,450 pills |
| Noxirone  | 1,377 pills   | -            | 362 pills    |
| Ephedrine                                       | 430 pills     | -            | 340 pills    |
| Psychotropic substances                         | 920 pills     | -            | -            |
| Tramadol  | -             | -            | 1,170 pills  |
| Amphetamines                                    | -             | 1,200 g      | 700 g        |
| Methamphetamines                                | -             | -            | 1.7 L        |
| Barbiturates                                    | -             | 27 858 pills | -            |
| Poppy plants                                    | 3,635,000 g   | 5,994,000 g  | 8,950,000 g  |
| Hemp plants                                     | 3,196,000 g   | 7,798,000 g  | 7,588,000 g  |
| Heroin  | 69.5 g        | 200.37 g     | 27.00 g      |
| Cocaine   | -             | -            | 46 g         |

Source: Ministry of Internal Affairs, Republic of Moldova

### 2.2.6. Conclusions related to JC J3: Tangible progress against drug trafficking

Reports from the Dublin Group<sup>5</sup> point to a growth in drugs-related problems in Moldova. In 2005, the Government approved a strategy for combating drugs and amended national legislation to increase the penalties for drug smuggling and extend the number of categories of felonies. However implementation is hampered by a lack of human resources, financial means and experience, as well as of technical equipment.

According to information provided by the EU-funded BUMAD Programme, Belarus, Ukraine and Moldova have become major countries for drug trafficking between the source regions in Asia and the Middle East and European destinations (the Old and New Silk Roads and the Balkan Route). Drug seizures also indicate a shift from opium trafficking to heroin trafficking. Moreover, heroin trafficking seems to fuel internal consumption. According to regional and international organisations such as the International Narcotics Control Board and the European Monitoring Centre for Drugs and Drug Addiction, the problems associated with drugs trafficking in Belarus, Ukraine and Moldova have worsened steadily over the past two decades.

EC support has aimed to address drug trafficking regionally, in Belarus, Ukraine and Moldova. Although through the BUMAD projects the EU has played a pivotal role in upgrading Moldova's legal and institutional capacity to address drug trafficking, both nationally and regionally, such support appears to have been hampered by increased demand and trafficking networks, and by insufficient regional co-operation among law enforcement agencies, which has reduced the effectiveness of interdiction and prevention measures. In Moldova training was provided to law enforcement agencies, and over 30 district police forces throughout the country have been offered office equipment and access to training events. Moldova also appears to have increased its co-operation with Ukraine, and it is expected that forthcoming reforms aimed at meeting European standards will add to such co-operation.

Strong regional interaction mechanisms and pragmatic operational relationships still need to be promoted, not least given the incompleteness of data on border crossings; for example, not all exits at the Moldovan-Ukrainian border are at present recorded by the Moldovan authorities.

It is also noteworthy that, although Moldova is now equipped with adequate legislation, infrastructure, equipment, and regional and international co-operation mechanisms to address the problem, the level of drug seizures and drug trafficking offences during the reference period has declined, while drug consumption has increased.

### 2.2.7. Judgement criterion J4: Tangible progress against corruption

Findings:

*Indicator J4.1: New legislation and regulations, and new regulatory/enforcement bodies, developed.*

Corruption – much but not all of it involving state officials and institutions – is a particularly thorny problem in Moldova, in part because of the social legacy of the collapse of the Soviet Union but because of low salaries and poor working conditions, especially in the public service. By Law No. 482-XV of 30 October 2003, the Republic of Moldova approved the Criminal Convention on Corruption signed at Strasbourg on 27 January 1999. This is an indication of the GoM's determination to change the present situation in which corruption is a significant impediment to European integration.

During the period under review:

- A National Anti-Corruption Strategy and Action Plan were adopted in 2004, implementation of which was supported by the EU.

<sup>5</sup> The Dublin Group, which includes the European Commission, the EU member states, the United States, Canada, Australia, Japan and Norway, was established in 1990 to analyse and exchange views on international drug problems.

- A new law on anti-corruption, which was prepared with the assistance of EU experts, was adopted.
- Two draft laws on money laundering, and an anti-money laundering strategy, were adopted by Parliament in March 2007.
- A Monitoring Group, which includes a range of national agencies, Transparency International and the business sector, was established by Presidential Decree. The mandate of this group is to report on implementation of the Anti-Corruption Action Plan.
- Several new laws and legislative amendments are currently under way within the framework of an ongoing Tacis project (2006-2009) on corruption, money laundering and terrorist financing.

However, according to key stakeholders interviewed during the evaluation's field phase, such as Transparency International and UNDP, the independence of the judicial system and the professionalism of the judges and public prosecutors remain sub-optimal. Moreover, according to the Council of Europe's Group of States against Corruption (GRECO), inter-ministerial coordination is still inadequate and not enough has been done to codify the new legislation. It appears that the provisions on interim measures have at times proved confusing, if not contradictory.

#### Findings:

*Indicator J4.2: Cross-border co-operation (particularly between Customs administrations) increased*

Cross-border co-operation is provided for by Articles 531 to 559 of the Code of Criminal Procedure. According to data from the General Prosecutor's Office, 388 requests for transnational co-operation were made in 2005, including four letters rogatory which have been transmitted to Russia, Romania and Latvia on cases of money laundering and offences by persons exercising public authority.

Through one of the Tacis projects (Tacis/122590), a Round Table between the Moldovan and Ukrainian authorities was organised in 2006 to discuss Moldova's accession to the Egmont Group, with Ukraine's sponsorship and co-operation.

However the main cross-border activities have been implemented within the framework of the EUBAM project, discussed under JC 2 above.

#### Findings:

*Indicator J4.3: Change in the number of actual cases of corruption administrative and penal cases of corruption transmitted to, and concluded by the Court*

While it has not been possible to collect comprehensive data on the number of cases brought to court, partial information provided by Transparency International shows that sanctions have tended to be minimal, if not largely symbolic. Moreover, judgements conducive to imprisonment have rarely been implemented.

According to an evaluation report published by the Council of Europe's Group of States against Corruption (GRECO) in 2006<sup>6</sup>, 97 persons were prosecuted in 2004 for acts of corruption and 63 were convicted. In the first six months of 2005, 57 persons were convicted of corruption offences. Sequestration orders were made with regard to movable and immovable property (objects, land and cars), amounting to some €9,280 in 2003 in respect of four criminal cases, €180,000 in 2004 in respect of ten cases and €935,000 in 2005, also in respect of ten cases. In 2005 sequestration orders were made on movable property worth €250,000 in two cases of corruption, and immovable property worth €100,000 in six cases of corruption. However, it is worth noting that there was not a single prosecution relating to money laundering in 2004 and 2005.

<sup>6</sup> GRECO: Evaluation Report on Moldova, 13 October 2006

According to both the Council of Europe's Group of States against Corruption (GRECO) and Transparency International, while the law enforcement authorities appear to have taken steps to combat corruption, and are able to rely on increased co-operation from the population, corruption remains widespread in various areas of State activity and the economy. What is more, victims of corruption are only rarely identified.

Finally, most corruption prosecutions appear to have related to minor cases involving ordinary public officials and small amounts. Instances of high-level corruption cases identified and prosecuted have been rare.

#### Findings:

##### *Indicator J4.4 Change in the perception of corruption during the reference period*

The perception of corruption has not changed to any significant extent during the period of reference.

However, although the 'corruption perception index', as measured by Transparency International, remained stable between 2001 (3.1 in TI's index) and 2006 (3.2), Moldova now rates better than most other former Soviet Union Republics.

According to surveys carried out by Transparency International, some 40% of Moldovan companies believe that the level of corruption within the Customs services was in slight decline between 2002 and 2006.

Regarding the frequency of bribes, some 70% of respondents indicate having paid at least one bribe between 2002 to 2006 (32% have paid at least five bribes during the same period). Some 35% of Moldovan businesses interviewed by TI acknowledge paying bribes to Customs officers 'every time' they need their shipment to cross the border or be cleared, and another 14% say that they do so 'frequently'. When dealing with the border guards, 77,5% of companies report not having to pay any bribes, against 8,7% who do so 'rarely' and 13% who pay them 'frequently' or 'every time'. According to Transparency International the average value of a bribe to the Customs officers is around US\$ 33, against an average value of around US\$ 17 for the Border Guards.

Table 3 - Corruption perception Index in Moldova

| Corruption perception Index in Moldova<br>(2001-2006) |                             |              |
|---|-----------------------------|--------------|
|   | Corruption perception index | Country Rank |
| 2006  | 3.2                         | 79           |
| 2005  | 2.9                         | 95           |
| 2004  | 2.3                         | 114          |
| 2003  | 2.4                         | 100          |
| 2002  | 2.1                         | 93           |
| 2001  | 3.1                         | 63           |

Source: Transparency International

### **2.2.8. Conclusions related to Judgement criterion J4: Tangible progress against corruption**

During the period under review, the Republic of Moldova has initiated efforts to set ethical standards and to address the increased risk of conflicts of interest arising from the transition process and large-scale privatisations. It has set up a national strategy for preventing and combating corruption in December 2004 and has drafted a law on conflict of interest and an ethics code for public officials.

The EC has actively supported the fight against corruption, money laundering and terrorism financing through two main Tacis projects implemented by the Council of Europe and the Centre for Combating Economic Crimes and Corruption (Tacis/122590 and Tacis/2004/098-366). In particular the EC has supported Moldova in the implementation of the ten priority actions of the Anti-Corruption Strategy and the Action Plan. Such support has focused in particular on facilitation of combatting of corruption, money laundering and economic crimes, and on developing co-operation at national and European levels. The EU has also facilitated the drafting and adoption of new laws on anti-corruption and money laundering, as well as a range of legislative amendments.

While EU measures have contributed significantly to upgrading Moldova's legal and institutional capacity to address instances of corruption and money laundering, implementation of the new legislative and policy instruments appears to have been sub-optimal. This is attributed both to a lack of secondary and enabling legislation clarifying the range of new legislative acts which, according to some respondents, have at times been confusing or contradictory; and to a persistent lack of independence of the judicial system and to the poor professionalism of judges and public prosecutors. According to interviews held with the Centre for Combating Economic Crimes and Corruption this is also due to poor technical assistance aimed at enabling the Moldovan authorities to detect instances of corruption.

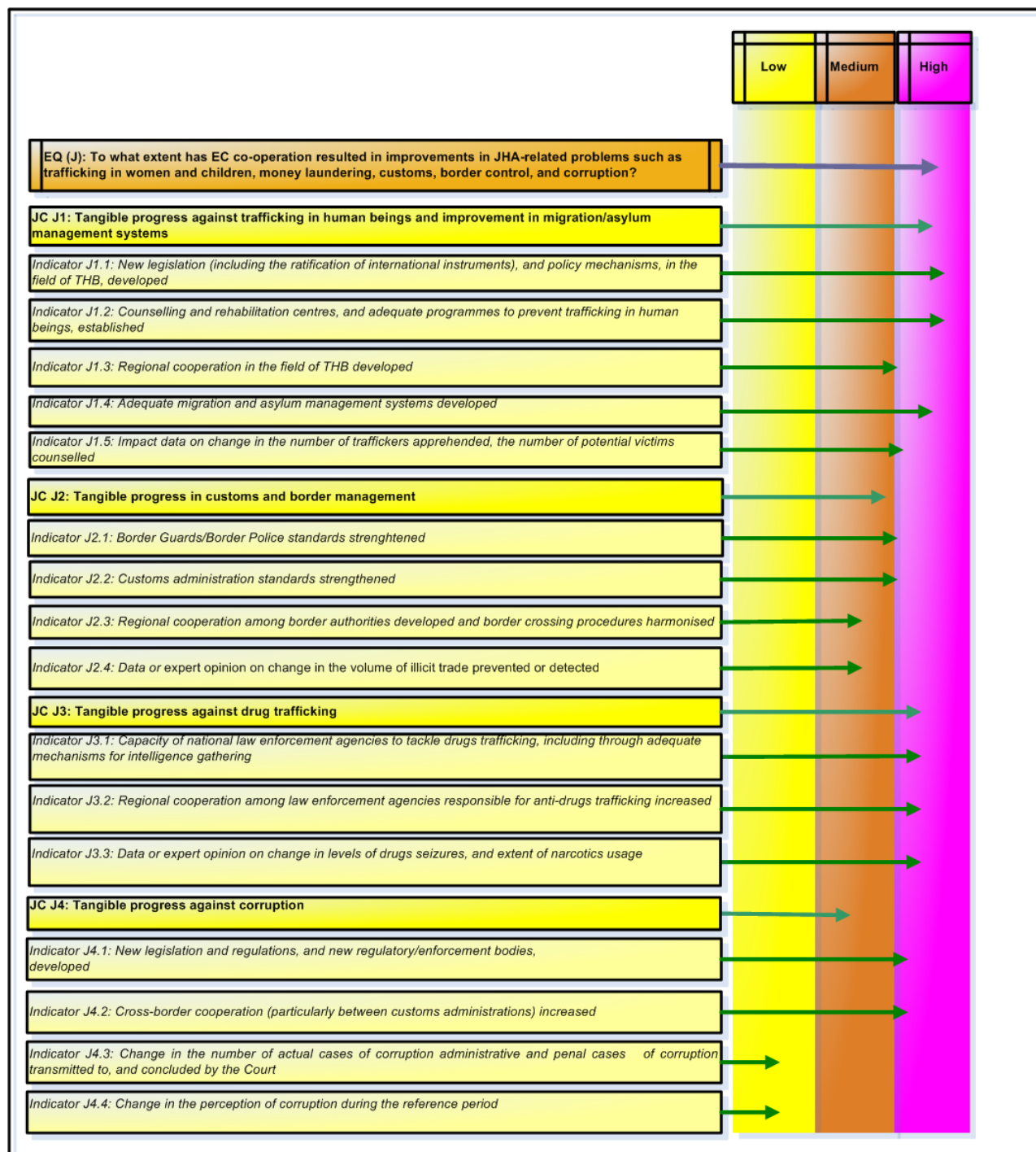
There also appears to have been insufficient commitment from the main government stakeholders, as well as insufficient co-operation between law enforcement agencies and Civil Society representatives, who were to play a crucial role in the implementation of the Anti-Corruption Strategy. However this situation appears to be gradually changing following the establishment of a Monitoring Group that includes various government agencies, Transparency International and other NGOs, and business representatives.

The number of prosecutions relating to corruption cases has increased, albeit moderately, during the period of reference. However, most of these prosecutions have related to minor cases of corruption among low-ranked public officials, rather than to high-level instances of economic and political corruption. In addition, statistics for 2004 and 2005 show that during that period there was not a single prosecution relating to money laundering.

Against this background, the corruption perception index, as measured by Transparency International, has remained almost unchanged during the period of reference for this evaluation, even if some 40% of Moldovan companies surveyed by TI believe that the level of corruption within the Customs services was in slight decline between 2002 and 2006.

## 2.2.9. Overall Answer to EQ (J)

Figure 3- EQ (J)-Overall Degree of Achievements<sup>7</sup>:



The EU has been highly instrumental, and in most cases extremely successful, in developing Moldova's legal and institutional capacity to address all justice and home affairs policy areas. However, while Moldova now appears to be well equipped with appropriate policies and legislation,

<sup>7</sup> Please note that this figure is rather qualitative and does not aspire to deliver an exact quantitative assessment. This naturally applies also for the same kind of graphs in the frameworks of other EQs.



implementation of such instruments, particularly in the field of corruption, remains sub-optimal (see following Figure 4).

Figure 4- EC Contribution to progress/EC Approach in the field of JHA

| Economic and social reform (S)                        | Environmentally sustainable develop. (E)             |
|---|--|
| EC's contribution to progress                         | Appropriately integrated into EC approach?           |
| SOEs and SMEs <b>Limited</b>                          | Industrial pollution <b>yes</b>                      |
| Financial sector <b>Significant</b>                   | Air & water quality <b>yes</b>                       |
| Rural development <b>Significant</b>                  | Natural resource management <b>Limited by delays</b> |
| Vulnerable groups & losers from reform <b>Limited</b> | Energy and environment <b>Limited by delays</b>      |

One of the JHA's policy areas in which EU assistance has been most successful is in the field of migration, asylum and human trafficking. Through a range of EU-supported activities implemented by IOM and UNHCR, Moldova is now equipped with a temporary accommodation centre for asylum seekers and a rehabilitation centre for victims of trafficking; adequate primary and secondary legislation on asylum, illegal migration and trafficking in human beings; an upgraded institutional environment, including through the use of well-trained personnel, for implementing asylum, migration and anti-human trafficking activities; and improved regional and international co-operation mechanisms to address such issues cross-nationally.

The EU has also been the most important donor and technical assistance provider in the field of Customs and border management. EU-supported activities have been instrumental in upgrading legislation, institutional frameworks, infrastructure and equipment within both the Border Guards Service and the Customs authority, thus improving significantly the operational and risk analysis capacities of both authorities. Regional co-operation was also successfully promoted through the EUBAM project which, among other things, contributed to implementation of the Joint Declaration and the introduction of a new Customs regime, as well as through the BUMAD projects in relation to regional co-operation in the field of drug trafficking.

Although it has not been possible to obtain comprehensive data on illicit trade prevented or detected through support from EU technical assistance, it appears that EUBAM has brought about certain improvements in checking of vehicles, goods and people at the border control points. In response to EUBAM's recommendations, particularly the surveillance of the green border has been stepped up and, together with the enhanced control performance of EUBAM's counterparts, this has contributed to the detection of large-scale meat and cigarettes smuggling.

Through the BUMAD projects, the EU has played a pivotal role in upgrading Moldova's legal and institutional capacity to address drug trafficking, both nationally and regionally. EU assistance successfully delivered support for adoption of new laws and training of judges and prosecutors; for the establishment of analytical teams; for provision of equipment for land border and seaport controls; for development of police drug intelligence systems; and for the establishment of a National Observatory on Drugs and a Drug Information Network.

However, although Moldova is now equipped with adequate legislation, infrastructure, equipment, and regional and international co-operation mechanisms to enable it to address problems of drug trafficking, the level of drug seizures and drug trafficking offences during the reference period has declined, while drug consumption has increased exponentially.

The EU has supported the implementation of the ten priority actions of the Anti-Corruption Strategy and the Action Plan. This has contributed to the drafting and adoption of new laws on anti-corruption and money laundering, as well as a range of legislative amendments.

EU measures, however, do not appear to have impacted on the capacity of courts to deal effectively with corruption cases. Similarly, the 'corruption perception index', as measured by Transparency International, remained almost unchanged between 2001 and 2006.

### 2.3. EQ (N) - NGOs and Civil Society

**To what extent has EC co-operation strengthened the role of an independent Civil Society?  
[Effectiveness, Sustainability]**

#### 2.3.1. Judgement Criterion N1: Increased accessibility of EC funds and relevant information

Findings:

*Indicator N 1.1 Number and € value of EC funds (for social support / HR) channelled through NGOs.*

During field research the relevance of this indicator proved flawed, as it became evident that funds channelled through NGOs are not the only EC funds relevant for Civil Society development. Accordingly, the Indicator has been slightly modified as follows:

*Indicator N 1.1 € value of EC funds directly or indirectly related to the Civil Society*

The team's main source of information was the CRIS database. CRIS searches are always open to doubt, as not all projects are in the database and results always depend on selection criteria. The team's search criteria were broad, as it tried to focus on projects having either an explicit or an implicit relationship to Civil Society.<sup>8</sup> Using this indicative method the team concluded that over the evaluation period the value of EC funds (i.e. total cost) directly or indirectly related to the Civil Society oscillated around €19m (see Annex 9). This would imply that roughly 12% of overall EC assistance to Moldova between 2000 and 2006 (approximately €174m) either directly or indirectly addressed Civil Society to some extent.

Findings:

*Indicator N 1.2 NGO perceptions of EC's contribution to enhanced capacity and support in accessing the EC funds.*

As in many other countries, the tradition of private support for NGOs is practically non-existent in Moldova, as a result of which the NGO sector depends heavily on funding from international donors. An unwanted side effect, recognised by all stakeholders, is that a not insignificant number of NGOs has been set up for the sole purpose of attracting donor finance. According to UNDP research, of 7,000 registered NGOs in Moldova, only 54% could be contacted.<sup>9</sup> Some field interviews indicated that only one-quarter of the NGOs claiming to be active in the social sector really had substantial activities.

There is a wide gap between well-established and connected NGOs/Resource Centres (e.g. Contact Centre, Credo, CNRT) and local NGOs, as well as between relatively well-developed NGOs involved in delivering social assistance and less-developed NGOs involved in such areas as human rights and the environment. Local NGO representatives interviewed expressed the view that, whether out of a desire to keep the funds for themselves or simple mismanagement, central NGO resource centres did not effectively disseminate information related to funding opportunities. Representatives of NGOs involved in delivering social services assessed EC support positively while representatives of NGOs in other sectors were critical. This presumably reflects the fact that EC assistance to NGOs is mainly concentrated on the social sector.

<sup>8</sup> Note that FSP which to a certain degree involves CSOs – especially as implementers – are not dealt with as FSP is a stand alone section of this synthesis report

<sup>9</sup> UNDP study on NGOs in Moldova, Meeting of Donors' Group on Civil Society, Chisinau, 3 May 2007

All NGOs interviewed expressed the view that it is difficult to apply for EC funding. Factors cited include language constraints (e.g. proposals acceptable in English only) and difficult submission procedures (e.g. the inability to submit proposals electronically, leading to reliance on expensive courier services). In Moldova, as elsewhere, even EC officials themselves sometimes have difficulty understanding the multiplicity of budget lines and funding modalities. NGOs with stronger capacity, such as central resource centres, those with strong international links, and those in the social sector, all recognised the need for a proactive attitude towards fundraising. NGOs with weaker capacity were more likely to express a passive attitude.

Except for some representatives of NGOs active in providing social services, NGO representatives interviewed did not report a significant EC financial contribution or, if they did, identified it as an isolated instance. Those NGOs aware of EC funding possibilities expressed preference for capacity building and financial support from single Member States and international donors *vis-à-vis* support from the EC. Some NGO officials expressed the view that EC grant amounts are too large for most NGOs to handle and urged that more emphasis be given to microprojects. For example, the EC-financed “Civil Society Strengthening” project, according to the Monitoring Report and field interviews, distributed funds before signature of the service contract (i.e. before the capacity of the relevant NGOs had increased). The amounts distributed, averaging €50,000 each among 6 NGOs, were too large for some other NGOs with less-developed capacity, but relevant targets, to manage properly.<sup>10</sup> On the other hand, as one EC official stated, there are always (capacity) reasons in favour of postponing distribution of funds, and acting on such reasons could result in funds never being distributed.

Another issue, related to the 2005 €1.8m *Regional Capacity Building Initiative (RCBI)* – a regional capacity-building activity also involving NGOs, was that after capacity has been increased, no EC funds followed. This had a negative impact on NGO sustainability (i.e. it created a risk that personnel trained and skills acquired might go elsewhere or simply evaporate) and EC credibility. The latter was sometimes also undermined by implementation delays, as reportedly in the case of projects financed by EIDHR. NGO representatives interviewed had little awareness of IBPP programmes. It seems that only international NGOs or well-linked national NGOs have the capacity to apply for such projects. The IBPP web site was last updated in January 2004.<sup>11</sup>

Regarding PVC-NGO co-financing, local NGOs interviewed – with the exception of some social sector NGOs – had little knowledge of the instrument, which is infrequently applied.

#### Findings:

*Indicator N 1.3: Evidence that NGOs (and their target groups) are well informed about EU matters.*

Until towards the end of the evaluation period, EC visibility among NGOs was very low, a fact that may have relate to the limited EC field presence in Moldova during most of the evaluation period. Apart from some NGOs in the social sector and some involved in JHA issues, NGOs interviewed were not well informed on EU matters. Low EC visibility is especially a problem in rural areas, as evidenced by the fact that some rural NGO representatives interviewed thought Tacis support was focused on farmers, believed that the Phare programme applied to Moldova, or confused the Council of Europe (CoE) with the EU.

The positive trend in EC visibility towards the end of the evaluation period can be associated with the Civil Society Strengthening Project (e.g. advertising campaigns in newspapers), RCBI and BUMAD II. Nevertheless, even some NGO resource centres<sup>12</sup> in Chisinau indicated surprisingly low knowledge of and/or confusion regarding EC matters and programmes. To give one example, the roots of the national level umbrella NGO Contact Centre go back to the pre-2000 Tacis

<sup>10</sup> The 6 NGOs are considered to be average NGOs (at least in Moldova) with staff of 5-10 people. All them are local NGOs, although two of them may be regarded as branches of international NGO.

<sup>11</sup> [http://ec.europa.eu/europeaid/projects/ibpp/index\\_en.htm](http://ec.europa.eu/europeaid/projects/ibpp/index_en.htm), last checked at 04.11.2007

<sup>12</sup> e.g. CREDO; Contact; CNRT, etc.

programme, but these roots appear to have been largely forgotten and the EC contribution is not remembered. Also in the framework of CPAR – which is explicitly based on EU values and good practice – the EC’s activity was limited and therefore less visible.<sup>13</sup> At the very end of the evaluation period there was an activity in the context of “Support for Improvement in Governance and Management (SIGMA)”<sup>14</sup>, a group of experts from the Public Administration Reform Coordination Unit visiting the SIGMA programme in early December 2006. During the visit the possibility of future co-operation in the field of implementation of the principles of good governance in the Republic of Moldova was discussed.<sup>15</sup>

These findings relating to low visibility underscore the 2006 evaluation of Tacis, which observed that Tacis is not very visible in Moldova and not many NGOs know about Tacis.

An exception to low visibility is the EU TEMPUS programme and other EC higher education programmes, which have been both effective and visible.

EC visibility should increase with the opening of two so-called Pro-European Regional European Interactive Centres (in Cahul and Balti).<sup>16</sup> Their goals include informing and engaging the public on issues related to European integration, such as travel to the EU and work and education in EU countries, as well as holding workshops and debates on specific areas of the EU-Moldova Action Plan. The centres are financed by the Swedish International Development Co-operation Agency (Sida), the Royal Norwegian Ministry of Foreign Affairs, and the United States Agency for International Development (USAID). To our knowledge the EC itself has had no involvement in this initiative. Operation of the centres is outsourced to regional NGOs.

### **2.3.2. Conclusions related to JC N1: Increased accessibility of EC funds and relevant information.**

Apart from some major, well-known NGOs based in Chisinau, often active in the social sector, the NGOs interviewed described access to EC funding and relevant information as inadequate. Problems cited include the complicated structure of programmes and budget lines. Weak capacity, for example in relation to access to the Internet, English language skills, and the ability to produce a competent project application or report, are partly to blame. Additionally, few NGOs have a proactive resource mobilisation and fundraising strategy in place. Sums available from the EC are often too large for small NGOs to manage effectively (and fund disbursement seems often to have come either too early or, in the case of implementation delays, too late). On the other hand, as the EC Delegation in Kiev relevantly pointed out, there is a risk inherent in “spreading out” small amounts on some NGOs where there is nothing to guarantee sustainability. In that respect the Delegation further indicated that, given the workload assessment in the Delegation as well as considerations relating to impact, the tendency is to move away from small grants to small NGOs.

While the team recognize the labour-intensive nature of small grants, the alternative runs the risk of proving the old adage “To those who have it shall be given.” Only well-developed NGOs have the capacity to access and (frequently) take full advantage of the relatively large sums available from the EC. Rural NGO representatives interviewed expressed concern that EC-related information is often channelled through Chisinau-based resource centres or local governments, neither of which have any strong incentive to disseminate such information.

The recent *Civil Society Strengthening Project* represents an attempt to actively target beneficiaries with the relevant information, but with mixed results. There is no correlation between the increased information and accessibility of funds, as the system is described as being too complicated.

<sup>13</sup> Drafts of laws are being finalized, with the participation of the civil society and EU experts, which will set new criteria for the functioning of the central public administration and of the civil service: drafts of laws on central public administration, on public function and statute of the civil servant, on the Code of Conduct of the civil servant. (<http://rapc.gov.md/en/news/833/1/1819/>)

<sup>14</sup> A joint initiative of the OECD and the EU, principally financed by the EU

<sup>15</sup> Central Public Administration Reform News, <http://rapc.gov.md/en/news/1211/1/1543/>

<sup>16</sup> <http://www.eurasia.org/publications/news/view.aspx?ID=181>

### 2.3.3. Judgement Criterion N2: Constructive interaction between CSO/NGOs and (local) government strengthened

Findings:

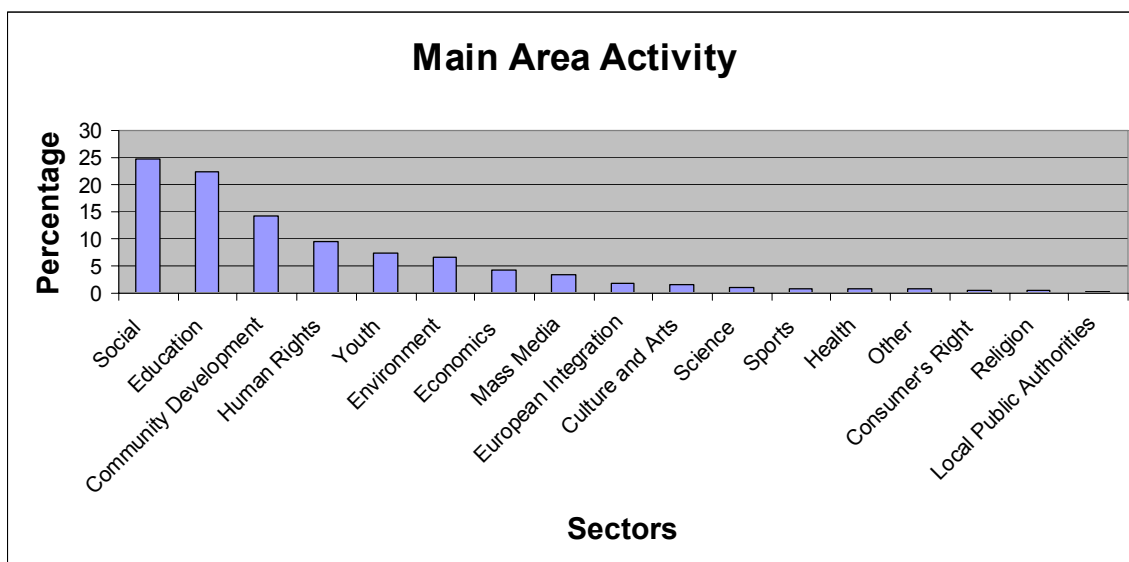
*Indicator N 2.1. : Degree of NGO involvement in designing and implementing social assistance (in rural town and villages) - including young people*

Regarding the limited experience outside Chisinau the team adjusted the indicator to read as follows:

*Indicator N 2.1. : Degree of NGO involvement in designing and implementing social assistance - including young people.*

Especially via the *Civil Society Strengthening Project (2006)* but also in the context of earlier IBPP projects, the EC has supported involvement of NGOs in the social sector. This emphasis can clearly be seen, for example, in Figure 5 below. However, the implementing NGOs in question were international, not local NGOs (although local staff has been involved in activities). The EC has supported local NGOs with limited capacities via trainings on how to develop plans for delivery of social services, especially in relation of childcare and older vulnerable people. As in other areas related to Civil Society, EC support came more at the end, rather than the beginning, of the evaluation period.

Figure 5- Main Areas of NGOs activities in Moldova



Source: UNDP

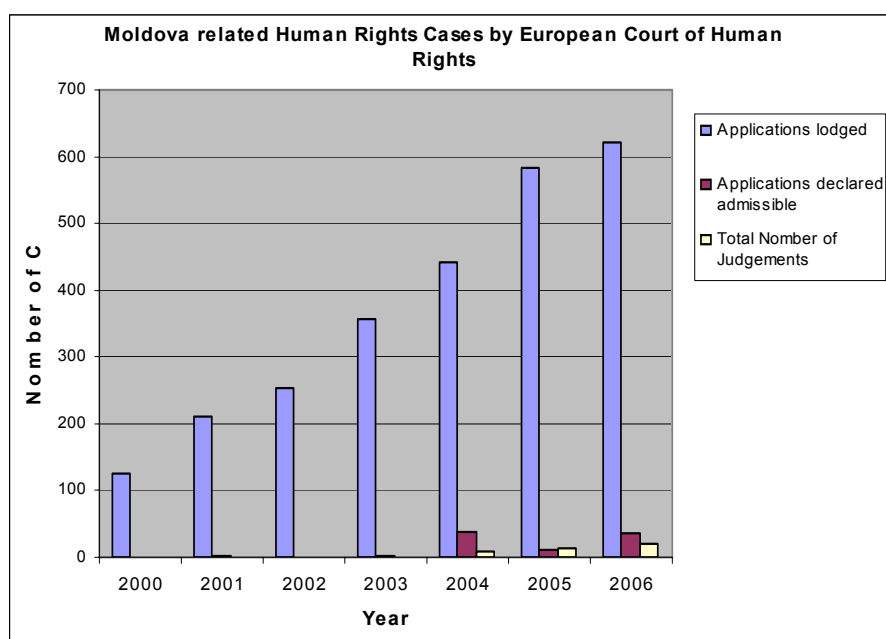
The EC Youth programme – also designed to support non-governmental youth organisations – was not significantly present in Moldova, although some exchange activities took place. However Tacis supported a number of interventions targeting young people, for example Youth Against Social Exclusion in Moldova (2003-2005) focusing on HIV/AIDS and drug prevention and fostering co-operation between youth NGOs and the public sector. The EC has worked with other donors such as UNICEF, SIDA and the Soros Foundation to help NGOs co-develop youth strategies. The NGOs in question (e.g. National Youth Resource Centre) assess this co-operation positively, but their knowledge of the EC is limited and they did not cite any significant direct co-operation with the EC.

## Findings:

*Indicator N 2.2. Degree of NGO involvement in designing and implementing other kinds of activities (in rural town and villages) -- in particular, human rights and democratisation programmes (incl. EIDHR)..*

While Moldova compares favourably with some countries in the CIS region, there are problems with abuse of police power, freedom of speech, rights of homosexuals, and other issues. Applications lodged with ECHR in relation to Moldova have risen over time, exceeding 600 in 2006 (see Figure 6). Many relevant experts interviewed pointed out that, both institutionally and in terms of individual attitudes, the legacy of the Soviet era persists. Awareness is low, especially in rural areas where urgent social problems and the challenges of daily life take precedence.

Figure 6- Moldova- related cases by ECHR



Source: ECHR data

In spite of the need for support in the areas of human rights and democratisation, EIDHR activities over the evaluation period were limited. Almost by definition, then, the involvement of Moldovan NGOs in these important areas was also limited. The EIDHR instrument was used at the beginning of the evaluation period, then disappeared from the co-operation programme altogether and has only relatively recently re-emerged.

By way of illustration, in 2002 there was a project focused on “Promoting Human Rights through advocacy for, monitoring about, and raising awareness of human rights respect in the republic of Moldova”, as well as the “Joint Programme of Co-operation to Strengthen Democratic Stability in Moldova”. After 2002, however, Moldova ceased to be a focus of EIDHR, which is a global budget line with no national envelope for Moldova.<sup>17</sup> In 2004 there were further EIDHR activities, focusing mainly on penitentiaries and detention centres.

Based on Monitoring Reports, NGOs’ involvement in implementation of EIDHR projects was intensive and often assessed as effective, but serious implementation delays weakened overall effectiveness. Sustainability was limited by the intermittent and unstructured nature of EIDHR project activities.

<sup>17</sup> EC Delegation in Kiev: A national envelope under EIDHR for Moldova will be considered in the future programmes (2007-2010).

Some Human Rights and Rule of Law (HR / RoL) projects took place outside the EIDHR framework, underlining the complementary character of EIDHR as outlined in the CSP. An example of such a project was the “*Tacis – Support to Continued Democratic reform 2004 -2006*” project implemented by CoE. The project has above-average rankings in the relevant Monitoring Reports, an impression confirmed by field interviews. Although it included RoL and HR elements, the main target group was state administration officials. NGOs’ involvement included serving as a source of verification in the framework of “Justice Access” and participating in working groups (e.g. a working group on the organisation of the Bar association). Another example is “National Anti-corruption Strategy of Moldova – PACO”, completed in January 2006 and again co-implemented with CoE (see also chapter 2.2). This included *inter alia* Civil Society mainly at the level of legislation review.<sup>18</sup> Finally, the NAP 2005 projects (“Increased independence, transparency and efficiency of the justice system of the Republic of Moldova” and “Combating corruption and money laundering”) gave the Civil Society as a whole an important role.

Nevertheless, looking at the overall picture, in its support for Civil Society development the EC has clearly not given HR and RoL the same emphasis as the social sector. Not surprisingly, then, field interviews found that awareness of EC involvement in these areas was low. A representative of one of the major NGOs focusing on HR found it difficult to describe the EIDHR and stressed that major support comes rather from the EU Member States than from the EU itself. The same representative said that, in instances of HR abuse by the State authorities, the EC would be one of the last institutions to look to for support or assistance.

#### Findings:

*Indicator N 2.3. Degree of involvement of NGOs and Civil Society in formulating the PRSP.*

Civil Society was well involved in PSRP formulation and the resulting EGPRSP was strengthened as a result. While the main facilitators of the PRSP process were the World Bank and UNDP, the EC was among the stakeholders and deserves some credit for ensuring the contribution of Civil Society. The EGPRSP was disseminated through NGOs’ national and local networks, and through central and local public institutions. Once the EGPRSP implementation stage was launched, the Participation Council was organised to ensure active participation of Civil Society in strategy implementation and in the monitoring and evaluation process (new members from the Parliament, Civil Society, private sector and development partners being co-opted).<sup>19</sup>

While Civil Society involvement in the poverty reduction process has been broad, it is less clear that it has been deep. Some NGOs representatives expressed the view that, in the absence of pressure from donors including the EC, their involvement would have been marginal.<sup>20</sup> Moreover, they claim that GoM employs a highly selective approach to NGOs in the sense of who to communicate with and who not, and that in some cases NGOs are only informed of developments without being given a chance to influence anything.

Civil Society engagement with the GoM need not be limited to poverty alleviation, of course. For example a recent meeting between CSO and the Ministry of Foreign Affairs and European Integration, apparently without any foreign mediation, for discussion of the ENP EU-Moldova Action Plan, is a promising sign.

#### **2.3.4. Conclusions related to JC N2: Constructive interaction between CSO/NGOs and (local) government strengthened due to the EC facilitation.**

The EC contribution to fostering dialogue between NGOs and the GoM at all levels is implicit but often effective – as in case discussion of the PRSP or of other social topics. Working groups

<sup>18</sup> It among other activities provided assistance to Moldovan authorities in review of the legislation on financing of political parties and electoral campaigns including the recommendations for monitoring by civil society (<http://www.jp.coe.int/CEAD/JP/Default.asp?ID=11649>).

<sup>19</sup> [www.scers.md](http://www.scers.md)

<sup>20</sup> E.g. suspension of IMF, WB and also EU funds in 1999/2000



bringing together NGOs and government, especially in the sphere of JHA and environment, have been established. Here also the EC contribution is assessed positively; but NGOs continue to claim that only their own persistence and donor pressure obtained them a place at the table; that their participation is more *pro forma* than substantive; and that the GoM refuses to engage with NGOs which it considers undesirable. These views represent a challenge to the impact and sustainability of EC efforts to bring government and NGOs together.

An area in which the EC has strongly supported NGOs has been social services delivery. The recent EC “Strengthening Civil Society” project aims at promoting partnership between the social NGOs network and government (central and local level) in the area of social service delivery. At certain stages there were also signed MoUs between local public authorities and NGOs within this framework. Nevertheless, social policy continues to be heavily centralised in Moldova, limiting the uptake of NGOs’ special knowledge and skills at policy level.

The framework of Central Public Administration Reform (CPAR), which can also serve as a platform for dialogue between government and Civil Society, was not extensively exploited by the EC (activities in the framework of SIGMA initiative took place, to the team’s knowledge, at the very end of the evaluation period – i.e. 2000-2006 - which limits their relevance<sup>21</sup>). This is despite the fact that CPAR explicitly draws on EC-EU values. EC officials interviewed were of diverging views. Some see this as a missed EC opportunity, especially as it concerns one of the key topics in the CSP/NIP, namely Support for Institutional, Legal and Administrative Reform (with Civil Society as its sub-section). Others felt that CPAR is so vulnerable to GoM inactivity and limited capacity that the EC should keep its distance.

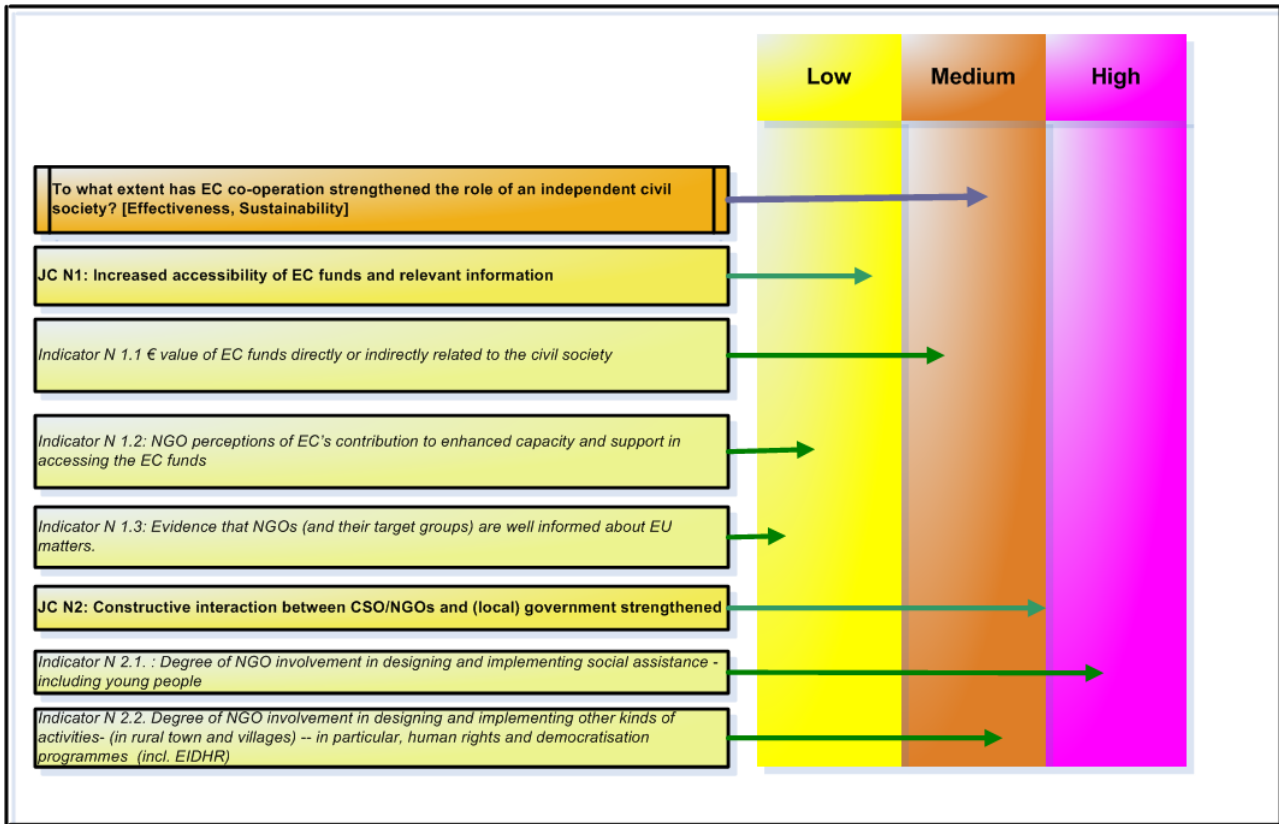
Capacity constraints were reported on both sides, that is in both government and Civil Society. While its implicit interventions promoting dialogue may be effective, the EC has done little to address these capacity gaps. Sometimes too much external involvement in the often sensitive dialogue between government and Civil Society can be counterproductive.

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<sup>21</sup> At this point it is correct to say that GoM decided on the Strategy for Central Public Administration Reform also towards the end of evaluated period in December 2005 (DECISION no.1402).

### 2.3.5. Overall Answer to EQ (N)

Figure 7- EQ (N) Overall Degree of Achievements



It would be misleading to associate Civil Society solely with NGOs, as the term covers a broader range of organisations as, for instance, trade unions, faith-based organisations, foundations, and so on. Nevertheless, for our purpose the term CSO is very often interchangeable with NGO. This is partly because the overwhelming majority of CSOs targeted by the EC are NGOs, and partly because there is no commonly- accepted or legal definition of the term 'Civil Society Organisation'.<sup>22</sup>

In the strategic framework for EC assistance in Moldova, Civil Society is addressed within the framework of “Support to institutional, legal and administrative reform”. The nexus of the EC support for Civil Society development and strengthening in Moldova lies in the social sector (Takis funding) although, intermittently, a number of projects focused on democratisation and human rights took place (mainly Takis and EIDHR).

The EC emphasis on the Civil Society sector has clearly been localised in the social sub-sector, particularly in the use of NGOs to deliver social services. This emphasis scores high on relevance: the social sector in Moldova is fragile and GoM lacks the resources to sufficiently address those in need. Both stakeholders and beneficiaries have given high marks to these EC-supported interventions. The social sphere has become a “safe zone” for communication between the GoM and CSOs.

CSOs' participation in PSRP formulation – where the EC was one of the stakeholders – was mainly assessed positively. There was also interaction between CSOs and the GoM in the sphere of JHA, (especially related to drug issues) and environment.

Despite these positive interactions, implicitly if not explicitly supported by the EC, NGO representatives continue to express a guarded view of the situation. They cite a lack of

<sup>22</sup> [http://ec.europa.eu/civil\\_society/apgen\\_en.htm#5](http://ec.europa.eu/civil_society/apgen_en.htm#5)

transparency in the process by which the GoM engages some Civil Society partners while not engaging others. Many express the view that the presence of NGOs at the discussion table is due only to donor pressure.

A serious constraint hampering development of Moldovan NGOs is their limited capacity. All but the strongest NGOs lack a forward-looking resource mobilisation strategy, calling into question the sustainability of assistance to the sector as well as the long-run impact of EC financial support. This issue has been directly addressed by the *2006 Tacis Civil Society Strengthening project*<sup>23</sup> focusing solely on NGOs active in the social sector. The relevant monitoring report assesses the project, in general, above average with high marks for project design but lower rankings for effectiveness and sustainability. Considering the timing of this project, however, it seems to be rather belated and a too narrowly-targeted response. The issue of limited NGO capacity of has been repeatedly reported by the majority stakeholders since the beginning of the evaluation period and not only in relation to the social sector. Despite this, the CSS project is the first large-scale endeavour explicitly aiming, as its priority, at strengthening of Civil Society in Moldova.

It is only fair to point out, however, that some activities funded under Tacis contributed to NGO strengthening and not only in the social sector. For instance the *Tacis BUMAD II* project, although not primarily designed for it, contributed to a certain degree to strengthening the fabric of Civil Society as, according to the monitoring report, it had been quite efficient in terms of NGO networking. Furthermore, some smaller TACIS IBPP projects also took place. For instance, in 2003 a project focused on “*Strengthening capacities and management skills of Moldovan NGOs*”, while in 2005 another focused on “*Strengthening of Moldova Red Cross Society activities through capacity-building and the stimulation of its network of volunteers*”. The demand-driven characteristic of the IBPP programmes, however, makes it is less relevant for Moldova where the overall level of knowledge of EC funding and EU matters is generally rather low. Additionally, Moldovan NGOs are rather passive and responsive only to donor initiatives.

More generally, Civil Society in Moldova is, apart from few exceptions, donor-driven, which results in low sustainability throughout the sector. A conundrum is that, while one of the structural problems that needs to be addressed is the dominant position of a few well-connected NGOs, spreading the available resources over a myriad of small organisations is labour-intensive for the EC and there is no guarantee of sustainability.

The EC’s emphasis on supporting NGOs involved in social services is justified on the grounds that the social sector is fragile in Moldova. However, more controversial areas such as HR, RoL, and democratisation were also deserving of support over the evaluation period. During the field interviews with the representatives of HR NGOs the evaluation team learned that there are signs of increases in HR violations in Moldova (e.g. abuses of power by the police forces and attacks on freedom of speech). The indicative statistics based on ECHR activities have the potential to support this view while revealing a rather sharp increase in the number of cases brought to the court between 2000 and 2005 (see Figure 6).

EC Delegation staff, in commenting on this report, stated candidly that poverty and the poor social situation in Moldova took precedence, in their strategic planning, over political human rights. In the Delegation’s view the health and social situation issue in Moldova is much more critical than that of political human rights (vote, torture, freedom of expression). Moreover in the sphere of RoL – where the EC Delegation in Kiev perceives NGOs as watchdogs – the approach was rather one of focusing on empowerment of citizens, for instance through transparency.

The EC initiatives in the HR/RoL sphere, apart from Tacis, have been pursued through the EIDHR which supposed to be complementary to Tacis. The EIDHR’s overall objective as a global budget line is to consolidate democracy by supporting institutions and NGOs dealing with civil and human rights.<sup>24</sup> This is also in harmony with EC priorities in Moldova. There have been some successful EIDHR projects also based and implemented on the NGOs’ proposals, in particular the 2004 project “*Promoting Human Rights through advocacy for, monitoring about, and raising awareness*”

<sup>23</sup> According the monitoring report the project is assessed above average with strengths in project design but lower rankings in effectiveness and sustainability.

<sup>24</sup> CSP 2002-2006 p. 11

of human rights respect in the republic of Moldova”. However, the EIDHR projects in general were intermittent and characterised by serious implementation delays – having a negative impact on EC credibility - and therefore tended to be ineffective.

These results are not in full response to the overall EC strategy. For example, the 2002 – 2006 Country Strategy Paper states that on the political side, although democracy in Moldova is established, further progress is needed to consolidate Civil Society, public governance and the rule of law. In this context some local NGOs interviewed repeatedly raised the question of whether the main focus of EC support on the social sector is more for convenience to avoid controversial topics of human rights in Moldova. It is true that between 2004 and 2006 there was a Tacis-financed Joint Project with CoE “*Support to Continued Democratic Reforms*” – assessed in a monitoring report as above average - but it incorporated HR mainly as a sub-element and placed bigger emphasis on state servants than on CSOs.

In general, not all the opportunities to address HR issues in Moldova have been exploited to the EC’s full potential. In this field the EC was less active and coherent in comparison to its involvement in the social sector. Not only EIDHR but other budget lines, too, have been underutilised. This is especially true for PVC-NGO<sup>25</sup> co-financing and decentralised co-operation.

To sum up, over the evaluation period the EC directly strengthened Civil Society only to a limited extent and mainly in the social sector. The overall EC approach to Civil Society strengthening was intermittent and unstructured over most of the evaluation period. Some significant EC activities in this field are observable only towards the end of it. HR and democratisation issues were addressed only partly and on smaller scale. Only at the end of the evaluation period did a major Civil Society capacity-building project come on stream.

The team have said that EC support to Civil Society’s contribution to the social sector was relevant to national needs because the social sector is weak. It is less apparent that this support has been broadly relevant to the need to strengthen Civil Society. The views of experts and stakeholders interviewed differed. On the one hand, the team heard claims that not concentrating on human rights and the environment – topics often held to be crucial for Civil Society development and hence typically associated with the EC’s Civil Society development strategies – will result in failure of self-sustainable Civil Society in Moldova. On the other hand, some stakeholders insisted that strengthening of Civil Society in the social sector will have positive spin-off effects into other sectors. While recognising valid points on both sides, the team tend to the former view. The prioritisation of the social sector is not fully in line with the EC declared commitments and strategies regarding Civil Society development and strengthening in Moldova. In the CSP and NIPs but also in the EU-Moldova ENP Action Plan, the EU deals more aggressively with the topic of supporting NGOs in promoting democracy, human rights, and also environmental sustainability<sup>26</sup>, than does the evidence from actual EC programme interventions.

The team have approached this EQ largely in terms of strengthening the role of NGOs. Other approaches may or may not involve NGOs, but should be taken into consideration even if they do not. EC efforts to promote transparency and rule of law at the level of government institutions and the judiciary are an example.

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<sup>25</sup> Some projects can be identified mostly in the social sector/FSP

<sup>26</sup> The 2002-2004 Tacis project on “*Environmental Information Education and public awareness*” – according to Monitoring reports ranked above average- included civil society training but we have not identified any other similar projects.

## 2.4. EQ (S) - SMEs and Rural Development

**To what extent has the EC co-operation in the areas of SMEs and rural development (including the off-farm sector) given rise to sustainable reductions in unemployment and improvement in living standards? [Impact]**

### 2.4.1. Judgement Criterion S1: Income, poverty and unemployment trends in areas where SMEs and regional development schemes were piloted

A number of EC interventions aimed at reducing rural unemployment and improving living standards by stimulating rural SME development. With EC support under the "SME Development Moldova" project, regional Business Centres were created in selected pilot regions (Soroca, Causeni, Comrat). The pilot regions, all of them underdeveloped relative to the national average, were geographically representative (North, Centre, and South). In addition to financing Business Centres, EC support allowed the hiring of 15 local consultants to scale up training and especially SME consultative activities. This project, which has been completed, was the main EC intervention over the period examined (2000-2006).

Another intervention, launched only near the end of the evaluation period (July 2006) is the "Support for SMEs in rural regions" project. The planned results are creation of at least 100 new SMEs, improvements in the commercial situation and expanded employment in 140 SMEs. Target regions selected for project implementation are Rezina, Leova, Causeni, Glodeni, Edinet, Ungheni and UTA Gaguzia.

With a support of other EU projects (under City Twinning and CBC) two Business Centres were established in Ungheni and Cahul. During the project activities in 2003-2005, the Centres organised a range of measures aimed at introducing at regional level best practices in SME support and inter-country co-operation through study tours, round tables, trainings and consultancy.

#### Findings:

*Indicator S1.1: Trends in rural living standards and poverty incidence / headcount in areas affected by SME development / rural development.*

*Indicator S1.4 Observable changes in farm income / living conditions of farm households.*

As these indicators overlap significantly, the team consider them at the same time. The team have not succeeded in finding geographically disaggregated data on labour markets and living standards, but there is an abundance of information available on the countryside as a whole. The most easily available data are poverty headcount rates.

The team analyse rural poverty trends in detail when addressing EQ(F) relating to the Food Security Programme. To summarise, poverty fell between 2000 and 2004 but rose again in 2005. The rise was entirely due to the worsening situation (which in fact began to deteriorate in 2004) in rural areas.

This suggests that EC initiatives and indeed, most worryingly, the EGPRSP in the broadest context, have not had a large impact. Most poverty reduction has been registered in the big cities, to the point at which poverty risk in Chisinau and Balti is only about one fifth of that in small cities and rural areas. The explanation for the worsening of rural poverty is to be found in the fact that the great majority of rural residents are employed in the agricultural sector, a sector in which growth of gross value added (only 1.8% in 2005) is far too low to allow inroads on poverty.

## Findings:

*Indicator S1.2 Trends in rural unemployment in areas affected by SME development / rural development.*

An old economist's joke runs that in poor countries, only the rich can afford to be unemployed. The point is that, for the great majority of the population, and most certainly the rural population, the option of classic unemployment is not a viable one. In 2005 the unemployment rate calculated according to ILO methodology registered a mere 3.4% in rural areas.

What the team can see in rural Moldova is not so much changes in registered unemployment, but changes in the nature of labour contracts and activity. Between 2000 and 2005 the proportion of the Moldovan labour force (rural and urban combined) engaged in unpaid employment, mostly self-employment and family-level activities, grew from 37.2% to 39.1%, mostly at the expense of a decline in the number of paid employees. In 2005, out of 495,000 unpaid workers 406,000 were rural and nearly three-quarters of these were self-employed. Less than one-quarter of persons employed in agriculture received salaries. While the team cannot document these trends in districts affected by EC SME development activities, there is no reason to believe that the experience in these *raions* has been any different from that of the countryside as a whole.

## Findings:

*Indicator S1.3: Trends in rural out-migration in areas affected by SME development / rural development.*

In 2005 about 28% of the economically-active population and 18% of the economically-inactive population of the Republic of Moldova was abroad. The rate of emigration (persons leaving relative to the entire population) is increasing, as evidenced by the fact that the number of emigrants grew by 14.3% between 2004 and 2005. In the latter year, the annual emigration count was nearly twice its 2000 level. While not all emigrants are from the countryside, many are, and the team can say with some confidence that EC interventions to stimulate rural development have not stemmed the tide of rural depopulation.

Central Bank of Moldova data on funds transfers indicate that the level of remittances received continues to rise strongly, again suggesting that emigration is unabated.

#### **2.4.2. Conclusions related to JC S1: Income, poverty and unemployment trends in areas where SMEs and regional development schemes were piloted**

The statistical overview provided by the indicators above gives no evidence that EC support for rural SMEs resulted in any significant or sustainable reduction in rural unemployment or improvements in living standards. This is not to say that there may not have been scattered impacts, particularly for direct beneficiaries and their communities, but if these amounted to an aggregate positive impact the team cannot see it in the data examined.

The explanation provided by most experts interviewed regarding the persistence of poverty and unemployment in rural Moldova is the poor performance of the agriculture sector. Until growth of value added picks up and productivity rises, it is difficult to envisage progress.

#### **2.4.3. Judgement Criterion S2: Barriers to SME development alleviated.**

## Findings:

*Indicator S 2.1 Alleviation of administrative barriers to SME development; improved access to credit.*

Since the late 1990s, the GoM, with assistance from the EC, the World Bank and other key donors has implemented a number of measures to accelerate growth in the SME sector by creating a supportive legislative, regulatory and fiscal environment, to provide financial support to SME

development and sustainability, to enhance competitiveness and to stimulate the development of an entrepreneurial culture. EC co-operation, largely in the form of TA to the Division of Small Business Development (DSBD) within the Ministry of Economy and Trade, has contributed to the GoM's increasing attention to the need to alleviate barriers to SME development. The Tacis SME Development Project prepared policy papers, built capacity via study tours and training, and raised local officials' awareness of the potential of the SME sector to provide growth and employment.

The GoM's Strategy for Support to Development of SMEs for 2006-2008 was developed with EU Tacis support from the SME Development project (under an "Extended Scope" revision to the ToRs, a good sign of flexibility). This document is broadly recognised to be a strong guiding document for the GoM and has attracted the attention of donors and enabled the GoM to attract additional financial resources for development of the sector (mainly from World Bank and EBRD).

The main points of the Strategy found their outlet in the Law on Support of SMEs approved by Parliament on 7th of July 2006. The law puts the small business classification criteria into compliance with EC recommendations, introducing at the same time the notion of the medium enterprise. The law establishes a new procedure for qualifying an entity as an SME on the basis of the declaration on its own liability. It defines the institutional framework supporting SMEs and eliminates the legislative gap by which local enterprises with foreign investments were not previously able to benefit from the facilities offered by the State to SMEs.

Other legal initiatives have also improved the setting for SMEs. The GoM has committed itself to the introduction of the OECD Principles of Good Governance and has launched a major reform of the regulatory framework, of which the enactment of "The Law on revision and optimisation of normative framework on regulation of entrepreneurial activity" adopted on 16 December 2004 was the first stage of achieving compliance with the OECD Principles. "The Law establishing the principles for regulating the activities of SMEs/entrepreneurs," redefining control procedures and reducing the number and frequency of inspections, was adopted by Parliament on 20 July 2006.

The registration procedure for SMEs is ensured by the State Registration Chamber according to the "one-stop shop" principle through ten registration centres operating in real time ("on-line") countrywide. The maximum time necessary for the registration of an enterprise is 10 days and, in return for paying a higher fee, the process can be expedited to take only 1-3 days. In 2003-05 there were significant observed reductions in the time and financial expense incurred in registering a small business, and also in the transactions costs associated with post-registration procedures.

While experts interviewed agree that the environment is now more conducive to SME development, actual results have been limited, in part because the main binding constraint on SME growth at present is not legislation, registration and licensing requirements, and so on, but lack of credit. The Law to facilitate the development of micro-finance institutions was passed on 22 July 2004, a venture capital law is currently under development, and a review of the banking sector is underway with a view to reducing the administrative burden for SMEs of reporting on small loans.

Legislation aside, the financing of SMEs remains problematic. Small enterprises are faced with the common problems of weak capitalisation, lack of collateral, limited experience in the use of loans, high interest rates, and restricted access to reliable financial information and advice. According to a baseline survey completed by USAID in 2000, in late 1999/2000 14% of all SMEs applied for credit of which 70% were successful. However less than 33% of this credit came from banks and financial institutions; the rest originated from private individual family members and unofficial lenders. Banks in Moldova remain reluctant to loan to SMEs, while in their turn SMEs avoid bank credit because of high interest rates and collateral requirements.

A State Fund for SME financing (through direct support and loan guarantees) has existed since 1993, but it has never had enough resources allocated to it. Although the legislation on small business support and protection stipulates the allocation of financial means to this State Fund of up to 0.5% of budget revenues, it received only insignificant expenses which were mainly for administrative self-financing.

## Findings:

*Indicator S 2.2 Putting in place of institutions (training centres, resource centres, etc.) to support SME development*

With EU support the first Business Centre under the TACIS SME Development Project was created in Comrat (UTA Gagauzia) in November 2003, the Causeni Business Centre was opened in September 2004, and the Soroca Business Centre in October 2004. These Business Centres provided training to local SMEs and to existing or potential local service providers, organised round-tables, facilitated dialogue between local authorities and local SMEs, and provided free-of-charge consultancy services to SMEs.

Despite the impressive volume of activities carried out during the lifetime of the project, post-donor support sustainability has proved to be low. A number of reasons emerge from interviews and from the Inception Report of the recent “SME Support in Rural Sector” project. They include:

- Demand for the services and products of the Business Centre was low, because SME entrepreneurs were often not aware of their need for training and information.
- The density of SMEs in rural areas is low.
- There is no local tradition of purchasing business services among entrepreneurs, a weakness accentuated by the often marginal profitability and precarious financial situation of many SMEs.
- On the service supply side, the number of professionals able to provide high-quality consultancy services is limited.

However, a number of problems in project design and implementation also need to be cited:

- Project logframes were oriented more to outputs (number of training courses, number of consultancies etc.) than to outcomes. As a result, follow-up monitoring and interventions were insufficient.
- Necessary partnerships and relationships of trust with local public administrations, local businesses, and other donor-financed SME projects were not formed. Since local authorities were not properly involved in the design of the Centres, they never entered into any commitment to be part of their future development, with adverse implications for financial sustainability.
- There was no evidence of creation of partnerships between the Business Centres and other projects, even the new “EC SMEs in rural regions” project.
- The short duration of the projects – only two years – was not enough for achievement of substantial impacts.
- A structural weakness was that local public authorities and businesses preferred to contract the services of Business Centre directors personally, rather the services of the Business Centre as an institution.
- The provision of “business survival skills” such as computer literacy and English language skills may, perversely, have encouraged out-migration as much as it strengthened local entrepreneurship.

As a result of these and other problems, SME strategies elaborated in the framework of SME Development projects – although said to be sound -- never found outlets in concrete steps implemented by local public authorities, local business service providers, local businesses, or other



donors. There has been no roll-out to other *raions*. They remain at the survival stage (language courses, secretarial services to the US-financed project, etc.), without a secure and sustainable institutional base. The “case” for sustainable institutions has not been made. They are not “attractive” and trustworthy from the point of view of the LPAs, of only marginal importance to other donors, seldom used by local businesses, even not treated as partners for other EU projects, for example the SME Support in the Rural Sector Project.

The poor sustainability of these Business Centres can be contrasted with the more long-term-oriented Business Centres established in Ungheni (CBC finance) and Cahul (City Twinning finance). In these cases, a public-private partnership (local public authority and local Chamber of Commerce and Industry) was envisaged from the start. In general, “stand-alone” Business Centre projects have not proved successful. Moreover, as the team describe in a Special Focus section in Annex 3, other large projects to support SME development have achieved superior results.

#### Findings:

#### *Indicator S 2.3 Number of SMEs started, payroll, turnover*

While “snapshot” data confirm the large role of SMEs (see Tables 4 and 5), the team have found no consistent time-series data on the level of SME operations. However, data from the Ministry of Economy and Trade indicate that the number of SMEs rose from about 24,000 in 2002 to about 34,000 in 2006. SME development is largely confined to the Chisinau and Balti municipalities. There are between 10 and 15 times more SMEs in Chisinau than in the rural areas.

Table 4 - The analysis of enterprise operation results during the period 2002-2004

| Year | Total number of enterprises | Number of small businesses |                   |                   | Share of the sector in total economy (%) | Sector turnover (mil. MDL) | Turnover/ Number of enterprises (thousand MDL) | Financial results of the sector (mil. MDL) | Share of enterprises with profit (%) |
|------|-----------------------------|----------------------------|-------------------|-------------------|--|----------------------------|--|--|--------------------------------------|
|      |                             | Total                      | including         |                   |  |                            |  |  |                                      |
|      |                             |                            | Micro enterprises | Small enterprises |  |                            |  |  |                                      |
| 2002 | 24 685                      | 22 138                     | 17 760            | 4 378             | 89.68                                    | 10 833                     | 489  | -242                                       | 35                                   |
| 2003 | 25 667                      | 22 928                     | 18 168            | 4 760             | 89.33                                    | 13 443                     | 586  | 215  | 38                                   |
| 2004 | 30 335                      | 27 831                     | 22 580            | 5 251             | 91.68                                    | 19 930                     | 716  | 356  | 39                                   |

Source: Ministry of Economy and Trade. Strategy for support to Development of Small and Medium Sized Enterprises for 2006-2008

Table 5 - The analysis of enterprise operation results during the period 2002-2004

|  | 2005  |            | 2006  |            |
|--|-------|------------|-------|------------|
|  | Nr.   | % of total | Nr.   | % of total |
| Number of Small Businesses (thousands)       | 31.3  | 98.1       | 34.1  | 98.3       |
| Number of people employed in SME (thousands) | 324.8 | 57.0       | 323.6 | 56.8       |
| Net sales by SMEs (billions MDL)             | 32.7  | 49.0       | 36.8  | 46.5       |

Source: Ministry of Economy and Trade.

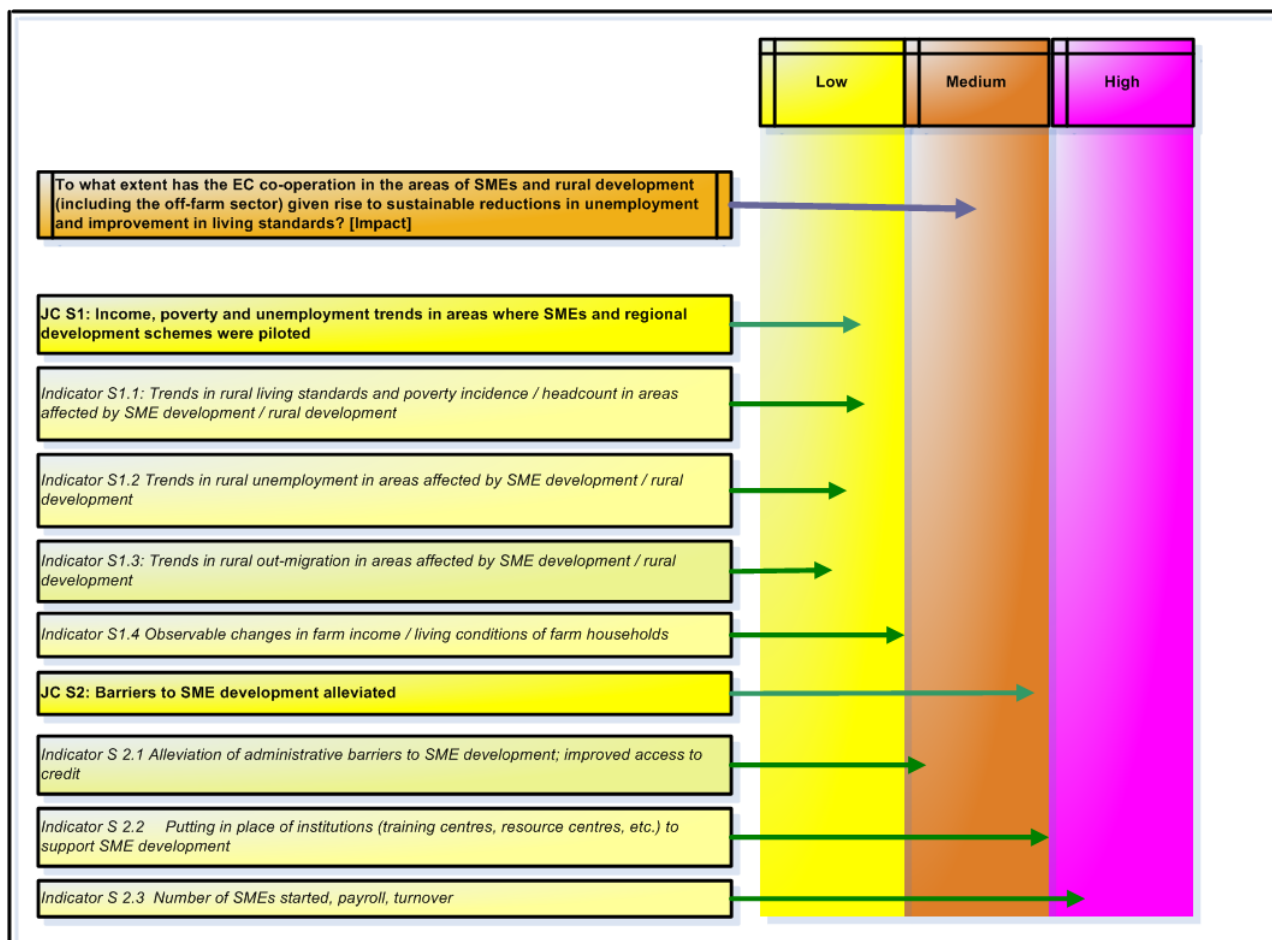
#### 2.4.4. Conclusions related to JC S.2: Barriers to SME development alleviated

EC TA and policy advice has contributed to a substantial and tangible improvement in the legal and regulatory environment for SMEs. Over the evaluation period, new laws were enacted and administrative red tape was reduced. While steps have been taken to address the inadequacy of SME finance, there has been less progress in this field. Most experts were of the opinion that it is finance rather than the business environment that is the main constraint to development of the SME sector.

The EC devoted considerable effort to putting local Business Centres in place to stimulate SME development in pilot rural regions. Results have, in general been disappointing. Although a large range of activities was implemented during the project lifetime, activities largely ceased after the end of international support.

### 2.4.5. Overall Answer to EG (S)

Figure 8- EQ(S) Overall Degree of Achievements



Recognising that the vast majority of firms in Moldova are small businesses and that the employment generation potential of these enterprises remains under-developed, the EC placed SME development at the heart of its efforts to fight unemployment in Moldova. In line with the focus on poverty and GoM priorities as expressed in the EGPRSP, these SME development efforts were focused on rural areas, where the lack of off-farm employment opportunities has worsened the already low level of productivity in Moldovan agriculture while providing no escape from poverty.

Results have been mixed. At the policy formulation level, TA provided by the EC made a very substantial contribution to an improvement in the general environment for SME development. At the level of actual impacts at local level, however, little appears to have resulted. The statistical data examined show no evidence of an improvement in rural living conditions, let alone of an improvement that could be attributed to the EC's SME development initiatives. Pilot Business Centres financed by Tacis engaged in many activities, but failed to attain sustainability and have become largely dysfunctional since donor support ended. The adverse context – low demand for services, for example – bears part of the blame for this. However, project-related reports and interviews reveal some basic structural flaws with the approach, especially failure to form effective partnerships with local governments, firms, and other donor-financed projects. Business Centres financed through other Tacis interventions (CBS and Twinning) appear to have a higher likelihood of achieving lasting impacts.

## 2.5. EQ (E) - Trade and Economy

**To what extent has EC co-operation contributed to strengthening trade and economic links between Moldova and the EU, particularly Moldovan exports to the EU and EU FDI in Moldova? [Impact]**

### 2.5.1. Judgement criterion E1: Increasingly close economic trade and economic relations between EU Member States and Moldova

Findings:

*Indicator E1.1: Trends in proportion of Moldovan exports sold to European market and  
Indicator E1.2: Trends in proportion of Moldovan imports originating in Europe<sup>27</sup>*

Since these indicators are so closely related, it makes sense to examine them at the same time. The EC engaged in a number of broad trade and economic promotion projects in Moldova over the period covered by this evaluation. In answering this EQ, the team will depend on two basic sources of information -- aggregate statistical trends and the results of an in-depth "special focus" review of three projects presented in Annex 3.

An examination of the statistical trends in the indicators above presents a mixed picture (see Tables 6 and 7). However, the fact that the trends are mixed itself suggests that structural problems continue to hamper Moldovan trade development and FDI.

Table 6 - Geographical structure of Moldovan trade, US\$ mil., 2000-2006

|                       | 2000         | 2001         | 2002           | 2003           | 2004           | 2005           | 2006           |
|-----------------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|
| <b>Export - total</b> | <b>471.5</b> | <b>565.5</b> | <b>643.8</b>   | <b>789.9</b>   | <b>985.2</b>   | <b>1,091.3</b> | <b>1,051.6</b> |
|                       | %            | %            | %              | %              | %              | %              | %              |
| In CIS                | 58.6         | 60.9         | 54.4           | 53.6           | 51.0           | 50.5           | 40.33          |
| In EU                 | 26.2         | 24.9         | 26.6           | 26.7           | 30.1           | 29.7           | 34.99          |
| In CEE                | 8.9          | 7.5          | 9.7            | 12.4           | 10.7           | 11.1           | 16.52          |
| In other              | 6.3          | 6.7          | 9.3            | 7.3            | 8.2            | 8.7            | 8.16           |
| <b>Import - total</b> | <b>776.4</b> | <b>892.2</b> | <b>1,038.0</b> | <b>1,402.3</b> | <b>1,768.5</b> | <b>2,292.3</b> | <b>2,693.2</b> |
|                       | %            | %            | %              | %              | %              | %              | %              |
| From CIS              | 33.5         | 38.1         | 39.4           | 42.3           | 43.2           | 39.5           | 37.90          |
| From EU               | 36.1         | 35.6         | 34.4           | 36.0           | 32.9           | 32.8           | 31.10          |
| From CEE              | 17.5         | 13.2         | 11.1           | 9.5            | 11.3           | 12.8           | 14.38          |
| From other            | 12.9         | 13.1         | 15.1           | 12.2           | 12.6           | 14.9           | 16.62          |

*Source: National Bureau of Statistics of the Republic of Moldova*

<sup>27</sup> We examine these indicators together. We had originally hoped to examine sector-specific data, but ran into the problems of "noise" when data are disaggregated and examined for the short time period with which we are concerned. Therefore, we concentrate on aggregate trade trends.

Table 7 - Trade Relation Moldova-EU, 2002-2006 (thousand US\$)

|                                       | 2002               | 2003               | 2004               | 2005               | 2006               |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Export to EU<br>(% in total)          | 171,274<br>(26,6%) | 211,029<br>(26,7%) | 296,263<br>(30%)   | 324,061<br>(29,7%) | 368,001<br>(35%)   |
| Import from EU<br>(% in total)        | 356,767<br>(34,3%) | 505,347<br>(36%)   | 581,112<br>(32,8%) | 752,468<br>(32,8%) | 837,458<br>(31,1%) |
| Trade Balance                         | 1185,521           | 294,318            | -284,931           | -428,407           | -469,457           |
| Coverage of<br>import by<br>export, % | 47,9%              | 41,7%              | 51%                | 43%                | 44%                |

Source: Moldovan Investment and Export Promotion Organisation (MIEPO)

The EU is Moldova's second most important trading partner after the CIS.<sup>28</sup> During the period 1997-2006, the share of the EU in Moldovan exports increased from 10% to almost 35%. However, this redistribution was largely a statistical artefact reflecting the fact that the share of the CIS decreased from 70% in 1997 to 40% in 2006. Economic crisis in the CIS, not trade development in Moldova, was the driving force.

Looked at from the European perspective, Moldova is not a significant trading partner. Over the last five years Moldova's average share of EU imports was 0.03%, and EU exports to Moldova represented only 0.06% of total EU exports (the data includes trade with the breakaway region of TN)<sup>29</sup>.

By the end of 2006, Moldova's bilateral trade deficit with the EU had risen to US\$ 469,5m (see Table 7). This represented a doubling of the trade deficit compared to 2004, raising domestic economists' concerns.

Recent trends suggest that Moldova is intensifying its trade relations with the EU countries (EU-27). Foreign trade with the EU countries reached a new historical maximum of 47.4% of the total in the first two months of the year 2007. Several factors may be adduced:

- further dramatic reduction of trade exchanges with the CIS countries;
- the GSP Plus system provided by the EU as of 1 January 2006, which provides for a "zero duty" on almost 80% of exported goods;
- the accession of Romania and Bulgaria, both major traditional trade partners, to the EU on 1 January 2007. This had the effect of boosting the share of the EU in Moldova trade despite the fact that some traditional markets (for example, the export of Moldovan eggs to Romania) have been disrupted by the new sanitary and phytosanitary standards.

Of these three factors, clearly only the second can be said to reflect a policy initiative on the part of the EU in relation to Moldova. The EU granted trade preferences to Moldova for its textile exports as early as 1995. In 1999 those preferences were extended to a basic GSP treatment similar to that enjoyed by other transition and developing countries. This included a list of 7,000 products from the General Nomenclature that received, depending of classification into either sensitive or non-sensitive categories, partial or full exemption from Customs tariffs under the Most Favoured Nation treatment. Since 2000, after complying with a list of commitments, Moldova qualified for

<sup>28</sup> In case the CIS-countries are treated as a group. Otherwise it is clear that the EU is Moldova's most important trading partner.

<sup>29</sup> "EU Bilateral Trade and Trade with the World" (DG Trade: [www.europa.eu.int/comm/trade/issues/bilateral/](http://www.europa.eu.int/comm/trade/issues/bilateral/)).

additional trade preferences over the basic GSP rates under the 'social clause'. Nevertheless, the use of GSP is of limited advantage for Moldova as most of its production falls into the sensitive category.

Moldova's preferential exports to the EU under the GSP have steadily increased. Thus GSP preferences are particularly important for exports from Moldova in the clothing and footwear sectors, which together represent more than two-thirds of preferential imports. However it is probable that much more can be accomplished. The World Bank "Republic of Moldova Trade Diagnostic Study," released on 23 December 2004, estimated that only 60% of Moldovan exports eligible for GSP actually received preferential treatment (in a communication to the team of consultants, DG Trade estimated that, while some sectors such as textiles may utilise up to 80% of their preferences, the overall level of utilisation is roughly 65%). If Moldova fully utilised the preferences under the GSP labour clause, the average tariff on total Moldovan exports to the EU would fall to 4.1%, almost 50% of the MFN tariff and 70% of the standard GSP. The Bank recommended that Moldovan policy makers come to grips with two basic issues:

- why a substantial proportion of trade eligible for GSP does not actually make use of those benefits; *and*
- what should be done to make domestic production capable of both meeting the steady growth in domestic consumption and realising the potential for expansion of supply to the EU market.

For the period 2006-2015, the EU is granting a new preferential scheme to Moldova, named GSP+. According to the Commission Decision's 2005/924/EC of 21 December 2005 Moldova is a beneficiary country of the EU GSP+, which means that the country has duty-free access to the EU market for 7,200 product groups out of 11 000, which is 3,000 more than prior to 2006. In compliance with EU requirements, the necessary measures for reform of the system of product origin control were undertaken, especially regarding the transfer of competences for issuing origin certificates from the Chamber of Commerce and Industry to the Customs Service, the new certification system becoming functional from 1 July 2006.

#### Indicator

##### Indicator E1.3: Share of European FDI in GDP

Moldova has made some progress in improving the investment climate. The implementation of a "guillotine" has so far led to the elimination of almost 150 governmental regulations affecting business and many others are being amended. Moldova also reformed its national accounting standards and regulations on auditing. However, the investment climate (as assessed in the recent analysis released in form of "White Book" by Foreign Investors Association) remains difficult due to the absence of meaningful restructuring of State-owned companies, interference of politicians in business, and in some sectors overregulation and lack of transparency, particularly in insurance, media and electricity. This constraint on foreign direct investment (FDI) limits the transfer of technological knowledge to Moldova, especially of processes and procedures that would raise product quality and help Moldovan manufacturers to move up the value-added chain.

According to 2005 data, Moldova's performance on FDI has been disappointing (see Tables 8 and 9). FDI in Moldova increased by 3.6% per year in 2001-05 compared to, for example, 44% for Serbia and 19% for Bulgaria. The gap with the new EU countries is even greater. Moldova attracts €34 of FDI *per capita* as compared, for example, with €352 of FDI *per capita* in the Czech Republic. In the three-year period 2002-2004 the region of South East Europe (including Moldova) attracted 1,076 new "greenfield" projects, of which Moldova attracted only 27 or 2.5% of the total. Impediments to the purchase and re-classification of zoned agricultural land are significant barriers to industrial development. However, the main barrier to FDI is the low quality of products and lack of progress related to standards.

Table 8 - Foreign direct investments, 2000-2005.

| Indicator                | 2000   | 2001   | 2002  | 2003  | 2004   | 2005  |
|--------------------------|--------|--------|-------|-------|--------|-------|
| FDI, US\$m               | 127.54 | 103.44 | 84.05 | 73.75 | 148.94 | 198.7 |
| FDI as a share of GDP, % | 9.9    | 7.0    | 5.1   | 3.7   | 5.7    | 6.8   |

Sources: National Bank of Moldova ([www.bnm.md](http://www.bnm.md)) and EGPRSP Monitoring Report ([www.scers.md](http://www.scers.md))

Table 9 - Foreign direct investments by countries, 2006 (60% of total are covered by EU-25)

|    | Country            | US\$m        | % in total  |
|----|--------------------|--------------|-------------|
| 1. | Russia             | 173.37       | 27.7        |
| 2  | <b>Spain</b>       | <b>81.57</b> | <b>12.7</b> |
| 3  | <b>Netherlands</b> | <b>56.06</b> | <b>8.7</b>  |
| 4  | USA                | 46.38        | 7.2         |
| 5  | <b>France</b>      | <b>41.94</b> | <b>6.5</b>  |
| 6  | <b>UK</b>          | <b>33.01</b> | <b>5.1</b>  |
| 7  | <b>Italy</b>       | <b>28.84</b> | <b>4.5</b>  |
| 8  | <b>Germany</b>     | <b>25.84</b> | <b>4.1</b>  |
| 9  | <i>Romania</i>     | <i>19.43</i> | <i>3.1</i>  |
| 10 | <b>Cyprus</b>      | <b>17.57</b> | <b>2.7</b>  |

Source: Moldovan Investment and Export Promotion Organisation (MIEPO)

### 2.5.2. Conclusions related to JC E1: Increasingly close economic trade and economic relations between EU Member States and Moldova.

Additional documentary research and interviews held during the field mission has confirmed that EU assistance for trade and the economy was relevant to Moldovan needs and in line with long-term strategies adopted by the EU and the GoM. EC assistance has contributed to strengthening trade and investment promotion activities in Moldova. EU co-operation has thereby positively influenced the GoM decision-making process and enhanced co-operation of Moldova with other donors.

The indicators selected for this JC, concern the concrete impact of such improvements, and the statistical trends examined present a mixed picture. Given its proximity to the EU, the performance of Moldova's exports to the EU has been disappointing. Moldova's exports are still concentrated in a few commodities (dominated by wine, food products and apparel products). Moldovan exports are highly concentrated in a few commodities that account for more than 50% of total exports to the EU. Unlike many other Eastern European countries, Moldova has not yet been able to expand its participation in the global production chain into higher-value assembly operations. Export growth and reorientation from the CIS (especially Russia) to the EU has occurred mainly a result of trade policy measures (GSP mechanisms, restrictions imposed by Russia) and not of the promotional measures supported by EU assistance.

At the same time, promotional efforts could be only successful when combined with progress at policy level and in related fields (e.g. enhancement of the business climate for investors and exporters, consolidation of the attractiveness of Moldova for foreign investments, and so on). Experience elsewhere suggests that a good export promotion strategy should strike a balance between offshore objectives (information gathering, market research, trade representation, and trade fairs) and onshore objectives (issues of competitiveness: quality standards, pricing, support services, domestic input supply, development of new business models and practices). The 2002-2005 intervention strategy, while addressing some of the former issues, was very weak on the latter. It is unlikely progress in information provision could have a substantial impact in the absence

of significant efforts to improve the domestic business environment. There is a clear need to strengthen the analytical capacity of the government agencies in the area of trade policy formulation and negotiations.

EU barriers to trade are undoubtedly a factor. However, the team would here cite the assessment of the World Bank in its December 2004 Moldova Trade Assessment:

*While reducing EU tariff barriers can contribute to reorientation of Moldovan exports towards the EU, a range of factors in Moldova, such as the high costs of clearing Customs, the difficulties and costs of obtaining funds for working capital and for investment and the difficulties caused by the current system of product regulations and conformity assessment are equally important factors limiting the ability of Moldovan exporters to penetrate the EU market. Indeed, in many cases, removal of these domestic barriers will be a pre-requisite for the successful expansion of exports to the EU. If these barriers are, in effect, prohibitive, then there can be no impact from the reduction of EU tariffs until they are alleviated. For example, if Moldovan products cannot satisfy the minimum requirements necessary to be placed on the EU market, then changes in the EU tariff will have no immediate effect and will only be exploited in the longer-term if constraints on the ability of firms to invest to raise quality are removed. Additionally, EU subsidies cannot explain the gap between actual and potential exports to the EU. Hence, the most heavily subsidized products in the EU are not a major element of the Moldovan export basket.*

Moldovan performance on FDI has also been not as good as hoped for. Some of the factors influencing investors' perceptions of country risk are beyond the control of the Moldovan authorities. However, prompt implementation of regulatory reform and a shift to rule-based governance would go a long way to building investor confidence, raising credibility, and attracting FDI. Fragmented promotional activities, albeit important for distributing to as many potential investors as possible information about "haven" conditions for foreign business in Moldova, were unable, over the period examined, to bring about real improvements in attracting foreign investment into Moldova. Only massive, multi-component interventions, in concert with other actors (Government, Development Partners), could reach the target, which is not a simple one. For example, a study on high-value agriculture competitiveness conducted for USAID (under the Private Farmer Commercialisation Programme implemented by the Citizens Network for Foreign Affairs, CNFA – mid-2000<sup>th</sup>) concluded that some US\$2 billion needed to be invested to have an impact in that cluster. Moldovan investors cannot raise that amount. Foreign direct investment therefore remains critical for Moldova, both for financial resources and for technology.

### **2.5.3. Judgement criterion E2: Increased capacity of Moldovan firms / sectors to benefit from trade**

Indicator:

*Indicator E2.1: Representative firms perceived benefits from EC-sponsored trade promotion and capacity building for trade*

The main intervention for capacity building in trade was support for the Moldovan Export Promotion Office (MEPO), which in the second phase of the project was renamed the Moldovan Investment and Export Promotion Office (MIEPO). Experience with these two major interventions is described in detail in a Special Focus section in Annex 3. One of the main disappointments in trade and FDI promotion was that, while the first phase of the MEPO project delivered a substantial amount of highly effective TA and built up substantial capacity, there was a long implementation delay between the end of Phase 1 and the beginning of the follow-up MIEPO phase. The ToR for "MEPO-2" project were written in mid-2003 when the first Tacis project was approaching completion and were not revised despite the fact that the project context and environment had changed. The achievements of the first MEPO project (trainers, matching grants mechanism, trust from the partners) were allowed to dissipate during the 2004-2006 period of inactivity, weakening

the foundation required for the Phase 2 MIEPO project. The achievements of MEPO, which had become an important instrument for elaboration and implementation of Government policies in export promotion and which had earned trust and authority as a service provider for the enterprises, were not consolidated and built on.

In the Moldovan economy some two thirds of export potential is covered by 10-15 companies, which often already possess the basic skills needed for export marketing. Many of these have developed their own business strategies and specific marketing plans. Based on a review of MEPO/MIEPO experience, firms able to benefit from EC assistance were, for the most part, firms that already had some expert capacity in place.

At the level of the firm, the most common constraint to participation in the EU market is now that of standards. As matters now stand, firms are faced with two differing sets of standards, one for the local (and CIS) market, and one for the EU. While the GoM has taken some concrete steps to reform this structure, progress has been slow, especially in the drafting of new legislation. The team's review of the Tacis project "Harmonisation of Moldovan System of Standardisation with the EU" found that there were only very limited concrete results. Thus in 2006 only 90 firms in Moldova were certified for ISO 9000.

The experience of the Moldova country branding project also illustrates the heterogeneity of Moldovan firms, with those who already have some familiarity with export markets benefiting from EC interventions while others do not. The country branding experience is also described in the Special Focus section in Annex 3.

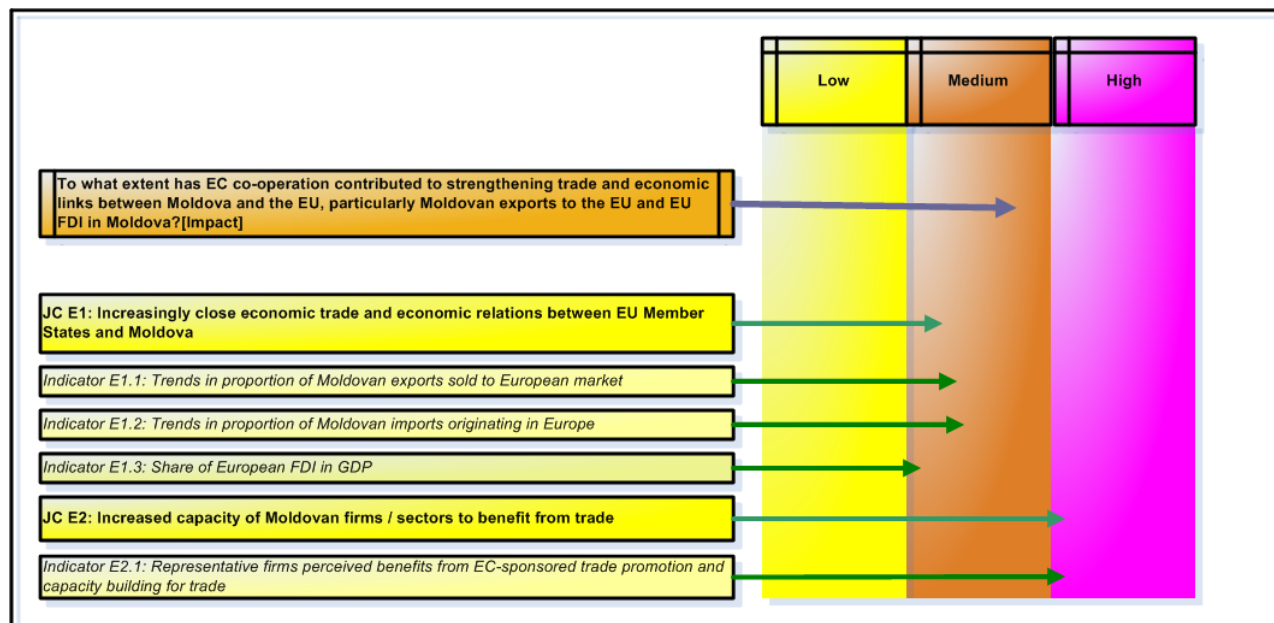
#### **2.5.4. Conclusions related to JC E2: Increased capacity of Moldovan firms / sectors to benefit from trade**

Firms already having a toehold in the foreign market have benefited from EC interventions in the area of export promotion. However, those with low capacity at the outset have benefited little. The EC had little tangible impact on the adoption of EU-compatible standards by Moldovan firms. A gap between the first and second phases of the MEPO/MIEPO project reduced the long-term impact of the intervention.



### 2.5.5. Overall answer to EQ (E)

Figure 9- EQ (E) Overall Degree of Achievements



The EC, principally but not only through the three main projects reviewed here, has provided a substantial amount of highly relevant assistance for promoting closer trade and economic relations between Moldova and the EU.

However, statistical trends do not suggest that this EC assistance has so far had a major tangible impact. At the aggregate level, the observed increase in Moldova's exports to the EC is due to the decline in exports to the CIS countries and to the accession of Romania and Bulgaria.

The extension of EU trade preferences to Moldova, a process which still continues, bodes well for the future of EU-Moldova trade relations. However, many constraining factors still need to be addressed. Remaining trade barriers, EU agricultural subsidies and other factors are often cited, but as the World Bank and other international commentators have argued, the main impediments to export growth and FDI are domestic. In our survey, the problems of low product quality and slow progress in implementing EU-compatible standards have been especially prominent. The EC, through its "Harmonisation ..." project, raised awareness but achieved little concrete impact in terms of broader adoption of EU-compatible standards or a thorough reform of the standards and quality infrastructure in Moldova. Despite EC interventions, Moldova remains a country much better adapted to exporting to the faltering CIS market rather than that of the EU.

All three EC projects, but especially MEPO/MIEPO and the Moldova country branding project, were meant to deliver tangible benefits at the level of Moldovan firms. These benefits were to take the form of increased capacity to reap the rewards of international trade, especially trade with the EU. Yet these benefits have been scattered and largely limited to firms that already had significant export capacity in place.

In general, EC interventions in trade and the economy have failed to achieve sustainability, in two senses. First, with firm-specific benefits limited to a sub-set of firms, the system-wide impacts needed to achieve sustainability have not been in evidence. Second, while individual interventions have sometimes been very successful, systemic reform and institution-building have fallen short of expectations.

Experience shows that countries that benefit most from EU trade preferences are those that increase competitiveness, diversify production, raise firms' awareness of the potential of the trade measures, facilitate a dialogue with business counterparts on the EU market and upgrade

trade-related institutions. They still need to harmonise their standards with those of the EU, including those in the veterinary, sanitary and phytosanitary fields. To exploit the underlying potential, the countries must attract sufficient levels of foreign direct investment; broaden their export base; increase their production capacity and productivity; and ensure compliance with the EC standards. Additionally, governments need to pursue structural reforms; modernise administrations, in particular the judiciary; and ensure the rule of law.

## 2.6. EQ(F) – FSP

**To what extent has the FSP resulted in tangible alleviation of the distress of the most vulnerable groups (rural poor, women, children, elderly)? [Effectiveness, Impact]**

### 2.6.1. Judgement criterion F1: Budgetary constrains on social protection alleviated

Findings:

*Indicator F1.1: Overall budget and share of EU budgetary support in overall budget allocated for social protection*

*Indicator F1.2: Utilisation of budget for purposes identified as priority areas (child care institutions, support to poor families, etc.)*

The economic decline of the 1990s had two adverse consequences for social protection: a substantial increase in poverty with resulting increased dependence on public transfers, and decreased financial capacity of the State to provide such support. Furthermore, in line with Moldova's Soviet heritage, there was no system of public social assistance based on income and poverty criteria.

Building on relief assistance to children's homes and poor families provided by the European Community Humanitarian Office (ECHO) and other donors in the 1990s, the EC launched a Food Security Programme (FSP) with targeted budget support in 2000, financed under the Food Aid and Food Security Budget Line B7-200, based on Council Regulation 1291/96. The first FSP was followed by FSPs 2002, 2004 and 2006. The FSPs are aimed to address poverty and improve food security. They included measures to support public finance management and to promote agricultural sector development, rural livelihoods and social reform. The budget support component was complemented by Technical Assistance. In a Special Focus section in Annex 3, the team discuss in detail the role played by technical assistance and capacity building in raising the quality of the FSP intervention. The following table shows the sector allocations of the FSPs 2000 – 2006.

Table 10 - Sector allocations /disbursements of FSPs 2000 – 2006

| Sector allocations<br>(thousand EURO) | FSP<br>2000  | FSP<br>2002  | FSP<br>2004 <sup>1)</sup> | FSP<br>2006 <sup>2)</sup> | Total         | %          |
|---------------------------------------|--------------|--------------|---------------------------|---------------------------|---------------|------------|
| General budget support <sup>3)</sup>  |              | 221.9        | 1,200                     | 1,200                     | 2,621.9       | 8.1%       |
| Public finance management /           | -            | 940.7        | 600                       | 500                       | 2,040.7       | 6.3%       |
| Agriculture /rural livelihoods        | 200          | 2,175.7      | 6,500                     | 4220                      | 13,095.7      | 40.3%      |
| Social assistance                     | 4,800        | 6,161.7      | 500                       | 3280                      | 14,741.7      | 45.3%      |
| <b>Total FSP budget support</b>       | <b>5,000</b> | <b>9,500</b> | <b>8,800</b>              | <b>9,200</b>              | <b>32,500</b> | <b>100</b> |
| Technical Assistance                  | 500          | 900          | 800                       | 800                       | 3,000         |            |

Note: 1) According to the recommendation of the Monitoring Mission of the FSP 2004 (Nov. 2005), 0.4 Million Euro have been deducted from the original allocation because of no full compliance with the specific conditions set for the release of the 3rd tranche of 4 Million Euro (selection of beneficiaries of social assistance based on income assessment had not been achieved).

2) As in the case of FSP 2004, a first instalment of 1.2 Million EURO under the FSPs 2006 was disbursed without specific sector related conditions, therefore treated as general budget support. The disbursements of two further instalments of 4 Million Euro each are planned to take place in FY 2007.

3) Includes an amount of 221.900 Euro for census data processing under the FSP 2002 and the first instalments of 1.2 Million Euro each under the FSPs 2004 and 2006.

Source: EC FSP TA documents

The major share (45.3%) of the total amount of the budget support provided under the 2000-2006 FSPs was allocated to the social sector. Actual disbursements and effective contributions to the national budget took place in FY 2002 (FSP 2000) and FY 2005 (FSPs 2002 and 2004). The late disbursement of the FSP 2002 budget support was due to suspension of budget support payments to Moldova from 2003 to 2005, owing to the lack of an IMF agreement.

As shown in Table 11 below the FSP contributions (actual disbursements) accounted for 9.5% of (net) public budget expenditures for social assistance in FY 2002 and 7.7% in FY 2005. In aggregate terms, compared to the overall national budget expenditures for social assistance, these contributions do not appear to be very substantial in terms of alleviating fiscal restraints on social protection. It must however be kept in mind that the overall budget for social assistance contains expenditures for pension schemes, making up some 87% of the social assistance budget (2005), while the FSP contributions have been specifically aimed at social assistance to vulnerable people who were not covered by pension and other social insurance schemes. Therefore, in order to make a valid assessment of the EC FSP contributions to the social assistance budget, the contributions to specific budgetary positions of social assistance for such purpose need to be analysed.

Table 11 - GoM Social Assistance Budgets and EC FSP Contributions (tranches) 2000-2006

| Budgets  | 2000  | 2001  | 2002  | 2003  | 2004    | 2005    | 2006    |
|--|-------|-------|-------|-------|---------|---------|---------|
| GoM Social Assistance budget expenditures (million MDL)  | 614.3 | 504.6 | 645.6 | 743.8 | 3,270.4 | 4,234.7 | 5,160.0 |
| Revenues of state social assistance budget (included in the Soc. Ass. Budget from 2004)  |       |       |       |       | 2,464.2 | 2,949.2 | 3,665.6 |
| Net Social Assistant Budget Expenditures (million MDL)   | 614.3 | 504.6 | 646.6 | 743.8 | 806.2   | 1,285.5 | 1,494.4 |
| Social Assistance Budget Expenditures as a share of national budget, [% ]  | 14.4  | 11.7  | 12.4  | 12.0  | 29.0    | 30.4    | 28.7    |
| EC FSP Budget support (BS) transfers for social protection, without agriculture, without TA (million MDL, at current exchange rates) | -     | -     |       | -     | -       |         |         |
| FSP 2000 allocation : total BS: 5 million Euro, of these 4.8 million Euro for social protection [€]                                  |       |       | 61.30 |       |         |         |         |
| FSP 2002 allocation: total BS: 9.5 million Euro, of these 6.1 million Euro for social protection[€]                                  |       |       |       |       |         | 98.8    |         |
| FSP 2004 allocation: total BS: 9.2 million Euro, 8.5 Euro transferred, of these 0.5 million Euro for social protection[€]            |       |       |       |       |         | 8.1     |         |
| FSP 2006 allocation: 9.2 million Euro, to be disbursed in three tranches from 2007[€]  |       |       |       |       |         |         | (46.2)* |
| FSP disbursements for Social Assistance as share of net Social Assistance Budget Expenditures[% ]                                    | -     | -     | 9.5   | -     | -       | 8.3     | -       |

\* not yet disbursed in 2006.

Sources: National Bureau of Statistics, Statistical Yearbook of the Republic of Moldova 2006; and Buletin Statistic 2006/IV; GoM, Annual Evaluation Report of the Implementation of the EGPRS, 2005, EC FSP documents

The EC FSP budget support to social assistance was particularly aimed at supporting social assistance reform and providing social assistance benefits to poor children and families as well as to children in residential childcare systems. Here, the FSP contributions covered a substantial

share of the respective budgetary positions in the two FYs 2002 and 2005, as shown in Table 12 below. There it can be seen, for example, that the FSP financed 65.5% of child benefit payments in FY 2002 and 35.2% in FY 2005. It supported 39, 2% of all expenditure in childcare institutions in FY 2002 and 48.0% in FY 2005. Virtually all capital investments and repairs in such institutions were financed by FSP.

Table 12 - GoM Social Assistance Budgets and EC FSP Contributions (tranches) 2000-2006

| Budget item<br>(amounts in million MDL)  | FSP 2000 finance FY 2002 |                   |                  | FSP 2002 finance FY 2005 |                   |                  |
|--|--------------------------|-------------------|------------------|--------------------------|-------------------|------------------|
|  | Approved Budget          | FSP contributions | % of budget line | Approved Budget          | FSP contributions | % of budget line |
| Nominal compensations (for non-insured persons)  | 212.9                    | 25.5              | 12.0%            | 229.6                    | 50,7              | 22.1%            |
| Child benefit payments   | 30.3                     | 19.8              | 65.5%            | 92.1                     | 32.4              | 35.2%            |
| Child protection (support to social institutions (Ministry of Labour and Social Protection and Ministry of Education)) | 40.6                     | 15.9              | 39.2%            | 33.7                     | 16.2              | 48.0%            |
| - Alimentation   | 23.2                     | 12.4              | 53.5%            |                          |                   |                  |
| - Medicaments  | 0.9                      | 0.6               | 66.7%            |                          |                   |                  |
| - Capital investments /repairs   | 1.0                      | 0.9               | 91.5%            | 0.6                      | 0.6               | 100%             |

Source: EC FSP Technical Assistance documentation

The delay in release of FSP 2002 funds, caused by the suspension of all budget support assistance to Moldova as referred to before, adversely affected implementation of planned measures in the field of social protection (and also agriculture). However, as the team discuss in the Special Focus section, because FSP conditionality was strictly tied to financed programmes rather than overall conditions, FSP was able to re-commence disbursements much more quickly than in other budget support programmes.

### 2.6.2. Conclusions related to JC F1: Budgetary constrains on social protection alleviated

The EC FSPs made substantial contributions to specific budgetary social assistance commitments to the needs of particular vulnerable groups (poor rural families with children, institutionalised children). Actual payments and effective budgetary contributions were confined to two FYs only (2002 and 2005), affecting the implementation and continuity of the programmes supported with FSP budget support. On the other hand, the objectives set and the conditionalities attached to the release of funds encouraged the GoM to proceed with social reform and to complement the EC FSP contributions with its own budgetary resources. As the team discuss in the Special Focus section in Annex 3, government ownership was high, mostly because of full involvement in the design of conditionalities as part of the TA and capacity building component of the FSP. It can be concluded that the FSP had positive effects beyond the sheer weight of budgetary support.

This is an appropriate point at which to note that implementation of the Strategy and Action Plan for the Reform of the Residential Child Care System (discussed below) will have implications for funding and the respective budget lines of different ministries. While the cost of residential care (largely borne by the MoE budget) will go down, the cost of family-type care (to be borne by the MSP budget) will increase. This issue will have implications for the direction of further EC assistance in the social sector.

It is also appropriate to point out the obvious: that the EC, and the donor community more generally, cannot support Moldova's social protection system *ad infinitum*. FSP support can only serve as a stop-gap until the fiscal situation stabilises. In the meantime, however, as the team

discuss below, it can have a massive humanitarian impact while laying the policy foundation for a sustainable approach to social protection.

### 2.6.3. Judgement criterion F2: Capacity of childcare institutions to provide adequate food and other essentials improved

Findings:

*Indicator F2.1: Efficient and timely payments to institutions.*

*Indicator F2.2: Improvements in institutional conditions (food, heating, availability of counselling).*

While the institutional care of children, particularly the concept of boarding schools, had been promoted in Soviet times, nowadays it is largely the result of poverty and a lack of alternative means of social support for children. Parents unable to sustain themselves and their children consign them to institutional care. Migration, a common coping strategy to escape unemployment and poverty, has reinforced this trend.

There are several types of childcare institutions under two different ministries (boarding schools under MoE, orphanages and houses for disabled children under the former MLSP, now MSP). The EC FSP contributed to the respective budget lines of both ministries.

Owing to budgetary constraints the situation in childcare institutions (e.g. general boarding schools, homes for disabled children, orphanages, etc.) severely deteriorated in the 1990s. The childcare institutions were unable to provide proper meals, other essential supplies (medicines, learning material) or heating, or undertake any necessary repairs or upgrading of their facilities.

The situation around year 2000 is vividly described in the Final Review Mission report of the FSP 2000 (2003):

*“The Budget allocation per child in institutionalised care is already at a meagre level of about Lei 5 - 10 (about US\$ 0.30 - 0.60) per day, according to the type of the institution and the Ministry to which they are subordinate. Any under-execution of this budget means stretching the boundaries of poverty to its extremes for these children. Only about 20% of institutions provided food that included meat, dairy products, butter and vegetables. However, even in these institutions the needs of a child were met only partially. The majority of the institutions, where expenditure per child falls below the minimum allocation of Lei 5, the nutrition ration is mainly covered with pasta. Meat, fish, dairy products, fruits and vegetables were almost excluded from these rations. Equally alarming, in almost 70% of these institutions, there are no provisions for basic hygiene such as water, soap and towels. These conditions have invariably resulted to an increase in food poisoning, as well as endemic and acute children diseases such as diarrhoea. “*

Taking note of such grim conditions in childcare institutions, a significant part of the EC FSP budget support had been allocated for the protection of institutionalised children (see table 12 above).

According to government staff and the staff of boarding schools interviewed during the evaluation mission, critical shortages of funding or food and other essential items in childcare institutions persisted until some 4 to 5 years ago. The delay in the release of funds under FSP 2002 may have contributed to this shortage. Since around 2005 a smooth flow of funds to finance current expenditures has been reported.

Some FSP funds were allocated for necessary capital repairs and investments in childcare institutions (e.g. heating). As to funding of such capital expenses, the institutions also largely depend on private sponsors and NGOs.

One of the conditions for the second instalment of the FSP 2000 was the commitment of the ministries concerned (MLSP and MoE) to elaborate and present to the Government a legal and

methodological framework of minimum standards for the existing institutions. The review mission stated that substantial progress has been achieved in developing such a framework. However, setting quality standards for childcare institutions is only a first necessary step; ensuring that such standards are applied in practice is another step still to be performed. Currently, a comprehensive evaluation of all childcare institutions in Moldova is under way, with UNICEF support. Preliminary results show a wide variation in quality standards. The study also shows that institutionalisation is a relatively costly approach to childcare while other family-type models of childcare are more cost-efficient. To quote the report:

*Low cost-effectiveness is a major argument against institutional care. A model calculation of the costs of institutional care, based on the cost data of all boarding schools of the country, revealed annual costs per child of between 7,000 – 51,000 MDL, on average 28,850 MDL per child and annum. About 30% of these costs are for education, 70% for care (some 20,195 MDL on average). This compares to current cost of 6,900 MDL per child and annum for care in family type homes.<sup>30</sup>*

#### **2.6.4. Conclusions related to JC F2: Capacity of childcare institutions to provide adequate food and other essentials improved**

With the help of EC FSP contributions, the capacity of childcare institutions to provide adequate food and other essentials has improved over the last 3 to 5 years. But conditions for institutionalised children are still unsatisfactory, and there is a wide consent among government bodies, NGOs and international organisations that institutional care of children is only a second-best solution. With EC FSP and Tacis support, alternative models to institutional childcare have been developed and piloted, and a reform of the residential care system has become official Government policy.<sup>31</sup> More is said on these issues below.

In spite of a policy of de-institutionalisation, childcare institutions will continue to have a role to play in Moldova. Their future role will probably change and be complementary to other models of childcare. De-institutionalisation offers a chance for improvements in the institutions under less crowded conditions. It will also have budgetary implications which need to be considered and resolved (MoE vs. MoSP budget, overhead cost per head if there are fewer inmates, etc.)

#### **2.6.5. Judgement criterion F3: Ability of rural families to take adequate care of their children (and other dependent family members) improved**

Findings:

|   |
|---|
| <i>Indicator F3.1 Number of rural households / children in extreme poverty; food poverty incidence.</i> |
|---|

The ability of rural families to take adequate care of their children and other dependent family members (old, sick, disabled) depends on two main factors:

- their income situation (poverty status),
- specific support mechanisms under the social security system.

Based on the results of a Household Budget Survey conducted in 2005,<sup>32</sup> a number of poverty assessments have been made<sup>33</sup>: According to these studies, poverty levels substantially decreased over the period 2000-2004 but started to rise again in 2005 (see Table 13 below). The poverty gap and severity levels also worsened after years of improvement.

<sup>30</sup> Communication by Financial Consultant for UNICEF-EU Project.

<sup>31</sup> The 2007-2012 National Strategy for the Reform of the Residential Child Care System was officially launched by GoM in March 2007.

<sup>32</sup> National Bureau of Statistics, Aspects of the standard of living of population in 2005, Chisinau 2006.

<sup>33</sup> Ministry of Economy and Trade, Poverty and Policy Impact Report 2005, Chisinau, November 2006; Government of the Republic of Moldova, SCERS, Annual Report on the Implementation of the Economic Growth and Poverty Reduction Strategy 2005, Chisinau 2006; World Bank, Moldova: Poverty Update, Chisinau 2006.

Table 13 - Poverty Indicators<sup>34</sup>

| Poverty indicators(MDL, per adult equivalent, per month) | 2000  | 2001  | 2002  | 2003  | 2004  | 2005  |
|--|-------|-------|-------|-------|-------|-------|
| <i>Absolute Poverty Line</i>                             | 234.8 | 257.3 | 270.7 | 303.5 | 327.0 | 353.9 |
| Absolute Poverty Rate                                    | 67.8  | 54.6  | 40.4  | 29.0  | 26.5  | 29.1  |
| Absolute Poverty Gap                                     | 27.0  | 19.3  | 12.4  | 7.3   | 6.8   | 8.0   |
| Absolute Poverty Severity                                | 13.7  | 9.1   | 5.2   | 2.7   | 2.5   | 3.2   |
| <i>Extreme Poverty Line</i>                              | 183.9 | 201.5 | 212.0 | 335.5 | 258.1 | 278.5 |
| Extreme Poverty Rate                                     | 52.2  | 38.0  | 26.2  | 15.0  | 14.7  | 16.1  |
| Extreme Poverty Gap                                      | 17.6  | 11.6. | 6.6   | 3.1   | 3.2   | 4.0   |
| Extreme Poverty Severity                                 | 8.2   | 5.1   | 2.4   | 1.0   | 1.1   | 1.5   |

Source: MET, base on HBS data

Absolute and extreme poverty levels are particularly severe in rural areas, where 62.6% of the Moldovan population live, and the rise of national poverty levels in 2005 was exclusively due to increased rural poverty, while poverty levels in urban areas continued to decline (see Table 14 below). While it is tempting to blame the disruption of agricultural product exports for worsening rural poverty, Table 14 shows that rural poverty was already worsening in 2004.

Table 14 - Poverty rates in urban and rural areas, 2003-2005

| Poverty indicators                           | 2003 | 2004 | 2005 |
|--|------|------|------|
| <b>Urban areas (population 1.5 million)</b>  |      |      |      |
| Absolute Poverty                             | 25.2 | 18.5 | 17.5 |
| Extreme Poverty                              | 12.9 | 9.0  | 8.6  |
| <b>Rural areas (population: 2.1 million)</b> |      |      |      |
| Absolute Poverty                             | 31.1 | 31.2 | 36.0 |
| Extreme Poverty                              | 16.2 | 18.0 | 20.5 |

Source: MET, based on HBS data

The proportion of children in poverty is substantially higher than the proportion of the population (or households) at large that are in poverty. One reason is a statistical artifact that arises because poor families are likely to have more children than the well-to-do (with causality running in both directions). The data in Table 15 show, for example, that in 2005 69% of families with four or more

<sup>34</sup> The absolute poverty line defines the subsistence minimum, based on expenditures on food and other essential items. The extreme poverty line only considers the cost of minimum food requirements for achieving a minimum daily calorie intake equal to 2282 Kcal per household member per day. The (absolute/extreme) poverty rate is based on a headcount and shows the percentage of people living below the respective poverty line. The poverty gap shows the difference between the poverty line and the actual consumption of the poor (those living below the poverty line). Poverty severity is a measurement of inequality among the poor where more weight is given to the poorest in measuring the poverty gap. For more on poverty measurements and indicators see EGPRS and MET.



children lived in absolute poverty, even though only about 6% of families living in absolute poverty had four or more children. The same effect can be seen for extreme poverty.

Table 15 - Typical features of households suffering from extreme poverty, 2005

| Household characteristics [%]   | Absolute Poverty rate | % of HH in absolute poverty, by HH structure, socio-economic group, and main source of income | Extreme poverty rate | % of HH in extreme poverty, by HH structure, socio-economic group, and main source of income |
|---------------------------------|-----------------------|---|----------------------|--|
| <b>HH size and composition</b>  |                       |   |                      |  |
| - HHs with children below 18 y. | 34.7                  | 59  | 20.0                 | 60   |
| - HHs with 4 and more children  | 69.2                  | 6.3   | 43.8                 | 7.1  |
| <b>Socio economic groups</b>    |                       |   |                      |  |
| - Farmers                       | 44.6                  | 36.7  | 27.5                 | 40.1   |
| - Agricultural workers          | 45.0                  | 13.3  | 26.3                 | 13.7   |
| <b>Main source of income</b>    |                       |   |                      |  |
| - Agriculture                   | 41.3                  | 39.7  | 25.1                 | 42.8   |
| - Social benefits               | 37.7                  | 26.9  | 21.4                 | 27.0   |

Source: MET, based on HBS data

The analysis of the poverty data presented above can be summarised as follows:

- economic development in Moldova brought about a substantial reduction in overall poverty rates during the period 2000 – 2004;
- rural households benefited less from poverty reduction than urban households;
- a substantially higher share of children are poor than the share of households or of the entire population, adults and children combined.

The EC FSP support has addressed these issues in the following way:

1. To address the fact that poverty is largely a rural problem, a relatively large proportion of the EC FSP budgetary support has been allocated to measures for agricultural development and improvement of rural livelihoods (irrigation, water and sanitation, veterinary services to ensure food safety and improvement of the genetic resources of animals). These measures are expected to contribute to increased agricultural incomes through the production of high value crops and increased export possibilities for agricultural and livestock products. However, since most of these measures were only launched in 2005 and will have only medium - and longer term effects, no significant impact on rural poverty could be expected yet during the evaluation period.<sup>35</sup> Based on the availability of more than €2m, FSP in three stages (during 2004-2006) financed the purchase of specialised equipment in support (through leasing modalities) of the development of small-scale irrigation system. Such small-scale irrigation systems will, it is hoped, encourage development of agro-production and agro-processing initiatives.

<sup>35</sup> Except for two programme components which were implemented with EC FSP support: small-scale irrigation and honey production. As reported by the MoA, small scale irrigation equipment which had been placed in 2005 brought about an increase in production by 20%. The problem here, however, is marketing of high value crops. Complementary investments in marketing infrastructure and organisation would be required to consolidate the results. The promotion of honey production has been evaluated by the MoA and was considered successful in providing complementary income to farmers.

2. To address the fact that children suffer most from poverty, the EC FSP made significant contributions to the budget of targeted child benefits in FY 2002 and FY 2005 (see Table 15 above). Considering the overall poor targeting performance of the social protection system (see section below on targeting), these types of social benefit appear to be slightly better targeted: households belonging to the lowest income group (quintile 1 and 2) received the highest share of benefits while the households of the highest income group (quintile 5) received the lowest share (see Table 16). While the favourable redistributive effect applies particularly to “targeted child benefits”, it also applies to some extent to non-targeted “category benefits”<sup>36</sup>. The distribution of targeted child benefits became more pro-poor in 2005, when 66% of benefits went to the two lowest income quintiles, as opposed to about 51% in 2004. This improvement in targeting of child benefits to the poorest households can be attributed to the contributions of the EC FSP and to the respective specific efforts made when budget support payments were resumed in 2005.

Table 16 - Distribution of recipients and amounts of child benefits by household income groups (quintiles) of households with children of 0- 15 years, %

|                                   | 2004 |      |      |      |      |       | 2005 |      |      |      |      |       |
|-----------------------------------|------|------|------|------|------|-------|------|------|------|------|------|-------|
|                                   | Q1   | Q2   | Q3   | Q4   | Q5   | Total | Q1   | Q2   | Q3   | Q4   | Q5   | Total |
| <b>Distribution of recipients</b> |      |      |      |      |      |       |      |      |      |      |      |       |
| Benefits by category              | 22.7 | 20.3 | 17.0 | 20.8 | 14.2 | 100   | 29.7 | 20.6 | 20.0 | 14.0 | 13.8 | 100   |
| Targeted benefits                 | 29.5 | 29.3 | 16.4 | 17.9 | 6.9  | 100   | 41.6 | 23.0 | 22.2 | 7.5  | 5.7  | 100   |
| <b>Distribution of amounts</b>    |      |      |      |      |      |       |      |      |      |      |      |       |
| Benefits by category              | 27.0 | 21.2 | 16.3 | 20.3 | 15.1 | 100   | 32.8 | 17.9 | 16.9 | 14.5 | 17.9 | 100   |
| Targeted benefits                 | 26.6 | 34.5 | 16.3 | 14.7 | 8.0  | 100   | 42.8 | 23.2 | 21.7 | 7.5  | 5.1  | 100   |

Source: MET: Poverty and Policy Impact Report 2005

<sup>36</sup> “Targeted child benefits” are provided on the basis of poverty criteria, while the “category benefits” are granted on the basis of other than income criteria.

Although the targeted child benefit payments favour the lowest income groups, the overall impact of the child benefits on household poverty has been quite limited so far, as revealed in the following table.

Table 17 - Impact of child benefits on household poverty, 2004 - 2005, %

|                             | 2004             |              | 2005             |              |
|-----------------------------|------------------|--------------|------------------|--------------|
|                             | Absolute poverty | Food poverty | Absolute poverty | Food poverty |
| <b>Benefits by category</b> |                  |              |                  |              |
| - <i>Ex ante</i>            | 27.1             | 15.1         | 29.6             | 16.8         |
| - <i>Ex post</i>            | 26.5             | 14.7         | 29.1             | 16.1         |
| <b>Targeted benefits</b>    |                  |              |                  |              |
| - <i>Ex ante</i>            | 26.9             | 15.0         | 29.3             | 16.5         |
| - <i>Ex post</i>            | 26.5             | 26.5         | 14,7             | 16,1         |

Source: MET, *Poverty and Policy Impact Report 2005*

There are two reasons for this: low coverage, and low benefit levels per child. The latter exacerbates the former by discouraging uptake. Both are ultimately tied to the scarcity of fiscal resources. More than 80% of households of all categories have not received any child benefit so far, and the share of the households of the lowest income quintile who actually received targeted child benefits rose from a mere 9% in 2004 to only 13.4% in 2005 (Source: MET, based on HBS data). The benefit per child amounted to 50 MDL (equivalent of some €3) per month, to be compared with the absolute poverty line of 358 MDL per month per person (adult equivalent). Further reasons for the low incidence of targeted child benefits are a lack of suitable, transparent, clear and consistent regulations for this type of social support, and a lack of qualified staff for beneficiary selection and monitoring.

#### **2.6.6. Conclusions related to JC F3: Ability of rural families to take adequate care of their children (and other dependent family members) improved**

By providing budget support for child benefits, training social workers, supporting relevant pilot schemes and contributing to concept development, the EC FSP has helped to make initial and decisive steps towards the development and implementation of targeted approaches to social assistance. In order to have significant impact on poverty alleviation and to enhance the ability of rural households to take adequate care of their children, such approaches must be applied on a larger, country-wide scale in the framework of a comprehensive social sector reform.

The EC FSP support to agricultural development has provided a basis for increased agricultural incomes which, in turn, will contribute to poverty alleviation in the rural areas. However, because the measures were launched only in 2005 and will have mainly medium and long-term effects, substantial impact on rural poverty could not yet materialise.

#### **2.6.7. Judgement criteria F4: Adequate targeting of most vulnerable groups, and F5: social policy reform undertaken**

Since the issue of targeting is an essential part of social sector reform, both JCs are treated together. Much of the discussion revolving around Tables 16 and 17 above is also relevant to this section.

## Findings:

*Indicator F4.1 Improved availability and quality of data on poverty and food insecurity.*

*Indicator F4.2. Targeting approaches applied*

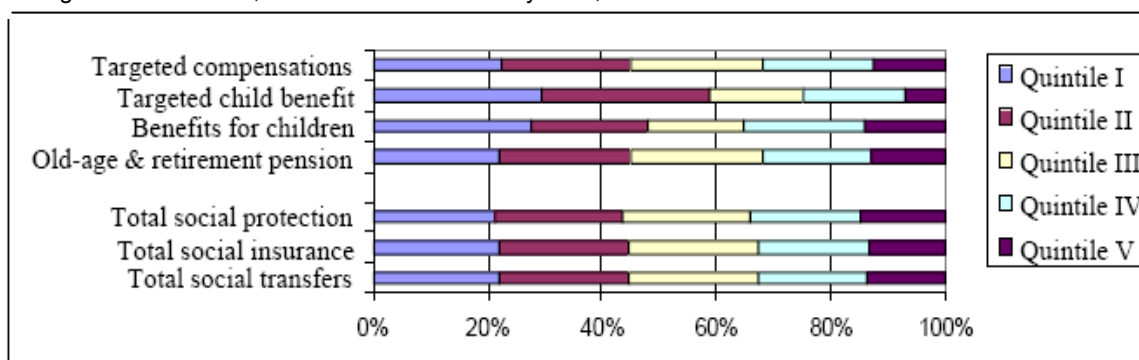
*Indicator F5.1 New social reform / assistance programmes, new initiatives, state of design and implementation*

The EGPRS document (2004) lists the major shortcomings of the present system of social assistance in Moldova:

- *social benefits are based on the category approach (except for two types of benefits granted on the basis of means testing: monthly indemnities for children aged 1.5-16, and cash benefits provided by the Social Support Fund);*
- *there is no well-grounded methodology for determining the sizes of different benefits, conditions and procedure for adjusting their quantum;*
- *there is no uniform record keeping of recipients of social benefits and as a result some people receive payments within different programmes, whereas a number of those in need fail to receive any social benefits;*
- *there is no system for monitoring and assessing the results of social benefit programmes, and their impact on the welfare of recipients and poverty dynamics;*
- *there is no distinct mechanism for allocation and use of budgetary means for social assistance; resources from the State budget are allocated to the mandatory social insurance budget and are managed within its budget by NSIH;*
- *the legal and regulatory framework for social assistance is not consistent; different benefits and allowances are regulated by numerous Government laws and regulations, which are insufficiently connected with each other.*

As a result of these shortcomings, poor targeting of social benefits has become one of the outstanding and critical features of the present system of social protection in Moldova. As shown in Figure 10, prepared by the World Bank, the different social benefits are almost equally distributed across all income groups, while ideally and according to the explicit objectives of social assistance, the lowest income groups should get the most significant shares.<sup>37</sup>

Figure 10 - Moldova, GDP Growth and Poverty Rate, 1997-2005



source: World Bank, Moldova: Poverty Update 2006, based on MET, HBS data

The EC has, with different instruments and in various ways, contributed to the process of improving the targeting of social assistance and overall social sector reform. Apart from the 2000–2006 FSPs

<sup>37</sup> This only applied to a certain extent to the targeted child benefits (treated in section F3.1 above).

(budget support combined with technical assistance), the following relevant projects were launched in the social sector during the period 2000-2006 (see table 18):

Table 18 - EC Supported Social Sector Projects (TACIS and NGO Co-financing) 2000 - 2006

| Programme year | Project  | Amount Euro | Concluded /Ongoing |
|----------------|--|-------------|--------------------|
| 2001           | Reintegration of vulnerable older people in Moldovan society   | 196,000     | 01/01/05           |
| 2001           | Capacity building in social policy reform,   | 2,644,010   | 04/12/06           |
| 2003           | Development of integrated social services for vulnerable children & families at risk   | 2,500,000   | Ongoing            |
| 2003           | Resocialisation and de-institutionalisation of children in difficulties including mentally of physically disabled children and building of a rehabilitation and education centre | 197,209     | 31/03/2007         |
| 2003           | The social reintegration of vulnerable and marginalized older people in rural communities of Southern Moldova  | 198,104     | 01/12/2006         |
| 2003           | Promotion of new services to facilitate the family reintegration process of institutionalised children in Moldova  | 176,274     | Ongoing            |
| 2003           | Support to socially vulnerable families for prevention of children abandonment in Moldova (NGO co-financing)   | 500,000     | Ongoing            |

Source: Extract from list of concluded and ongoing projects compiled by EC Delegation, Kiev

An assessment of the contributions and performance of EC assistance in bringing about better targeting and overall social assistance reform is based on the three indicators in the previous box above.

#### Indicator F4.1: Improved poverty data

“Social insurance,” runs a saying among experts, “consists of identification, identification, and identification.” Who is eligible and for which benefits; who is required to make social contributions and in what amounts? Much the same may be said for social assistance, the only difference being that benefits are de-linked from contributions. Therefore, preconditions for an effective system of targeted social assistance are

- clear criteria of eligibility;
- a recording mechanism for identifying eligible persons/ households, using household income (usually) as the basis for assessments; *and*
- a unified database where all relevant data on the beneficiaries and the amounts and types of social assistance they receive are recorded and continuously updated.

A first but futile attempt to develop such a database for social assistance was made for the cash payments of child benefits and nominal compensation payments under the first FSP 2000. It was found that the databases used by different agencies involved in these operations (MLSP, NSIH; Banka Economii) were partly inconsistent.<sup>38</sup> A common database for social assistance has not been realised so far, a serious impediment to progress in this area. This must be considered a severe deficiency in the present system of social assistance. As the *EGPRS Annual Evaluation 2005 (published in 2006)* put it:

*“The lack of a single database comprising all social assistance beneficiaries as well as the lack of a recording mechanism focused on a “family” approach makes it impossible to identify the*

<sup>38</sup> Final Review of the Food Security Programme in Moldova, 2003.

*total number of beneficiaries of social benefits and the total amount of the assistance delivered to them.”*

A renewed attempt to establish a common database for social assistance has been initiated by UNICEF under the EC-supported project: “Development of integrated social services for vulnerable children & families at risk”. In order to be successful now, it is essential that all relevant ministries and institutions concerned with social assistance are committed to this aim of setting up a unified databank and then co-operate closely in its operation and use.

The Household Budget Survey conducted in 2005 provides useful baseline data for defining the criteria of eligibility for social assistance and for establishing the social assistance database.

#### **Indicator F4.2 :Targeting approaches**

The issue of poor overall targeting performance of social assistance in Moldova has already been pointed out. However, as the team pointed out in its discussion of Table 16 above, between 2004 and 2005 there was a significant improvement in the pro-poor orientation of targeted child benefit payments introduced and promoted with EC FSP support.

The practice of targeted benefits has largely been confined to “means testing” in a number of pilot *raions* so far. Positive results in terms of increased targeting performance are to hand. Yet in spite of these positive results, targeted benefits have not yet been adopted as standard approach to social assistance in the country.

#### **Indicator F5.1: Reform initiatives**

The main focus of attention in social assistance reform has been de-institutionalisation, especially of children. This is an appropriate response to the problem of “social orphans” which worsened in the 1990s. Substantial groundwork has been done by EC-supported programmes, particularly by the “*Capacity building in social policy reform*” project, which had been implemented by the UK-based NGO “Every Child” under the auspices of the (former) MLSP, and the “*Development of integrated social services for vulnerable children & families at risk*”, which is being implemented by UNICEF under the MoE, as well as pilot schemes implemented with FSP and Tacis support. Alternative models and strategies of institutional care for the provision of social services (family support, reintegration, foster care, “gate-keeping”<sup>39</sup>) have been developed and tested by these projects in different pilot *raions* across the country, and legal and financial frameworks for implementation have been prepared. Furthermore, Community Service Centres have been set up and substantial capacity building has been provided to social workers and government staff at community, raion and central level.

The work done, experience gained and results achieved in these projects have culminated in the formulation of a “*National Strategy for the Reform of the Residential Child Care System*” and a related “*Action Plan*” which were officially adopted by the GoM in March 2007. This can be considered as an important achievement in social sector reform at policy level.

At field level, a reduction of the number of children in boarding schools has been recorded<sup>40</sup>, due to reduction of new entrants (effect of “gate-keeping”) and also because children could be returned from institutional care to family care (over 100 in the six pilot raions of the UNICEF project).

As to the social service infrastructure established, the Government has taken over funding in the three pilot raions of the (concluded) “Every Child” project and has committed itself to taking over funding in the six pilot raions of the UNICEF project. This is an important contribution to sustainability.

Apart from the recently adopted (March 2007) Strategy for the Reform of Residential Child Care System, other important milestones of social sector reform, both in 2003, were the adoption of the

<sup>39</sup> “Gate-keeping” means screening of applicants for institutional care with regard to needs and eligibility.

<sup>40</sup> The headmaster of the boarding school in Hincesti Rayon visited during the evaluation mission reported that the number of children went down to 420 from previously over 500, and the number is further decreasing.

National Action Plan for Human Rights and the creation of the “National Council for Child Rights Protection”. The latter, chaired by the Vice Prime Minister and with representation from relevant ministries, donors (including the EC) and NGOs, proved to be an important forum for advocacy and coordination and for keeping the issue of child protection on the political agenda.

Donor interest in social assistance reform is strong, and there is room for better coordination. The EC supported social protection reform with the two instruments FSP and Tacis, but it appears that the instruments were applied in parallel, without much interaction and linkage. Under a recently launched project supported by DFID and SIDA<sup>41</sup>, development of a comprehensive social assistance strategy is planned. Responsible bilateral agency officials, when interviewed, expressed concern that EC-supported approaches to targeting might be at variance with their own preferred approach. In this technical area where the Government has little capacity but has expressed a strong interest in reform, the importance of international partners sending consistent signals cannot be exaggerated.

#### **2.6.8. Conclusions related to JC F4: Adequate targeting of most vulnerable groups and F5: Social policy reform undertaken**

By promoting targeted assistance (FSP) and by developing and implementing feasible alternatives to institutional childcare (Tacis), the EC has encouraged and facilitated necessary social assistance reform in two highly important fields.

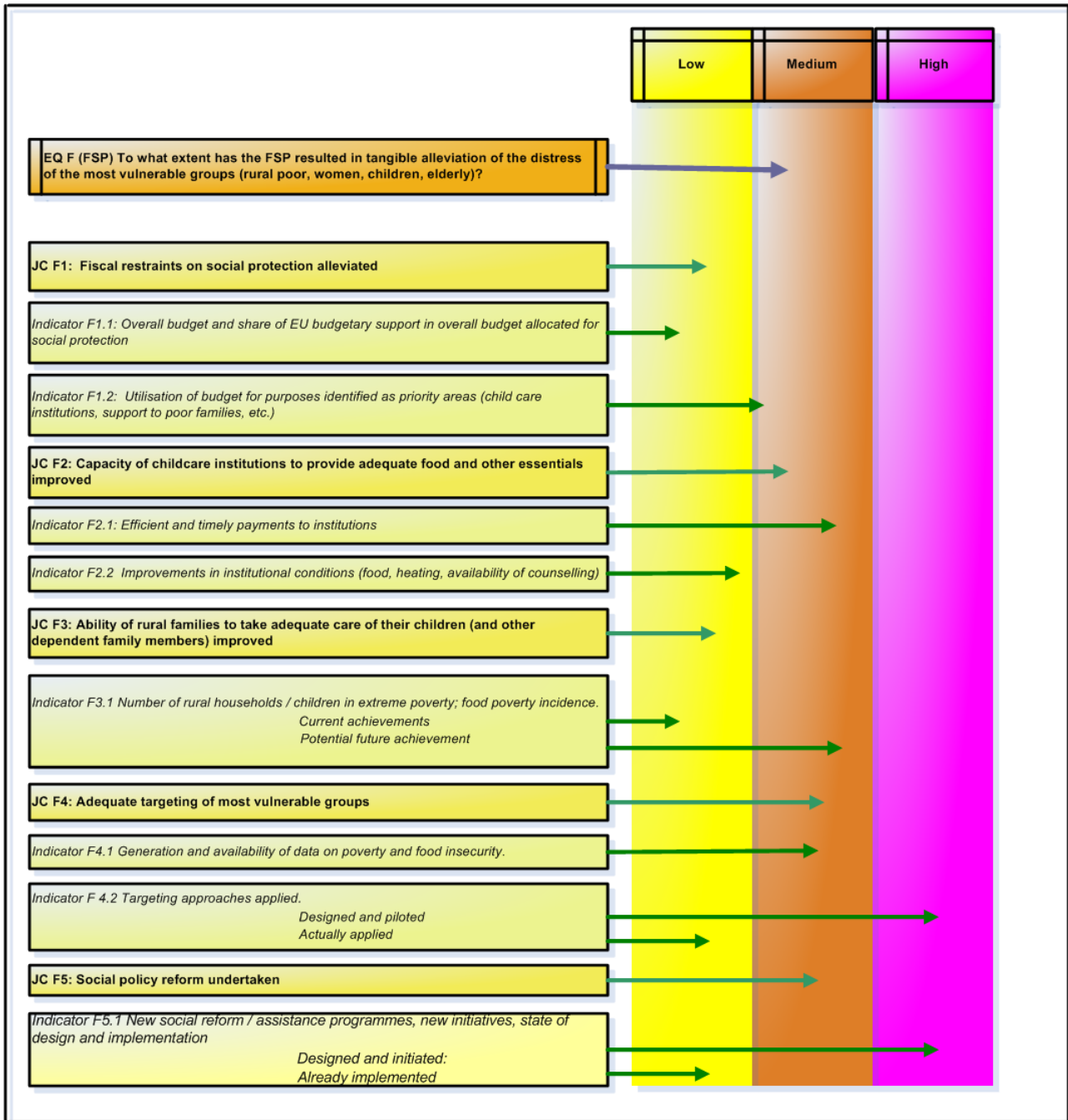
There are indications that the pro-poor stance of targeted child assistance improved as a result of FSP TA. Yet the measures launched with EC support have not yet spread beyond pilot areas, and essential conditions for their wider application have still to be put in place. Important among these is the putting in place of a unified databank.

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<sup>41</sup> “*Support to the Delivery of Social Assistance Services*”, carried out by Oxford Policy Management.

### 2.6.9. Overall Answer to EQ (F)

Figure 11- EQ (F) Overall Degree of Achievements



Baseline conditions for social protection in Moldova were, and remain, challenging. The overall substantial reduction of poverty levels in Moldova in the wake of economic recovery and growth in the early 2000s has largely bypassed the rural areas. Due to deficiencies in the design of the system of social assistance (based on categorical principles) and budgetary resource constraints, the poorest population groups do not benefit sufficiently from public transfers. Conditions for the very worst-off groups -- institutionalised children and the institutionalised elderly and disabled -- deteriorated to the point of constituting a humanitarian emergency.

The EC has responded effectively, mostly using the FSP instrument. The needs of the poorest and most vulnerable members of the population were addressed in various ways: by promoting specific targeted assistance approaches, by measures promoting agricultural development and



rural livelihood improvements, and by promoting social assistance reform towards more target-efficient and cost-effective approaches. Tacis and NGO co-financing interventions also played a role, although there is no evidence that these were coordinated with FSP-financed activities.

According to experts interviewed, the near-total alignment of FSP activities with GoM priorities makes it a flexible, effective, and highly appreciated form of assistance. As the team discuss in the relevant Special Focus section in Annex 3, the combination of TA and capacity-building with FSP budget support functioned well. FSP, like other budget support programmes, had to be interrupted when relations between Moldova and the IFIs broke down. However, the flexibility of the FSP targeted budget support approach is shown by the fact that, since conditionality was very narrowly defined, FSP was able to resume financing more quickly than were more general budget support programmes once agreement with the IFIs was reached.

The EC support to social assistance has yielded its first tangible results: the targeting efficiency of social assistance has been increased, the situation in child care institutions has improved, alternative models to institutional care have been developed and piloted, and important steps of social assistance reform have been undertaken. However, “roll out” of pilot projects to national level has not occurred – nor is it likely to until a comprehensive social assistance database is put in place. With donor interest in social protection strong, and fully in line with the Government’s commitment to reforming the sector, there is need to coordinate policy messages and approaches. A final assessment of the impact of FSP assistance on rural poverty in Moldova cannot be undertaken at this stage, because the major EC-supported interventions were only launched in 2005 and still need time to bear fruit. Ultimately, social protection will have to be fitted into the normal fiscal operations of the Government of Moldova; this will depend on putting in place a favourable macroeconomic context which, as the team have argued throughout this report, really depends on boosting the rural economy.

## 2.7. EQ (H) - Health

**To what extent has EC co-operation in the health sector mitigated the consequences of transition for the health of the most vulnerable groups (rural poor, women, children, elderly)? [Effectiveness, Impact]**

### 2.7.1. Judgement criterion H1: Public health system strengthened due to EC interventions

Findings:

*Indicator H1.1 Improved management practices communicated and in place*

During the period 2000-2006, the Ministry of Health with the assistance from the EU as well as other donors and international organisations (World Health Organisation, World Bank, etc.) carried out a range of reforms within the health care system, including development of a primary health care model based on family physicians, implementation of mandatory health insurance, development of the concept of health promotion and illness prevention, and other factors.

EC support to Moldovan health sector reform has a long history. As early as 1995, health sector reform was a Tacis priority area, with Support to Health Reform (SHR) I budgeted at €0.5m. The project was implemented in 1997-99, antedating slightly the evaluation period but nonetheless relevant. Under SHR I, the MoH was advised on preparation of a strategic plan and accompanying action plan for improving administration and management. The Tacis 2000 evaluation essentially gave the project high marks.

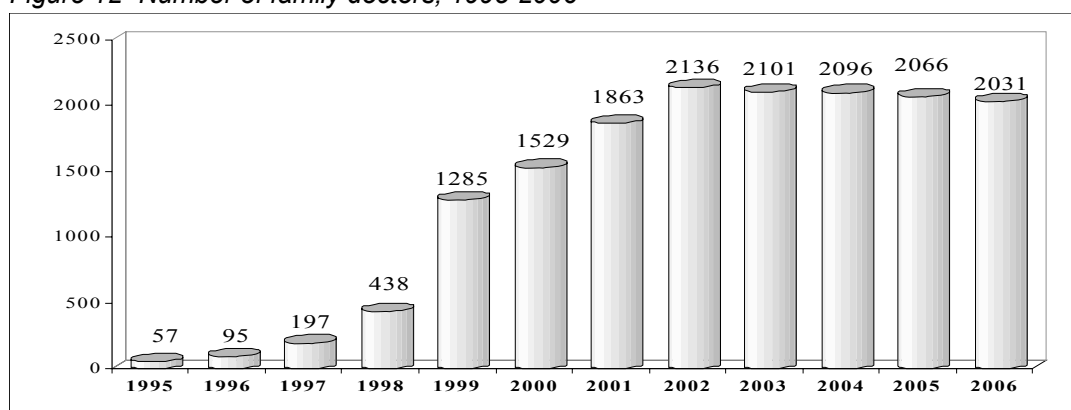
The successful experience with SHR I laid the foundation for three subsequent Tacis projects, "SHR II" (implemented 2001-03), "Health Promotion (HP) and Disease Prevention (DP)" (2003-05) and the ongoing "Public Health Reform" (2005-07). All of these projects stressed improved management practices, and all had had significant impacts on practices current in the Moldovan health system. Health has thus figured in all CSPs and NIPs, and is being carried over into the new ENPI Action Plan. In passing, the team note that although activities undertaken have been modest, health also has a place in Tacis regional and cross-border strategy documents.

Findings:

*Indicator H1.2 Training needs assessed and training activities undertaken, trained personnel in post*

SHR 1 assessed the training needs of doctors and contributed to a successful effort to increase the supply of family doctors (as required by the new primary health care orientation) by re-training of specialists. The sharp increase in the number of family doctors (see Figure 12) in the late 1990s (admittedly strictly prior to the evaluation period) demonstrates a tangible EC project impact.

Figure 12- Number of family doctors, 1995-2006



Source: Ministry of Health, *The Health System in the Republic of Moldova Current Situation*. PowerPoint presentation by Minister Ion Ababii

The ongoing Public Health Reform Project has improved the knowledge and skills of health policy-makers in strategic planning, finance, performance monitoring, and information systems. The national School of Public Health has been supported via a twinning arrangement with the University of Rennes, with the aim of providing an internationally accredited Masters in Public Health degree. Study tours have helped Moldovan health policy-makers to examine the approaches used in European countries such as the Netherlands and Lithuania.

#### Findings:

*Indicator H1.3 Health system policy reforms identified and rationalisation undertaken*

Under SHR I, Tacis supported the development of a model for primary health care based on family doctors. This model continues to provide the basis for health care policy and management in Moldova.

SHR II provided policy advice on MoH re-structuring and complemented Tacis work on regional administration reform by decentralised capacity-building. Monitoring reports present a picture of a project that started after a significant implementation delay, by the end of which the national policy context and needs had changed significantly. The ToR were re-drafted to allow the contractor to provide support for health management information systems (which had little impact because of subsequent fiscal constraints) and to provide policy advice on mandatory health insurance. The latter turned out to be crucial as, with hindsight, this was the major impact of SHR II. The mandatory health insurance system put in place at the beginning of 2004, notwithstanding the limited basket of care offered, provides nonetheless a functional level of coverage for the entire population.

The Public Health Reform Project supported regional strategic plans (featuring separation of primary health care from secondary healthcare institutions).

The Health Promotion and Disease Prevention project assisted MoH officials in designing realistic HP and DP strategy at all policy levels. Project staff assisted in the drafting of the Health Promotion Policy ultimately adopted by Parliament. Throughout the project Tacis financed pilot HP/DP activities at community level. Among the areas covered through training and promotional activities were heart disease and hypertension, mental health, breast and cervical cancer screening, clean water and nutrition, mental health and, through school-based actions, the health of children and adolescents. In all areas the emphasis was on primary prevention measures.

#### **2.7.2. Conclusion related to JC H1: Public health system strengthened due to EC interventions**

The GoM has made substantial progress on health sector reform, including

- transition from a Soviet-style medical system to one based on family medicine,
- replacing an approach stressing curative care to one emphasising health promotion and disease prevention; *and*
- instituting a financially-sustainable mandatory health insurance system

A series of Tacis TA projects dating back to the late 1990s made significant and tangible contributions through provision of policy advice and support for capacity-building and training.

### 2.7.3. Judgement Criterion H2: Tangible benefits to health, especially for vulnerable groups (women, children, the elderly)

Findings:

*Indicator.H2.1: Proportion of population with access to affordable health care, Indicator H2.2: Proportion of women receiving adequate ante-natal care, Indicator H2.3: Availability of prescription drugs, Indicator H2.4: Immunisation coverage, Indicator H2.5 Basic health indicators as available: Infant mortality rate, under-five mortality rate, maternal mortality rate*

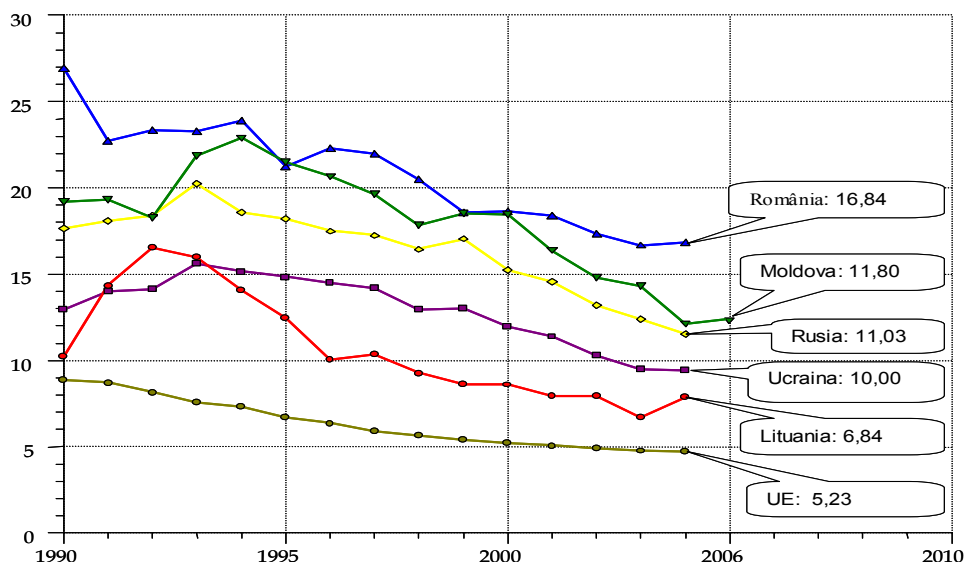
The team have combined various cited statistical indicators into one omnibus index:

- Proportion of population with access to affordable health care
- Proportion of women receiving adequate ante-natal care
- Availability of prescription drugs
- Immunisation coverage
- Basic health indicators where available: infant mortality rate (IMR), under-five mortality rate, maternal mortality rate, etc.

Some indicators, such as availability of prescription drugs, proved difficult to measure, but between Ministry of Health data and international sources, a reasonably comprehensive picture of the health situation has been assembled.

MoH data show an uninterrupted decline in infant mortality (see Figure 13) except for the very worst years of the transition. Taking 2000 and 2006 as points of observation, the IMR in these two years was about 18 and 12 per 1,000 live births. Note, however, that infant mortality was never a sensitive indicator of the depth of the health crisis in transition economies.

Figure 13- Infant mortality in Moldova and comparator countries, 1990-2006

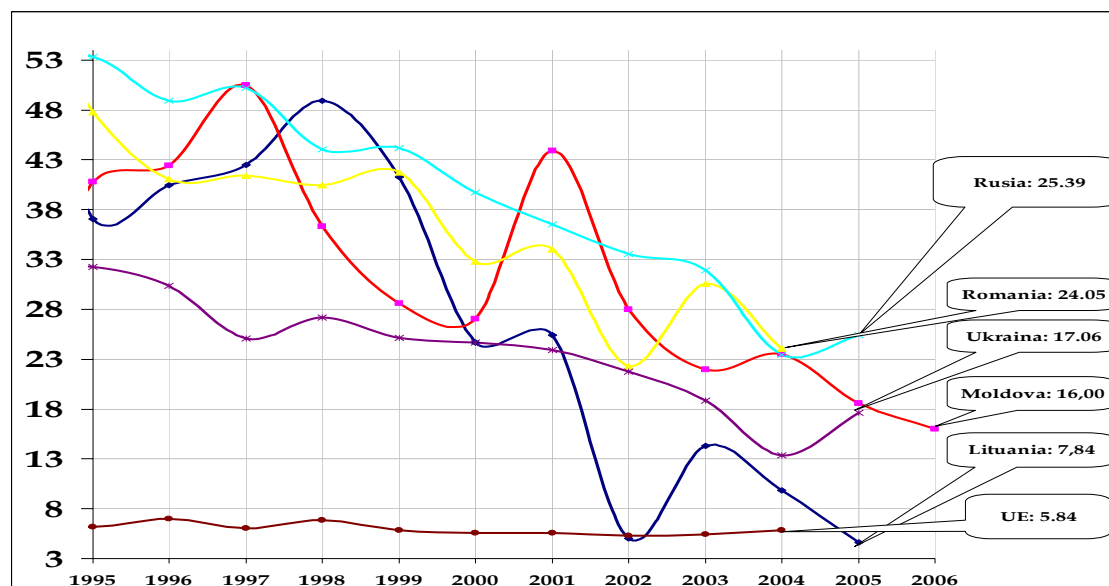


Source: Ministry of Health, *The Health System in the Republic of Moldova Current Situation*. PowerPoint presentation by Minister Ion Ababii

A more sensitive measure is the maternal mortality rate. Virtually all maternal deaths are preventable if the primary health care system functions effectively, meaning that women receive adequate ante-natal care, delivery facilities are reasonably well-equipped, and there is an adequate emergency response and referral system when deliveries go wrong. Whereas in a developed country such as the U.S. maternal mortality has remained stable at a very low level, it

has fluctuated widely in CIS countries (see Figure 14). In Moldova, the overall trend has been down since 1997, albeit with an unexplained short-lived rise in 2001. Since the Demographic and Health Survey 2005 found essentially universal access to ante-natal care by a qualified physician and a 1997 Reproductive Health survey found the same, it is likely that the main variable determining maternal mortality is the quality and availability of obstetric emergency facilities.

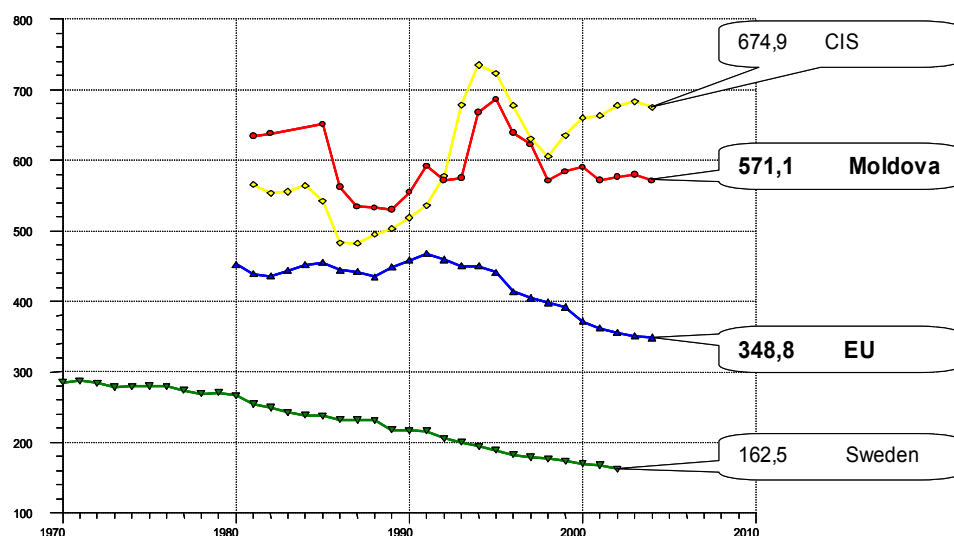
Figure 14- Maternal mortality rate (maternal deaths per 1000,000 live births) in Moldova and comparator countries, 1995-2006



Source: Ministry of Health, *The Health System in the Republic of Moldova Current Situation*. PowerPoint presentation by Minister Ion Ababii

The MoH estimates that life expectancy at birth increased for males from 63.9 in 2000 to 64.5 in 2004 and for females from 71.2 for 72.2. This is a positive trend, but behind these “headline” figures are a number of trends which suggest the need for caution in interpreting the improvement. The male-female gap widened by 0.6 years over the period, a significant deterioration. Male life expectancy at age 15 did not improve at all. A significant portion of the improvement is due to the decline in infant mortality illustrated above. An alternative mortality measure is working-age mortality. As illustrated in Figure 15 below, while trends in Moldova have been better than in the CIS as a whole, there was no significant improvement during the period 2000-04.

Figure 15- Working-age mortality (deaths per 100,000), Moldova and comparator countries



Source: Ministry of Health, *The Health System in the Republic of Moldova Current Situation*. PowerPoint presentation by Minister Ion Ababii

Note: Standardised for the age-structure of working-age population.

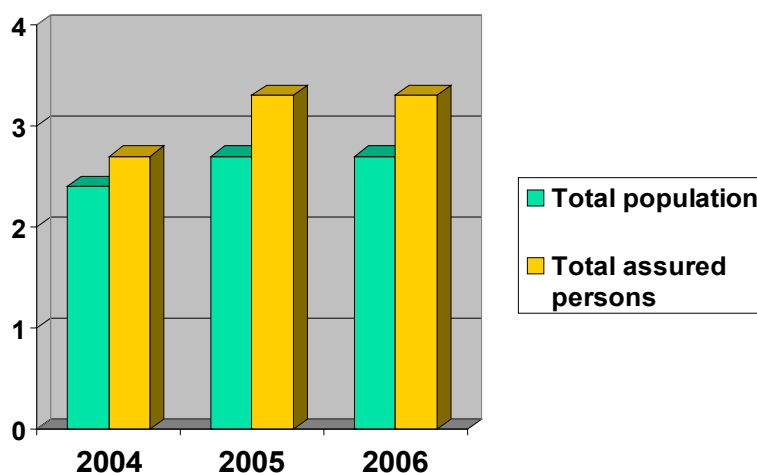
Immunisation coverage (DPT3+), according to the US Department of the Census rose from 75% in 1995 (the worst year of the post-transition health crisis) to 91% in 2000 and 90% in 2005.

Demographic and Health Service data suggest that a significant proportion of the population still does not have access to affordable care despite mandatory health insurance. About half of all urban women surveyed and 66% of rural women reported that money was a significant obstacle to obtaining medical care. Half of all women who had recently given birth stated that they received no government support for ante-natal care, although this is expressly covered by the insurance law (as the team said above, they received the care nonetheless, but had to pay for it out of pocket). As of the 2005 DHS half of women and men reported having no health insurance. Admittedly, the law mandating government support for ante-natal care ante-dated the DHS by only one year, as did the institution of the health insurance reform. The MoH reports that, according to the National Health Insurance Company, in 2006 mandatory health insurance covered about 75% of the population. This suggests that, although there has been a significant improvement, there were, at the end of the evaluation period, still gaps that needed to be addressed.

The compulsory health insurance package covers only a limited basket of medical care, and availability of prescription drugs under the plan is limited, notwithstanding the fact that the range of services and medicines covered steadily increased over the evaluation period. Persons suffering from chronic conditions such as diabetes have often found themselves forced to spend large amounts out of pocket.

However, data presented by the Ministry of Health (see Figure 16) show that persons covered by mandatory health insurance are more likely to pay visits to a family doctor than those who are not.

Figure 16- Average number of visits per year to a family doctor, persons covered and not covered by mandatory health insurance, 2004-06.



Source: Ministry of Health, *The Health System in the Republic of Moldova Current Situation*. PowerPoint presentation by Minister Ion Ababii

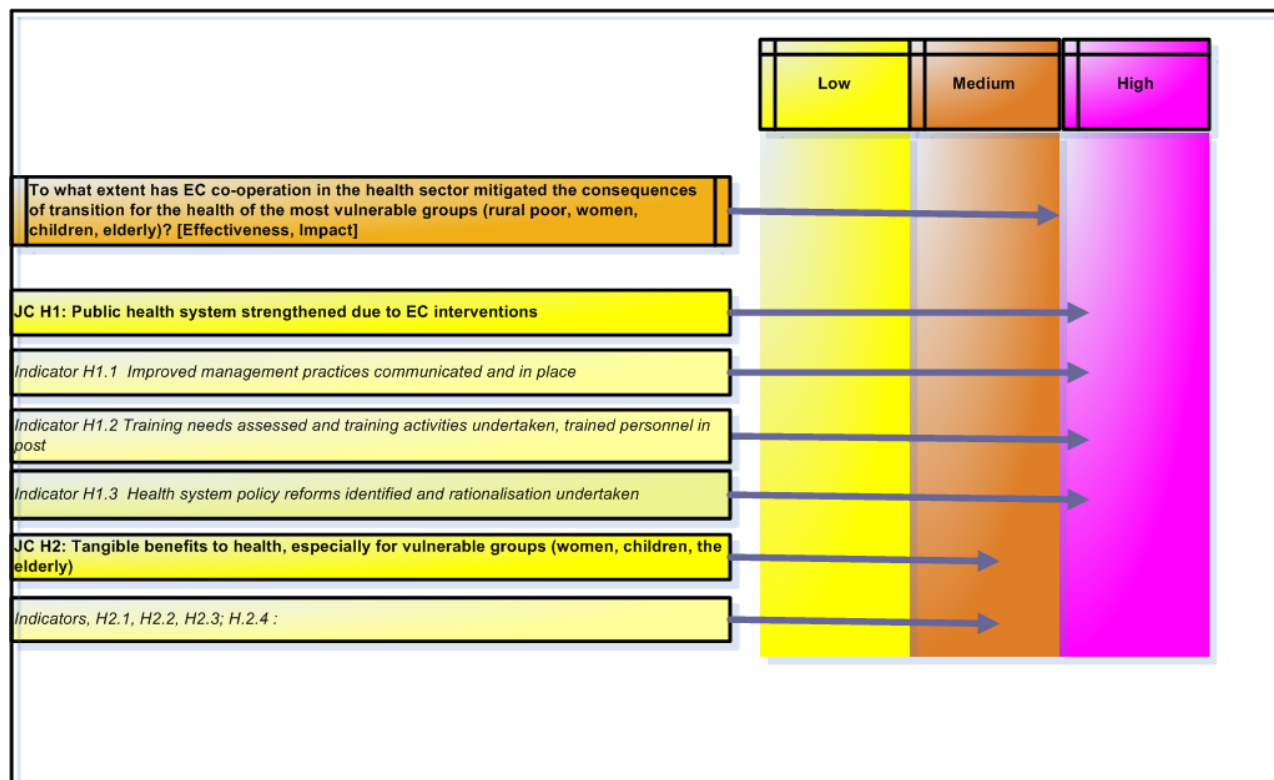
#### 2.7.4. Conclusion related to JCH2: Tangible benefits to health, especially for vulnerable groups (women, children, the elderly)

Data examined so far on health and mortality outcomes paint a largely positive picture in terms of health outcomes such as infant mortality. Sometimes this is simply because the indicator in question never deteriorated very significantly, even during the worst period of the health crisis. However, it is noteworthy that the DPT3+ immunisation rate, which had plunged as low as 75%, rose to reasonably encouraging levels by 2000. Maternal mortality, another sensitive indicator of the state of the health system (especially the availability of emergency care), has followed a generally declining trend apart from a spike in 2001. Adult mortality, however, remains high.

It is not possible to ascribe changes in health indicators over the evaluation period to EC interventions, although the latter were undoubtedly effective at policy level. A negative note is that the widely-respected 2005 Demographic and Health Survey presents evidence of serious gaps in the availability of affordable health care despite the compulsory health insurance scheme designed and introduced with EC support. The team recognise, however, that the DHS was undertaken only a year after the reforms were instituted, and the situation may have improved towards the end of the evaluation period.

## 2.7.5. Overall Answer to EQ (H)

Figure 17- EQ (H) Overall Degree of Achievements



With Tacis support in the form of TA and capacity-building, Moldova embarked on a comprehensive and credible reform of its public health system starting in the late 1990s. The team commends the results in terms of a switch from curative to preventive orientation and in a reallocation of resources from specialised (essentially secondary) to general and family (essentially primary) care.

Despite the change in the public health regime, and despite the introduction of a financially-sustainable compulsory health insurance scheme at the beginning of 2004, a significant proportion of the Moldova population - more in rural than urban areas - lacks affordable health care. Significant numbers reported in 2005 that they lacked insurance coverage; that may have improved since then, but it is unlikely that the unmet need has disappeared entirely. The basic nature of the health care package provided leaves some individuals facing substantial out of pocket expenditure, for example those suffering from serious chronic conditions.



## 2.8. EQ(X) – Environment

**To what extent has EC mainstreaming of environment into its co-operation programme resulted in enhanced environmental sustainability of development in Moldova?**  
**[Effectiveness]**

In describing the Moldovan development context, the team have documented the continuing deterioration of the environment, particularly in rural areas. The complexity of environmental linkages makes it difficult if not impossible to answer the question of whether this deterioration would have been worse in the absence of EC interventions. In this section the team therefore concentrate on a modified question, in which it does not try to examine ultimate environmental impacts, but rather whether the EC mainstreamed environment (effectiveness), resulting in tangibly-improved policies (impact).

**To what extent has the EC mainstreamed environment into its co-operation programme in Moldova, resulting in improved environmental policies and programmes?**

Judgement criteria and indicators remain unchanged; the team simply make no attempt to construct a causal chain between the EC's actions and environmental outcomes.

### 2.8.1. Judgement Criterion X1: Environment reflected in all EC Project Documents / Strategic documents

Findings:

Indicator X1.1: Environment incorporated into EC strategies and programmes at all levels

The team have earlier described how the environment is featured as an area of concern in overarching strategic policy documents such as the PCA and the ENP Plan of Action. Here the team moves its investigations down a level to examine how well environment is represented closer to the programmatic level in all the major Tacis modalities (national, regional, and cross-border). For reference, a list of major environmental projects identified is given in Annex 11.<sup>42</sup>

A document review indicates that environmental concerns were well represented in the Tacis 2002-2006 Moldova CSP and 2002-2003 NIP, and in the 2004-2006 CSP and 2005-2006 NIP. In the two NIPs environmental aspects were approached *via* the following areas of co-operation:

- Support for institutional, legal and administrative reform. In this area, the ongoing project "Support to PCA, WTO Implementation and implementation of the ENP EU-Moldova Action Plan within the framework of the PCA" contains components on environmental aspects of EC legal approximation and WTO compliance. Interviewed during the field mission, high GoM officials expressed their satisfaction with the TA provided.
- Civil Society and Education Development. Tacis has supported the establishment of the Regional Environmental Centre in Moldova with the overall objective of strengthening the national environmental community (e.g. NGOs, research institutions) and of supporting the environmental sustainability of Moldovan development in general (see [www.rec.md](http://www.rec.md)),

<sup>42</sup> Note that, in the case of CBC and regional projects, disbursement figure are for the project as a whole, not for its Moldovan component.

- Educational and Training Programmes (Tempus). Environmental technologies and economics are identified as a priority area. An MSc Programme in Environment and Clean Technologies was implemented during the period September 2004 - September 2006.

The Tacis Regulation identified environment as an area in which multi-country-level activities may often be the most appropriate. A review of the Tacis Cross-Border Co-operation (CBC) Indicative Programme 2000-2003, the CBC Action Programme 2003 and the CBC Strategy Paper and Indicative Programme for 2004-2006 shows that promotion of environmental protection and management of natural resources were key areas of co-operation.

The main fields where projects were supported in the 2000-2003 time frame were

- Alleviation of environmental “hot spots”, particularly in the water sector (in the Danube River Basin geographical area and the Black Sea)
- Securing the sustainable management of other resources, such as forests and national parks
- Support to investments which make a clear contribution to the reduction of environmental risks and pollution
- Enhancing the capacity of the border regions’ institutions to manage and implement environmental activities.

The table in Annex 3 (Special Focus V) shows that the majority of projects are purely environmental, originating in the CBC. CBC Small Project Facility, and Regional Programme project pipelines. Only two projects can be identified in which the overall objectives were non-environmental but an environmental component was included: the €1.97m “Cross Border Co-operation in Ungheni” (promoting environmentally-friendly organic agriculture among Moldovan farmers) and the €358,000 project “Demonstrative utilisation of alternative sources of energy in Moldova through crop cultivation experimentation.” Both addressed environmental concerns in the agricultural sector.

### **2.8.2. Conclusions related to JC X1: Environment reflected in all EC Project Documents / Strategic documents**

The team found environment to be an omnipresent issue in all the available Strategy Documents which determined the areas and scope of EC assistance to Moldova. A large number of environmental activities were implemented utilising all the available Tacis instruments (national, cross-border and regional). The fact that nearly all environmental interventions were “stand alone” projects relating only to the environment raises the question of whether an attempt was made to mainstream environment into large multi-sector projects and programmes. The documents reviewed do not appear to stress the mainstreaming aspect.

### **2.8.3. Judgement Criterion X2 : Impacts of land reform on environment addressed in EC co-operation as recommended by 2000 Tacis evaluation**

Findings:

*Indicator X2.1: EC sponsored common actions undertaken by the line ministries, state and private business with participation of the environmental authorities or environmental NGOs.*

The team have identified only a few actions sponsored by the EC in which representatives of agriculture and the environmental sector, representing either public or private institutions, acted in concert. They are:

- Training in organic agriculture conducted within the Tacis CBC Project in Ungheni.
- The International Conference “Organic Agriculture Promotion in the Republic of Moldova,” organised and conducted within the Regional Tacis Project “Support to Regional Environmental Centre.”

- Raising the awareness of agricultural producers of the economic benefits of cleaner production (seven seminars for agricultural producers; training in the field of clean ecological product certification in co-operation with the SGS certification company).
- The conference “Cleaner Production Promotion Strategy in Moldova” organised and conducted by the Tacis Regional Cleaner Production project in the selected countries of the NIS (Moldova, Georgia, and Kazakhstan). Under this project, four leading food processing enterprises were audited, low-cost leaner production measures were implemented, and the financial benefit of clean production was identified.

Two more projects from the CBC Small Projects Facility – “Eco-Rural Tourism in Codru Lapusna” and “Demonstrative utilisation of alternative source of energy in Moldova through crop cultivation experimentations” amounting respectively to €61,700 and €357,939 each were launched In 2005.

These activities, all sharing the characteristic of bringing together different stakeholders in sustainable development, must be judged quite small relative to the scope of the problem identified.

#### Findings:

*Indicator X2.2: 2000 Tacis evaluation recommendations incorporated into EC co-operation related to agriculture / rural development.*

In a sense, the recommendation of the Tacis evaluation (that agriculture be removed from the priority list and replaced with rural development, with an emphasis on environmental sustainability) was followed because the team identified no large post-evaluation EC agricultural projects. This makes sense since the sector is well covered by bilateral assistance from EU MS (e.g., Germany, Netherlands) and from other donors.

However, as indicated in the previous discussion, the re-tooling of EC rural co-operation to stress the environmental dimension never really took place. Document review and interviews with EC Delegation and GoM officials in relevant ministries revealed little evidence that environment has been mainstreamed into agricultural development (or, for that matter, into development in other sectors). In the Tacis monitoring process, the stock answer to questions on the environmental impact of rural projects was “indirect positive impact on environment,” which is unconvincing in view of the scale of documented environmental problems.

An EC regional development project currently under development focuses on industrial parks rather than the environment, although the team recognise that regional industrial development has the potential to relieve pressure on land resources by creating employment.

#### **2.8.4. Conclusions related to JC X2: Impacts of land reform on environment addressed in EC co-operation as recommended by 2000 Tacis evaluation**

The team conclude that, relative to the magnitude of the problem (i.e., the impact of land reform on the environment) the involvement of the EC’s co-operation programme was insufficient. The 2000 Tacis evaluation recommended removing agriculture as a priority area *per se* and replacing it with broader rural development. While no large new agricultural projects were initiated, the EC sponsored very few projects addressing environmental issues within the context of agriculture or rural development. The lion’s share of assistance along these lines originates with donors such as USAID, the Netherlands, JICA, and Sida. Rural development activities already implemented or at the planning stage do not stress the environment, although they may have indirect positive impacts.

### 2.8.5. Judgement Criterion X3: European environmental approaches / standards promoted

#### Findings:

*Indicator X3.1: Number of industries applying for 14000 ISO standards.*

As described in the section relating to EQ(E), very few Moldovan firms have implemented ISO 14000 standards and only a handful of firms have taken steps to pass through the ISO 14000 certification process. There are two main (and to some extent related) constraints to achieving this goal: (i) managerial, that is difficulties in establishing environmental management systems (EMS) in the enterprises and (ii) financial, namely the need, to pay the consultancy services to establish a EMS as well as the fee for the certification procedure. More fundamentally, because overall progress on harmonisation and standards has been slow, top management frequently fails to realise that ISO 14000 certification is virtually a prerequisite for expansion into European and other international markets.

#### Findings:

*Indicator X3.2: Actions for environmental legal approximation undertaken (Number of environmental legal acts approximated / transposed).*

The approximation of the National Legal Framework to EU requirements is a current priority task of the Ministry of the Environment's (Environmental Policy Division). The Ministry recently prepared a Plan of Approximation of the National Environmental legislation to the EU Environmental *Acquis*. The plan has been sent to the Commission in Brussels for comments and has already been preliminarily assessed and commented on.

One project, "Preparatory EU approximation work of the Republic of Moldova in the Integrated Pollution Prevention Control and Waste Management," implemented by REC Moldova, explicitly addressed approximation. It produced detailed study of 16 EU Directives/Regulations for waste management and 4 Directives for the IPPC, compiling Tables of Concordance for each Directive/Regulation and issuing recommendations for further approximation to EU legislation. The Tacis regional project "Environmental Approximation in Moldova, Ukraine and Georgia" was implemented in 2002 and produced results covering the energy sector. The conclusions and recommendations are to be used to facilitate gradual introduction of EU environmental standards into the Moldovan energy sector.

However, to date no national environmental legal acts have been approximated or transposed. Only a few environmental sectors have been covered by the process of making local legislation compliant with the provisions of the EU and international conventions. These include public participation in environmental decision-making, some legislation governing waste management, and national legislation on Persistent Organic Pollutants. The latter is a good example of drafting of new legislation in line with the provisions of relevant international conventions and relevant EU Directives and Regulations.

#### Findings:

*Indicator X3.3: Moldovan approval and drafting of implementation plans for international environmental conventions (e.g., climate change).*

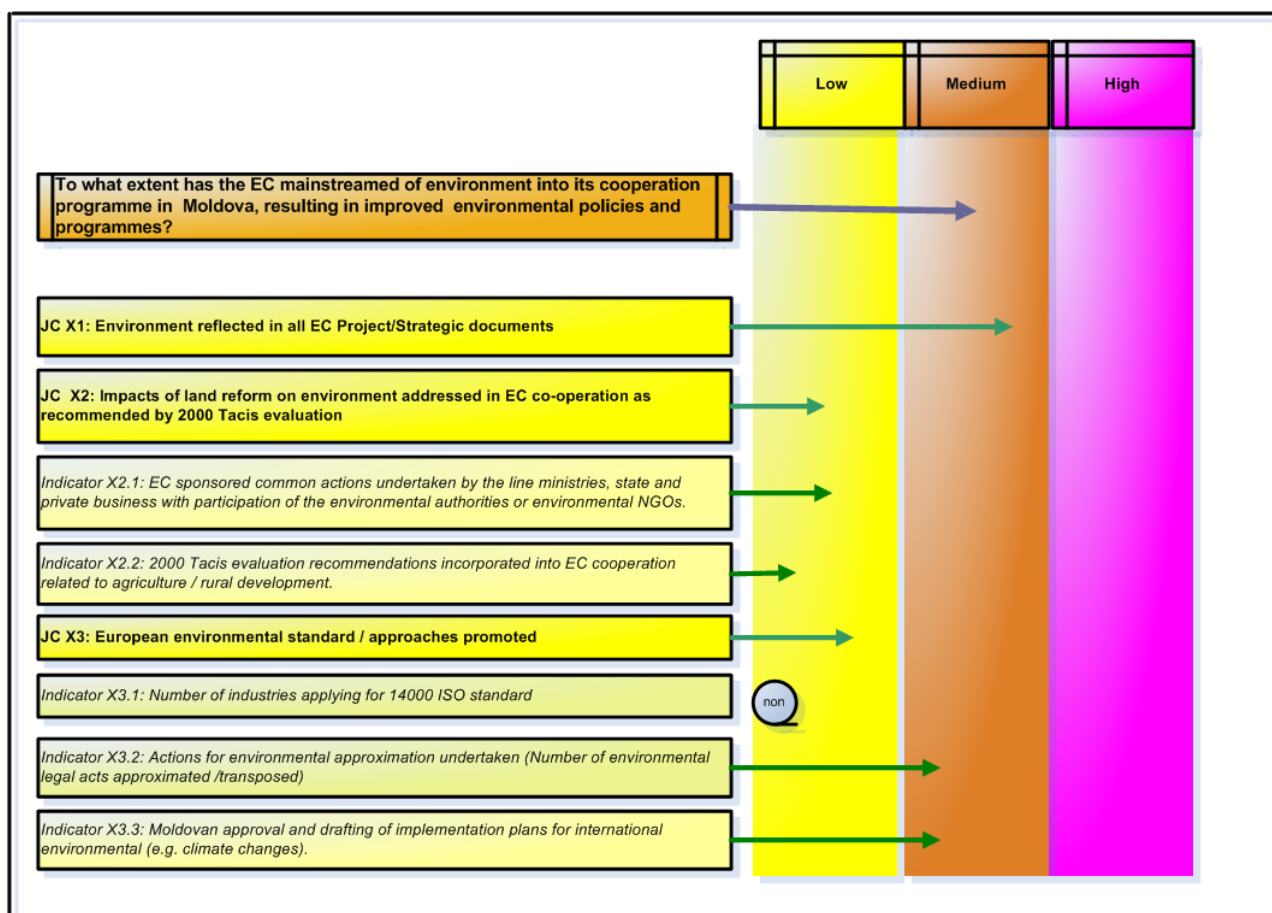
Moldova has actively participated in most global and regional events related to international environmental issues, and has ratified most international environmental conventions. However, implementation follow-up has been weak.

### **2.8.6. Conclusions related to JC X3: European environmental approaches / standards promoted**

Some positive trends have been noted in the promotion of EU environmental standards in Moldova. The EC has supported the preparation for legal approximation in priority areas such as waste management, industrial pollution prevention, and access to environmental information. The EC and Moldova have agreed to take steps to prepare for closer co-operation on horizontal and framework legislation. Moldova is a signatory to a broad range of international environmental agreements and participates in all relevant fora. However, all of this amounts to preparatory work – to date, no laws have been transposed or approximated and implementation of international agreements is weak. As an example of the preliminary nature of all this work, there has been no effective implementation of ISO 14000 environmental standards by Moldovan firms.

### 2.8.7. Overall answer to EQ(X)

Figure 18- EQ (X) Overall Degree of Achievements



The team's answer to this EQ (modified as described above) is mixed: the EC, through a wide range of instruments, has supported environmental activities ranging from infrastructure through clean production to fostering regional networks and awareness raising. Many of these have, in fact, resulted in improved policies, for example in the areas of organic pollutants and improved or approximated legal drafting. However:

- While all EC strategy documents recognise environment as a priority area, the great majority of EC interventions have been stand-alone projects. There has been little actual mainstreaming of the environment into larger sector projects.
- Interventions which brought together public and private actors from different communities, for example environmental organisations and groups representing agriculture or the food industry, have been small and scattered.
- Despite progress in preparing the policy platform for improved environmental policy, actual implementation has been slow. This is evident in the fact that no laws have completed the approximation process and the ISO 14000 environmental standards scheme remains unused in Moldova.
- The most concrete recommendation of the 2000 Tacis evaluation in this area, that agriculture be removed from the priority sector list and replaced with environmentally sound regional development, has only partially been implemented. There have been no new large-scale agriculture projects, but regional development for environmental sustainability has not been implemented.

## 2.9. EQ (T)-Transnistria

### To what extent has the EC's co-operation programme with Moldova resulted in tangible progress towards a viable solution to the Transnistria conflict? *[Effectiveness]*

The team's treatment of this EQ has been subject to limitations. It has been in no position to judge the political dialogue on TN *per se* or to comment on negotiations. On the advice of the EU Mission in Chisinau, the team did not visit TN or speak to any stakeholders from the TN side (NGOs, academics, etc.)

The paramount EC co-operation activity related to TN is the EU Border Assistance Mission to Moldova and Ukraine (EUBAM) established under the EC Rapid Reaction Mechanism (RRM) in 2005. The mission is currently funded by the European Union (Takis) and implemented by the UNDP. The Head of the EUBAM is also the senior political advisor to the EUSR (among other four advisors). The EUSR is a representative of EU High Representative for the CFSP function and his activities, being by definition political, are beyond the scope of our assessment.

#### 2.9.1. Judgement Criterion T1: Improved foundation for a political settlement of the frozen conflict.

##### *Findings:*

##### *T1.1: Improved data availability and monitoring of TN conflict*

The establishment of EUBAM resulted in an increase in the amount of unbiased information available about TN. Nevertheless, keeping in mind the mission's mandate, most of the data provided is not primarily focused on the TN conflict *per se*, but simply on trade into and (especially) out of TN. However, the presence of EUBAM has indirectly promoted discussion and information-sharing, both inside and outside Moldova, related more broadly to the TN issue. A valuable source of conflict-related information is OSCE, but its reports are not made public. Since 2004 a significant source of improved data on the conflict has been the UK-supported Peace Building Framework (PBF) project. One of the PBF partners – the Centre for Strategic Studies in Chisinau – is also a valuable information source related to TN.

##### *Findings:*

##### *Indicator T1.2: Increased confidence of all partners in the likelihood of an eventual solution*

Based on the information acquired during the field mission the team suggest adjusting this indicator as follows:

##### *Indicator T1.2: Increased mutual confidence of stakeholders involved in TN frozen conflict or its solution*

EUBAM should not be interpreted as primarily a confidence-building exercise fostering trust between the sides of a dispute or conflict. Nevertheless, it has certain confidence-building elements, as also outlined by the EU High Representative for the CFSP.<sup>43</sup> The necessity for TN and Moldovan authorities to communicate in the framework of Customs measures brought positive developments which tended to raise confidence. Moreover, some experts interviewed stressed an increase in the confidence of the Moldovan authorities (but also of ordinary citizens) as the eastern Moldovan border with Ukraine is under EUBAM's reliable control.

<sup>43</sup> [http://eubam.org/files/0-99/79/Solana\\_Remarks.pdf](http://eubam.org/files/0-99/79/Solana_Remarks.pdf)

The evaluation team had no direct contact with TN authorities for obvious reasons, and it is difficult to judge their perceptions second-hand. The limited information which the evaluation team acquired on this topic is rather ambiguous. On the one hand, the team were told that TN authorities appreciate EUBAM as it has disproved some of the accusations against them, particularly regarding weapons trafficking.<sup>44</sup> In this regard the 2005/2006 EUBAM Annual Report states: “On the basis of available information, EUBAM cannot confirm the existence of significant weapons trafficking”<sup>45</sup>. On the other hand other stakeholders in the conflict expressed the view that EUBAM is perceived by the TN authorities as a hostile mission and, in fact, a blockade of the region.

EU Member States report that they do limited work in Transnistria. For example, the UK engages various NGOs through the Peace Building Framework (PBF) Project. PBF focuses on strengthening of CSOs, promoting the role of the media, peace-building awareness, and improving the quality of conflict-related debate. The Deputy Head of the UK mission opened the 10<sup>th</sup> English Language Centre (ELC) at the Tiraspol Pedagogical University in December 2006 – sister centre to the ELC at Soroca Pedagogical College “A. Mateevici”.<sup>46</sup> The team also understands that other EU Member States (e.g. Germany, Romania, Poland, Czech Republic and Lithuania) pursue or support some activities in TN, related mostly to Civil Society, but also trade. The US and international agencies are also active. For instance, UNICEF works on preventing mother-to-child transmission of HIV/AIDS. Additionally, some Moldovan ministries attempt to address technical issues on a case-by-case basis, e.g. training and certification of TN physicians.

All these activities have confidence-building potential but Moldovan and international experts interviewed generally expressed the view that the impact of the current low level of activities is marginal. A number expressed frustration that more work is not done – by the EC but also other donors - to foster confidence and co-operation in relatively non-political areas. These might include, for instance, student and researcher exchanges, cultural co-operation, harmonisation of accounting standards and academic degrees, and issues relating to access of residents of TN to Moldovan medical care and the social insurance system. Last but not least, the view was also expressed that, while the problem has trade, economic, and social dimensions in addition to strictly security aspects, the latter has received disproportionate attention. A number of stakeholders expressed the view that they saw no fundamental reason why the EC could not at least open an information centre in Tiraspol.

#### Findings:

*T1.3: Internationally accepted and functional border control / management at all crossings into and out of TN (i.e. legitimate flow of people and goods facilitated and illegitimate flows tackled)*

EUBAM has functioned effectively as a border control mission in line with international standards. It enhanced Moldovan and Ukrainian capacities for border and Customs controls and border surveillance along their common frontier (including the TN section). These targets, which are set under the wider umbrella of ENP/ENPI, are supported by accompanying projects such as BOMMOLUK I and II (Improvement of Border Controls at the Moldova-Ukraine Border), which focus on development of risk analysis systems, training and procurement of equipment. EUBAM’s involvement improved security at Moldova’s border with Ukraine and ensured that exports from the Transnistrian region take place under the same legal conditions as apply to residents of the right bank of Nistru. More than 300 companies in the Transnistrian region have now registered on either a permanent or a temporary basis. In March the Moldovan government adopted an amendment to the regulation governing access to preferential trade regimes. The amendment, which was strongly recommended by the EC and supported by EUBAM, extends access to preferential trade regimes to temporarily registered companies in the Transnistrian region of Moldova, bringing their opportunities into line with permanently registered companies and requiring more stringent oversight of the origin of goods they export<sup>47</sup> This has helped to cement relations between the EC

<sup>44</sup> The Summary of the Reports to the Sixth EUBAM Advisory Board Meeting (22.06.2007) mentions in terms of smuggling cigarettes and meat. There have been also substantial seizures of cocaine in Odessa port.

<sup>45</sup> EUBAM Annual Report 2005/2006, page 17.

<sup>46</sup> <http://www.britishembassy.gov.uk>

<sup>47</sup> [www.eubam.org](http://www.eubam.org) : Summary of the Reports to the Sixth EUBAM Advisory Board Meeting (22.06.2007).



and Moldova but also, to a certain extent, foster relations between the two banks of the Dniester River. The EUBAM Field Office in Chisinau has in its area of responsibility the administrative boundary line between the TN Region and the rest of Moldova. Along the boundary there are no Border Crossing Points (BCP) but instead Internal Customs Control Posts (ICCP), which have the task to control the traffic of cargo that enters or exits in the TN area.<sup>48</sup> For more information on this topic please refer to EQ (J) in Section 2.2.

EUBAM has successfully facilitated legitimate flow of goods and people (in fact, this is considered by the mission itself as one of the most valuable areas of its work<sup>49</sup>). Putting EUBAM in place has made available consistent information on TN exports (comprehensively) and imports (to a limited extent). However, although EUBAM has had significant success in its progress towards internationally accepted and functional border control and management at all crossings into and out of TN, the problem with smuggling of animal products and vegetables continues.

One of the most important achievements since 2005 is that companies based in the TN may only export to and *via* Ukraine with official Moldovan stamps. This has reduced the ability of businesses in the breakaway region to operate without Moldovan oversight.

#### Findings:

##### *T1.4: Improved demilitarisation of TN (incl. reduction in Russian military presence)*

With regard to the withdrawal of Russian munitions and troops from Transnistria, the EU considers Russia to be tied to its commitments in the context of the OSCE context (Istanbul and Porto Ministerial meetings) and has repeatedly emphasised, notably in the context of the Maastricht Ministerial Meeting of December 2003 that the process should be completed without further delays.<sup>50</sup>

Nevertheless, to the team's knowledge there was no change in the status quo and the Russian military presence in TN did not decrease.

### **2.9.2. Conclusion related to Judgement Criterion T1: Improved foundation for a political settlement of the frozen conflict.**

Despite the limitations outlined above the team did interview a number of relevant stakeholders in Chisinau which added value to the desk phase research. In this context the team believe that it has a few useful observations to offer on TN and the EC co-operation programme.

Apart from training and advisory activities, EUBAM assists in the upgrading of infrastructure, notably *via* a number of other EC funded projects known as BOMMOLUK (Improvement of Border Controls at the Moldova Ukraine border). By its mandate EUBAM is an advisory technical body and it has no executive powers. *Virtually all experts interviewed assessed the mission as a considerable contribution to Moldovan and Ukrainian border management.*

Apart from EUBAM, there is no other major TN-related activity from the EC. (As mentioned the EUSR for Moldova is a representative of EU High Representative for the CFSP function and his activities are beyond the scope of our assessment). Some EU Member States carry out their own activities directly related to TN, especially in relation to Civil Society, even when this involves a certain degree of communication with the TN authorities. The most visible of these activities is the Peace Building Framework (PBF) Project funded by the British government. The *sine qua non* for these contacts is that the TN authorities agree not to trumpet them as evidence of international recognition, an arrangement that requires a level of trust that the EC has apparently not attained. There is a widespread view among stakeholders that there would not be any problem in opening an EC information centre in Tiraspol.

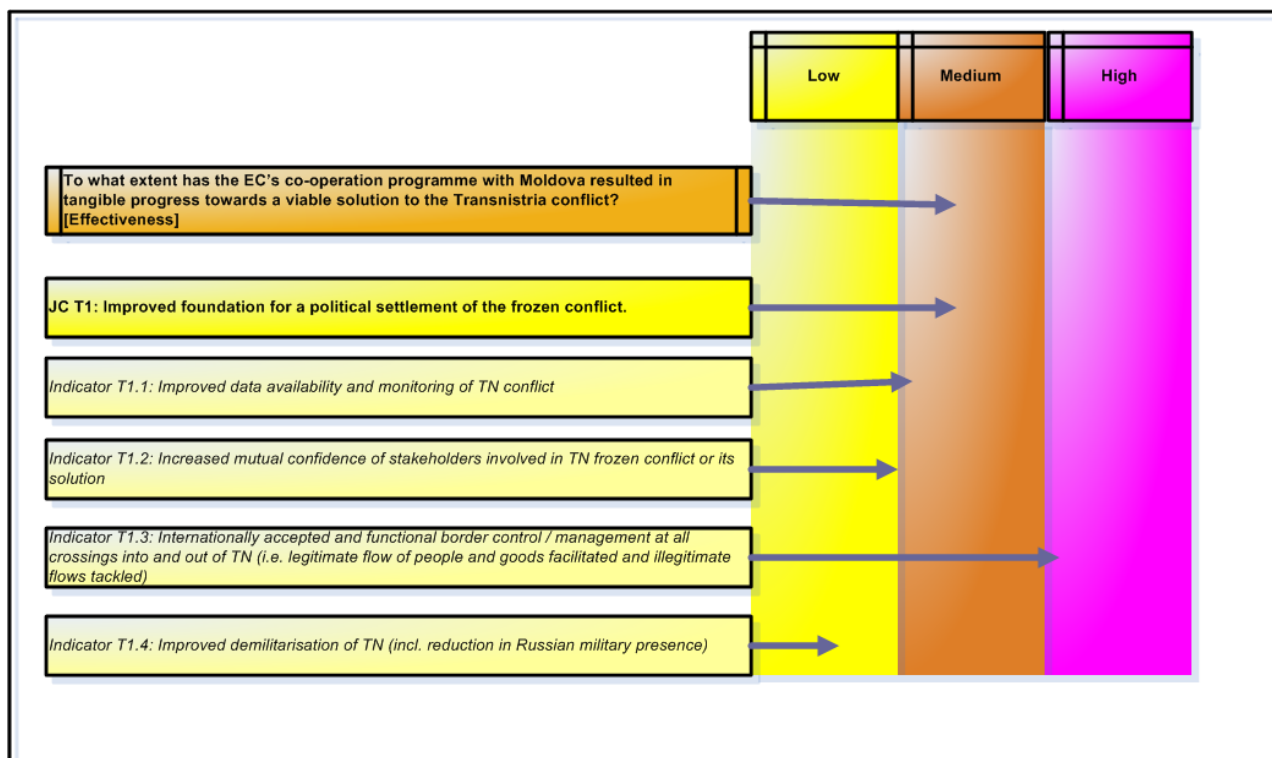
<sup>48</sup> <http://www.eubam.org>

<sup>49</sup> EUBAM Annual report. Page 10

<sup>50</sup> EC NIP 2005-2006

### 2.9.3. Overall answer to EQ (T)

Figure 19- EQ (T): Overall Degree of Achievements



Has EUBAM contributed to a resolution of the frozen crisis? Its contribution has been indirect, mainly through creating a favourable environment for conflict resolution, that is through successful performance of its prescribed activities. The mission provides on-the-job training and advice to Moldovan and Ukrainian officials to reinforce their capacity to carry out effective border and Customs controls and border surveillance. Through its work the mission contributes to strengthening cross-border co-operation and, to a certain degree, to increasing confidence among the stakeholders. Especially in terms of bringing transparency to the border and enhancing Moldova-Ukrainian co-operation EUBAM had made a very substantial – and widely acknowledged – contribution.

Nevertheless, although EUBAM touches upon the TN issue it would be misleading to perceive EUBAM as being solely or even primarily focused on bringing a solution to that issue. There is no direct link between EUBAM and a viable solution to the TN conflict and, moreover, EUBAM has been active only since 2005. A final settlement or movement towards the conflict solution, is the subject of intensive international negotiations, and could not be solved by EUBAM, which did not set out with this objective

It is striking that EUBAM, which the team may fairly characterise as focused on security-related aspects, is essentially the only major TN-related intervention carried out over the evaluation period. Yet the experience of other international partners, including Member States, demonstrates that it is also possible to address non-political social and economic aspects of the problem. In the team's view, this represents an opportunity missed. Therefore, while acknowledging the undisputable success of EUBAM within its given mandate (confirmed by an overwhelming majority of stakeholders) and taking into account the current *status quo*, the team conclude that over the evaluation period the effectiveness of EC co-operation *as a whole* in bringing the solution to the TN conflict was limited.

## 2.10. EQ (R) –Relevance and Coherence

**To what extent was the EC’s engagement with Moldova, taken as a whole, relevant to national needs and coherent with EC long-term policy objectives? [Relevance, Coherence]**

### 2.10.1. Judgement Criterion R1: Consistency between EC approach and national policy and institutional context.

Findings:

*Indicator R1.1: Sector balance reflects national policy priorities, taking into account activities of other donors.*

Generally speaking, EC interventions, and their balance, have conformed to the major policy priorities of the GoM. Support in areas such as Customs and border control, JHA issues, trade and FDI, the social sector and environment have been highly relevant to need. Within the various sectors, the team have found some cause for comment, for example the failure to promote environmental sustainability via regional development. Some interviewed EC officials expressed the view that structural constraints to rural development, such as the lack of adequate energy and transport infrastructure, the weakness of social networks, and others, were not given as much prominence as they deserved, and the team would agree with this. The overall portfolio of major areas of intervention, however, was appropriate. Taken in the round, the EC co-operation programme in Moldova was most certainly relevant to the overarching priority of the GoM (as well as the EC), namely close and mutually-beneficial economic relations.

Bilateral agency officials reported that lining up with GoM priorities was made difficult by the multiplicity of priority-setting documents – the EGPRSP, the EU-Moldova Action Plan for implementing the PCA, and the Programme of the GoM. For example, the EU-Moldova PCA Action Plan is a bilateral political document, whereas the EGPRSP is a national planning document. It is suggested that the National Development Plan now under development should be the master document from now onwards.

Implementation delays have, in more than a few cases, meant that significant changes had occurred in the national context prior to the interventions concerned, resulting in reduced relevance. For example, some projects from the 2003 Action Plan were only started in 2005. The most serious example may be the MEPO/MIEPO project where, by the time the second phase project started (three years late), the areas of support identified in the original ToR were outdated. EIDHR projects also experienced delays. Moreover in addition to affecting relevance, implementation delays can curtail project life, adversely affecting impact.

One intervention which stands out for its high degree of coherence with national priorities is the FSP targeted budget support programme. All stakeholders interviewed expressed high regard for the combination of responsiveness to Ministry priorities and the TA provided to ensure proper implementation and reporting, as well as to provide policy guidance on substantive identified issues. In a “special focus” section in Annex 3, the team have assessed this experience and its implications for the ongoing trend towards general budget support as the main instrument for EC assistance.

In looking at EC support to Civil Society development, the team expressed concern at the relatively low priority given to RoL, HR and democratisation (as opposed to social services). The team also concluded, based in part on comparisons between EC actions (essentially EUBAM) and other donor activities, that there are promising opportunities for actions addressing TN as a development an social issue, and not merely as a security issue.

The team discuss issues of EC coordination with other donors under EQ(C).

## Findings:

*Indicator R1.2: Balance between interventions supporting policy formulation and interventions improving policy implementation, taking into account activities of other donors.*

As in other countries, policy formulation (especially drafting of new laws and completion of studies laying the foundation for legal reform) has progressed further than policy implementation. This is, for example, clearly evident in the team's analysis of the SME sector, where thorough regulatory reform has not led to actual results at local level. The good groundwork laid down by the MEPO project, which has not borne fruit, is another example. Policy progress against corruption, which has nonetheless not resulted in effective prosecution levels, is another. The reasons range along a spectrum from resistance and lack of political will to lack of capacity and awareness on the part of those responsible for implementation of the adverse overall context.

Border control and Customs stands out as an area in which policy formulation was followed by effective implementation, because TA and capacity building was very "close to the ground" indeed. Also contributing substantially to the success of implementation of TA and capacity-building in border control and Customs is the fact that these are areas in which the strategic interests of the GoM and the EU are closely-aligned. Interventions purely at policy level have had a worse record, given that they depend on the political process, than interventions at implementation level or those which mix policy advice and immediate implementation. For example, because of the multiplicity of factors hindering SME development, including lack of access to credit, the thorough regulatory reform that was achieved failed to have much tangible impact in this area at local level.

## Findings:

*Indicator R1.3: Appropriate sequencing of policy dialogue, TA, capacity building, pilot projects, major programmatic interventions, where relevant.*

There are several examples of successful sequencing. One is the health sector, where small-scale TA was followed up by implementation of health care finance reform. FSP-financed social protection reform is another example although national roll-out has been disappointing. EUBAM, a successful large-scale programme, clearly owed some of its success to the strong foundation established previously through policy dialogue.

A concern expressed by donors is whether there has been adequate capacity-building for project management and implementation in both central and line ministries. This is of particular concern at a time when a substantial increase in European resources is envisaged, and especially when these added resources will consist, much more than in the past, of general budget support. Many international partners interviewed expressed concern that line ministries, not only relatively weak "social" ministries (e.g. Health, Social Protection, and Education) but also stronger ones such as Energy lack the capacity to formulate and implement projects. These concerns were confirmed in evaluation team interviews in some line ministries, which revealed a low level of awareness among senior members of Government of the modalities and parameters of the general budget support instrument.

As shown in the "Special Focus" section in Annex 3, experience with FSP (in the Ministry of Agriculture and Ministry of Finance) demonstrates that effective policy development and implementation units can be put in place. However, experience in other ministries, such as Health, has demonstrated the difficulties of retaining expert staff given the low level of salaries and generally poor management of human resources in the public sector.

Many bilateral and multilateral partners interviewed identified effective public administration reform as the *sine qua non* for addressing capacity problems. Reports on how this is proceeding differ, even among various EC officials interviewed. There is unanimity that CPAR started badly; some international partners cited with optimism the coming-on-stream of the World Bank sponsored CPAR project (in which the EC participates) about a year ago. A functional review has been

completed. However other international partners expressed concern that public sector staff reductions have been capricious and non-transparent, reducing rather than bolstering staff morale. One thing is certain, namely that with a move from projects to general budget support, the demands on the GoM to set priorities and ensure the effective use of external resources will rise.

While coordination is the subject of the next question, it is convenient to discuss coordination capacity issues here. International partners report that capacity for coordination in the Ministry of Economy and Trade (i.e. the NCU), where Tacis has supported capacity-building for a number of years, as well as in the Ministry of Foreign Affairs and European Integration, is currently inadequate. Reasons adduced in the case of the NCU include high staff turnover and the difficulties inherent in having a division of a line ministry department coordinating higher-ranking entities. The GoM – both the Ministry of Economy and Trade and the Ministry of Foreign Affairs and European Integration -- cites the broad responsibilities of the NCU and rejects the assertion made elsewhere that it is functioning essentially a project registration unit rather than a strategic planning unit. The Ministry of Economy and Trade would like to see an increasing role for the NCU in the drafting of Terms of Reference, which currently tend to be drafted in direct consultation between the EC and the direct beneficiary.

A number of interviewed GoM officials acknowledged that the coordination structures are complicated. Partially in response to this problem, the Government Office under the First Deputy Prime Minister has also been actively involved in coordinating technical assistance since 2006. There is now in place an official dedicated to EC assistance.

#### Findings:

*Indicator R1.4: Mix of Tacis national, regional, and cross-border instruments consistent with national needs and context.*

There has been good utilisation of all Tacis instruments, with regional and cross-border programmes especially prominent in the areas of environment and JHA. However, EC experts in both Brussels and the Delegation express concern that there is not sufficient coordination of the three forms of Tacis assistance, leading to overlaps and inefficiency. At least in the area of environment, as the team highlight in the relevant Special Focus section (annex 3), overlap has not been a problem. However, the concerns expressed concerned particularly the cross-border small projects programme, where the miniscule size of projects and the fact that they were located in isolated locations made effective monitoring difficult. There was no co-ordination between CBC small projects and the EC-Moldova Action Plan. In general, the GoM expressed the view that there was insufficient consultation in the setting of Tacis regional priorities and in the drafting of Terms of Reference.

### **2.10.2. Conclusions related to Judgement Criterion R1: Consistency between EC approach and national policy and institutional context.**

Overall relevance, in the sense of coherence between EC assistance and national development priorities at high strategic level, is not a serious issue. However, the nature of Moldovan development policy, with many plans in place over the evaluation period, has complicated the process of lining-up with national priorities.

GoM's institutional capacity to implement general budget support, the increasingly favoured form of assistance, can be questioned. As discussed above, the evaluation team's concerns have to do less with the capacity to manage funds than with the unevenness of competences across line ministries to bid effectively for resources and implement programmes. However, the FSP experience demonstrates that it is possible to put in place effective technical support units in line and central ministries and build capacity in the context of budget support. In general, the GoM needs further support for coordination and planning. External support in itself will not solve all problems, many of which have to do with staff turnover and poor incentives, problems that will not be solved without successful public administration reform. Views on how well the PAR process is going in Moldova are mixed.

The EC used a wide range of Tacis instruments, often deploying them effectively where there were important cross-border and regional aspects. However, particularly where the projects were small, coordination was ineffective (for more information see the following section).

### **2.10.3. Judgement criterion R2: The EC's approach advances EU long-term policy goals.**

Findings:

*Indicator R2.1: Coherence between policy dialogue and co-operation programme achieved, synergies exploited.*

As mentioned above, there has been a high degree of coherence between policy dialogue and interventions such as EUBAM or other JHA concerns closely linked to European security issues. The last-mentioned would cover core European concerns such as Customs and border control more generally, human trafficking and drugs; these have all been effectively addressed. Events such as the 2006 Donors Conference in Brussels have served to ensure coherence between the co-operation programme and EU policy priorities.

However the key to discovering and exploiting synergies more widely is effective communication between experts in Brussels, the Delegation, and Government. In the Chisinau Delegation there was no Head of Operations (a gap now being filled) and, apart from a political officer, no sector experts (e.g. in standards, agriculture, migration and asylum issues, etc.). Each project officer has also served *de facto* as a sector expert.

This arrangement has had the advantage of not compartmentalising project officers into purely administrative and process-oriented functions. However, based on EC experience in other countries a lack of dedicated, stand-alone sector expertise may place the Delegation at a disadvantage in its discussions with its GoM counterparts, as well as with its international partners, and thus reduce the chances solid project possibilities being identified. At the most basic level it reduces the capacity of the Delegation to utilise the co-operation programme as a platform for promoting and addressing EU policy concerns.

### **2.10.4. Conclusion related to Judgement criterion R2: The EC's approach advances EU long-term policy goals.**

There has been no inconsistency between the EC co-operation programme in Moldova and EU long-term policy goals. However, capacity constraints at the Chisinau Delegation, while they are now in the process of being alleviated, have constrained the ability of the EC to utilise co-operation programmes to promote EU interests and policies to the fullest extent. While a great deal was achieved (e.g., EUBAM, JHA, health), still more could have been.

### **2.10.5. Judgement Criterion R3: The EC's approach has adapted successfully to changing context and needs.**

Findings:

*Indicator R3.1: Emerging issues (HIV/AIDS, ageing population, balance-of-payments crisis) effectively integrated into EC approach*

Tacis has proved a flexible instrument for incorporating new themes, and the FSP has proved an extremely flexible instrument, as demonstrated by the speed with which veterinary support in relation to avian influenza was introduced by means of TA.

A key aspect of flexibility, however, is the ability to adapt Terms of Reference to a rapidly evolving situation, and in this regard the picture is mixed. The team have cited one major example – the MIEPO Project – where changing needs, priorities, and context were not reflected in the second-phase project which began only after substantial delays. Much of the most valuable impact of the

“Support to SMEs” project, TA at the Ministry level, was made possible only by an adjustment to the project’s Terms of Reference late in the project cycle.

#### Findings:

*Indicator R3.2: Mix of instruments and development of new instruments adapts to evolving needs.*

As the team have seen, a broad range of instruments has been deployed in Moldova, ranging from the three Tacis levels (national, regional, and cross-border) to EIDHR, TEMPUS, and so on. The development of the ENPI indicates a smooth adjustment to a changing policy environment.

#### **2.10.6. Conclusions related to JC R3: The EC’s approach has adapted successfully to changing context and needs**

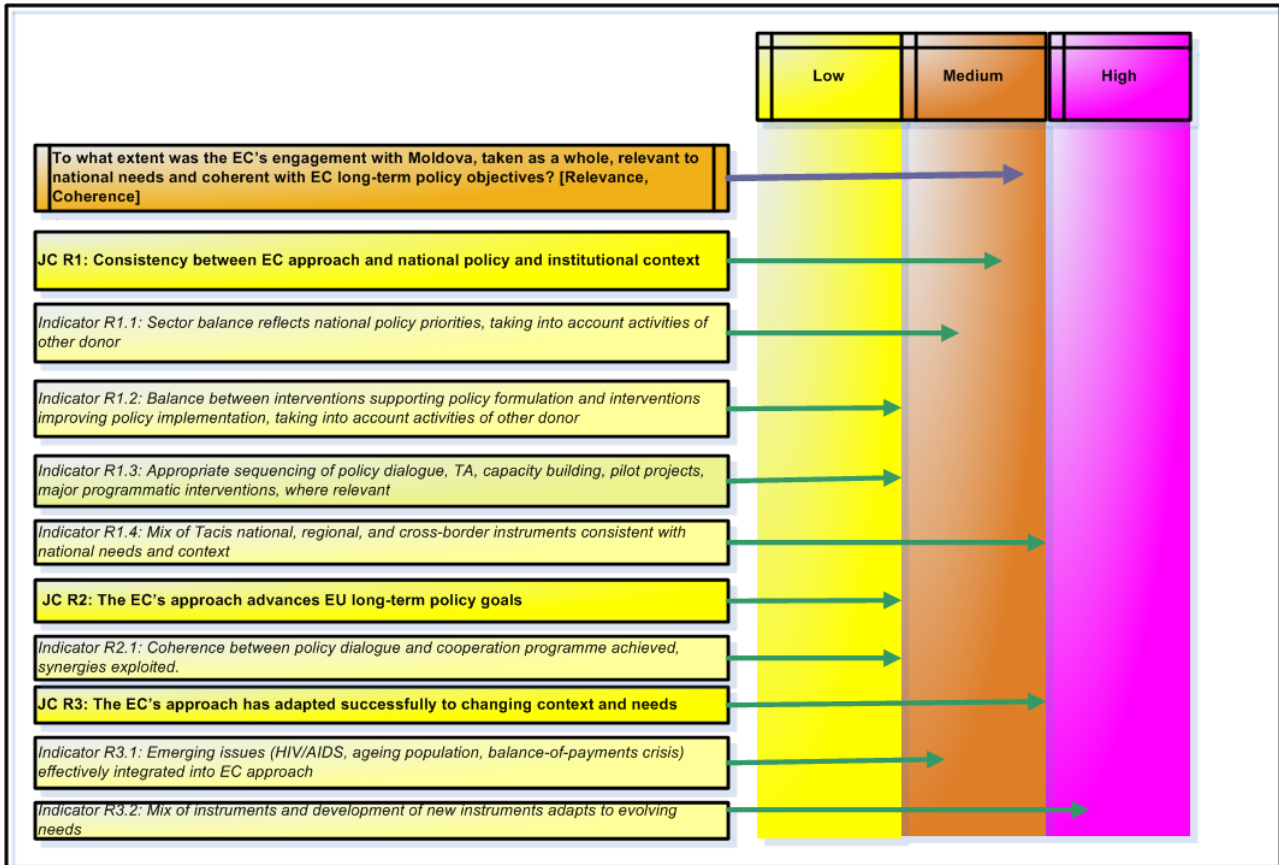
New themes have been introduced into TA as they arise, and stakeholders are especially impressed by the ability of the FSP to serve a rapid-response function in the area of social protection.

However, the major structural shift in the EC’s approach, and one that deserves further discussion, is the move to general budget support. This is clearly in line with expressed GoM needs, where interviewed officials were unanimous in welcoming the change, as well as the Paris Declaration commitments of both partners. When the reasons were probed at the level of government, however, it became clear that awareness of conditionality, the need to “market” Ministry needs, and the need for improved priority-setting, project formulation capacity, and so on, have not been entirely appreciated. A number of interviewed bilateral and multilateral officials expressed deep scepticism regarding GoM’s capacity to undertake these enhanced responsibilities.

Our analysis of the FSP shows that budget support combined with ministry-embedded TA and capacity-building can be effective. The problem is that it will not just be previously-identified ministries that will need support, but rather (in theory) all ministries. Coordination groups such as the NCU will also have greater demands placed upon them.

### 2.10.7. Overall answer to EQ(R)

Figure 20- EQ (R): Overall Degree of Achievements



In general the team's answer to both components of the question is positive. Especially at the overall strategic level, the EC co-operation programme has been consistent with the needs of the Moldovan people, GoM priorities, and European long-policy concerns. Areas relating to security and JHA were closely covered, as were the social sector issues addressed by the FSP; however the team identified some gaps in areas such as Civil Society and rural environment.

Despite consistency with EU policy goals, the low level of EC presence in Chisinau (currently being addressed) limited the extent to which the co-operation programme could serve as a tool for advancing European policy concerns.

Our main concern, which has been noted by all partners including some - albeit by no means all - GoM representatives interviewed, is the lack of capacity at all levels of the GoM (with the possible exception of the Ministry of Finance) to strategically plan and prioritise development interventions, develop proposals, and then coordinate effectively throughout the project cycle. The coordination structure is complex and gives rise to overlaps, inefficiencies and rivalries. The Ministry of Economy and Trade has expressed a desire that the NCU be more involved in strategic dialogue with donors, as well as in implementation issues. However, in a world of general budget support, it is line ministries which will have to bear greater responsibility for concrete proposals, with central coordinating agencies such as the NCU serving as a filtering mechanism. A review of the FSP shows that budget support coupled with TA at ministry level can work well, but the scale of TA needed will ratchet sharply upward with the transition from targeted budget support such as FSP to general budget support.



## 2.11. EQ(C) – Coordination and Complementarity<sup>51</sup>

**To what extent was the EC-Moldova bilateral co-operation programme coherent with and complementary to regional and cross border programmes and other EC instruments, as well as with interventions of other major donors?[Coordination, Complementarity]**

Tacis Regional and Cross Border activities have been largely limited to the fields of JHA and environment, not without reason, and the team have examined issues of coordination and overlap under the relevant EQs. In general, the team found that the full range of Tacis instruments has been used, that basic principles of comparative advantage were followed (e.g. regional projects really did address problems with multi-country aspects, etc.), that there was no egregious overlap in the sector examined (environment) but that coordination was limited, especially when projects were small. The team also examined the use of EIDHR, concluding that the instrument was insufficiently applied and that opportunities were missed. The team have also noted the GoM's view that better alignment of regional projects with national priorities could have been achieved.

As the team has discussed above, during the course of the field mission issues related to the GoM's capacity to coordinate foreign assistance became more prominent. Therefore, the team propose to modify the EQ as follows, (i) removing cross-border and regional coordination from the EQ as they have been discussed elsewhere, (ii) adding a reference to support for GoM coordination mechanisms to JC 1, and (iii) adding an indicator relevant to the latter. The re-stated question is thus:

**To what extent was the EC-Moldova bilateral co-operation programme coherent with and complementary to the interventions of other major donors, and to what extent did the EC strengthen GoM capacity to coordinate foreign assistance?**

### 2.11.1. Judgement criterion C1: EC adds value to the Member States' as well as international community's engagement with Moldova through coordination and support for GoM co-ordination.

Findings:

*Indicator C1.1: Through regular consultations and meetings, EC coordinates activities of Member States.*

The team found no evidence that the EC coordinates Member State activities. In part, this may be due to the short time that the Delegation has been in Chisinau and the fact that it is only now receiving its full staff complement. In general, the team found through interviews with bilateral and multilateral donors that the visibility of the EC Delegation among international partners is low.

Findings:

*Indicator C1.2: EC participates in other international coordination fora.*

Inter-donor communication in Moldova is relatively good, and EC Delegation staff participate actively in the monthly Donor Partnership meetings which are the main venue for inter-donor information sharing. In May 2006 the GoM and a number of the major development partners present in Moldova (EC, WB, IMF, SIDA, DFID, SDC, UN agencies, Ministry of Development and Co-operation of the Netherlands, and Estonia) signed an agreement "Coordination and harmonisation of Government and donors' activities to improve the efficiency of external aid for Moldova."<sup>52</sup>The Harmonisation Group put in place by this agreement meets quarterly to define the

<sup>51</sup> Please note that the issue of coordination among the different EC co-operation programmes is elaborated in Annex 2 : Special Focus V

<sup>52</sup> Co-ordination and harmonisation of government and donor practices for aid effectiveness in the Republic of Moldova : a Development Partnership Framework. Chisinau 29 May, 2006.

agenda of aid effectiveness, and the EC participates in these meetings. A draft work plan for aid coordination and harmonisation of aid practices has been established.

Whether coordination – in effect a mutual listing and prioritisation of concerns and interventions with a view to avoiding inefficiency and exploring synergies – is as strong as communication is open to question.

#### Findings:

*Indicator C1.3: Joint programming activities undertaken.*

The EC has been involved in at least one major joint programming exercise, namely EUBAM, implemented by UNDP. Another example would be the joint project with CoE “Support to Continuing Democratic Reforms”. Areas in which joint programming could be pursued, such as rural development, environment, SME development and social policy remain to be explored. There has been no co-financing with the World Bank, EBRD, or the EIB in Moldova.

#### Findings:

*Indicator C1.4: EC strategic planning documents identify gaps and discuss means of filling them.*

CSPs identify major donors and their areas of activity. However, it is not clear that filling gaps is an explicit aim of EC strategy. An area in which the EC can point to significant success is in providing flexible, highly-focused TA in response to GoM needs. This has occurred in environment, trade, SME development, JHA and others. By any reasonable definition such TA can be considered gap-filling. However the comparative advantage of the EC in flexibly providing snap-on TA components to large “bricks and mortar” projects financed by partners with deeper pockets (World Bank, EBRD, or EIB to take three obvious examples) has not been exploited.

#### Findings:

The added Indicator is:

*Indicator C1.5: EC strengthens GoM coordination mechanisms.*

Aid coordination has many aspects, from the simple project registration function through long-term strategic planning. A recent UNDP document has summarised issues, starting with the World Bank Aid Effectiveness Review (AER) assessment that, while medium-term vision and programming and implementation capacity are present in Moldova, an integrated long-term vision is not. The EC, given Moldova’s long-term ambition to pursue accession, is in a very strong position to encourage such a vision and give it a European stamp.

The report notes that, while the Ministry of Economy and Trade, which hosts the NCU, is the key strategic player, aid coordination is fragmented between a number of ministries (Finance, Trade and Economy, and Foreign Affairs). To address this problem the GoM has recently created the National Committee for Coordination of Development Assistance headed by the First Deputy Prime Minister. In addition the National Plan of Technical Assistance for 2005-2006 was approved to ensure an adequate framework for carrying out technical co-operation activities with donor countries and bodies, and to determine the priority directions of external technical assistance, with the aim of supporting the process of promoting economic and social reforms in accordance with the Economic Growth and Poverty Reduction Strategy (EGPRS) for 2004-2006.

Many experts interviewed were of the view that GoM’s capacity for aid coordination, particularly long-term priority setting and strategic planning, is low.

Like other donors -- and with the notable exceptions of FSP and the health sector -- the EC has devoted only a modest share of its efforts to strengthening national capacity for aid coordination. While project-oriented technical studies, policy papers, consultancies, and the like have had good impact, the EC - like other donors - has not systematically addressed the problem of weak capacity to coordinate and plan. This poses a serious and programme-wide sustainability issue.

Because GoM coordination demands will increase with the move to general budget support, the weakness of GoM coordination and strategic planning structures will become more evident if steps are not taken to strengthen them. The team have already discussed this issue to some extent in commenting on the appropriateness of EC assistance modalities to the national context. The team is taking this opportunity to stress that the greatest danger is not financial chaos, as some mistakenly believe. Recent assessments of the financial management capacities of Moldovan institutions, including the Council of Audit, conclude that while these are not ideal, they are adequate to reduce fiduciary risk to acceptable levels. It is rather that weak ministries will not have the capacity needed to stake a claim on aid resources and that, when they do receive them, implementation, monitoring and reporting will be weak. This could set in motion a cycle that gives rise to an unbalanced approach to development in Moldova.

### **2.11.2. Conclusions related to JC C1: EC adds value to the Member States' as well as international community's engagement with Moldova through coordination and support for GoM coordination**

The EC has participated in all activities designed to enhance donor coordination and promote the vision of the Paris and Rome Declarations relating to aid coordination and harmonisation of donor practices. The good faith of the donor community in Moldova, and the EC in particular, is not in doubt. Donor information sharing is enhanced by some structural aspects of the local setting: relations between donors are relatively collegial, in part because Moldova does not offer commercial advantages important enough to stimulate donor competition, Chisinau is a small and easily managed urban setting, and so on. Whether information sharing has given rise to actual joint priority-setting and programming is, however, not clear from the available evidence.

Many experts interviewed, including GoM officials, expressed concern about the fragmented and generally weak nature of aid coordination within the GoM – an area which the team have referred to as “if not complex, then at least complicated”. The GoM is trying to put in place a mechanism to address some of these issues. Like other donors, the EC has not done enough to strengthen the capacity of the GoM to coordinate successfully in every respect, from tracking of financial flows to long-run strategic planning. The move to general budget support will increase demands for GoM aid coordination.

### **2.11.3. Judgement criterion C2: EC approach is complementary to other actors' interventions.**

Findings:

*Indicator C2.1: Actions taken to ensure minimisation of overlap.*

The Donors' Partnership serves an information function and discourages overlap. EC strategic planning documents, as mentioned above, do not place great emphasis on avoiding overlap. In the one area that the team have examined in detail, environment, there has been successful avoidance of overlap between the various Tacis instruments. The GoM has pointed out that implementation delays have sometimes affected complementarity, as during the period of delay other donors may have commenced similar activities.

Findings:

*Indicator C2.2: EC strategic planning explicitly takes comparative advantage into account*

While small in terms of staff and limited in terms of aid resources, the EC nonetheless possesses a number of powerful comparative advantages over other multilateral donors and bilateral agencies, including MS bilateral agencies. One of these comparative advantages is in providing TA, and further in serving as a “one stop shop” for TA related to European approaches and models.

While EC TA has achieved a number of impressive policy impacts, the team was surprised by the number of times that GoM officials interviewed referred, with evident regret, to the EC as providing “only” TA.

Strategic documents do not reveal any consistent effort to achieve synergies via joint programming, for example by linking the EC’s comparative advantage in TA to the World Bank or EBRD’s comparative advantage in providing infrastructure and equipment.

Another area where the EC has a comparative advantage is in dealing with controversial issues relating to HR, RoL, and democratisation. As the team saw in our review of the EC’s support to Civil Society, however, these areas have been de-emphasised.

#### Findings:

*Indicator C2.3: EC interventions characterised by “additionality” and “gap-filling.”*

“Additionality” is difficult to assess because, at least in its classic definition, it would mean that EC assistance does not crowd out MS assistance. International aid is an abundant, not a scarce, resource in Moldova, and additionality is not a major concern.

The team have described the “gap filling” role of TA above.

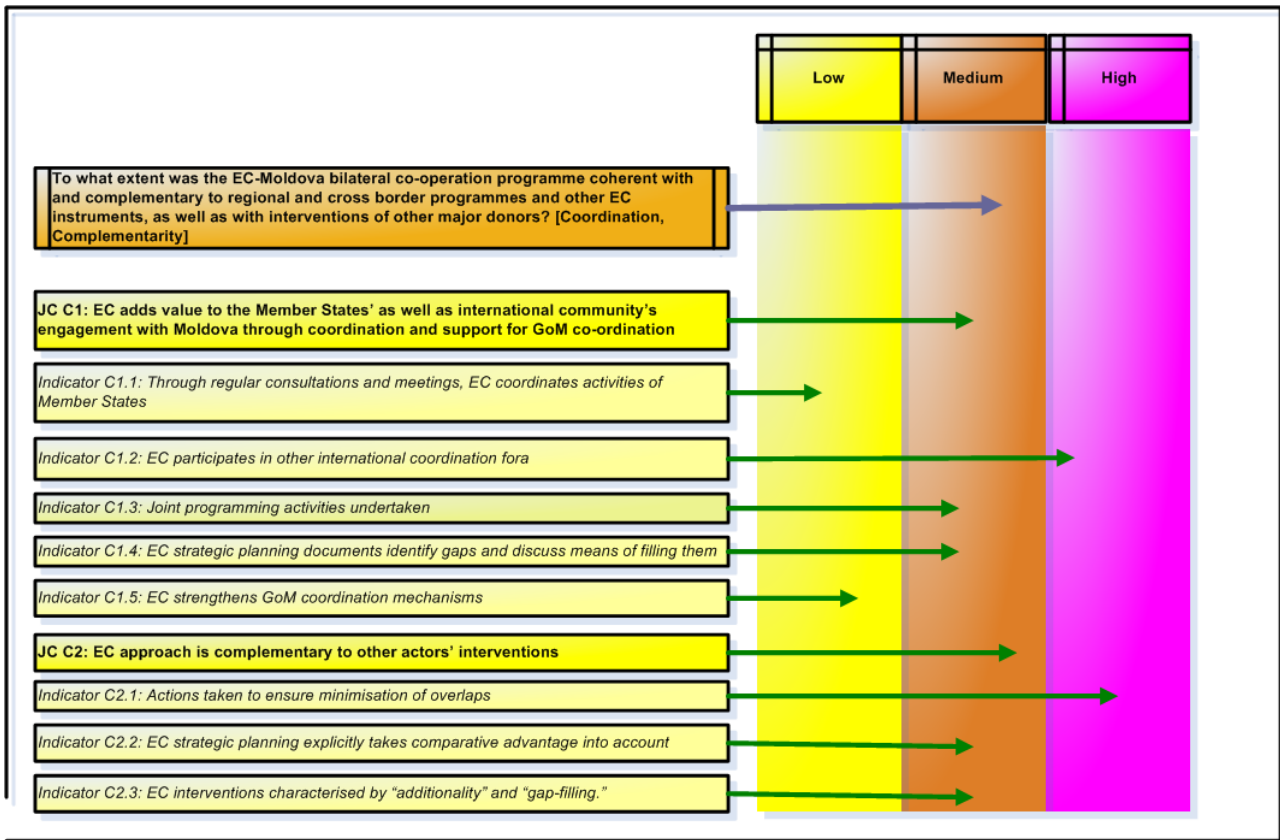
The EC has been active in some areas where MSs would find it difficult to act. This is most clearly true of EUBAM, where it might fairly be said that only the EC, and no other multilateral organisation and certainly no bilateral agency, would have been capable of taking action. The same is also true of Customs and border control and the fight against human trafficking, where political ramifications make it far more appealing to implement assistance at EU level rather than on a bilateral state-by-state basis.

#### **2.11.4. Conclusion related to JC C2: EC: EC approach is complementary to other actors’ interventions**

Sharing of information between donors in Moldova is good. The team discovered areas where more than one donor was active - SME development and TA for social sector targeting, to cite only two - but this is to be expected in a country that is a major recipient of external assistance. Perhaps without having been explicitly considered in terms of comparative advantage and complementarity, EC TA has leveraged other donor interventions by promoting good policies and European approaches. TA has also, almost by definition, served a “gap filling function.” There is no evidence that one obvious synergy, obtained when EC TA is matched to other donors’ provision of infrastructure and equipment, has ever been considered or exploited.

**2.11.5. Overall Answer to EQ (C)**

Figure 21- EQ (C): Overall Degree of Achievements



The main aid coordination problem in Moldova is not inter-donor coordination *per se*, it is the fragmented nature of GoM coordination mechanisms and the low capacity of institutions. The EC has entered into all the right commitments and attended all the right meetings in the area of inter-donor communication. However, with the notable exception of the FSP, the EC has not devoted substantial resources to building capacity for coordination. NCU has difficulty in carrying out its own assignments, let alone assuming a larger strategic planning role.

The team's examination of complementarity, comparative advantage, and gap filling has often brought it back to TA, an area in which the EC excels. Yet TA could be better leveraged, by marketing it more aggressively to the GoM, promoting it as a branded European product and linking it to other donors' activities. Both "gap filling" and comparative advantage issues led the team again to highlight the rather small role that HR, RoL and democratisation have played in the EC's support for Civil Society.

### 3. SECTOR-SPECIFIC RECOMMENDATIONS

#### 3.1. EQ (J) - Justice and Home Affairs

##### 3.1.1. Recommendations related to JC J1 trafficking in human beings and improvement in migration/asylum management systems

In assessing JC J.1 relating to trafficking in human beings (THB) and illegal migration, the team found that the EC had contributed to significant progress in this area. However, EC measures implemented during the evaluation period will only be sustainable through consolidation of the various prevention campaigns and socio-economic and psychological re-integration activities. While the GoM has shown increased commitment to THB issues, as reflected in particular in the number of legislative amendments adopted during the reference period and the Government's decision to mainstream IOM's hotline facility, the sustainability of measures able to tackle THB effectively will require multidisciplinary strategies encompassing education and training; the involvement of educators, health care workers and police; and promotion of economic empowerment of potential and actual victims of trafficking, in both urban and rural areas. Such strategies should include effective information and guidance services on legal migration opportunities for Moldovan nationals, including the screening of job offers and employment contracts prior to migration abroad.

In devising suitable job creation and economic empowerment activities, due account must be taken of the fact that wages for women still lag far behind those of their male counterparts and that traffickers target their recruitment efforts on vulnerable young women between the ages of 14 and 30 in rural Moldovan areas. In addition, according to information provided by IOM, higher-paid and higher-quality jobs, both in Moldova and abroad, are almost entirely male-dominated. As a result Moldova remains the primary source country *per capita* for victims of trafficking in the CIS region, nearly exclusively represented by women and young girls, dwarfing the neighbouring countries of Ukraine and Romania of which the populations are many times that of Moldova. A special emphasis on young women in rural areas should thus be applied in any future EC measures in the field of anti-trafficking.

In the field of illegal migration, the WNIS territory (Belarus, Moldova and Ukraine) has become a major transit area for illegal migration directed to the EU, particularly through organised smuggling of migrants. Although the EC is currently supporting a two-year Tacis project on Migration Management in the Republics of Belarus and Moldova (TACIS/2005/104-300), there appears to be an urgent need to step up efforts to develop Moldova's capacity to detect, register and handle increasing numbers of illegal and transit migrants, not least since Moldova now shares common borders with the EU. This includes negotiating re-admission agreements with neighbouring States as well as strengthening Moldova's capacity to deliver reception, detention, status determination, care and removal services conforming to international standards. Training and other institutional strengthening activities will also be needed following agreements for readmission and visa facilitation between the European Community and the Republic of Moldova, which were finalised in April 2007.

Furthermore, existing legislation appears to be insufficient to tackle the problems of immigration control in Moldova, particularly as regards illegal entry and transit migration. There is a need to assess the compatibility of legislation relating to irregular migrants with relevant EU and international standards, including international obligations stemming from the treaties and conventions to which Moldova is a party.

In the field of asylum, given the fact that most of the EC measures to date have aimed at upgrading Moldova's legislative framework and improving reception conditions, there is a need to focus future

assistance on integration of refugees into society and the labour market, as well as on measures designed to fight xenophobia.

### **3.1.2. Recommendations related to JC J.2: Customs and border management**

The team's conclusion regarding JC J.2 was also that the EC has made a significant contribution to progress. The team recommend that increased and more efficient co-operation should now be promoted between the Customs administration and Moldovan businesses with a view to improving awareness and accurate knowledge of the Customs legislation and practical regulations among economic operators. Well-targeted public information campaigns should also be supported for wider segments of the population, particularly in relation to the risks entailed by illegal activities such as smuggling and illegal border crossings.

Because the lack of full demarcation of the green border has often precluded prosecution of offenders, establishment of physical defences at the green border should both ensure better detection and apprehension capacity for the Customs and Border Guards Services and contribute to reducing the need for patrolling too large a number of border locations.

According to EUBAM, legal amendments are still needed to improve prevention and deterrence capacity in relation to smuggling and criminal activity. In particular, there is a need to delegate responsibilities for investigative and operational decisions to a larger number of staff within both Services, and to lower the threshold for initiation of criminal proceedings, so as to allow an increase in the number of prosecutions. This further includes the need to step up risk analysis capacities within both Services, so as to maximise operational efficiency and bring it into line with EU norms.

Similarly, further decentralisation is needed within both the Customs and Border Guards Services, with a view *inter alia* to appointing regional anti-smuggling teams capable of engaging in search and detection activities.

Increased inter-agency co-operation should be promoted and supported, both domestically and internationally. Nationally, this entails more systematic co-operation between Customs, the Border Guards, the Police, the tax authorities and the Ministry of Foreign Affairs, with a view to establishing, gradually, Moldova's capacity to adopt an Integrated Border Management approach conforming to EU and international standards. Internationally, EUBAM continues to advocate the need for further development of links and co-operation with EU and international organisations involved in border management and the fight against cross-border crime, particularly Interpol.

The Customs Services has also expressed the need for future technical assistance to facilitate Moldova's participation in the 'Columbus Programme', managed by the World Customs Organisation.

The sustainability of EUBAM's and BOMMOLUK's results to date, and the future phasing out of both programmes, should be carefully considered and planned, including further efforts to secure full local ownership of the processes and solutions promoted by these two programmes.

### **3.1.3. Recommendations related to JC J.3: Drug trafficking**

In view of the comprehensive activities developed by BUMAD since January 2003, the range of results already achieved in terms of upgrading Moldova's legislative framework and institutional capacity to deal with drug trafficking, and the continuing need for further measures to facilitate implementation of the new policy instruments and technical facilities, it is recommended that a fourth BUMAD phase be supported by the European Commission.

Owing to the fact that drug trafficking in Moldova and neighbouring states has increased significantly over the past two decades, there is a need for future EU support to focus more predominantly on activities to facilitate effective implementation of interdiction and prevention

measures, particularly through increased regional co-operation between law enforcement agencies, and effective sharing and processing of intelligence.

In view of the very significant rise in domestic drug consumption over the last ten years, which to a large extent reflects an increase in regional heroin trafficking, expanded and well-tailored information and prevention campaigns should be supported among relevant age groups and in relevant locations in Moldova. There is also an evident need for further improvements in the medical and psycho-social care services directed at drug users.

In terms of drug statistics, the operational staff of the National Drugs Observatory have highlighted a need for quality improvements in data collection, including adjustment of such data to EMCDDA standards and ensuring their comparability with other countries in the region and with the EU Member States. This will entail better communication with, and collaboration from, local, regional and international organisations involved in illicit drugs control and prevention, including improved information exchanges (confidential, operative and routine information) aimed at preventing data collection errors and overlaps.

#### **3.1.4. Recommendations related to JC J.4: Progress against corruption**

The team's conclusion regarding corruption (JC J.4) was mixed – legislative progress has been made, but actual prosecutions for high-level corruption lag far behind. While activities to strengthen the independence of the judicial system and the professionalism of judges and prosecutors have been supported, it is concluded that increased emphasis should be placed on these two elements by current and future EC-supported measures. The on-going Tacis project on 'Corruption, Money Laundering and Terrorist Financing', which runs until July 2009, provides an adequate tool for channelling increased activities such as training, monitoring mechanisms and other institution-building and awareness-raising measures, and addressing issues of independence and poor professionalism within Moldova's judicial system.

In addition, as recommended by the ENP Progress Report on 'Strengthening the European Neighbourhood Policy' (4 December 2006, SEC(2006) 1506/2), there is a need for Moldova to reconsider the division of competences between the various agencies involved in the fight against corruption, in close co-operation with the Council of Europe.

While the Council of Europe has been the main implementer of all donor activities on anti-corruption and money laundering in Moldova, and therefore has been able to transfer, as appropriate, international good practice into Moldova's legislative and policy amendments, there would be merit in some of Moldovan legal and enforcement staff, particularly young judges and public prosecutors, gaining increased exposure to EU and international practice through well-tailored study visits, internships and temporary job placements abroad.

Although the Moldovan Parliament adopted, in March 2006, some amendments to its anti-money laundering law, further legislation, particularly secondary legislation, is needed to align Moldova's legislative framework with international standards, not least with a view to full implementation of the relevant Council of Europe Convention.

The role of Civil Society, and in particular of key stakeholders such as Transparency International, should be strengthened. Although TI is a member of the Monitoring Group established by the GoM to advise on implementation of the new legal and policy instruments in the fields of corruption and money laundering, there continues to be significant mistrust between public authorities and key NGOs on many issues including the reliability of statistics, surveys and other reports issued by TI.

Public awareness campaigns, both within the population at large and among victims of corruption, particularly in the business sector, should be expanded and supported further. Insufficient co-operation from those segments of the population most likely to be targeted and affected by corruption appears to be a key factor in the relatively poor improvement in Moldova's corruption record during the period of reference for this evaluation.



### 3.2. EQ (N) – NGOs and Civil Society

#### 3.2.1. Recommendations related to JC N.1: Accessibility of EC funds and relevant information

In looking at JC N.1 on accessibility of EC funds and information to NGOs, the team found that many NGOs are unaware of EC funding opportunities or, if they are aware, find the process of obtaining funds not to be user-friendly. The EC, the team have found, was not sufficiently visible on the Moldovan scene over the evaluation period; now that its presence has been enlarged, there is an opportunity to forge stronger links with Moldovan Civil Society.

Some of this is not the EC's fault; it arises rather because of the very low capacity of all but the top-of-the-line NGOs in Moldova. The EC should devote efforts to improving NGOs' institutional capacity to identify funding opportunities, pursue them, and then successfully manage projects. Among possible measures are streamlining of assistance, making smaller grants available, and ensuring that information is available in Romanian or Russian as well as English.

It is evident from the massive increase in the number of NGOs in Moldova that many are in effect shell organisations formed for the purpose of pursuing donor support and which in practice add little value. To discourage this phenomenon, the EC should target and support grassroots movements possessing credible mission statements and a proven commitment record. NGOs must be aware that direct financial support is not the only precondition for their development.

Although the capacity of local donors from the business community is limited, their involvement should be sought and domestic philanthropy promoted. This would contribute to better embedding of Civil Society within the State structure and dissociating it from the international community with its frequently supply-driven nature and disputable sustainability.

#### 3.2.2. Recommendations related to JC N.2: Fostering constructive interaction between the GoM and Civil Society.

In examining JC N2, the team registered two concerns. First, according to the NGOs interviewed the GoM's engagement with Civil Society does not take the form of a transparent, two-way exchange between equal partners. Second, EC support to Civil Society has been mostly within the "safe zone" of social service provision, very few opportunities in the areas of human rights, RoL, and democratisation being pursued. The team recommend that the EC continues encouraging development of genuine and independent Civil Society in Moldova through facilitation of its dialogue with GoM. The EC should monitor NGO participation in political and policy dialogue to clarify whether the GoM approach is selective and non-transparent, as some interviewed experts described it.

EC priorities in strengthening Civil Society in Moldova, for example the issue of social sector support *versus* HR and democratisation, should be reviewed. In parallel, the EC should strategically reassess HR and democratisation priorities in Moldova and evaluate the results achieved. Depending on the results of such a review, the successful EC assistance to the social sector could be used as leverage on the GoM to engage with CSOs on human rights and democratisation issues.

The team expressed particular concern over what it believes to be underutilisation of the EIDHR instrument and over delays in those projects that were carried out. In response to this the EC should undertake an evaluation of EIDHR in Moldova and analyse reported failures, especially those relating to implementation delays.

### 3.3. EQ(S) - SMEs and rural development

#### 3.3.1. Recommendations related to JC S1: Income, poverty and unemployment trends in areas where SMEs and regional development schemes were piloted

The team concluded that nothing in the data consulted suggested that there has been a “take-off” in rural Moldova. Given the severe environmental degradation associated with Moldovan agriculture, vitalizing non-farm employment is essential. Since Moldova is a small country, all but a few enterprises are, in effect, SMEs. SME development is therefore a highly appropriate response, and the EC should continue to work in this area. However, when compared with other SME-related projects (see also the Special Focus section in Annex 3) the team found the results of the EC’s work in this area to be meagre. In order to improve impact and achieve tangible results in the form of improved income, reduced poverty and reduced unemployment, the team recommend a broader approach than applied in the past.

The experience with Business Centres indicates that simply making available advisory services and training is not enough. Local entrepreneurs and would-be entrepreneurs need a large and varied basket of services available at all points in the life cycle of their business, from start-up through expansion to, if necessary, termination. The team would recommend:

- Lengthening project duration. Two years has proved insufficient to achieve a lasting impact.
- Address the entire range of problems faced by SMEs, from poor local infrastructure through lack of access to credit to lack of business skills, rather than concentrating only on a subset of needs.
- Adopt a strategic approach to SME development. Not all SMEs have an equal chance of success. Two basic conditions for an SME to flourish in rural Moldova are horizontal links to a major economic sector (such as to agriculture *via* food processing) and vertical links to larger firms, perhaps through an outsourcing arrangement. The presence of these links, as well as various agglomeration and networking economies, should be considered.
- Put more emphasis on partnerships with local government, local firms (perhaps via local Chambers of Commerce) and other projects, including EC-financed projects.

#### 3.3.2. Recommendations related to JC S2: Barriers to SME development alleviated

The team found that the EC had contributed to significant progress at the level of national policy and legislation relating to SMEs. Administrative barriers have been significantly alleviated. The new barriers to entry, however, take the form of restricted access to finance. Given the progress that has been made in regulatory and administrative reform, this area may be in line for a period of benign neglect, with resources instead being devoted to the problem of access to credit. It is known that there is no shortage of liquidity in the Moldovan banking system. Why then is so little of it translated into credit to SMEs? A review of the situation should be carried out to ascertain why lenders are reluctant to lend and, equally important, why potential borrowers are reluctant to borrow. By serving as an unbiased broker of information between banks and entrepreneurs, Business Centres can help unblock the credit pipeline. An even more direct intervention would be joint participation with international financial institutions or bilateral donors to make subsidised lines of credit available to SMEs (perhaps targeted specifically on priority end-uses such as meeting international norms and standards in food processing).

### 3.4. EQ (E) – Trade and economic links

#### 3.4.1. Recommendations related to JC E1: Increasingly close economic trade and economic relations between EU Member States and Moldova

Pro-Europe rhetoric aside, Moldova remains a country better suited to exporting to the CIS than to Europe. The key to changing this bias is to ensure that Moldova benefits as much as possible from its steadily widening list of trade preferences. The World Bank has already recommended that an analysis should be undertaken to determine the extent to which Moldova is taking advantage of these preferences, the reasons for failure to do so in identified cases, and the long-run structural issue of how to encourage the structural economic reform that will take greatest advantage of Moldova's geographical proximity to Europe.

Apart from commissioning TA and analysis, in concrete terms the EC can do the following:

- Deal with export promotion and FDI as two sides of the same coin, since given the low capacity of domestic firms, the best route to export promotion is encouragement of FDI. This in turn, will require broad progress in improving efficiencies in the regulatory regime and quality standards.
- Put export promotion in its broader context by linking it to domestic policy reform. This would imply switching from an event-, mission-, and brand-based export strategy to one aimed at relieving the internal constraints which hamper all firms, such as land-use regulations and VAT reform.

Taken as a whole, these suggestions can be regarded as switching the focus of export promotion from the demand side to the supply side, from awareness-raising among potential buyers to reducing the barriers experienced by potential exporters.

#### 3.4.2. Recommendations related to JC E2: Increased capacity of Moldovan firms / sectors to benefit from trade

The team concluded that, while great progress has been made through the MEPO Project, implementation delays and outdated ToR relating to the follow-on MIEPO project allowed progress already made to be dissipated. In implementing the supply-based strategy described above, the EC should take steps to ensure that projects have impact on new small firms, not only on large well-established enterprises.

In answering this EQ, the team's expert interviews and document review repeatedly brought it back to the issue of low product quality and the failure to make substantial progress on standards. As long as these problems remain, firms will not be able to exploit trade opportunities, nor will FDI take off. Therefore, the team's final recommendation is that implementation of EU-consistent standards and improvements to product quality should be treated in the future as cross-cutting themes in all trade and economy interventions.

More generally, the EC should not impose an artificial distinction between enterprise-level and macro-economic interventions. Indeed one of the drawbacks of the EC's co-operation programme in this area to date has been its tendency to compartmentalise. Progress at aggregate level can only be achieved by improving firms' export performance, which in turn is constrained by GoM and EC failures to reform standards thoroughly and improve the overall business climate.

### 3.5. EQ (F) – Food Security Programme (FSP)

#### **3.5.1. Recommendations related to JC F1: Alleviation of budgetary constraints on social protection.**

The team concluded that the EC FSP instrument significantly alleviated fiscal constraints in the area of social protection. In the light of the still-existing budgetary constraints, and also to ensure that critical needs for social protection are adequately catered for, similar support should be continued under the new ENP Instrument. A problem is that, given the necessary suspension of FSP disbursements during the period when Moldova fell out of alignment with its macroeconomic adjustment programme, FSP disbursements were misaligned with annual budget requirements. In this context a better alignment of actual contributions (disbursements) with annual budget requirements needs to be achieved.

While saluting the success of the FSP, the team raised the persistent issue of what is to be done in the long term. The EC cannot support the social sector in Moldova indefinitely, and the necessity of putting the social sector on a sustainable basis must continue to be at the centre of EC policy dialogue with the GoM.

#### **3.5.2. Recommendations related to JC F2: Capacity of childcare institutions to provide adequate food and other essentials improved**

The team concluded that the FSP financed essential improvements in conditions in child care institutions. Conditions are however still far from ideal and there is room for further EC budget support in this regard.

The GoM is committed to a policy of de-institutionalisation, and TA provided under the new budget support instrument can contribute to this process. It is recommended that GoM officials be trained in approaches being implemented in other countries facing the same problem (for example Serbia). The challenge of de-institutionalisation is an ideal area in which to work with Civil Society organisations at local community level, perhaps pairing public agencies and local NGOs in designing and implementing solutions.

As institutional care is replaced with foster-care and targeted assistance to families, the budgetary burden of dealing with children in need of care will shift. This should be recognised in advance and incorporated into the MTEF.

#### **3.5.3. Recommendations related to JC F3: Ability of rural families to take adequate care of their children (and other dependent family members) improved**

The team concluded that the FSP promoted targeted child support payments and that these have benefited households at the bottom of the income scale. At the same time payments per child are so low that the number of households actually lifted out of poverty by these payments is minimal. Only a combination of increased resources and better targeting of those resources that are available will increase the impact of child assistance payments. The team discusses targeting below.

The FSP adopted a broad approach to rural poverty, financing not only social transfers but also projects on water and sanitation, irrigation, honey production, and veterinary health. Future support for such activities should be coordinated with broader EC involvement in rural development in Moldova, such as in trade promotion (e.g. phytosanitary standards), SME development, and so on.

### **3.5.4. Recommendations related to JC F4 and JC F5 targeting of vulnerable groups and social policy reform**

The team noted that the EGPRSP promised a change in social assistance policy from a “category” orientation to a targeted orientation. While progress has been made, much of it in the context of TA provided by the FSP, results have been considerably more modest than the sweeping reform promised. The EC should continue to encourage social sector reform under the new ENPI. As other donors are also interested in improved targeting, the EC should initiate a coordination process to ensure that policy messages to the GoM are not contradictory. There are different approaches to targeting, each with its set of advantages and disadvantages, and it would be regrettable if progress was delayed because of conflicting signals.

The team identified the lack of a comprehensive database as a major constraint to social assistance reform. The reasons why this is not in place should be identified and, again in coordination with other donors, the EC should consider steps for filling this gap.

Under GoM’s overall mandate and responsibility for putting these measures into practice, there is substantial room for the EC (and other donors) to continue its support under the new European Neighbourhood and Partnership Instrument (ENPI). Poverty reduction has been identified as one of the focal areas for future increased EC assistance.<sup>53</sup>

## **3.6. EQ(H) – Health**

### **3.6.1. Recommendation related to JC H1: Public health system strengthened due to EC interventions**

The team concluded that, through a long series of policy advisory projects, the EC had significantly contributed to far-reaching reform of the public health system in Moldova. This reform has consisted of two major steps. The first was the re-orientation of medicine from a specialist-based approach to a family medicine approach. To some extent there has also been a re-orientation away from treatment towards health promotion. The second step was institution of a mandatory health insurance system guaranteeing access to a basic package of health care.

The EC still has much to contribute, and TA should continue. A particular need, during the transition to general budget support under the ENPI, is to improve the capacity of the Ministry of Health to identify, formulate, and manage projects.

### **3.6.2. Recommendation related to JC H2: Tangible benefits to health, especially for vulnerable groups (women, children, the elderly)**

Based mostly on the 2005 Demographic and Health Survey and interviews, the team concluded that there are still significant gaps in the health insurance system. The team recommend that a survey be instituted to identify who is falling outside the umbrella and why. Based essentially on anecdotal evidence, the team identified access to pharmaceuticals as a problem. Again, a commissioned study on this problem might point the way to the policies needed to address it.

While it is impossible to establish causality, general trends in the health of women and children have been favourable. However, the health of working-age adults does not appear to have improved at all. The team did not study the problems of men in particular, but it has been generally observed in the CIS region that adult males face a range of health problems associated with behavioural factors (essentially poor diet, tobacco and alcohol, all in an overall context of high

<sup>53</sup> Commission of the European Communities, ENP Progress Report Moldova, Brussels, 4 Dec. 2006

stress). Expanded screening for high blood pressure and measures to discourage tobacco use and excessive alcohol consumption are concrete measures that the team recommend.

### 3.7. EQ(X) – Environment

#### 3.7.1. Recommendations related to JC X1: Environment reflected in all EC Project Documents / Strategic documents

The team concluded that environment is reflected in all strategic policy documents. However, based on the preponderance of stand-alone projects, the team would recommend that the EC increase its commitment to mainstreaming by channelling more assistance through sector projects in transport, industrial production, agriculture and food processing industry, and so forth.

#### 3.7.2. Recommendations related to JC X2: Impacts of land reform on environment addressed in EC co-operation as recommended by 2000 Tacis evaluation

The team found no evidence of effective follow-through of the recommendation to drop agriculture as a focus sector and concentrate instead on an environment-based regional development strategy. More precisely, to the extent that there was follow-through, it was because there were no further agriculture projects rather than because an environment-based regional development strategy was put in place. The team would recommend that the EC re-visit the 2000 Tacis evaluation to ascertain whether its recommendations are still relevant and, if so, what adjustments should be made to current and future programming. The new regional development project should be reviewed to ascertain its environmental linkages (e.g. through employment creation, thereby relieving pressure on the land base). The potential for undertaking actions to promote more sustainable agricultural practices within the context of the project should be assessed. Environmental components could be mainstreamed into rural SME development. Since other donors are active in rural development, steps should be carefully coordinated so as to avoid overlap and exploit synergies.

#### 3.7.3. Recommendations related to JC X3: European environmental approaches / standards promoted

The team concluded that there has been very little progress in achieving ISO 14000 certification or in promulgating European phytosanitary standards. It will therefore be necessary to sensitise business owners to the importance of ISO certification and agricultural producers to the advantages of compliance with phytosanitary standards. Since environmental and trade interests are perfectly aligned here, this represents a good opportunity for mainstreaming environmental concerns into trade and FDI promotion.

### 3.8. EQ (T) – Transnistria

#### 3.8.1. Recommendations related to JC T1: Improved foundation for a political settlement of the frozen conflict.

Based on stakeholder and expert interviews, the team's basic recommendation is that the EC should construct TN not only as a security issue but also as a social and development issue. If this were done, further possibilities for contributing to resolution of the frozen conflict would be opened up. They could include academic programmes and exchanges but also Civil Society strengthening.

Sequencing and confidence-building would be crucial, best through a *gradual build-up of activities*. Moreover, co-operation relating to TN should be seamlessly integrated into the Moldovan

co-operation programme so as to avoid any hint that TN is being recognised as an independent entity.

A likely way to start would be by focusing on non-controversial social sector and Civil Society issues, as well as on technical issues related to standards and certification. As regards the ongoing Civil Society strengthening projects in the rest of Moldova – focused on the social sector – there is a great opportunity to implement lessons learned and use fresh contacts established in this framework. The evaluation team was pleased to learn, in comments made on a draft of this report, that a Civil Society project related to TN is provided for in the 2007 National Action Programme.

In the interests of promoting information flows, the EC should investigate the possibilities for opening EC information centres in TN. Experience from the UK PBF shows that such a step can be accomplished without the risk of being publicised by TN authorities as evidence of recognition.

Lessons learned from the PBF – but also development activities of other EU Member States (MS) – should be analysed and greater coordination with these partners fostered. In this context the team suggest investigation of further possibilities for single MS contributing to a solution, including in their capacity to act on the EC's behalf. Special preference should be paid to MS with cultural and linguistic similarities to those in TN region.

None of this is to relegate EUBAM, recently extended until 2010, to second place. However this flagship mission could usefully be supplemented with smaller activities addressing the social and economic implications of the conflict as well as its security implications.

### **3.9. EQ (R) – Relevance and Coherence**

#### **3.9.1. Recommendations related to JC R1: Consistency between EC approach and national policy and institutional context.**

In general, the EC's approach to Moldova was relevant to national needs over the evaluation period. The instruments used, with an emphasis on policy-related TA, were consistent with the national policy and institutional context.

The team noted that the GoM is attempting to consolidate its many policy-relevant documents into an overall development plan. The EC should stand ready to provide assistance for this process.

The team look at the issue of aid modalities below in discussing adaptation to the changing context. It also has a few specific recommendations which, in its view, would increase the consistency of the EC programme with national needs. Increased attention should be given to areas such as rural development and some aspects of Civil Society; the team would also cite here its recommendation that co-operation relating to TN focuses on social and development issues.

#### **3.9.2. Recommendations related to JC R2: The EC's approach advances EU long-term policy goals.**

The main concern that the team flagged in this area was the low EC presence in Chisinau over the evaluation period. Lacking critical mass, the EC Delegation could not effectively advocate and promote EC policy goals. With the setting-up of the EC Delegation, this situation is changing. It would be useful, however, to prepare at this early stage a comprehensive strategic document identifying needs in management, sector expertise, communications and outreach, and so on.

So far, programme and project officers have also effectively served as sector experts. This arrangement has advantages and disadvantages which need to be weighed. In the process of putting together the strategic document recommended, the EC should consider what, if any, stand-alone sector expert posts are required in Chisinau.

As a general point cutting across JCs R1 and R2, the team note that the key to successful interventions at all levels is the existence of a shared strategic interest.



### **3.9.3. Recommendations related to JC R3: The EC's approach has adapted successfully to changing context and needs**

In general, the EC received high marks for adaptability to changing needs and contexts. The star example of this strength was the FSP, which was able to provide highly flexible TA on demand and re-start disbursements significantly faster than other budget support programmes. One negative note was the prevalence of implementation delays, which in the case of the MEPO/MIEPO project had serious repercussions for the relevance of the Phase 2 project.

The main issue related to this JC, however, relates to the transition to general budget support under the ENPI. The EC is committed to providing a substantially larger share of its assistance in the form of general budget support. A recent joint evaluation of general budget support was favourable to the modality, noting that it promoted efficiency, permitted closer alignment to national priorities and, with some exceptions, promoted rather than discouraged fiscal discipline. In view of this generally favourable evaluation, and in view of EC policy commitments in the context of the Paris Declaration, the team support the transition, but with the following caveats:

- The team were impressed at the success of the TA and capacity-building delivered in the context of FSP, a budget support programme, albeit one in which most resources were targeted. The team recommend that general budget support is used to deliver TA and capacity-building in both central and line ministries. In making this recommendation, the team note that the evaluation referred to above found that TA and capacity-building were the least well-integrated components of general budget support.
- While experts interviewed were of several minds on the issue, the team recommend that the capacity of line ministries to compete for the fiscal resources made available by general budget support be critically assessed and steps taken to improve it where necessary.
- General budget support will increase the coordination responsibilities of the GoM. The team make recommendations on this below.
- Finally, there is a continuing need for expectations management and awareness-raising as regards general budget support. GoM officials, weary of coping with a multiplicity of projects, sometimes donor-driven, may be forgiven for thinking that a new day is dawning. However, the reality of the matter is that general budget support will be accompanied by conditionality; resources will continue to be limited, and the need to ensure sustainability will, if anything, receive even greater donor scrutiny.

## **3.10. EQ (C) – Coordination and Complementarity**

### **3.10.1. Recommendations related to JC C1: EC adds value to the Member States' as well as international community's engagement with Moldova through coordination and support for GoM co-ordination**

EC staff in Chisinau have participated in all relevant coordination fora and information is effectively shared among donors. However the team found little evidence of advantage being taken of opportunities for true coordination and collaboration. The EC could play a role by serving as a centre for coordinating with Member States in a number of areas of broad interest. Among these are social protection and rural regional development.

The EC should actively support GoM attempts to streamline strategic documents and improve coordination structures. The team have noted that demands for coordination will increase with the growing importance of general budget support. The team recommend that, following a review of assessments of capacity needs for coordination done by other agencies (such as UNDP) and a

review of experience in the context of the FSP, the EC should consult with the GoM on a comprehensive programme of capacity-building for aid coordination and strategic planning.

**3.10.2. Recommendations related to JC C2: EC approach is complementary to other actors' interventions.**

There appear to be a number of niches that the EC could vigorously exploit. In particular the team recommend that the EC “market” its TA explicitly as a means to alignment with European models and approaches while incorporating European expertise and experience. The EC should actively explore opportunities for linking EC TA to other donor programmes and projects, presumably those involving relatively large amounts of money, infrastructure, and equipment. EC co-financing can also be “piggy-backed” on to large loans, for example in the form of small grants to help small businesses take advantage of new energy or transport infrastructure financed by institutions such as the World Bank, EBRD, or EIB.

Finally, the team noted that the EC is able to take action in controversial areas where bilateral donors are reluctant to intervene and where other agencies (e.g. UNDP) can act only in concert with Government. As discussed in relation to Civil Society, the team recommend that the EC exploit its ability to engage Moldovan institutions in the areas of human rights, rule of law, and democratisation.

## OVERALL ASSESSMENT OF THE EC CO-OPERATION STRATEGY, CONCLUSIONS AND RECOMMENDATIONS

### 3.11. Global Evaluation of the EC strategy

#### 3.11.1. Effectiveness and efficiency

Effectiveness measures the delivery of anticipated outputs; efficiency asks whether results were attained with a reasonable level of resources.

Monitoring Reports, the team's main source in these areas, present a mixed picture of effectiveness. A number of major projects were implemented only after significant delays. During the period of the delays, national needs and context often changed significantly and, in the specific case of MEPO/MIEPO, our view is that the launching of the delayed second phase on the basis of outdated Terms of Reference seriously reduced the quality and relevance of the project.

Human resources issues, as always, were a major factor determining the effectiveness of projects. Despite much analysis of the sources of success and failure, it remains the fact that the most certain route to project success is the combination of an enthusiastic national project director and a highly competent international (or national) project advisor who work together well. The recruitment of high-quality international expertise is difficult in Moldova, as elsewhere.

On the side of the GoM, at all turns the team was told that effective Central Public Administration Reform is a pre-condition for the success of international assistance in Moldova. Opinions differed sharply on how the current CPAR is progressing. The team note in passing that there has been little EC involvement with CPAR. Some officials found this regrettable, others did not.

One cross-cutting aspect of Tacis co-operation, affecting impact, effectiveness, efficiency, and sustainability, was the very short (two-year) project lifecycle. Long-term engagement in TA and capacity building, plus the highly flexible nature of the support provided, was one of the reasons for the success of the EC's FSP, which has received strong accolades from everyone involved. Short project duration was one of the explanations the team arrived at for the relatively weak performance of the EC's SME development project compared with similar projects financed by other donors.

Efficiency should ideally be measured in output per Euro expended. Quantifying benefits is difficult or impossible, but nonetheless some trends can be identified. In areas such as health sector reform and the alleviation of poverty via the FSP, very large tangible impacts have been obtained through expenditure of limited amounts of money. In other areas, such as trade and SME development, the situation is the reverse – large sums were expended, but little tangible impact was evident. EUBAM is generally held to be a very efficient operation. Overall, the team have noted that Moldova is the second-highest recipient of EC external assistance in *per capita* terms, outranked only by the Palestinian Authority. Significant though they are, it is difficult to imagine that countrywide impacts have been commensurate with the very large flow of funds invested by the EC. Our judgement on efficiency is therefore mixed.

#### 3.11.2. Impact

The team have identified many positive impacts, ranging from improved health policy to amelioration of unspeakably poor conditions in children's institutions to the bringing-up-to-standard of Customs and border control. Information gathered during the field phase has bolstered our initial impression that, while there has been broad success in policy formulation, policy implementation and enforcement have lagged. Specific examples relate to corruption (new laws, but few prosecutions), environmental approximation and standards and phytosanitary standards. While EC TA has effectively addressed policy reform, this has not culminated in tangible results. The most concrete example is the continued failure to make significant inroads into the structural problem of rural poverty through, for example, SME development and promotion of agriculture-based exports. The team do not say that impacts on direct beneficiary populations have been low -- the FSP, in

particular, has achieved impressive results -- but these impacts have not had the multiplier effects and linkages that would make for sustainable impacts on poverty.

One result of the field mission has been that of making the team more aware of the community level deficits -- lack of clean water, lack of reliable energy, poor transport infrastructure, and so forth - that keep communities mired in poverty. These grass-roots problems, although acknowledged, were never at the heart of the EC's strategic approach in Moldova.

Trade and FDI is another area where TA and policy reform have not translated as well as would be hoped into tangible results. The business climate in Moldova, while not ideal, has improved, owing in part to EC support for regulatory reform. The main barrier in this area, the team were told repeatedly, is low product quality and the failure to comply with European standards and sanitary and phytosanitary standards. EC strategy has focused on the demand side, creating a Moldovan brand and publicising Moldovan products through trade fairs and other promotions, whereas the unfortunate fact is that Moldovan industry, agro-industry, and agriculture have very few products that are ready for the European market. Moldova remains, despite its geographical proximity to Europe, a country more geared to export to the CIS than to Europe.

### **3.11.3. Sustainability**

The field mission has identified a number of cases where the institutions supported essentially ceased to function after EC support was withdrawn. The clearest example of this was the Business Centres put in place to advise rural SMEs. Other programmes are, by their nature, not designed with the long term in mind. The FSP, despite its success in providing budget support to the social sector, was never designed to finance Moldovan social assistance in the long term. While there has been some progress towards improved targeting and social sector reform, much remains to be done. The transition from MEPO to MIEPO was problematic, in part because of EC mistakes, but also in significant degree because the GoM failed to provide the expected resources. The problem of the sustainability of Moldovan Civil Society – which is essentially donor-driven as there is no tradition of private support for Civil Society in Moldova – also remains an issue.

Too often, interventions related to TA had little lasting effect after international support ended. Exit strategies and forward-looking strategies for institutionalizing policy units could have improved this situation. In addition to classic TA projects – which, it has to be admitted, tend to come and go even in spite of institutionalisation strategies put in place -- there is much scope for offering access to EC and EU information and contacts. The aim would be lasting access and the nurturing of partnerships for and with Moldova.

### **3.11.4. Relevance and external coherence**

Based on a reconstruction of the intervention logic of the EC's co-operation with Moldova, the relevance (with national policy priorities) and external coherence (with EC policy priorities) of the approach was strong. There has been a high degree of continuity, with the PCA in 1998, the Tacis strategies from the early 2000s, and the EU-Moldova ENP Action Plan of 2005 all responding to similar stated needs and deploying broadly similar strategies.

While relevance at the level of broad strategy presents no fundamental problems, alignment with national priorities at a finer-grained level is made difficult by the many planning frameworks extant. The GoM is currently addressing this situation through the First Deputy Prime Minister, who is consolidating the various frameworks into a single planning framework.

Within sectors, the team have noted cases where the team think relevance could have been improved. For example, SME development interventions tackled regulatory and administrative issues but not credit constraints. Civil Society development, by concentrating on the delivery of social services, may well have contributed more to developing the social sector than to developing Civil Society *per se*, since beneficiary organisations were disproportionately those that already had relatively good capacity. The Tacis 2000 recommendation to implement a regional approach to rural development with an environmental focus does not seem to have had much impact.

EUBAM, an EC flagship project, is widely credited with having addressed EU policy concerns (including the issue of exports from the breakaway region of TN), providing needed capacity-building in the area of border and Customs management and generating welcome information about TN trade. While these are highly relevant to the security aspects of the TN situation, the EC co-operation strategy has not really addressed the social and development aspects of the frozen conflict which are wide, for example social insurance issues for the affected population, standards and certification, harmonisation of academic qualifications, and so on.

The team have noted that some of the most successful interventions, including EUBAM but also related to other Justice and Home Affairs issues (such as illegal trafficking in human beings) were successful in part because they manifestly addressed joint, equally shared strategic concerns.

### **3.11.5. Coherence with national context and coordination**

“Aid effectiveness” has become almost synonymous with the Paris and Rome Declarations in which donors agree to increase the proportion of their aid channelled through the Government budget and to streamline and harmonise procedures. The EC has participated in all coordination and harmonisation fora in Moldova, and co-operation among donors is generally good. Whether this has resulted in real coordination and collaboration is perhaps to be questioned. It is in donors’ nature to compete, and only strong guidance from Government can truly enforce the standard exhortations to avoid overlap, achieve complementarity, and exploit synergies.

There are two main problems with GoM aid coordination in Moldova -- the scattered, fragmented, complicated nature of coordination structures and the weak capacity of those structures to coordinate and, as important, to plan strategically. The GoM is currently implementing changes in the coordination structure and is confident that these changes will significantly improve the situation; most international partners interviewed, however, expressed doubts.

The aid coordination and strategic planning issue will become more serious as the EC, in line with its Paris Declaration commitments, increases the share of its aid given as general budget support. While this move is strategically sound, it will place higher demands on the GoM, especially on Ministries that will, in effect, have to compete with other Ministries for access to funds.

An issue specific to Moldova is the fact that, until last year, no Delegation was in place and that, until recently, there was not a full staff complement (in particular, no Head of Operations at the time of the field mission). The team note that this situation has been addressed, with the final “transfer of files” scheduled to occur in November 2007. The team commend Delegation staff in both Kiev and Chisinau for having implemented reasonably high-quality co-operation programmes under such circumstances. It needs to be recognised, though, that this arrangement limited the effectiveness of the EC co-operation strategy over the evaluation period. One result is that the EC, despite being a very large donor in Moldova and one which should have special leverage given Moldova’s long-term ambition to accede to the EU, has achieved little visibility.

## **3.12. Conclusions**

### **3.12.1. Overall Conclusion (a)**

There has been a wide gap between policy formulation, often significantly advanced by EC TA, and tangible impacts on development outcomes. In most sectors reviewed – JHA, SME development, trade and FDI promotion, and environment – legislation has been reformed, international best practice has been adopted where relevant, and GoM partners have benefited from European expertise. Yet implementation has lagged in some areas of JHA, especially corruption, and new laws have not been aggressively enforced. Thorough regulatory and administrative reform and the provision of SME Business Centres has not had an impact on rural unemployment. Exports to Europe remain low, as does FDI, and the environment continues to deteriorate, especially in the rural area. While FSP had a very tangible impact on the vulnerable

populations it assisted directly, it did not make any significant inroads on rural poverty. Private sector development, while it remains an official mantra, has proceeded very slowly.

### **3.12.2. Overall Conclusion (b)**

The EC has contributed to Civil Society development mostly within the “safe zone” of social service delivery. It was involved to a limited extent in the more controversial aspects of Civil Society development, specifically HR, RoL, and democratisation. The EIDHR instrument was not consistently used. While respecting the EC Delegation’s view that poverty and the social situation are worse problems than political human rights, the team believe that the last-mentioned represents an opportunity missed. The contribution of the EC co-operation programme to resolving the TN issue has consisted almost entirely of the border control programme EUBAM which, while generally judged a success, leaves aside the social and development aspects of the frozen conflict.

### **3.12.3. Overall Conclusion (c)**

GoM capacity for aid coordination and related strategic planning is weak. In recognition of this, the GoM has put in place a new structure under the First Deputy Prime Minister, who is also responsible for streamlining the multiplicity of development planning frameworks into one comprehensive document. With a few exceptions (the FSP being the most notable), the EC has not consistently supported aid coordination by devoting substantial resources to TA and capacity-building. However, the weakness of GoM’s capacity is not entirely due to confused structures and lack of foreign assistance; staff turnover, incentive problems, to name but two, are also serious. Opinions differ on the effectiveness of the ongoing public administration reform and level of EC involvement in it. Yet, a wide range of partners interviewed expressed the opinion that the key to improved aid effectiveness, in the context of increasing general budget support, is rationalised human resource policies and reform of GoM structures.

### **3.12.4. Overall Conclusion (d)**

Macroeconomic stabilisation, the presence of reasonably sound financial management capacity, and adequate ownership provide a strong basis for general budget support. The move to general budget support in Moldova is clearly in line with Paris Declaration commitments to channel a greater share of assistance through the Government budget. Experience with the FSP shows that such assistance can be flexibly aligned with GoM priorities and re-aligned as these shift. The FSP, however, represented targeted budget support, which is now discouraged. Moreover, the FSP was accompanied by intensive TA and capacity-building in the Ministries affected, and it is unclear that this will be the case with general budget support. The main danger with general budget support is that weaker (usually social) Ministries will not be able to access budget support funds because they will be unable to represent their case effectively at the level of the Ministry of Finance. The support that they do receive may be inefficiently handled, monitoring and reporting may be weak, among other problems. Moreover, outside the central Ministries (such as Trade and Economy and Finance), GoM officials do not appear to fully understand the direct budget support modality, and in particular the nature and extent of conditionality is not appreciated in line Ministries.

### **3.12.5. Overall Conclusion (e)**

Based on interviews in both Delegations (Chisinau and Kiev) and interviews with GoM partners and other donor agencies, the team conclude that the quality of EC co-operation in Moldova over the evaluation period was affected by the limited EC presence in Chisinau. Among the effects were

low EC visibility, with resultant weakening of impact and reduced ability to pursue the EC's long-term policy agenda. In spite of staff efforts backstopping of projects was slower than desirable. One office (Kiev) faced the challenge of expanded workload and low visibility of "events on the ground"; the other office (Chisinau) found its effectiveness blunted by reduced levels of responsibility.

The opening of the Delegation in Chisinau, the recruitment of a Head of Operations and Budget and Finance staff, and the "transfer of files", the last two of which took place during the course of this evaluation, are clear evidence that the EC has been aware of this situation and has responded.

### **3.13. Overall Recommendations**

#### **3.13.1. Based on Overall Conclusion (a)**

When relatively effective TA fails to translate into tangible results, several links in the chain need to be tested. Corruption, for example, is an area in which it may simply be the case that the political will to implement policies is lacking, or the decentralised enforcement capacity required is not in place. When political will is absent, the EC should limit its engagement to policy dialogue, awareness-raising (especially at decentralised level) and perhaps a few small NGO projects.

As a first step, the team would recommend, at a minimum, that the EC explore with the GoM a possible programme to empower local law enforcement officials and judges to deal with corruption cases, the explicit goal being to increase the number of prosecutions and the severity of legal sanctions. At the same time, the approach should recognise the sources of corruption, including low salaries and poor working conditions in public sector administration, and identify approaches to addressing them.

In the area of trade and the economy, the team believe that the reason for low impact is not lack of commitment to reform but the fact that the policies promulgated are not capable of surmounting the challenges faced if taken one by one. The team have noted, in Moldova, the key role played by rural development. Poverty is mostly a rural problem, environmental deterioration in Moldova is in large part tied to unsustainable agricultural practices, Moldova's comparative advantage in trade lies in large part in agriculture and agro-industry, de-population and consequent erosion of the human resource base are largely rural phenomena, and so on.

In this challenging context, stand-alone sector-by-sector policy reform alone is insufficient to translate inputs into tangible impacts. SME development has lagged in part because SMEs lack vertical links to agro-industry, which in turn have lagged in part because European export markets remain unexploited, largely because Europe-consistent standards have not been implemented. Farming practices are unsustainable because they represent survival strategies made necessary by unemployment and the lack of off-farm alternatives. In other words it is difficult, if not impossible, to pick out one piece of the rural poverty puzzle and identify it as the key factor. And any tangible impact on economic development in Moldova, the team would argue, will involve "jump starting" the large rural economy.

The Tacis 2000 evaluation suggested that emphasis be placed on strengthening the environmental sustainability of agriculture. The team would go further and suggest a holistic approach to development at regional level which might include

- SME promotion, emphasising links with a agri-business;
- promotion of food and agricultural exports, including the key area of standards and product quality;
- concentrating on environmentally sustainable farm and production practices;

- containing a substantial community-level component, in which the basic infrastructure needed for local development – clean water, a reliable energy source, basic transport infrastructure, and reasonably dense social networks – are in place;
- identifying regional “growth poles” in the form of secondary cities and towns and ensuring an adequate supply of urban services and amenities to support growth in the surrounding countryside.

In implementing such an approach, rather than financing a number of small pilot programmes, it would be preferable to concentrate on one important region with a view to attaining critical mass. Moreover the European dimension needs to be stressed. Ultimately, it is the integration of the largely rural Moldovan economy into European networks and supply chains which will foster sustainable economic growth in Moldova, not stand-alone projects or even integrated programmes that fail to take the European dimension into account.

The team noted that some of the strongest performing interventions have been those in Justice and Home Affairs, Customs, and border control where the EC and Moldova shared a clear strategic interest. This underscores the importance of recognising that the EC strategy in Moldova must reflect not only the traditional concern with alleviating poverty but also the fact, given the geographical proximity, the development paths of Moldova and Europe are inextricably intertwined. Strategic programmes based on joint strategic interests will be more likely to succeed than stand-alone interventions directed at classic poverty alleviation.

Particularly in the context of a move to general budget support which, it has to be admitted, has the potential to crowd out private-sector approaches, it is also important to support private sector development much more than in the past. The EC can serve an important role by sending a consistent policy signal to the GoM that private sector development, not more and better public programmes, holds the key to sustainable growth in Moldova.

As a first step, the team recommend that the EC convene a meeting of major donor agencies, GoM officials and international experts to assess the state of the art in rural regional development, review existing activities and lessons in Moldova, and assess the potential for a coordinated regional approach. Such a step, the team conclude, would be fully in line with the increased importance recently accorded to regional economic development strategies; it would also build on the European comparative advantage in “living countryside” approaches to rural development.

### 3.13.2. Based on Overall Conclusion (b)

The team recommend that the EC should review its support for Civil Society with a view to broadening it. In this context the team recommend that the EC examines, perhaps starting with a dialogue with Member States with experience in the area, the potential for small, low-key, “people-to-people” social and development actions focused on TN. As a first step, the team would recommend that the EC critically review experience with EIDHR and formulate a plan for more effective use of the instrument.

### 3.13.3. Based on Overall Conclusions (c) and (d)

Since the main challenge for budget support in Moldova is GoM capacity for aid coordination and strategic planning, it is sensible to make recommendations covering these two conclusions simultaneously. A number of proposals for reforming aid coordination structures have been made, ranging from the plan currently being implemented to the idea of a “super-agency” housed at the Ministry of Finance to handle all aid coordination issues. Dedicated missions and advisory studies have addressed these issues, and the team do not wish to make specific suggestions in the context of an overall evaluation. *The evaluation team’s responsibility, besides, is to make recommendations to the EC, not the GoM.*



But whatever structure is in place, the need for capacity-building will be substantial. In highlighting the importance of TA and capacity-building in the context of general budget support, the team have in mind not only evidence gathered in the context of this evaluation, but also the conclusion of the 2006 survey of GBS performed by the Development Assistance Committee of the OECD, which concluded that capacity-building and TA had been the least well strategically-oriented components of the instrument. The team recommend that the EC should stand ready to provide resources and TA in this regard. As a first step, the team recommend that the EC review its recent TA to the NCU, derive lessons learned, assess whether the NCU is the best-placed agency to serve as a focal point of capacity-building for coordination, and develop a comprehensive strategy for helping the GoM to streamline and improve coordination mechanisms.

At the same time, the EC should carefully monitor the Central Public Administration Reform (CPAR) process and insist on policy improvements, especially those related to human resources, as a pre-condition for budget support. Special care should be taken to ensure that projects do not replace civil servants in their daily tasks; capacity- and institution-building should not be undertaken in the absence of a clearly enunciated strategy for ensuring the sustainability of progress once international support ceases.

The team recommend that the EC be pro-active in managing GoM expectations by steadily transmitting the message that (i) in line with EC commitments to the Paris and Rome processes, budget support resources are placed at the disposal of the GoM, but (ii) this is done only under well-defined conditionality conditions. This awareness-raising process must reach well beyond the central Ministries. As a first step, the EC should consider holding a high-profile seminar with a title such as “ENPI and You” in which GoM officials and a range of other stakeholders, including Civil Society, are given a crash course in the changes currently taking place and their implications for EC assistance to Moldova.

The provision of TA and capacity-building in the context of general budget support needs to be ensured. As a first step the team recommend that the EC should study the generally positive experience of the FSP, where budget support was accompanied by TA and capacity-building for coordination and management, as well as for policy formulation. The generally positive experience of TA for policy formulation in the health sector is also worth studying. The EC should review, with the GoM, capacity needs in both central and line ministries and how they may be met. The EC has a comparative advantage in TA and can, moreover, “brand” itself as a one-stop shop for Europe-consistent policy and technical advice. Since Moldova’s long-term strategic interests clearly lie in Europe, the European “brand” is a powerful asset, and one that the EC could exploit more aggressively. While the team recognising the important contribution that other partners can make, nothing need stop the EC from aspiring to be the primary source of policy-formulation TA in Moldova. The team have also noted above that, in addition to classic TA projects of which sustainability is often questionable, the EC can foster formation of networks and partnerships that will bind Moldova and the EU well into the future. Taix and Twinning are good examples, as are educational programmes such as Tempus.

#### **3.13.4. Based on Overall Conclusion (e)**

The team commend the EC for having effectively transferred responsibilities and competences from Kiev to the new EC Delegation in Chisinau.

The existing co-operation staff in the EC’s Chisinau Delegation have effectively managed the co-operation programme, especially considering of the structural problems arising from the fact that ultimate responsibility resided for too long in Kiev. With the transfer of competences and responsibility, the needs for strategic planning and programme formulation capacity in Chisinau have increased. The team recommend that the EC ensure adequate Delegation capacity in Chisinau, particularly for strategy formulation. The “two hats” model by which programme officers are also *de facto* sector experts has the advantage that it promotes broad skills and avoids compartmentalisation, but as the EC programme in Moldova expands under ENPI, and in view of the strategic reorientations called for in this evaluation, the EC should consider seconding key

sector experts from Brussels to add depth to the Delegation. A good first step towards implementing this recommendation would be a review followed by formulation of a strategic plan for human resource and capacity-building needs.

Finally, in view of the low visibility to date of the EC, the team strongly advise that the new EC Delegation in Chisinau give priority to effective outreach and communications. Many measures to this end can be taken, from ensuring that printed materials are available in Romanian or Russian as well as in English, to ensuring that evaluations are disseminated to all stakeholders, and to ensuring that the telephone system works effectively.

# ANNEXES

## *Annex 1 – The Overall Context*

### **A Introduction**

#### **a. Framework of the evaluation**

The European Commission (EC) is accountable to the European Parliament and the Council for its activities. All activities must be submitted to periodic evaluations as a means of accounting for the management of allocated funds and as a way of learning lessons. Moreover, evaluations of development co-operation contribute to a results-oriented approach and encourage all development partners to focus on the impacts of their policies. Evaluations have an accountability function to the European Parliament, the Member States, and ultimately the EU citizen / taxpayer and European Civil Society.

The Commission Services requested the Evaluation Unit of the EuropeAid Co-operation Office to undertake an Evaluation of the European Commission's support to the Republic of Moldova, hereafter referred to as Moldova. The present evaluation is part of the 2006 evaluation programme as approved by the Board of the EuropeAid Co-operation Office.

Having consulted the relevant EC Services, the EuropeAid Co-operation Office prepared the Terms of Reference for this evaluation (see Annex 1) and recruited an external evaluation team.

#### **b. Scope of the evaluation**

Development co-operation with Moldova is implemented under a wide range of instruments. Most are implemented bilaterally under the Tacis Regulation. The main focus of the evaluation will be on the EC Country Strategies and their implementation in Moldova in 2000-2006. The main clusters of the EC co-operation were:

1. support for institutional, legal and administrative reform,
2. support to the private sector/assistance for economic development,
3. support in addressing the social consequences of transition.

These areas, specifically addressed by the current 2005-2006 Tacis Action Programme for Moldova as outlined in the 2004-2006 Country Strategy Paper (CSP), resonate also with earlier CSPs, with the 1994 Partnership and Co-operation Agreement (PCA) which is the legal basis for EU relations with Moldova, and with emerging priorities under the new European Neighbourhood Policy (ENP).

While primarily bilateral, EC external assistance to Moldova over this period was implemented not only under the Tacis national programme, but under Tacis regional and cross-border co-operation (CBC) programmes as well. The objectives of the Regional Programme emphasise capacity strengthening of regional institutions, economic integration and trade, and multi-country approaches to problems such as environmental pollution and Justice and Home Affairs (JHA) issues. The 2004–2006 Tacis cross-border co-operation (CBC) programme reflects directly the objectives of the ENP: to allow partners on both sides of the external border jointly to address common challenges such as economic and social development of the border areas, environment and communicable diseases, illegal immigration and trafficking, efficient border management and people- to people contact.<sup>54</sup>

<sup>54</sup> 2004 ENP Country Report on Moldova, 2004, p.5

The evaluation analyses the coherence between EC activities planned and implemented at national level and those at regional and cross-border level. The evaluation also examines the coherence between actions undertaken at national level and those implemented by other, global, EC programmes such as the European Initiative for Democracy and Human Rights (EIDHR) and the NGO co-financing programme. The Food Security Programme (FSP) has been a major source of resources for mitigating the social consequences of transition in Moldova over the period 2000-2006 and is also covered by this evaluation.

Within the scope of the outlined clusters the evaluated actions cover sectors and themes such as: administrative capacity strengthening and reform, JHA matters, including the fight against corruption, trafficking in goods and human beings, security-related border management issues, good governance and crime prevention, trade (including export promotion and encouragement of FDI), economic development (including rural development), social development (including health and gender issues), food security, environment, energy and transport.

A special factor in Moldova is the “frozen conflict” over the breakaway region of Transnistria<sup>55</sup>. This evaluation will not cover the political dialogue with Moldova and other parties regarding a settlement of the TN issue. However, it will consider how the EC’s external assistance programmes have contributed to achieving a lasting solution to the Transnistria issue.

### **c. Utilisation**

While primarily focused on 2000-2006, the evaluation it will have a forward-looking function as well, aiming to provide strategic insights which can improve future programming and implementation. Where new programmes such as the ENP Action Plan 2007-13 are relevant, the team will not mechanically exclude them from the discussion.

Taking into account the recent enlargement of the European Union (the accession of Bulgaria and Romania at 1<sup>st</sup> of January 2007) Moldova has become a direct neighbour of the EU. In order to flexibly manage the new situation and opportunities on its external border – as in the case of Moldova - the EU developed an external policy serving this purpose: the European Neighbourhood Policy (ENP). It is based on joint ownership of and joint commitment to commonly recognised values. The objective of ENP is to share the benefits of enlargement with neighbouring countries in strengthening stability, security and well-being for all. By drawing countries into an increasingly close relationship with the EU, it can create a ‘ring of friends’ and prevent emergence of new dividing lines (see section 3.2 for a more detailed description).<sup>56</sup>

### **d. Evaluation methodology**

#### **i. General Description**

The methodology was based on an initial identification and prioritisation of the programming objectives of the co-operation strategies, a deconstruction of the strategies, and an assessment of the appropriateness of their intervention logic in the context of Moldova. On this basis, Evaluation Questions (EQ) were formulated and broken down into Judgement Criteria (JC), each of which was assessed on the basis of quantitative and qualitative Indicators.

The ten Evaluation Questions cover:

- Major strategic goals as set forth in EU Communications and the CSP: support in addressing the social consequences of transition, support to the private sector, assistance for economic development and support to institutional, legal and administrative reform.
- Major issues related to implementation, adapting to change and the added value of the EC coordination function.

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<sup>55</sup> Please note that the Transnistria-related terminology used in this report follows the official EC approach (e.g., CSPs). During the 2<sup>nd</sup> RG meeting at 16.03.2007, the Moldova government’s representative stressed that this terminology is not in line with the official terminology used by the Republic of Moldova. The Republic of Moldova uses in this context the term “Transnistrian Region”.

<sup>56</sup> COM (2004) 795 final : On the Commission Proposal for Action Plans under the ENP, p.2

The EQs cover the Development Assistance Committee (DAC) criteria (relevance, impact, effectiveness, efficiency, and sustainability) and the “3Cs” (coordination, complementarity, and coherence), as well as “adding value,” by which is essentially meant achieving positive impacts that would have been impossible in the absence of the EC’s involvement.

The evaluation of the EC’s engagement in Moldova has focused on the aggregated strategic level, assessing how the country strategies and agreements have served to steer, and give appropriate focus to, the country programme and its implementation. Less focus was placed on specific stand-alone projects and their performance. For more information please refer to the Annex I.

ii. Data Collection and Limitations

Data collection was organised according to the Evaluation Questions, judgement criteria and indicators, which set out the major axes along which the evaluation exercise was conducted.

Data collection and analysis was carried out during the desk and field phases. During the desk phase, the evaluation team analysed strategic and operational documents and communicated with key EC staff in Brussels, Kiev Delegation staff and Chisinau Delegation staff. Reference Group meetings and written comments guided the work of the evaluation team. Against this background the Evaluation Questions, judgement criteria, and indicators were further refined.

The objective of the field phase was to collect still-missing information and analytical data needed to answer the Evaluation Questions. Moreover some additional adjustments to the JCs and indicators were made. Two main information sources were used:

- Further written documentation received during the field phase from the Delegation, other development partners, statistical bodies and business organisations, academia and consultants.
- Direct interviews (about 80, see annex 4) in the field with the parties involved in the strategy as actors or stakeholders: national authorities, beneficiaries, the Delegation, other donors, as well as international institutions and experts who were involved in identification, implementation, monitoring and evaluation. The comments of European business representatives and international NGOs were also solicited.

Some areas of special concern were assessed in more detail, and the findings are presented in the special focus section (see Annex 3)

**e. Evaluation process and activities**

Many of the planned evaluation activities have already taken place, and a tentative schedule is in place for those remaining. These are given in the following table <sup>57</sup>

*Table 19 (Annex 1) - The Evaluation Process in Five Stages*

| Phases                          | Stages                           | Main documents   | Meetings/Activities                             | End on             |
|---------------------------------|----------------------------------|--|---|--------------------|
| Preparation (0)                 |                                  | Terms of reference   |   | 11/2006            |
| Structuring (1)                 | Starting Stage (Launch)          | Evaluation team's technical and financial proposal   |   | 15.11.2006         |
|                                 | Structuring Stage (Inception)    | Evaluation questions<br>Reconstruction of Intervention Logic   | 1 <sup>st</sup> RG Meeting (Inception meeting ) | 11.12.2006         |
|                                 |                                  | Draft Inception Report   |   | 17.01.2007         |
|                                 |                                  | Final Inception Report   |   | 16.02.2007         |
|                                 | Final Stage(Desk)                | Draft Desk Report  |   | 12.03.2007         |
|                                 |                                  | Final Desk Report  | 2 <sup>nd</sup> RG Meeting                      | 16.03.2007         |
| Field (2)                       |                                  |  |   | 02.04.2007         |
|                                 |                                  |  | Field Mission Chisinau                          | 17.04-27.04.2007   |
|                                 |                                  |  | Debriefing Meeting                              | 27.04.2007         |
|                                 |                                  |  | Field Visit Kiev                                | 30.04.2007         |
| Synthesis (3)                   |                                  |  |   |                    |
|                                 | Analysis and judgement           | Final Report version 1<br>Quality assessment   |   | 01.06.2007         |
|                                 | Discussion on draft Final Report |  | 3th RG Meeting                                  | 08.06.2007         |
|                                 |                                  | Final Report version 2   |   | 03.09.2007         |
|                                 |                                  |  | Seminar in Moldova                              | 28.09.2007         |
|                                 | <b>Report</b>                    | <b>Evaluation report final</b>   |   | <b>5.11. 2007</b>  |
| Dissemination and follow up (4) | Feedback and dissemination       | Summary for the Commissioners<br>Evinfo (summary for OECD and Commission databases)                    |   | Autumn/Winter 2007 |
|                                 | Follow up of recommendations     | <i>Fiche contradictoire</i> (a statement of key recommendations followed by the Commission's response) |   | Autumn/Winter 2007 |

**B Development co-operation context**

**a. Moldova needs and challenges as seen in the EC's strategy**

SWOT analysis (see Table 20 and Tables 21, 22 and 23) is a tool developed in the modern strategic management literature, the aim of which is to get a clear understanding of the resources available to a specific actor (strengths, weaknesses), as well as the environment and framework conditions (opportunities, threats) in which these resources are applied. Once a "snapshot" of the strategic situation is complete, it becomes possible to identify fields of action characterised by specific combinations of **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats.

<sup>57</sup> The data in italics are indicative

Table 20 (Annex 1) - SWOT Analysis

| SWOT Analysis  |
|--|
| <ul style="list-style-type: none"> <li>• <b>Strengths / Opportunities:</b> Which strengths can be utilised in order to make the best of chances arising in the external environment?</li> </ul>            |
| <ul style="list-style-type: none"> <li>• <b>Strengths / Threats:</b> Which strengths can be utilised in order to reduce external threats?</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Weaknesses / Opportunities:</b> Where may weaknesses be transformed into strengths and utilized in order to make the best of arising opportunities?</li> </ul> |
| <ul style="list-style-type: none"> <li>• <b>Weaknesses / Threats:</b> Where are the major points of vulnerability and how can they be strengthened?</li> </ul>   |

The three following tables were elaborated by the evaluation team on the basis of strengths, weaknesses, opportunities and threats identified. They are based on the analysis of the variety of relevant EC documents (see Annex 2) and preliminary field research (the evaluation team leader's missions to Kiev and Chisinau). They show the needs and challenges Moldova is facing in the first years of the millennium.

SWOT analysis is not meant to stop with the enumeration of attributes, but also to consider the dynamic linking of these attributes (see Table 20 above). Often it will be found that the dynamic is driven by one or a handful of characteristics. In Moldova:

- Administrative and institutional reform – in which a government is involved – has an enormous potential for reaping efficiencies. However, achievement in this field entirely depends on (i) willingness to reform, (ii) sense of ownership and (iii) financial resources. The first two conditions are especially significant in Moldova. There are still stakeholders who need to be convinced of the necessity to quickly adopt the best administrative and institutional practices in order to address current problems.
- Economic development is hampered by the fact that Moldova's industrial base is geographically concentrated (an important part is, in fact, located in Transnistria), comprises only a handful of sectors, and is uncompetitive due to years of neglect. Agriculture, which employs almost half of the population, is also labour-intensive and uncompetitive.
- There has been remarkable progress in mitigating the social consequences of transition, in large part due to the availability of targeted budget support from donors. This cannot continue indefinitely, however, and the basic problems of the Moldovan social protection system – that it needs to better reach the poor and requires a major fiscal commitment from government – remain.

Table 21(Annex 1) – SWOT Institutional and Administrative Reform

|   |
|---|
| <p><b>Strengths</b></p> <p>Substantial body of experience has accumulated in projects to reform and strengthen capacity of Moldovan public institutions.</p> <p>Effectively functioning Government / Parliamentary working groups on public administration reform, one focused on central and the other on local administration reform.</p> <p>Active collaboration of public authorities and Civil Society in administrative reforms.</p> <p>“Giuliotina “1” was implemented and “Guilotina 2” is under implementation. The two initiatives envision the reduction and the optimisation of the regulations and control bodies' activities.</p> |
| <p><b>Weaknesses</b></p> <p>Weak institutional capacity to identify reform priorities</p> <p>Reforms are donor-designed, leading to low sense of ownership, suspicion, and reluctance to comply</p>   |
| <p><b>Opportunities</b></p> <p>Availability of lessons learned in successful public administration reform (e.g., Romania and of the Baltic states).</p> <p>Potential to formulate a comprehensive national reform agenda.</p> <p>Keen interest of donors in public administration reform.</p>   |
| <p><b>Threats</b></p> <p>Lack of a clear political will to implement the reform.</p> <p>Significant opposition to reform.</p> <p>Potential for errors in implementation of planned reforms.</p>   |

Table 22(Annex 1) - SWOT Economic Development

|  |
|--|
| <p><b>Strengths</b></p> <p>Financial and macro-economic stabilisation achieved.</p> <p>Inflation rate reduced.</p> <p>Privatisation of state enterprises accomplished.</p> <p>Farm restructuring and land privatisation accomplished.</p> <p>Improvement of legal framework for private investment.</p>  |
| <p><b>Weaknesses</b></p> <p>Technologically outdated, geographically polarised, labour-intensive industrial sector.</p> <p>Inefficient, labour intensive agriculture sector.</p> <p>Over-concentration of exports in a few sectors.</p> <p>Strong dependency on external financing and debt rescheduling;</p> <p>Low inflow of FDI (share of GDP - less than 10%);</p> <p>Failure to mobilise migrant remittances for development finance.</p>   |
| <p><b>Opportunities</b></p> <p>Improved market access resulting from WTO membership (May 2001).</p> <p>Advantages conferred by participation in institutional partnerships for South Eastern Europe (SEECP, CEFTA, Stability Pact, SECI).</p> <p>Access to the EU General System of Preferences Plus (GSP Plus) and Special Incentive Arrangements (SIA).</p> <p>Perspective to be granted in 2007. Autonomous Trade Preferences, which give incentives for exporters and could attract investment in the export - oriented sectors.</p> <p>Free access to the Eastern market (bilateral Free Trade Agreements with the CIS countries)</p> <p>Free access to the Western Balkan market (as a result of admission to the enlarged and modified CEFTA)</p> |
| <p><b>Threats</b></p> <p>Failure to reduce and reverse brain drain.</p> <p>Worsening of trafficking, money-laundering, and the informal economy in general.</p> <p>Vulnerability to disruption of exports to the CIS.</p>  |



Table 23 (Annex 1) - SWOT Social Consequences of Transition

|  |
|--|
| <p><b>Strengths</b></p> <p>Availability of targeted budget support to assist particularly vulnerable groups (e.g. children, “social orphans”, disabled, poor families, elderly, sick).</p> <p>Social protection de-linked from fiscal deficit.</p> <p>Availability of technical advisory support for designing and implementing social protection schemes.</p>   |
| <p><b>Weaknesses</b></p> <p>Weak poverty monitoring, poor targeting of social assistance.</p> <p>Weak budget management.</p>   |
| <p><b>Opportunities</b></p> <p>Donor assistance enables national and local authorities and NGOs to design and implement social protection schemes.</p> <p>Improved dialogue between government and NGOs, NGOs’ role in implementing social protection improved.</p> <p>PRSP process in place.</p> <p>Budgetary support facilitates sustainability of social protection, Government can continue with its own resources once the fiscal situation improves.</p> |
| <p><b>Threats</b></p> <p>Breakdown of budgetary/fiscal discipline</p> <p>Assumption of responsibilities for social protection by external donors may divert government commitment from this field.</p>   |

## b. Relevant facts and analyses about Moldova

### i. Moldova compared to similar countries

In the following table Moldova is compared with its two neighbouring countries (Ukraine and Romania) and the two newest member countries of EU (Bulgaria and again Romania). The choice of comparators is not claimed to be scientific, but is meaningful nonetheless. Ukraine and Moldova, in addition to being neighbours, have both benefited from TACIS. Bulgaria and, especially Romania, are culturally and institutionally close and are the EU members with the lowest level of economic development. Special attention should be paid to the areas of quality of life and governance. Table 24 suggests that overall Moldova underperforms (according to the indices in the table). Nevertheless, in the case of 2005 FDI (% of GDP), Moldova is roughly in line with Bulgaria and Romania while outperforming Ukraine. In case of debt (% of GDP in 2004), Moldova and Bulgaria rank significantly higher (average 79%) in comparison with the other two countries (average 48%), although it should be pointed out that Moldova’s debt situation has improved significantly over recent years.

Table 24 (Annex 1) - Selected internationally comparable indicators

| INDICATORS  | Moldova | 3 countries for comparison |         |          |
|---|---------|----------------------------|---------|----------|
|   |         | Ukraine                    | Romania | Bulgaria |
| <b>Quality of life and social well being</b>                      |         |                            |         |          |
| Life expectancy at birth in 2005 (years)                          |         |                            |         |          |
| <i>female</i>   | 71.9    | 74.1                       | 75.1    | 76.0     |
| <i>male</i>   | 64.9    | 62.6                       | 67.7    | 68.9     |
| Under five mortality rate (per 1,000) in 2004                     | 28      | 18                         | 20      | 15       |
| Survival to age 65, % of cohort,                                  |         |                            |         |          |
| <i>male in 2003</i>   | 59      | 57                         | 65      | 69       |
| <i>female in 2003</i>   | 76      | 81                         | 81      | 84       |
| Public expenditure on pensions in 2004, % of GDP                  | 8.0     | 15.4                       | 7.1     | 8.9      |
| Gini Index  | 33.2    | 28.1                       | 31.0    | 29.2     |
| Net enrolment ratio in primary education (% of age group) in 2004 | 78      | 86                         | 90      | 94       |

| INDICATORS  | Moldova             | 3 countries for comparison |         |          |
|---|---------------------|----------------------------|---------|----------|
|   |                     | Ukraine                    | Romania | Bulgaria |
| Adult literacy rate, % of ages 15 and older                         |                     |                            |         |          |
| <i>male</i>   | 97                  | 100                        | 98      | 99       |
| <i>female</i>   | 95                  | 99                         | 96      | 98       |
| Health expenditure in 2003:   |                     |                            |         |          |
| <i>\$ per capita</i>  | 34                  | 60                         | 159     | 191      |
| <i>total, as % of GDP</i>   | 7.2                 | 5.7                        | 6.1     | 7.5      |
| <i>public, as % of GDP</i>  | 3.9                 | 3.8                        | 3.8     | 4.1      |
| Incidence of tuberculosis in 2004 per 100,000 people                | 138                 | 101                        | 146     | 36       |
| Prevalence of under-nourishment in 2003, % of population            | 11                  | <3                         | <3      | 9.0      |
| Prevalence of child malnutrition in 2003, % of children under age 5 | 3.2                 | 1.0                        | 3.2     | -        |
| Access to an improved water source in 2002, % of population         | 92                  | 98                         | 57      | 100      |
| Access to sanitation facility in 2002, % of population              | 68                  | 99                         | 51      | 100      |
| <b>Economic development</b>   |                     |                            |         |          |
| Total population, million   | 4.2                 | 47.5                       | 21,6    | 7.7      |
| Population growth rate (annual %)                                   | -0.3                | -0.7                       | -0.5    | -0.8     |
| GDP per capita (US\$ – Atlas method) in 2005                        | 880                 | 1520                       | 3830    | 3450     |
| External aid (% of GNI) in 2004                                     | 4.0                 | 0.6                        | 1.3     | 2.6      |
| Direct foreign investment (% of GDP) in 2005                        | 6,6*                | 2.6                        | 7.2     | 8.3      |
| Debt (% of GDP) in 2004   | 73,04 <sup>58</sup> | 45                         | 51      | 83       |
| <b>Governance in 2005, %ile rank (0 – 100)**</b>                    |                     |                            |         |          |
| Voice and accountability  | 32.4                | 40.1                       | 56.5    | 65.7     |
| Political stability / No violence                                   | 27.8                | 32.1                       | 46.2    | 50.9     |
| Government Effectiveness  | 27.8                | 40.2                       | 56.9    | 62.2     |
| Regulatory Quality  | 38.1                | 47.0                       | 58.4    | 69.3     |
| Rule of Law   | 35.3                | 34.8                       | 45.5    | 48.8     |
| Control of corruption <sup>59</sup>                                 | 27.1                | 34.5                       | 51.7    | 55.2     |

\*: [www.bnm.md](http://www.bnm.md) Balance of Payment

\*\* : Higher values indicate better governance ratings.

(Sources: World Bank World Development Indicators, 2006; Governance: The World Bank Worldwide Governance Indicators - <http://info.worldbank.org/governance/kkz2005/> )

## ii Moldova's economic development

After a decade of severe recession stemming from the systemic transformation of the economy and policy errors, in 2000 the Republic of Moldova's economy began to grow again. The growth was sustained by macroeconomic stability and increasing external and internal demand. The economy of Moldova expanded rapidly in 2001-2005, with average annual real GDP growth of 7% (see table 25). In 2006, the growth was somewhat reduced by higher energy prices and the disruption of exports to Russia. As a result of these problems, GDP growth for the year is estimated to be only about 4%. Inflation, while it has been brought down, remains high.

Summarising developments, the World Bank had this to say in its 25 September 2006 IDA Country Strategy Progress Report for RoM in FY05-FY08:

<sup>58</sup> 68,4 % in 2005

<sup>59</sup> For more information please refer also to [www.transparency.md](http://www.transparency.md)

- Macroeconomic stability and strong domestic demand (bolstered by remittances) have supported strong growth but vulnerability to external shocks was demonstrated by the Russian wine embargo and an increase in energy prices
- Indebtedness has declined sharply
- Poverty reduction, strong since 1999, has stalled.

The recent growth performance was also highlighted in the World Bank Country Economic Memorandum of September 9 2005.

Table 25 (Annex 1) - Main macroeconomic indicators of Moldova in 2000-2005<sup>60</sup>

| Indicator   | 2000   | 2001    | 2002    | 2003    | 2004    | 2005    |
|---|--------|---------|---------|---------|---------|---------|
| Real GDP growth rate, %                                       | 2.1    | 6.1     | 7.8     | 6.6     | 7.4     | 7.5     |
| Household consumption, % GDP                                  | 87.6   | 86.0    | 82.0    | 89.5    | 87.8    | 92.2    |
| Exports of goods and services, mil. US\$                      | 641.35 | 735.54  | 876.35  | 1058.65 | 1330.95 | 1506.96 |
| Imports of goods and services, mil. US\$                      | 971.88 | 1088.48 | 1294.49 | 1728.56 | 2111.51 | 2721.44 |
| Trade balance as a share of GDP, %                            | -22.8  | -21.3   | -22.7   | -31,5   | -30.0   | -40,6   |
| Remittances, mil. US\$  | 177.6  | 242.2   | 322.6   | 484     | 701     | 915     |
| Share of transfers of Moldovan citizens from abroad in GDP, % | 13.8   | 16.4    | 19.4    | 24.4    | 27.0    | 30.6    |
| FDI, mil. US\$  | 127.54 | 103.44  | 84.05   | 73.75   | 148.94  | 198.7   |
| FDI as a share of GDP, %                                      | 9.9    | 7,0     | 5,1     | 3,7     | 5,7     | 6,6     |
| Inflation rate (CPI, annual average), %                       | 18.4   | 6.3     | 4.4     | 15.7    | 12.5    | 10.0    |

Sources: National Bureau for Statistics ([www.statistica.gov.md](http://www.statistica.gov.md)) and National Bank of Moldova ([www.bnm.md](http://www.bnm.md)) and EGPRSP Monitoring Report ([www.scers.md](http://www.scers.md))

Having declined by 8.7% per year in 1985-95, GDP grew only 2.4% per year in 1995-2005 (Moldova at a Glance, <http://devdata.worldbank.org> ). Household consumption, 56.7% of GDP in 1995, is now over 90% of GDP. While the internal balance has improved, with inflation now substantially lower than in the mid-1990s and the government deficit substantially reduced relative to GDP, the current account balance has widened despite increases in remittances.

Close to a third of Moldova's growth in recent years was attributable to an expansion of transport services, telecommunications and real estate transactions, but these sectors employ only 8-9% of the population. Agriculture, though employing 40% of the working population, contributed very little to GDP growth. This distribution of growth by sectors has important implications, as it suggests that growth is narrow and only a limited number of workers benefit from it. Once protected by guaranteed market outlets in the Soviet Union, Moldovan agriculture now finds itself technically deficient and vulnerable to disruptions such as the 2006 Russian wine boycott.

One of the main sources of growth of household consumption is remittances coming to the country from labour migrants working abroad. In 2005, registered remittances reached nearly a billion dollars (US\$915 million to be precise) or more than 30% of GDP. In addition to financing consumption of domestic goods and services, it fuelled rapid growth in imports, which more than doubled in 2005 in comparison to the 2002 level. The evolution of foreign trade during the last years was marked by rapid growth of imports and a modest export performance, the latter being explained by the low competitiveness of Moldovan products. Not only have these failed to penetrate new markets, they have also experienced difficulties in increasing or even maintaining

<sup>60</sup> There are discrepancies in the presentation of the data for the selected indicators reflected in the different sources. Even those produced by the same source (National Bureau of Statistics, National Bank, WB or IMF) but for the different purpose and at different time are not always coherent. Those data will be further verified, coordinated and agreed upon with local counterparts and donor's representatives.

market shares in traditional markets. Thus, the level of coverage of imports of goods and services by exports decreased from 66% in 2000 to 55.4% in 2005, and the ratio of trade balance deficit to GDP increased from 26% to 42% respectively.<sup>61</sup>

There has been some progress on foreign direct investment (FDI). In 2006 The National Registration Chamber (NRC) of the Ministry of Information Development registered 835 enterprises with participation of foreign capital - 100 more than in 2005. The most considerable number of joint ventures was set up with the participation of the Turkish, Italian, Romanian, Ukrainian and Russian capital. Since 1992 the Chamber has registered 5,254 enterprises with participation of foreign capital. Barriers to FDI include the fact that, while the business environment in Moldova has improved, it is still far from ideal. FDI is also constrained by the low quality of Moldovan products and the fact that they do not comply with international standards. Thus while significant FDI has contributed only modestly to growth so far, the total stock of FDI in the national economy was estimated at the end of 2005 to be US\$1.060 million or US\$295 per capita. This level is lower than the comparable indicator in South-Eastern Europe countries and is not sufficient to ensure the economy's sustained growth and development.

Moldova has suffered from, and remains vulnerable to, external shocks. The disintegration of the Soviet Union had a profound impact on the Moldovan economy and its external trade relations. Amongst Former Soviet Union States Moldova suffered one of the worse balance of payments shocks. Not only did Moldova lose direct and indirect subsidies from the all-Union funds, it experienced a severe terms of trade shock which was compounded by the *de facto* separation of Transnistria, a breakdown of traditional trade links and distribution channels, a relative reduction in demand for Moldovan products due to availability of higher-quality Western substitutes, and the reduced incomes of its main Commonwealth of Independent States (CIS) trading partners. When the Russian financial crisis hit the region in 1998, Moldova experienced its second major trade shock. In the two-year period following the crisis, Moldovan exports dropped by half, primarily the result of a 60% decline in exports to Russia. More recently, in 2006 the economic development of the country was seriously affected by the combined effect of several adverse external factors.

The first of these factors was the ban on export of alcoholic beverages, meat products, vegetables and fruits to the Russian Federation. Moldova is strongly depending on imports of gas and electricity. In 2005 and 2006, the Russian state-owned Gazprom, in a larger context of Russian economic pressures on Moldova, doubled the price of gas exports.

While the medium-term impact on the balance of payments is relatively large (the IMF and the GoM both estimate it to be in the range of 3-8% of GDP range on an annual basis), the corresponding impact in terms of the general government deficit is limited (resulting in a medium-term overall projection set at -0.5% of GDP per annum). However, this relatively optimistic assessment, in addition to assuming a slightly delayed target in foreign exchange reserve accumulation and the frontloading of increased aid financing, assumes as well that needed structural reforms and corrective fiscal actions will go forward without a hitch. These revolve around tightened monetary and fiscal policies.

Moldova's long-term economic development prospects are challenged by a number of structural factors, some of which have been mentioned elsewhere. The persistent failure of the rural economy to take off is perhaps the major problem, but this is itself rooted in problems such as a lack of basic rural infrastructure related to clean water, transport, and energy. The availability of credit in rural Moldova is reportedly poor. Note that this is not because of a lack of liquidity or under-capitalisation of the Moldovan financial system -- which suffers from neither problem -- but rather classic repressive approach to financial policy in which government approval and control are keys to credit allocation.

While remittances have served a vital role in supporting household consumption and fending off poverty, they have not been successfully mobilised for investment. Public administration remains highly centralised, meaning that local knowledge is taken up and that services provided and decisions made are often inappropriate to local needs. Finally, rural Moldova faces severe and

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<sup>61</sup> Source : Mission of the Republic of Moldova to the European Commission

worsening environmental problems; including (according to the 2005 State of the Environment Report) soil erosion, unsafe drinking water, and unsafe management of obsolete pesticides and toxic waste.

The over all energy situation is complicated by the fact that an important electricity generating plant is located in the separatist region of Transnistria. In order to cushion consumers, public authorities have controlled the energy prices and as a result demand has only gradually been adjusted to actual cost. Mainly due to social reasons, energy prices have been very low, and have only gradually been adjusted to levels of actual cost. Moreover, a significant share of consumption is not properly metered. Again for social reasons, authorities were reluctant to cut off power to non-paying customers (compliance is now much higher, but many outstanding historical debts for 2000-05 remain to be settled). As in other transition countries, these policies have limited incentives for energy efficiency and reduced the supply of investment capital to utilities.

Over-concentration is another structural issue. Moldovan exports are heavily concentrated in a few product categories and this concentration has increased over time. The share of the top three export products (defined as the number of 4-digit HS export categories.) in total exports has increased from 39% to slightly over 53% between 1995 and 2005. At the same time, the number of products that Moldova has exported has fallen, declining from 765 in 1995 to 597 in 2004.

Moldova embarked on comprehensive governance reform in 2000. However, World Bank governance indicators suggest that both the Rule of Law (RoL) and control of corruption areas experienced significant setbacks between 2000 and 2004. The Bank notes a disconnect between the political reform agenda and “the reality of limited change in the political-administrative culture.” The Moldovan judiciary remains limited in independence and effectiveness, a major impediment to closer relations with the EU; the root causes are corruption and persistence of a pre-independence interpretation of the rule of law. The EGPRSP and EU-Moldova Action Plan set ambitious objectives on good governance, but these have yet to be attained.

In summary, Moldova faces a very challenging set of circumstances. Simple, stand-alone sector policies and interventions are unlikely to surmount these challenges, what is needed is improvement across the board.

iii The Transnistria Issue <sup>62</sup>

In 1992 a short armed confrontation took place in the region of Transnistria (TN) in the eastern part of Moldova. As a result, the Moldovan constitutional authorities factually lost control over this part of the country. The breakaway region has not been internationally recognised as an independent country.

After the ceasefire, in 1992, a security zone was established guarded by peace-keeping forces consisting mostly of Russian troops and troops from the two sides. A small number of Ukrainian military observers are also present. Additional Russian troops, ammunition and armoured vehicles are also stationed in Transnistria. A large quantity of Russian ammunition is stocked nearby the village of Colbasna.

Since 1995, Moldova and Transnistria, assisted by three international mediators, the OSCE, Russia and the Ukraine, have been discussing a possible settlement within the so-called “five-sided mediation process”. Since October 2005, the EU and the US have been involved in this process as observers, the new format being known as “5+2”.<sup>63</sup>

The key principles of the EU support for the settlement process are: (i) support to the OSCE mediation efforts aimed at establishing a viable and democratic Moldovan State; (ii) withdrawal of the Russian arms without further delay; and (iii) readiness for a greater EU involvement. In this framework, the EU has appointed an European Union Special Representative (EUSR) for Moldova. One of the EUSR’s main tasks is to contribute to a peaceful settlement of the Transnistrian conflict and to the implementation of such a settlement on the basis of a viable solution, respecting the sovereignty and territorial integrity of the Republic of Moldova within its internationally recognized borders.<sup>64</sup>

iv Poverty in Moldova

Transition, policy failures, and the unsolved Transnistrian problem had severe impacts on poverty in Moldova, which is the only country in Europe falling into the low-income category as defined by the World Bank. One of the achievements of government policies has been the reduction from poverty from above 70% in 1999 to about one-quarter today, although it has fluctuated in recent years, rising again in 2005 (see Figure 23) and decreasing in 2006.<sup>65</sup>

Poverty in Moldova is especially a rural phenomenon. In rural areas, where 54% of the population live, poverty incidence is above 40% and accounts for about two-thirds of total poverty in the country. Moreover, the poverty gap between rural and urban areas continues to widen. Widespread rural poverty is largely the result of insufficient income from agriculture. Although Moldova is endowed with a good agricultural resource base and has made substantial progress in agricultural sector reform (almost all formerly collective farms have been split up and privatised), farmers face increasing difficulties in making a living on the land. Cost increases and limited marketing opportunities combined with low bargaining power are held responsible for the high

Figure 22(Annex 1) - EUBAM Map of Moldova incl. Transnistria



<sup>62</sup> Please note that the Transnistria-related terminology used in this report follows the official EC approach (e.g., CSPs). During the 2<sup>nd</sup> RG meeting at 16.03.2007, the Moldova government’s representative stressed that this terminology is not in line with the official terminology used by the Republic of Moldova. The Republic of Moldova uses in this context the term “Transnistrian Region”.

<sup>63</sup> Source : 2007-2003 draft CSP

<sup>64</sup> J.Solana, Appointment Speech, S112/05, 16.03.2005

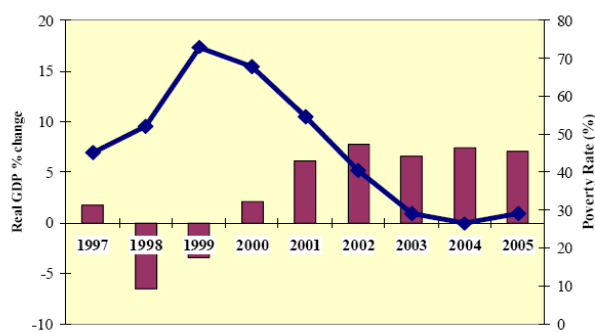
<sup>65</sup> Source : Mission of the Republic of Moldova to the EC

incidence of rural poverty. In spite of the continued overall economic growth of above 5% in recent years, the poverty rate for households headed by a farmer has increased by 12 percentage points since 2003. Historical experience in Europe, as well as a review of the structural problems confronting Moldovan agriculture, strongly suggest that the key to economic growth in rural areas lies with invigorating off-farm enterprises, especially the private sector. Labour is so inefficiently utilised in Moldovan agriculture that labour re-allocation, not re-capitalisation, should be the priority.

Widespread rural poverty, combined with poor social services in the rural areas, has been a driving force for rural depopulation, illegal migration to other countries and other harmful practices such as abandonment of children, elderly and sick people and even illegal trafficking in human beings. Poverty has a direct bearing on the food situation of the people. Average food consumption per capita in Moldova is 1980 calories per day (UN Country Report 2001), well below the recommended minimum of 2,100 calories. 11% of the population is undernourished (UNDP Human Development Report 2006). Malnutrition is particularly prevalent and growing among selected groups of the dependent old and among institutionalised children.

Children, elderly and disabled persons are most severely affected by poverty and food insecurity. Owing to high levels of poverty, many families are unable to provide minimum care and sufficient food to their children and other vulnerable family members. There is a common practice to leave the children to institutional care, so-called "social orphanages". However, due to the tight budgetary situation, the child care institutions do not receive the financial resources which would be required to cover the children's food and other essential needs. As a consequence, children depending on institutional care are suffering from deprivation and are highly vulnerable to food insecurity.

Figure 23(Annex 1) - Moldova, GDP Growth and Poverty Rate, 1997-2005



Source: National Bureau of Statistics. (Note: 2005 GDP growth is for Q1-Q3).

Table 1.1: An Overview of Poverty and Economic & Social Conditions in Moldova and the Europe & Central Asia Region (In percentage points, unless labeled otherwise)

|   | 1999 | 2000 | 2001 | 2002 | 2003 | 2004  | 2005   | ECAd/   |
|---|------|------|------|------|------|-------|--------|---------|
| National poverty rate, MEC measure a/   | 73.0 | 67.8 | 54.6 | 40.4 | 29.0 | 26.5  | 29.0   | 19.7c/  |
| GDP growth rate                         | -3.4 | 2.1  | 6.1  | 7.8  | 6.6  | 7.4   | 7.1 b/ | 7.2     |
| GDP per capita, in US\$, in 2000 prices | 294  | 301  | 320  | 346  | 370  | 398.0 | ..     | 2,442.8 |
| Consumer price index inflation          | 39.4 | 31.2 | 9.6  | 5.2  | 11.6 | 12.5  | 11.9   | ..      |
| Employee salary inflation               | 21.6 | 33.9 | 33.3 | 27.2 | 28.8 | 23.8  | 19.5   | ..      |

a/ Absolute poverty, based on a poverty line of 327 Lei per adult equivalent in 2004; b/ Q1-Q3 figure; c/ Poverty rate at \$2 per day (purchasing power parity); d/ Europe & Central Asia Region, latest available year. Sources: World Bank & National Bureau of Statist.

In the National Action Plan for Human Rights (NAPHR), approved by the Parliament in 2003, and in the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP 2004-2006), the Moldovan government has defined objectives and committed itself to take actions on alleviating poverty among vulnerable groups, such as children, elderly, single family parents etc. These are to be found in the EU - Moldova ENP Action Plan described below. However, due to budgetary constraints and deficiencies in the set-up and management of the present system of social protection, attainment of the objectives depends on external support.

With EU and World Bank support, steps of social sector reform have been initiated and a more effective system of social protection is in process of being established.

### c. Moldova's Reform Agenda

#### i. EGPRSP

One of the key strategic foci of sustainable development policy in Moldova is the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP), which was promulgated in December 2004 in response to the PRGF (Poverty Reduction and Growth Facility) through which Moldova was declared eligible for concessional assistance from the international financial institutions (IFIs). The

EGPRSP is seen by the donor community active in Moldova as a means to improve aid coordination and as the framework within which Moldova pursues the Millennium Development Goals or MDGs.

The EGPRSP has linkages with other major policy frameworks, all of which are largely complementary to one another. These, together with EU-Moldova ENP Action Plan, are:

- The Country National Sustainable Development Strategy (NSDS), 2000
- The Program of Government Activity for 2005-2009
- National Sectoral Development Strategies

The NSDS outlined the long-term social and economic development goals and aspirations which formed the basis for the EGPRSP. The NSDS set a two stage approach. In 2000-2005 the strategic goal was to overcome a general socio-economic and political crisis, to attain a steady economic growth path, and to ameliorate the quality of life and political stability. The period 2006-2020 is characterised by goals appropriate to long-term sustainable development.

The Poverty Reduction Strategy framework translated the processes described above into prioritised actions and developed impact assessment indicators. Priority sectors identified are the private sector; public administration; social protection; health care and education; infrastructure; regional development; environment. The process of designing the strategy led to more systematic involvement of Civil Society in the fight against poverty.

The Programme of Government Activity for 2005-2009 "Country Modernisation – People Welfare" establishes as the priority objective of the Government for this period the complete and timely implementation of the EGPRS. The Programme and associated Plan of Actions represent a synthesis of the EGPRS and the ENP EU-Moldova Action Plan. Through the programme of Government Activity the commitments incorporated in these two documents were included in the daily agenda of Government institutions.

The Government is also committed to better reflection and correlation of the EGPRSP and Medium-Term Expenditure Framework (MTEF) priorities while developing its National Development Plan for the period 2008-2010, which will replace the EGPRSP

A special unit - General Division for Macroeconomic Policies and Development Programs - was created within the Ministry of Economy and Trade with the task of coordinating the process of monitoring and evaluation of development programme implementation, especially the EGPRSP.

## ii ENP Action Plan

The EU-Moldova ENP Action Plan 2005-2008, a key reference document for both EU and Moldovan authorities, is at the heart of Moldovan authorities' reform efforts.

The ENP Action Plan and the EGPRSP are to a considerable extent complementary and mutually reinforcing. The Ministry of Foreign Affairs and European Integration was designated as a responsible institution for coordination and monitoring of the implementation of the EU -Moldova ENP Action Plan.

The ENP Action Plans are all negotiated with and tailor-made for each country, based on the country's needs and capacities, as well as their interests and those of the EU. They jointly define an agenda of political and economic reforms by means of short and medium-term (3-5 years) priorities. Implementation of the first seven ENP Action Plans (agreed in early 2005 with Israel, Jordan, Moldova, Morocco, the Palestinian Authority, Tunisia and Ukraine) is underway and that of the latest to be agreed (with Armenia, Azerbaijan and Georgia ) is about to begin.<sup>66</sup> Lebanon will follow shortly and the EU-Egypt ENP Action Plan is nearly agreed. Implementation is jointly promoted and monitored through sub-Committees.<sup>67</sup> On 4 December 2006 the Commission issued its first periodic report on progress and on areas requiring further progress. This is a dynamic process: when monitoring demonstrates significant progress in attaining the agreed objectives, the

<sup>66</sup> [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm), 27 August 2007

<sup>67</sup> [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm) and RELEX



EU incentives on offer can be reviewed, or the ENP Action Plans adapted, or further proposals made as regards future relations (for more information see section 3.b in Annex 2)

**d. Development partners' support**

The main external donors active in Moldova, together with their main sectors of concern, are:

- The World Bank, the objective of which is macroeconomic stability and sustainable economic growth that generates productive employment and higher income, social protection systems and social services. The World Bank has provided budget support through Structural Adjustment Credits as well as financing for projects in agriculture, energy, education, health, community development and private sector development. The Bank also plays a central role in donor coordination and assistance. The Bank is the largest donor agency active in Moldova, with a cumulative total of approved project commitments totalling US\$613,36m and disbursements of US\$436,65m.
- The European Bank for Reconstruction and Development (EBRD) is the biggest foreign investor in Moldova. As of June 2005 the Bank has signed 36 projects for a cumulative business volume of €177.7m, of which 83% has been disbursed and €70m are operating assets. Average project size (excluding sovereign projects) is €2.9m. The Bank's 2003 country strategy aimed to (i) strengthen the banking sector and financial intermediation, (ii) encourage private sector development by providing direct and indirect financing as well as advisory services to Small and Medium Sized Enterprises (SMEs) and Micro and Small Sized Enterprises (MSEs), (iii) support private sector investment in key infrastructure subject to a suitable operational and regulatory environment, (iv) address problems affecting the Bank's portfolio and (v) pursue with the government a policy dialogue on the investment climate. At the time of writing EBRD was preparing a new country strategy for approval by the Bank's staff at the beginning of the summer.
- European Investment Bank (EIB). In December 2003 the European Council resolved to grant the EIB a second mandate for Russia and also, subject to certain conditions, for Ukraine, Moldova and Belarus, for an amount of €500m for projects on "the environment, and transport, telecommunications and energy infrastructure on priority TEN axes with a cross-border aspect for an EU Member State". A new EIB external mandate for the period 2007-2013 has recently been approved. Funding provided for the "Eastern Neighbourhood" (including Moldova) and Russia totals €3.7bn over the seven-year period.
- The IMF from 1993 supported the Moldovan Government with different economic adjustment programmes: Compensatory and Contingency Financing Facility (CCFF), Systemic Transformation Facility (STF), two Stand-by arrangements (SBA), Extended Fund Facility (EFF), and two Poverty Reduction and Growth Facilities (PRGF).
- The International Organisation for Migration (IOM) provides technical co-operation and capacity-building in migration-related areas to the Government: Migration management (about US\$2,2m, counter trafficking (about US\$3m), migration and health (US\$133,000), return and integration (€255,000).
- The Soros Foundation - Moldova (SFM) promotes development of an open society in Moldova by developing and implementing a range of programmes and activities that address specific areas of need including arts and culture, education at all levels, rural economic development, legal reform and public administration, media and information, Civil Society and public health.
- The UNDP provides support to the country to help identify the best development solutions at both national and local levels. In the process UNDP pays special attention to reduction of poverty, improvement of governance, while advocating at the same time the protection of human rights and strengthening of the role of women. The UNDP programme in Moldova is regulated by the Country Co-operation Framework (CCF), which is in line with the priorities

and action plan of the Government. UNDPs overall assistance to Moldova during 2002-2006 amounts to over US\$19.5m.

- The Department for International Development (DFID, UK): Improving governance and institutional environment for poverty reduction. Among DFID's major projects have been support to the MTEF and support for improved statistics (more than £stg1,6m spent).
- SIDA (Sweden), which launched its activities in Moldova in 1996, initially financed rather small projects. But since 2004, when Sweden adopted the first long-term strategy, SIDA has favoured supporting larger reform programmes. A new strategy for co-operation for the years 2007-2010 will include social protection and health (about SEK 90m), economic transformation (SEK 96m), environment (SEK 11m), democratic governance (SEK 38m), institution building (SEK 7m).
- The US Agency for International Development (USAID): democratic governance (roughly US\$6m in fiscal year 2005), economic and social reform (about the same), security and law enforcement (roughly US\$3m, and humanitarian assistance (about US\$0.5m). Based on the US government's positive assessment of Moldova's progress in reform and transition, Moldova qualifies for support from the Threshold Programme of the U.S. "Millennium Challenge Account (MCA). Depending on success in the implementation of the Threshold Programme Moldova might become eligible for the full MCA "compact".
- GTZ, on behalf of the German Federal Ministry for Economic Co-operation and Development (BMZ).GTZ has supported Moldova since 1994, focusing on technical co-operation in the area of private sector-oriented promotion measures. Smaller measures in the field of "Economic reform and development of a market system" are financed by the Study and Expert Fund (SEF), through which BMZ supports smaller-scale measures in co-operation countries. The SEF instrument is highly flexible and facilitates rapid response.
- The Government of the Netherlands focuses on good governance (€3,33m), human rights (€1,05m), and good economic governance (€2,5m).
- The Government of Austria finances local infrastructure (€650,000).
- The government of Japan has offered up to now seven grants according to the Project for the Increase of Food Production (2KR). Total amount of grants for the all projects are approximately US\$16.5m. Japanese assistance focuses on agriculture, and traditionally these grants are used for purchasing new agricultural tractors and combine harvesters in an open tender organised in Japan.
- The government of Romania. In 1993 Romanian Parliament created "Assistance Found for Moldova" which up to 2003 offered more than US\$21; while from 1993 to 2006 the Romanian Government offered preferences loans for Moldova (more then US\$114m).
- The Government of the Czech Republic: funding amounts allocated between 2003 and 2004 totalled US\$1.36m. The amount allocated to development co-operation with Moldova in the period 2006—2008 is about US\$3,8m.

#### **e. Donor co-ordination in Moldova**

On 12 December 2006 the EC and World Bank hosted a Consultative Group meeting in Brussels. All key donors were present: IMF, EIB, EBRD and the United Nations Organisation. EU Member States, USA and Japan were present at the meeting. The aim of this meeting was to coordinate the efforts of the donor institutions in support of the reforms and poverty reduction in the Republic of Moldova. The objectives of the meeting were twofold:

- to assess progress in and confirm commitment to implementation of the country's reform programme and development agenda, as set out in the EU - Moldova ENP Action Plan and the EGPRSP; and

- to provide indications of additional external financing in response to recent external shocks that have opened a short-term financing gap putting Moldova's poverty reduction and growth objectives in question. In this context donors offered financial support of close to €1bn over the next three years.<sup>68</sup>

The perception of the GoM is that there exists a lack of a coordination mechanisms among donors and a need to improve coordination of donor activities. This view is given in two nearly identical decrees separated by only some eighteen months: Government Decision 988/28.09.2000 and Government Decision 700/03.06.2002.

In order to ensure the transparent and efficient management of the financial assistance heralded at the Consultative Group Meeting in Brussels (12.12.06), a National Monitoring Council was set up. Representatives of the donor agencies are part of this Council as *ex officio* members. A special presidential adviser in charge of coordination of foreign assistance has been appointed.

Overall coordination of external assistance is performed by a National Committee chaired by the First Deputy Prime Minister. The committee was established in March 2006 through a Governmental Decision (no.322 from 28.03.2006). The Minister of Economy and Trade is the National Co-ordinator for EC assistance.

At a lower level the Ministry of Finance and the Ministry of Economy and Trade share responsibility for external assistance coordination. The Ministry of Economy and Trade chairs four sectoral committees on coordination and supervision of technical co-operation. Over the last two years, measures have been undertaken aimed at consolidating external assistance coordination capacities within public institutions. The Ministry of Economy and Trade has established a database known as IDEA, collecting information on ongoing externally-financed projects. The evaluation of external assistance results is done in the context of monitoring and evaluating the implementation of strategic development programmes.

Moldova endorsed the Paris Declaration on Aid Effectiveness in October 2006. The Declaration's monitoring indicators were taken as a basis for the Government's Partnership Framework "Coordination and harmonisation of Government and donors' activities to improve the efficiency of external aid for Moldova" signed between the Government and development partners present in Moldova (European Commission, WB, IMF, SIDA, DFID, SDC, UN agencies, UNICEF, Ministry of Development and Co-operation of the Netherlands, and Estonia) in May 2006. The Harmonisation Group meets quarterly to define the aid effectiveness agenda. External partners also hold monthly meetings to share information on ongoing activities and have established eight thematic groups, which also meet on a monthly basis, as well as on an *ad hoc* basis. Government representatives are often invited to participate.

All major bilateral and multilateral development partners have representatives in Moldova. The European Commission opened a permanent Delegation in Moldova on 6 October 2006.

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<sup>68</sup> For more info see : [http://ec.europa.eu/comm/external\\_relations/moldova/donorconf/index.htm](http://ec.europa.eu/comm/external_relations/moldova/donorconf/index.htm)

### 3 EC strategy and the logic of EC support

#### a. Global EC development policy strategic objectives and priorities

Article 177 of the Amsterdam Treaty (entry into force 1st May 1999) defines EU development policy priorities as follows:

- Sustainable economic and social development in favour of developing countries, with a particular emphasis on the most disadvantaged countries.
- Progressive and harmonious integration of developing countries into the world economy.
- Fighting poverty in developing countries.

The European Consensus on Development signed on 20 December 2005 (see Table 26) and intended to guide both Community and Member State development co-operation, sets out common objectives and principles for development co-operation. It reaffirms the EU commitment to poverty eradication, ownership, partnership, delivering more and better aid and promoting policy coherence for development. The primary and overarching objective of EU development co-operation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDG).<sup>69</sup>

Table 26(Annex 1) – Common Principles and Objectives of European Consensus on Development

| Common Objectives  | Common Principles              |
|--|--------------------------------|
| Poverty Eradication  | Ownership, partnership         |
| Achieving other(seven)MDG objectives   | An in-depth political dialogue |
| Sustainable Development (incl. good governance, human rights and political , economic, social and environment aspects) <sup>70</sup> | Participation of Civil Society |
| Promotion of policy coherence for development  | Gender Equality                |
| Assist development objectives agreed at the UN major conferences and summits   | Addressing State Fragility     |

Recognising that poverty results from many factors, the Community and Member States are called upon to support poverty reduction strategies which integrate these many dimensions and are based on analysis of constraints and opportunities in individual developing countries.

As well as more aid, the Consensus commits the EU to providing better aid. Transaction costs of aid will be reduced and the global impact will improve. Development assistance can be provided through complementary modalities (project aid, sector programme support, sector and general budget support, humanitarian aid and assistance in crisis prevention, support to and via Civil Society, approximation of norms, standards and legislation, etc.). The EU has adopted a timetable for Member States to achieve the internationally agreed target of aid equal to or exceeding 0.7% of GNP by 2015, with an intermediate collective target of 0.56% by 2010 and calls on partners outside the EU to follow this lead. These commitments will see annual EU aid double to over €66bn in 2010.<sup>71</sup>

#### b. European Neighbourhood Policy (ENP)

The ENP was developed in 2004 with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and instead strengthening the prosperity, stability and security of all concerned. In this way it also addresses the strategic objectives set out in the December 2003 European Security Strategy. While the ENP contains a development co-operation

<sup>69</sup> The European Consensus on Development, 20.12.2005, p. 4

<sup>70</sup> In the discourse of European Consensus on Development "development is a central goal by itself"

<sup>71</sup> The European Consensus on Development, 20.12.2005

element, it is an EU external policy going beyond the realm of development co-operation. It is, in fact a key EU external relations priority.<sup>72</sup>

The ENP was first outlined in a Commission Communication on Wider Europe in March 2003, followed by a more developed Strategy Paper on the European Neighbourhood Policy published in May 2004. This document sets out in concrete terms how the EU proposes to work more closely with these countries. As part of its report on implementation, in December 2006 the Commission also made proposals as to how the policy could be further strengthened.

The ENP applies to the EU's immediate neighbours by land or sea – Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine. Although Russia is also a neighbour of the EU, relations are instead developed through a Strategic Partnership covering four “common spaces”.<sup>73</sup> The central element of the ENP is the aforementioned set of bilateral ENP Action Plans covering fields of political dialogue and reform, economic and social co-operation and development, trade-related issues, market and regulatory reform, co-operation in justice and home affairs, various sectors (such as transport, energy, information society, environment, research and development) and a human dimension (people-to-people contacts, Civil Society, education, public health, etc.). Through the ENP, the EU offers its neighbours a privileged relationship, building upon a mutual commitment to common values: democracy and human rights, rule of law, good governance, market economy principles and sustainable development.

The ENP goes beyond existing relationships to offer a deeper political relationship and economic integration. The level of ambition of the relationship will depend on the extent to which these values are effectively shared. The ENP remains distinct from the process of enlargement although it does not prejudge, for European neighbours, how their relationship with the EU may develop in future, in accordance with Treaty provisions<sup>74</sup>

The instrument supporting the agreed priorities in the ENP Action Plans (as well as the Strategic Partnership with Russia)<sup>75</sup> is the European Neighbourhood and Partnership Instrument (ENPI). The ENPI should not be understood as a necessary precondition for fulfillment of ENP priorities. In certain areas progress can also be made without financial assistance. Therefore funds allocated to individual country programmes will depend on their needs and absorption capacity as well as their implementation of agreed reforms.

The ENP is just two years old and is already bearing fruit. Country Progress Reports which the Commission presented on 4 December 2006 show the very concrete advances being made, thanks to the ENP. In the case of Moldova, while overall progress has been made since 2005, implementation of reform strategies remains a problem, even in areas where there has been good legislative progress. The Moldova report states that the country needs to concentrate resources on implementation and prioritise actions clearly. The areas where progress occurred – albeit to different degrees – were border management, resolution of the Transnistria conflict, co-operation with international financial institutions (IFIs) and co-operation on foreign policy and trade.<sup>76</sup>

In general terms – as also indicated in COM(2006) 726 of 4 December 2006 - the first eighteen months of ENP implementation have laid the groundwork for significant progress and this is reflected in notable developments across many policy areas. Nevertheless, steps to further strengthen the ENP need to be taken.<sup>77</sup>

### **c. Regional strategic objectives and priorities**

The legal basis for relations between the EU and the newly Independent States (NIS) that resulted from the break-up of the former Soviet Union in 1991 consists of bilateral Partnership and Co-

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<sup>72</sup>Communication to the College from Commissioner Ferrero-Waldner, SEC(2005) 1521 ([http://ec.europa.eu/world/enp/pdf/sec\\_2005\\_1521\\_en.pdf](http://ec.europa.eu/world/enp/pdf/sec_2005_1521_en.pdf))

<sup>73</sup> For more info please refer to [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm)

<sup>74</sup> [http://ec.europa.eu/world/enp/policy\\_en.htm](http://ec.europa.eu/world/enp/policy_en.htm)

<sup>75</sup> [http://ec.europa.eu/world/enp/funding\\_en.htm](http://ec.europa.eu/world/enp/funding_en.htm)

<sup>76</sup> Source : ENP Progress Report Moldova, COM(2006) 726 final}

<sup>77</sup> [http://ec.europa.eu/world/enp/pdf/sec06\\_1504-2\\_en.pdf](http://ec.europa.eu/world/enp/pdf/sec06_1504-2_en.pdf)

operation Agreements (PCAs) signed in the mid-to-late 1990s for most NIS countries. Since all share political, institutional, and economic features, it is not surprising that these agreements share common strategic themes and priorities.

Dominating these themes and priorities were the needs for political stability, the rule of law, and sustainable development, recognising that none could be achieved without mitigating the social consequences of transition and promoting transition to a market economy. Sub-themes identified reflected the realities of worsening environmental pollution and impacts on health, disintegration of the public sector, corruption of institutions responsible for fighting crime, and so on. Needs identified ranged widely from an overall need for institution-strengthening and capacity-building to providing relief to those who had suffered most from the social consequences of transition and to addressing problems of nuclear safety. Underlying this was the geographic reality that, broadly considered, Europe and the NIS (including the Central Asian republics if energy networks are kept in mind) comprise a single geographic and economic nexus. The theme of proximity, the desire to avoid creating new barriers, and the need to adopt a pan-European perspective, run through the basic policy documents.

While Tacis, expiring in 2007, is an instrument rather than a strategy in itself, the basic themes of EU policy towards the NIS are contained in the Tacis Regulations promulgated in 1991, 1993, 1996, and 1999. Article 1 of the Tacis Regulation most relevant to this evaluation (99/2000) identifies three principal objectives:

- promoting transition to a market economy
- promoting democracy
- strengthening the rule of law.

The priority areas for action (identified in Annex 2 of the Regulation) are given in Table 27.

Table 27(Annex 1) - Tacis Priority Areas

| Council regulation 99/2000: Tacis priority areas                      |
|---|
| Support for institutional, legal, and administrative reform           |
| Support to the private sector and assistance for economic development |
| Support for addressing the social consequences of transition          |
| Development of infrastructure networks                                |
| Promotion of environmental protection and natural resource management |
| Development of the rural economy                                      |

While energy is not explicitly mentioned, three out of the priority sectors are of relevance for energy-related issues in Moldova:

- Social consequences of transition: although attempts have been made to cushion consumers, one of the key consequences of industrial restructuring in transition economies is a surge in formerly very low energy tariffs.
- Infrastructure networks: improvements of worn out energy pipelines, transmission networks and border crossings are relevant both for reliable domestic supply and for energy transits.
- Environmental protection: improvement of energy efficiency and energy conversion technologies will help keep emissions at acceptable levels, even if the transition economies grow again.

**d. EC Strategic Objectives and Priorities in Moldova**

**i. Partnership and Co-operation Agreement (PCA)**

The legal basis for the EC's engagement with Moldova is the PCA, agreed upon in July 1998 for an initial term of ten years to be automatically extended unless either side withdraws from it. The EU -

Moldova ENP Action Plan, dating from February 2005, includes a more detailed set of policy objectives and will help fulfil the PCA provisions,. The objectives of the PCA are

- to provide the basis for political dialogue,
- to promote trade and economic relations with the goal of fostering sustainable development,
- to provide the basis for legislative, economic, social, financial and cultural co-operation, *and*
- to support Moldova in democratisation, economic development, and transition to a market economy.

This evaluation is especially concerned with the co-operation element of the PCA and how it has interacted with the other three objectives. The PCA provides what is, in effect, an all-encompassing list of areas for co-operation running to over 30 Articles some of which contain several dozen specific areas in which co-operation is to be encouraged (see second column of Table 28). These fall into four general areas, on one of which, cultural co-operation, the PCA includes only a few words. The other three general areas are as given in the first column of Table 28:

1. **Competition, property rights, and legislation.** These areas set the “rules of the game” for relations between States. The overall goal of co-operation in this area given in the PCA is promotion of trade and economic relations. In the area of legislation, it is explicitly stated that the goal is to promote approximation to European legislative practice. While not explicitly stated, the PCA clearly envisages that European approaches and practices will be adopted in the areas of competition policy and the protection of property rights. By facilitating relations between Moldova and the EU, this should provide benefits for both partners.
2. **Economic.** Economic co-operation covers all sectors from agriculture through environment, justice and home affairs, to the social sector. The objective cited is encouraging sustainable development in Moldova. In many areas as diverse as environment, Customs and money laundering, there is again an implicit goal of promoting European approaches and practices. In some instances, such as standards and phytosanitary standards, this will facilitate trade; in others, such as border control and drugs, the goal is to mitigate problems by encouraging better policy approaches and improving the capacity to implement them. Again, this should lead to benefits on both sides.
3. **Financial.** Financial co-operation is a means to an end – the PCA calls for the co-operation activities above to be financed through the Tacis programme according to indicative plans to be drawn up in the context of country strategic programming (i.e., the drafting of country strategies, although these did not exist *per se* when the PCA was signed).

Table 28(Annex 1) - Co-operation under the PCA

| Co-operation under the PCA: a bird's eye view  |   |  |
|--|---|--|
| Areas of co-operation identified   |   | Overall objectives   |
| General  | Specific  |  |
| Competition; protection of intellectual, industrial, and commercial property; legislative. | Competition policy, Intellectual, industrial, and commercial property rights, Legislative approximation   | Promote trade and economic relations   |
| Economic   | Industrial, Investment promotion, Public procurement, Standards and conformity assessment, Mining and raw materials, Science and technology, Education and training, Agriculture and agro-industry, Energy, Environment, Transport, Postal and telecommunications, Financial services, Monetary policy, Money laundering, Regional development, Social co-operation, Tourism, SMEs, Consumer protection, Customs, Statistics, Drugs | Contribute to economic reform and recovery, strengthening existing economic links to benefit of both partners and recognising the need to ensure the requirements of sustainability and of fully incorporating environmental considerations. |
| Financial  | Technical assistance grants within framework of Tacis programme   | Accelerate economic transformation   |

When viewed as a whole, the mixed nature of the goals of the PCA becomes apparent. Co-operation aimed at forging harmonious ties is generic to all EC co-operation whether with countries rich (i.e., economic co-operation) or poor (development and economic co-operation). Poverty alleviation and sustainable development are generic to EC co-operation with any low-income country such as Moldova. Other aspects, however – the emphasis on integration into the European single market and on strengthening responses in the areas of environment, Customs, and justice and home affairs, among others - reflect the reality that Moldova is not just any poor country, but a poor country on Europe's borders.

## ii CSPs, FSP

### 1. *Moldova CSPs*

In December 2001 the Moldova Country Strategy Paper (CSP) 2002-2006 was adopted along with its accompanying National Indicative Programme (NIP); this updated an Indicative Programme 2000-2003 dating from 1999 (a document which the evaluation team has not consulted). The CSP sets out the strategy through which the 1995 PCA is to be implemented, and also aligns itself with two Government documents, the 2000-2005 Programme of Government and an interim PRSP published in 2000. An important contextual element related to the CSP was the temporary suspension of disbursements by the IFIs. However, the CSP noted that there had been some progress in reform (notably land privatisation) and that Moldova had successfully acceded to the WTO in 2001.

The CSP identified the three major thematic areas which, as the team indicated in Section 1.2 above, run throughout the evaluation period:

- institutional and administrative reform,
- private sector and economic development,
- mitigating social consequences of transition.

A more detailed breakdown of intervention areas, taken from the NIP, is given in the accompanying Table 29.



In considering the overall context, the CSP stresses the need for export diversification, in terms both of products and markets (i.e., developing markets outside the CIS) and of the fight against criminality, especially corruption and money laundering. Rural poverty and “social orphans” are among the social priority areas identified. Progress towards a solution of the TN issue is identified as a requirement for economic improvement and democratic consolidation; at one point TN is referred to as “Moldova’s fundamental problem.”

An important component of the initial conditions for the CSP was the 2000 evaluation of the Tacis Country Strategy in Moldova. This endorsed the overall approach and priorities, but identified problems of coordination with other donors and questioned the sustainability of projects. A few specific strategic adjustments recommended by the evaluation, such as replacing agriculture with a broader rural development focus, were reflected in the CSP. The CSP called for the entire range of applicable EU instruments, including EIDHR, NGO co-financing, and the FSP, to be used. It also called for balance of payments support, and so-called “macro-financial assistance” in the form of soft loans conditional on reaching agreement with the IMF under the Poverty Reduction and Growth Facility.

Table 29(Annex 1) - CSP/NIP 2002-2006

| CSP/NIP 2002-2006: Priority Areas                            | Sub-areas   |
|--|---|
| Support for institutional, legal, and administrative reform  | Approximation of legislation and administrative reform<br>Health system reform<br>Civil Society and education development |
| Support for private sector and economic development          | Support to micro, small, and medium-sized enterprises   |
| Support for mitigating the social consequences of transition | Childcare and family assistance   |

The follow-up CSP/NIP 2004-2006 (see Table 30) was promulgated in 2003 and reflected the need to update strategy in line with the emerging ENP and the fact that the Moldova PRSP had been put in place. The CSP was closely based on the EU – Moldova ENP Action Plan, elaborated within the framework of the ENP and reflecting the objectives of the PCA.

The three strategic orientations given above remained in place.

Table 30(Annex 1) - CSP/NIP 2004-2006

| CSP/NIP 2004-2006: Priority Areas   |
|---|
| <p><b>Support for institutional, legal, and administrative reform</b></p> <ul style="list-style-type: none"> <li>• Support to the implementation of the EU/Moldova ENP Action Plan and of the PCA ;</li> <li>• Support for implementation of international conventions and other commitments</li> <li>• Support to health reform</li> <li>• Justice and Home Affairs</li> <li>• Civil Society and local objectives</li> <li>• Support for higher education</li> </ul> |
| <p><b>Support for private sector and economic development</b></p> <ul style="list-style-type: none"> <li>• Export / investment promotion</li> <li>• Support to micro-enterprises, SMEs, and small farmers in rural areas</li> </ul>   |
| <p><b>Support for mitigating the social consequences of transition</b></p>  |

- Direct assistance to vulnerable groups

Energy-related issues are not among the top priorities of the CSP. However, the strong import dependency with regard to gas, electricity and oil, and the poor status of the energy infrastructure in Moldova, contribute to the overall economic situation. A settlement of the TN conflict would also help stabilise the situation in the domestic electricity generation system, as the largest single power plant in Moldova (Cuciurgan) is located in TN.

## 2. Food Security Programme (FSP) - Moldova

Moldova is, according to World Bank statistics, the poorest country in Europe. Not surprisingly in view of this, the FSP has played a major role in the EC's country strategy and programming. Under its FSP, the EU provided targeted budget support to promote government capacity to formulate and implement reforms aiming at improving food security and alleviating poverty.<sup>78</sup> The budgetary support is accompanied by a technical assistance component.

FSP budgetary support has been provided on the basis of Council Regulation No. 1292/96 on food-aid policy and food-aid management and special operations in support of food security. The following objectives set out in the Council Regulations apply to the Moldova FSP:

- "to promote food security geared to alleviating poverty, to help the population of developing countries and regions, at household, local, national and regional levels,
- to raise the standard of nutrition of the recipient populations and help them obtain a balanced diet."

Articles 12 and 2.5 of the Council Regulation 1292/96 have been analogously applied to justify the FSP in Moldova.<sup>79</sup>

The foreign exchange provided under the FSP is being transferred into a counter-value account. From this account transfers are made to the treasury, depending on a schedule of instalments and fulfilment of conditions set out in a Memorandum of Understanding. The FSP budgetary support is particularly destined for financing children's homes and family assistance, building on the previous work of the European Community Humanitarian Office (ECHO) and other donors. Release of counter-value funds is conditional on overall structural adjustment, on meeting targets, and on commitment to social sector reform.

The CSP 2002-2006 defines the following objectives of the FSP:

- to improve the living conditions of children.

This is being achieved through the following two specific objectives:

- to alleviate the hardship of children living in institutions;
- to support families in order to avoid children being abandoned and to facilitate their return to families.

It was also expected that the FSP would result in:

- elaboration and implementation of a government policy for children and a gradual improvement of their material living conditions.

Over time, vulnerable populations targeted by FSP were widened to encompass not only children but also other groups. In the 2003 Financial Proposal for the FSP in Moldova<sup>80</sup>, the objectives and

<sup>78</sup> We note, in passing, that targeted budget support is no longer considered best practice within the donor community –see, e.g., AIDCO's Budget Support Guidelines.

<sup>79</sup> Article 2.5 refers to counterpart funds generated through food aid deliveries (not through direct financial transfers as applied here),.Article 12 refers to the possibility of a Community contribution in the form of a foreign currency facility made available to private sector operators, particularly to facilitate the importation of basic food stuffs.

scope of the FSP were expanded beyond the social sector (as addressed in the CSP) to cover agricultural sector development. In view of the overall objective of the programme to improve food security and reduce poverty, the following specific objectives have been defined:

- contribute to macroeconomic stability and enhanced public finance management;
- encourage development of a more productive agricultural sector contributing to economic growth, thus promoting long-term food security, a stable supply of food, and secure incomes for rural farming populations; *and*
- support development of a well-targeted and sustainable social safety net, with a view to alleviating poverty and food insecurity at the household level for the most vulnerable segments of the population.

The FSP as designed in the Financial Proposal was planned to start in 2005 with an implementation period of two years. The details and conditions for disbursements are defined in a Financial Agreement and annual Memoranda of Understanding. Since 2000, a total of €35.9m has been allocated under three FSPs (see Table 31):

Table 31(Annex 1) – FSP in Figures

| <b>FSP in Figures</b> |                         |            |
|-----------------------|-------------------------|------------|
|                       | Budgetary support - € m | TA - € m   |
| FSP 2000              | 5,0                     | 0,5        |
| FSP 2002              | 9,5                     | 0,9        |
| FSP 2004              | 9,2                     | 0,8        |
| FSP 2006              | 9,2                     | 0,8        |
| <b>Total (FSP/TA)</b> | <b>32,9</b>             | <b>3,0</b> |
| <b>TOTAL</b>          | <b>35,9</b>             |            |

Source: EC CSP on Moldova 2002-2006 and Financial Proposal 2003, compiled by Evaluation Team

The release of funds committed under the FSP 2002 was temporarily interrupted as the country went off track with the IMF. When this occurred in 2002-2003, the EC's and all other donors' budget support programmes (including the EC's MFA) had to suspend payments to the treasury. Since the country was severely short of financial resources to finance essential public expenditures, the targeted budget support of the FSP actually enabled the government to effect disbursements as soon as minimum conditions were met again.

### iii Macro-financial assistance

During the early stages of Moldova's transition to a market-oriented economy, the EC made available €87m in macro-economic assistance, that is. general budgetary and balance of payments assistance (both grants and loans) administered by DG ECFIN and coordinated with the Bretton Woods Institutions. Owing to the suspension of IMF financing, two proposed macroeconomic financial assistance packages could not be implemented in 2000-2002. The agreement of a Poverty Reduction and Growth Facility (PRGF) with the IMF in May 2006 paved the way for the re-establishment of macro-financial assistance. The objective of this assistance, to be provided in 2007-08 in the form of grants, is to blunt the impact of adverse trade shocks (the increase in the price of gas, the wine embargo) so that financial constraints arising as a result do not throw the PRGF off track. The total amount planned is €45m, with a review to take place at the end of 2007 to re-assess progress on the PRGF and financing needs for 2007 in view of the coming-on-stream of ENPI general budget support during that year.

<sup>80</sup> Proposal for a Commission Decision for a Financial Allocation in support of a Food Security Programme in Moldova, AIDCO, Brussels 2003.

iv Multi-country aspects of the EC's co-operation with Moldova

From the very beginning of the Tacis programme in the early 1990s it was recognised that differentiated national strategies needed to be complemented by multi-country interventions, either regional (involving the entire region), sub-regional (involving a sub-set of countries), or cross-border (involving borders between EU Member States and neighbours to the east). The multi-country aspect contains a strategic dimension that requires exploration, especially as one theme raised in the ToR for this evaluation is the degree of coordination, complementarity, and coherence (the "3Cs") between national and multi-country interventions.

The need for multi-country approaches is self-evident. In some areas such as environment, many problems have marked transboundary aspects, while in others such as border management and trafficking, they involve at least two countries practically by definition. Dense regional transport and energy networks call for a regional approach, as do JHA-related concerns where illegal activities could easily move from one country to another to escape national-level interventions (e.g., money-laundering). There may also be synergies involved. For countries engaged in transition from a similar political, institutional, and economic environment to a market economy and a more open society, the gains from sharing experiences and lessons learned may be high. Multi-country collaboration may also foster trust and defuse areas of cross-border conflict.

Until the mid-1990s the Tacis Interstate / Regional Co-operation Programme covered a wide range of areas. Already in the late 1990s, many areas were being transferred to national programmes, a trend that continued to be in evidence in the 2002-2003 Regional Strategy Programme (RSP) and in the Regional Indicative Programme (RIP) adopted in 2001.

Tacis regional co-operation was concentrated in three areas: networks, environment, and justice and home affairs. "Networks" refers essentially to INOGATE (priority investments in oil and gas infrastructure and technical assistance for the development of oil and gas pipelines) and TRACECA (technical assistance and investment in railroads, roads, and ports). In environment, emphasis was on water issues (regional seas in particular), environmental education and awareness-raising through NGOs, and technical assistance for environmental policy making. The priority area in JHA was on drugs, followed by border management. All three areas can be traced back to priority areas identified in the Tacis Regulation of 1999.

The Tacis RSP/RIP 2004-2006 concentrated on three themes: sustainable management of natural resources (mostly water but also biodiversity, forests, and climate change), promoting trade and investment flows (interstate co-operation in energy, transport, and telecommunications), and JHA (border management, organised crime and terrorism, and improved migration and asylum management. Since the second of these is essentially the "Networks" theme of the previous regional strategy in a different guise (including INOGATE and TRACECA), there was almost complete continuity. The RSP/RIP also included specific objectives, expected results, and indicators for each of the objectives in the right hand column of Table 32.

*Table 32(Annex 1) - Tacis Regional Strategy priority areas*

| Tacis Regional Strategy priority areas, ca. late 1990s-2006 |   |
|---|---|
| Thematic area   | Objectives  |
| Sustainable management of natural resources                 | Progress towards sustainable use of natural resources and increased resource efficiency<br>Improving environment and health conditions  |
| Trade and investment flows                                  | Facilitate and increase trade and investment flows<br>Enhance security and safety<br>Reduce health and environmental impacts of existing energy and transport networks<br>Improve statistical information |
| Justice and Home Affairs                                    | Combat organised crime (money laundering, drug trafficking, trafficking in human beings) and international terrorism, enhance border management and strengthen migration and asylum systems               |

Contained in the 2002-2006 RSP/RIP promulgated in 2001 was a strategy and indicative programme 2002-2006 for cross-border co-operation (CBC). The CBC programme was established in 1996 with the goal of improving cross-border co-operation between partner States, EU Member States, and accession and candidate countries. Early strategic priorities were development of border crossing infrastructure and border management, with a heavy slant towards JHA-related and Customs aspects; the second largest area of intervention was cross-border environmental projects such as those relating to transboundary water pollution or biodiversity conservation.

EU enlargement and the evolution towards the ENP increased the importance attached to CBC. In the CBC Strategy Paper and Indicative Programme 2004-2006 (promulgated November 2003), the objectives of CBC are given as:

- to address opportunities and challenges arising from enlargement through co-operation at cross-border and regional levels, *and*
- to facilitate the legal flow of people, goods, and services across the EU's external borders.

Also, as in the ENP, CBC is put in a pan-European context, a key aspect being the desire to avoid creating what are termed "new dividing lines in Europe." Promotion of pan-European transport corridors, reduction of border bottlenecks, and improved border management are singled out as linchpins of the strategy, and a separate activity area covers large infrastructure projects at major border crossings. In effect, CBC strategy has been subsumed under the "proximity policy" agenda of the emerging ENP. The key priorities identified for 2004-2006 were supporting Neighbourhood Programmes on the EU's eastern borders and completing large border crossing infrastructure projects so as to facilitate legal transit. An important aspect of these projects from the strategic point of view is that the beneficiaries were mostly regional and local authorities, not central government.

#### v The TN issue and EC co-operation

As already mentioned the most significant EC assistance activity related to TN is the EU Border Assistance Mission (EUBAM).

The Mission, funded by the European Union (TACIS, note that the first six months were financed by the Rapid Reaction Mechanism - RMM ) and implemented by UNDP, has its headquarters in Odessa, and currently has seven field offices (three on the Moldovan side, four on the Ukrainian side). The current complement is 158 including 101 international staff from 16 EU Member States and 3 CIS countries, and 57 local staff. The 16 EU countries are Austria, Belgium, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Slovakia, and the United Kingdom.<sup>81</sup>

So far, EUBAM is the pivotal EC assistance activity addressing the TN issue. Other EC assistance projects are linked to the solution only indirectly. They could be identified in the areas of Justice, Freedom and Security (e.g. human rights, judiciary) and Economic Development (e.g. trade/WTO). For more information please refer to Section 2.9. in the main report.

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<sup>81</sup> EUBAM Annual report. Page 20.

**e. Implementation and resources**

For the period 1991-2006 the EU provided assistance to Moldova totalling €320,72m of which €87m was for Macro-Financial Assistance, €35.9m for Food Security and €137.6m for the Tacis National programme (incl. Tempus). The breakdown is given in Table 33.

Table 33(Annex 1) - EC assistance to Moldova, 1991-2006

| EC assistance to Moldova, 1991-2006 (in € million)* |              |             |            |              |              |             |             |             |             |               |
|---|--------------|-------------|------------|--------------|--------------|-------------|-------------|-------------|-------------|---------------|
|   | 1991-1998    | 1999        | 2000       | 2001         | 2002         | 2003        | 2004        | 2005        | 2006        | Total         |
| TACIS National Programme**                          | ***41,1      | 14,7        | -          | 14,8         | -            | 25,0        | -           | 42,0        | -           | 137,6         |
| TACIS Cross-border Co-operation****                 | -            | -           | 2,0        | 3,0          | 1,1          | 2           | 1,0         | 3,6         | 10          | 22,7          |
| TACIS Regional Programme****                        | -            | -           | 0,9        | -            | 1,25         | -           | 6,6         | 5,1         | 12,3        | 26,15         |
| Food Security                                       | -            | -           | 5,5        | -            | 10,4         | -           | 10,0        | -           | 10,0        | 35,9          |
| Macro-Financial Assistance                          | 87,0         |             |            |              | -            |             |             |             |             | 87,0          |
| Humanitarian Assistance                             | -            | 3,9         | 0,8        | 0,8          |              |             |             |             |             | 5,5           |
| PVD-NGO Co-financing                                | -            | -           | -          | -            | -            | 0,5         | -           | -           | -           | 0,5           |
| Human rights (EIDHR)                                | -            | -           | 0,2        | 0,47         | -            | -           | -           | -           | -           | 0,67          |
| SPP   | -            | -           | -          | 4,7          | -            | -           | -           | -           | -           | 4,7           |
| <b>Total</b>  | <b>128,1</b> | <b>18,6</b> | <b>9,4</b> | <b>23,77</b> | <b>12,75</b> | <b>27,5</b> | <b>17,6</b> | <b>50,7</b> | <b>32,3</b> | <b>320,72</b> |

\* 2006 figures indicative and not available for each item

\*\* Including TEMPUS

\*\*\* Overall figure for technical assistance in 1991-98 (mostly Tacis)

\*\*\*\* Estimated pro-rata share for Moldova in cross-border (NP and CB) and regional programmes.

(Source: AIDCO A/1)

With its planned start from 1 January 2007 the ENPI is a new financing instrument aiming at replacing geographical and thematic programmes expiring in 2006 (e.g. Tacis and FSP). It is designed to target sustainable development and approximation to EU policies and standards, supporting the agreed priorities in the ENP Action Plans. For the next budgetary period 2007-2013, approximately €12bn of EC funding will be available, an increase of 32% in real terms.<sup>82</sup>

A new ENPI assistance strategy (2007-2013) for Moldova is currently in preparation and will be adopted during the first quarter of 2007. It can be expected to focus on strengthening good governance and regulatory reform as well as on supporting poverty reduction and economic growth. The same applies to the new macro-financial assistance grant and new EIB lending. As a general rule, EIB lending will be blended with ENPI grant resources.<sup>83</sup>

The evaluation team has made an extract from the CRIS database indicating major projects active in Moldova during the 2000-2006 evaluation period. This table is given in Annex 9.

**f. EC Overall Intervention Logic - PCA**

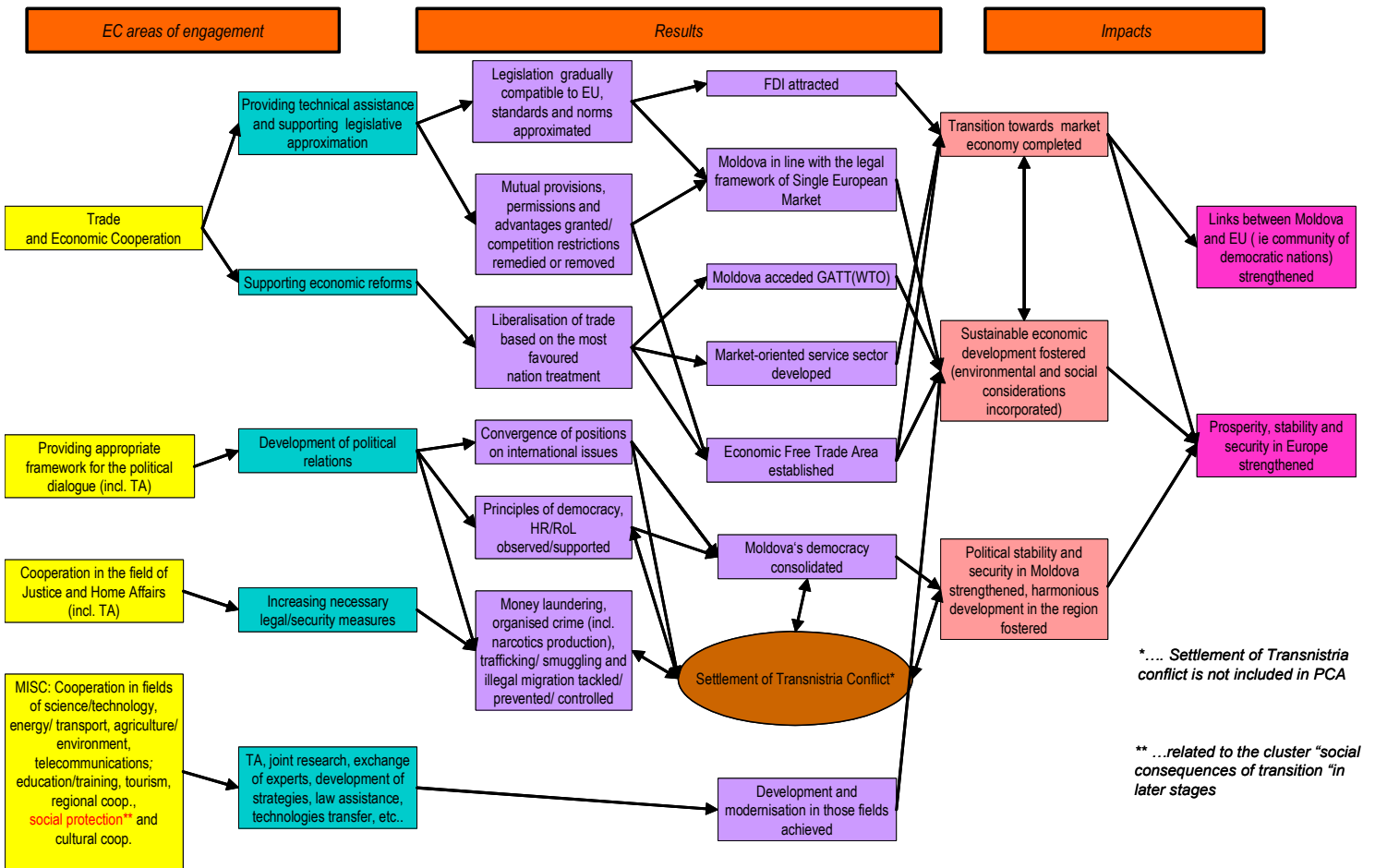
In order to provide a general framework for designing EQs, the evaluation team prepared an effects diagram (see Figure 24) illustrating the overall strategic logic of the EC's partnership with Moldova as expressed in the PCA. General areas of engagement were trade and economic development, political dialogue (not a subject of this evaluation, but an important contextual activity), institution strengthening and capacity building in JHA, Civil Society development, and co-operation in such diverse fields as social protection, energy, transport, the environment, and higher education. Activities carried out under the FSP, the Tacis regional and national co-operation

<sup>82</sup> Source : [http://ec.europa.eu/world/enp/funding\\_en.htm](http://ec.europa.eu/world/enp/funding_en.htm)

<sup>83</sup> Source: [http://ec.europa.eu/comm/external\\_relations/moldova/intro/index.htm](http://ec.europa.eu/comm/external_relations/moldova/intro/index.htm)

programmes, and activities implemented under other instruments such as EIDHR and the NGO co-financing budget lines, should all be understood in the broad context of support for the PCA.

Figure 24(Annex 1) - The EC's Moldova approach according to PCA (1994/1998-2008)<sup>84</sup>:



The evaluation team also reconstructed intervention logics for the three main clusters of EC assistance. To examine the impact diagrams please refer to Annexes 15 – 17.

<sup>84</sup> A feasibility study carried out after the entry into force of the PCA concluded that Moldova was not ready for a FTA with the EU. Therefore the EU decided (in the ENP Action Plan) to consider granting Moldova additional autonomous trade preferences on condition that Moldova significantly improved its system of control and certification of origin (source: DG Trade).

## ***Annex 2 - Terms of Reference (extracts)***

### **3. EVALUATION'S OBJECTIVES AND SCOPE**

#### **3.1. Objectives**

The main objectives of the evaluation are:

- to provide the relevant external co-operation services of the EC and the wider public with an overall independent evaluation of the Commission's past and current assistance to Moldova; providing the Commission's policy-makers and managers with a valuable aid both for the implementation of the current Strategy and Indicative Programmes, and for future programming;
- to identify key lessons from the Commission's past co-operation;

#### **3.2. Scope of the evaluation**

The scope of the evaluation will be:

- on the EC Country strategies (CSP) and, on its implementation in Moldova in 2000 – 2006, the centre of attention should be on the following areas: (a) support for institutional, legal and administrative reform, (b) support to the private sector/assistance for economic development, (c) support in addressing the social consequences of transition.
- on the coherence between actions undertaken at national level and those supported in relevant regional initiatives affecting the country, with special regard to the capacity of regional institutions and to economic integration and trade (see relevant Regional Indicative programmes).

Tacis Regional and CBC programmes as well as thematic programmes, which aim at promoting specific aspects of development in areas throughout the world, including Moldova, for example, EU Human Rights and Democracy Programme (EIDHR) and non-governmental organisation (NGO) co-financing programme, should also be covered .

The FSP, which has provided support to Moldova 2000 – 2006 € 35,9M in the form of budgetary assistance to finance government programmes and promote reforms aiming to improving food security, should be covered too in the context of the evaluation.

In order to avoid overlaps with the already completed Moldova related evaluations the evaluation team should carefully investigate the following evaluations and case studies included :

- Evaluation of TACIS Country Strategy in Moldova ( 2000 ),
- Evaluation of Council regulation 99/2000 ( TACIS ) and its implementation ( 2006 ) and
- Evaluation of Trade-Related Assistance by the EC in Third Countries ( 2004 )

Further information :

<http://europa.eu.int/comm/europeaid/evaluation/index.htm>,

### **4. THE EVALUATION'S BASIC METHODOLOGY AND APPROACH**

The basic approach to the evaluation will consist of three main phases, encompassing five methodological components at the core of which is a set of evaluation questions (see part 5)

#### **4.1. Three Main Phases**



- Desk Phase
- Field Phase
- Final Report-Writing Phase

#### **4.2. Five Methodological Components**

- Structuring of the evaluation
- Data Collection
- Analysis
- Judgements
- Dissemination and feedback

#### **4.3. Desk phase**

First, the contractor will present a Launch Note : (i) the contractor's understanding of the Terms of Reference, (ii) the provisional proposed composition of the core evaluation team with CVs. The Launch Note will be referred to the Reference Group for comments.

##### **4.3.1. Inception report**

Once this note will be approved by the manager of the evaluation, the work will proceed to the Structuring Stage, which shall lead to the production of an Inception Report.

The largest part of the work will be dedicated to the analysis of all relevant key documentation, including data on the relevant policy and programming documents and instruments, and also taking account of any key documentation produced by other international donors and agencies. On the basis of the information collected the evaluation team will:

- Reconstruct on the basis of official documentation the intervention logic of the co operation policy, programmes and activities in respect of the EC's support to the country in the form of one or several logical diagrams of impacts. Prior to the elaboration of the impact diagram(s), the team will have to prioritize the co-operation objectives and to translate them into intended effects. These intended effects will form the "boxes" of the diagram(s). Possible "holes" in the intervention logic will be indicated and filled on the basis of hypothesis to be validated by the reference group. The impact diagram(s) will help to identify the main evaluation questions.
- Select the evaluation questions and present them with their respective explanatory comments. The choice of Evaluation Questions determines the subsequent phases of information and data collection, methods of analysis, and elaboration of final judgements.
- In addition to the specific judgements on the Evaluation Questions but based on them, the evaluators shall arrive at an overall assessment of the EC co-operation programmes and strategies with Moldova.

A first meeting will be held with the reference group to introduce the evaluation and propose the logical diagram(s) and the evaluation questions to be validated by the group.

- Identify appropriate Judgement Criteria and preliminary indicators after validation of the evaluation questions. For each Evaluation Question at least one Judgement Criterion should be identified, and for each such criterion appropriate quantitative and qualitative Indicators should be identified and specified.
- Include a description of the development co-operation context of the country.
- Propose suitable working methods for data and information collection both in the Commission's headquarters and in the country. Present appropriate methods of data collection, information and analysis in the Commission headquarters (indicating any limitations) and the strategy for data collection and information in the country.

The Report will also confirm (i) if necessary, the final evaluation team composition, including national or regional consultants and short term experts as appropriate and (ii) the final time schedule, to be agreed between the Contractor and the Commission and confirmed through a formal exchange of letters. This time schedule should be sensitive to planned visits to the delegation and the national authorities by other Commission services.

This phase could include a short preparatory and exploratory visit by selected members of the evaluation team to the country.

#### **4.3.2. Desk phase report**

Upon formal approval of the Inception Report, the team of consultants will proceed with the final stage of the Desk Phase of the evaluation.

This final stage consists mainly in identifying and setting out proposals for:

- the final quantitative and qualitative indicators.
- the first elements of responses to the evaluation questions and the first hypothesis to be tested in the field.
- suitable methods of data and information collection in the country (already announced in the inception note) for example: interviews both structured and unstructured interviews, focus groups, questionnaires, additional literature, seminars or workshops, case studies, etc. - indicating any limitations and describing how the data should be cross-checked to validate the analysis.
- appropriate methods of analysis of the information and data collected, again indicating any limitations in Moldova. It should include a proposed list of activities, projects and programmes for in depth study in the field, examples of assessment project sheets, examples of interview guides to be used on the field, etc.

At the conclusion of this work, the evaluation team will present to the evaluation manager a Draft Desk Phase Report setting out the results of this first phase of the evaluation including all the above listed tasks (the major part of the Inception report will be put as an annex of the desk phase report). The field mission shall not start before the proposed approach and methodology have been approved by the evaluation manager.

#### **4.4. Field phase**

Following satisfactory completion of the first phase and formal acceptance of the Desk Phase Report, the Evaluation Team will proceed to Moldova in order to undertake the field mission. The fieldwork shall be undertaken on the basis set out in the Desk Phase Report and agreed with the Delegation and the Reference Group. If during the course of the fieldwork any significant deviations from the agreed methodology or schedule are perceived as being necessary, these should be explained to the evaluation manager and the Reference Group.

At the conclusion of the field study the Team will:

- (i) give a detailed de-briefing to the Delegation in charge of the country programme on their preliminary findings;
- (ii) give a presentation of the preliminary findings to the Reference Group, shortly after the return from the field, to discuss the preliminary findings.

#### **4.5. Final report-writing phase**

The evaluators will submit the Draft Final Report, using the structure set out in Annex 2, taking due account of comments received during de-briefings. Besides answers to the evaluation questions, the final report should include a section synthesising the main overall conclusions of the evaluation.

If the evaluation manager considers the report of sufficient quality (on the basis of the grid in Annex 3), he will circulate it for comments to the Reference Group, which will convene to discuss it in the presence of the Evaluation Team.

On the basis of comments expressed by the Reference Group (which includes the Delegation and the geographical service concerned), the Evaluation Team should make the appropriate amendments. The revised draft final report will be presented at a seminar in Moldova. The purpose of the seminar is to present (for discussion) the draft final report to the Delegation, to main national stakeholders and to other donors, with particular emphasis on draft findings, conclusions and recommendations. There are several points in favour of such a seminar: possibility of a last check of the factual basis and of the appropriate mix of sources; feedback on conclusions and recommendations; increased sense of ownership of the evaluation. The consultants should prepare a presentation (power point would be preferable) for the seminar. This presentation shall be considered as a product of the evaluation (like the reports).

On the basis of the comments expressed at the seminar and on the basis of further comments from the Reference Group, EC Delegation and the evaluation manager, the Team will prepare the Final Report. The evaluators may either accept or reject the comments made by the Reference Group, the Delegation, geographical services or relevant stakeholders, but in case of rejection they shall motivate and explain their reasons in writing.

The final report (as well as previous reports and notes) must be of very high quality (the judgement will be done on the basis of the evaluation grid in Annex 3). Conclusions and recommendations should be based on the findings. The findings, analysis, conclusions and recommendations should be thorough. They should reflect a strong methodological approach, and finally the link or sequence between them should be clear.

The (power point) presentation will be revised in accordance to the final report.

Further information :

[http://ec.europa.eu/comm/europeaid/evaluation/methodology/examples/exp\\_en.htm](http://ec.europa.eu/comm/europeaid/evaluation/methodology/examples/exp_en.htm)

## 5. IDENTIFICATION OF THE EVALUATION QUESTIONS

The evaluation will be based on the five criteria endorsed by the OECD-DAC: relevance, impact, effectiveness, efficiency and sustainability. The criteria will be given different weight according to the precise evaluation questions.

In general, questions will refer to the following main areas:

- Relevance of the strategy/programme and its evolution: it includes both relevance to the EC general objectives and relevance to the country needs and priorities (including the choice of target groups). It also includes the appropriation of the strategy (CSP/NIPs and/or equivalent) by the partner country and the coherence of the strategy with Poverty Reduction Country Strategies (when appropriate). The evolution of the relevance of the strategy/programme during the period considered will also be analysed.
- Design of the strategy/programme: mainly concerns the extent to which the resources foreseen are adequate in relation to the objectives set out in the CSPs.
- Consistency of the implementation in relation to the strategy and its evolution: extent to which the following elements - the type of intervention, the geographical distribution, the choice of beneficiaries, the aid delivery channels, the role of the partner country, and sectoral distribution, are consistent with the strategy defined in the programming documents (CSPs and equivalent). This also concerns the comparison between the actual direct and indirect beneficiaries of the activities and the target groups defined in the programming documents (CSPs and equivalent). The team will also assess the extent to which the timing of the implementation corresponded both to the timeframe set out in the programming documents and to the evolution of the context.
- Achievement of main objectives: assessment of the extent to which the intended results and impacts were achieved (including performance against the indicators set out in the Indicative Programme). The consultants should identify all recorded results and impacts, including any unintended ones, and compare these to the intended results and impacts.

The evaluation team will also have to identify the changes which occurred in the areas on which EC programmes were supposed to impact.

- Efficiency of the implementation of the EC co-operation: to the extent that the activities were effective, an assessment of the co-operation programmes in terms of how far funding, human resources, regulatory, administrative, time and other resources and procedures contributed to or hindered the achievement of the objectives defined in the programming documents (CSPs and equivalent), taking into account the specific context of the partner country.
- Sustainability of the results and impacts: that is the extent to which the results and impact are being, or are likely to be, maintained over time without Official Development Assistance (ODA).
- Key cross-cutting issues: gender, environment human rights, conflict prevention; this part should aim to analyze to what extent the respective documents/annexes to the programming documents (CSPs and equivalent) were available during the reference period. It also includes the analysis of the extent to which these issues are reflected in the implementation modalities and in the effects of the EC's intervention.
- 3Cs: co-ordination and complementarity with other donors, particularly with Members States, coherence with EU policies (both EC and Member States), Regional Indicative Programmes and other Programmes funded by EC budgetary lines.

Further information :

[http://ec.europa.eu/comm/europeaid/evaluation/methodology/methods/mth\\_qes\\_en.htm](http://ec.europa.eu/comm/europeaid/evaluation/methodology/methods/mth_qes_en.htm)

## Annex 3 – Selected Focused Sections [EQs – (J),(S),(E),(F),(X/C)]

### Special Focus I: Trafficking in Human Beings in Moldova

#### **Victims and traffickers: who, where, how many and why?**

Trafficking in Human Beings (THB) in Moldova includes various forms of exploitation. Foremost, of course, is sexual exploitation, but it also takes the form of forced labour, begging and delinquency. Many victims are trafficked for multiple forms of exploitation, combining sexual exploitation and labour, labour and begging and sexual exploitation and begging.

According to IOM<sup>85</sup>, Moldovan girls as young as five are sold into sexual slavery and boys as young as 11 are sold to militias to serve as child soldiers or to perform forced labour. However, the main group at risk of THB in Moldova is about 100,000 women and girls between the ages of 16 and 24, who often lack education, have limited prospects for gainful employment and live in extremely poor villages. Almost 90% of victims have at least two children and are often looking for work to support their family. In 2004 47.8% of victims of labour trafficking, and 30.4% of victims trafficked for begging and delinquency, were male.

In addition to unemployment or underemployment, family relations and marital and family status are key factors underlying a victim's decision to migrate. In a number of cases entire families are trafficked, mostly for begging and delinquency. Almost 60% of the known recruiters are female. In many cases female recruiters are former or current victims of trafficking, who are forced by their traffickers to recruit other women.

**Forms of exploitation among Moldovan victims assisted in 2003 and 2004**

|   | 2003       | 2004       |
|---|------------|------------|
| Sexual exploitation                                 | 162        | 230        |
| Labour exploitation                                 | 61         | 22         |
| Sexual and labour exploitation                      | 68         | 17         |
| Begging/delinquency                                 | 14         | 23         |
| Sexual exploitation and begging/delinquency         | 2          | 7          |
| Labour, begging/delinquency                         | 1          | 1          |
| Sexual exploitation, labour and begging/delinquency | 1          | 0          |
| Other   | 4          | 0          |
| <b>Total</b>  | <b>313</b> | <b>300</b> |

source: IOM

In 2004 the main countries of destination included Turkey (44.9%), other countries in the Middle East (14.6%), Russia (11%) and European countries (8.3%).

While, in the early 2000s, over 80% of the victims crossed the border illegally, the trend is now reversed, with a majority of victims leaving the country at legal border crossings, thus suggesting increased sophistication in the logistics of trafficking and in the ability of traffickers to mobilise legal means of transportation.

<sup>85</sup> See, in particular: 'Second Annual Report on Victims of Trafficking in South-Eastern Europe – Country Report for the Republic of Moldova', Geneva: IOM, 2005.

Victims trafficked to the Balkans most commonly cross the borders in southern Moldova (Cahul and Vulcanesti) and from there move on to the region of Vrsac in Romania and into Serbia. Victims *en route* for the EU generally cross through Romania, Serbia, and Croatia and thence continue by sea to Italy or overland to Slovenia or Hungary. Victims bound for Turkey use Ukraine as a transit country, travelling overland to Odessa harbour and from there by boat to Turkey. Victims trafficked to UAE for sexual exploitation tend to travel by air with legal documents, and enter the country legally through the international airport.

Number of Trafficking Victims Assisted in South-Eastern Europe (2000- 2004)

|                  | 2000       | 2001        | 2002        | 2003        | 2004        | Total       |
|------------------|------------|-------------|-------------|-------------|-------------|-------------|
| Albania          | 219        | 445         | 375         | 345         | 366         | 1750        |
| Moldova          | 319        | 382         | 329         | 313         | 300         | 1643        |
| Romania          | 163        | 261         | 243         | 194         | 193         | 1054        |
| Bulgaria         | 46         | 96          | 164         | 172         | 143         | 621         |
| Kosovo           | 54         | 67          | 165         | 192         | 90          | 568         |
| BiH              | 0          | 0           | 8           | 17          | 29          | 54          |
| Serbia           | 0          | 1           | 10          | 13          | 21          | 45          |
| Croatia          | 0          | 0           | 1           | 1           | 6           | 8           |
| Montenegro       | 0          | 0           | 2           | 3           | 5           | 10          |
| Macedonia        | 0          | 0           | 0           | 14          | 12          | 26          |
|                  |            |             |             |             |             |             |
| <b>SEE total</b> | <b>801</b> | <b>1252</b> | <b>1297</b> | <b>1264</b> | <b>1165</b> | <b>5779</b> |

Source: IOM

***Is THB a major policy and economic problem in Moldova?***

The team have concluded that it is. In arriving at this conclusion, the have tried to avoid being influenced by the perhaps disproportionate attention that the issue has received in Europe, where it has held the public in thrall for some ten years. To judge by available statistics, the magnitude of the problem in Moldova does not appear to have reached critical levels, nor has it changed to any significant extent either for better or worse during the period of reference for this evaluation. Despite ranking as the second largest source country for THB in the South-Eastern European region, the number of victims assisted between 2000 and 2004 has remained stable at between 300 and 400 annually. However, by its very nature trafficking in human beings is a largely under-reported and under-recorded phenomenon.

These figures obviously only reflect the size of the group which sought assistance from IOM and other support organisations. The social, medical, psychological and human rights problems associated with THB, whatever the actual size of the population affected or at risk, cannot be emphasised enough. As was stressed by the OSCE: “Trafficking in Human Beings has roots in socio-economic and gender inequalities; it involves migration and law enforcement problems; it is increasingly perpetuated by organised criminal groups; it raises numerous human rights and gender issues; and has broad implications for stability, democratisation and rule of law”.

Mention should also be made of the fact that a majority of human trafficking perpetrators are typically also engaged in other forms of illegal trade, particularly in drugs and weapons.

Moreover, irregular migration and human trafficking has to be perceived as a destabilising factor in Moldova's progress towards full adoption of EU norms and standards in the field of justice and home affairs.

## **Special Focus II: Different approaches to SME development adopted by Tacis and the RISP and BAS projects**

As the EC has discovered, SME development in Moldova is difficult. However, as demonstrated by the experience of two major SME development projects -- the "Rural Investments and Services" project (RISP), co-funded by the World Bank, DFID and other donors, and the EBRD BSA Project — it is not impossible.

The RISP Project is a technical assistance project in the field of sustainable rural development, aimed primarily at providing the required support for the process of transition to a market economy. It represents the first project in Moldova that provides "long term financial support" for SMEs. The project design stresses flexible implementation mechanisms and data-driven decision-making processes that will encourage GoM support for SME development after the project ends. A baseline study (2000) informed project design and a mid-term review (2002) encouraged incorporation of lessons learned.

At present, RISP implementation operates through four local development agencies (ACA, CCA, MEGA, CDR) located throughout the country. Each of these four agencies is in charge of a specific geographic area of the country, giving the project a permanent presence in the field. Overall about 45 experts are employed (16 mobile teams, each with two consultants), equipped with cars (for field trips), computers, printers and other items required in the business development process.

Rural entrepreneurs are granted free assistance for business development, which includes:

- identification of business ideas and development of business strategies;
- identification of products and consumer markets;
- development of business plans, including all legal and financial aspects;
- facilitation of access to credits granted by the World Bank (Special and General Crediting Lines).

RISP "clients" are not only referred to commercial lenders, but are carefully prepared both to apply for and to utilise commercial credit properly. Support is granted for at least one year from the start of the business activity, in order to ensure successful development of the new business.

The "rural business development" component of the RISP achieved the following results at the first stage (with budget resources comparable to those of the Tacis SME project) .

- 1300 businesses /activities initiated (of which two-thirds have already generated income).
- At least 178 of these businesses /activities created by former migrants
- A failure rate of only 10% of new businesses after the first year of activity, half of these only after having paid off their bank credits

The BAS (Business Advisory Services) Project implemented by EBRD has as its following objectives: assisting growth and competitiveness of small- and medium-sized enterprises by financially supporting business advice and consulting activities; assisting development of the market for consulting services; and increasing the competitiveness of local consulting companies, with partial coverage of SME expenditures pn:

- information systems and other IT technologies
- restructuring and reorganisation
- business planning, including investment proposals
- market research and marketing plans, promotion programmes, branding, re-branding
- business partner and investor search
- reduction of production costs and resource management

- engineering studies
- introduction and upgrading of computerized management information system to improve accounting and control systems
- implementation, preparation and certification for quality management systems (ISO, HACCP, etc.)
- energy saving technologies
- design and modernisation of production systems and premises
- implementation of modern HR management systems.

Eligible SMEs must have a minimum of two years of operating experience and demonstrate positive dynamics. The maximum subsidy granted by BAS to SMEs is €10,000 (but not more than 50% of total project cost)

It should be mentioned that a co-operation mechanism between RISP and BAS has been established.

### **Special Focus III: EU export promotion projects**

The most comprehensive and complex EC project related to trade and investment has been the Tacis project "Support to the Moldovan Export Promotion Organisation or MEPO" (in its second phase the acronym was lengthened to MIEPO to include investment promotion). MEPO, combining export as well as (at a later stage) investment promotion activities, has become the main Government of Moldova entity in the field of promotional activities. Following policy advice TA provided under Tacis, MEPO was established by Governmental Decision in 1999 and launched its activities in 2000. In a short time MEPO was functioning effectively as a source of TA for the formulation and implementation of GoM export promotion policies, as well as being a service provider for enterprises. MEPO benefited from Tacis assistance for export promotion activities from the very beginning of its operations. On the other hand fewer resources were available to support the attraction of FDI.

The MEPO project had a positive impact in that it supported Moldovan firms in conceptualising, for the first time, their strategic orientation towards the EU market. Through MEP, firms accepted and implemented new market development approaches, became familiar with the requirements of the EU market, and absorbed the culture of client-oriented marketing. The quality of Moldovan participation in international trade events improved markedly, with meticulous pre-mission preparation, careful identification of interlocutors, and post-mission follow-up.

The policy component of the project, which utilised mainly local expertise, produced high-quality situation analyses and concept papers for priority sectors. Recommendations originating with MEPO, for example the recommendation to provide incentives for IT sector development, were promoted through the Ministry of Economy and Trade and reflected in the GoM and Parliamentary decisions. Mainly through the MEPO Project the companies "REDLABS" and "COMPUDAVA" (IT); "DEPLACE" (software); "ASTROLINE" (textiles); and "ACOREX Wine Holding" (wine); all adopted a Total Quality Management (TQM) philosophy in their production process, applied for ISO and other standards implementation, and effectively participated in trade exhibitions. The final project report estimates that each €1 spent on promotional activities generated as much as €140 on increased exports from the companies supported.

Experience with MEPO demonstrated, however, the importance of basing TA on a strong foundation. About two-thirds of the firms that benefited from MEPO marketing assistance were existing companies who already had some experience in exporting to the EU. Firms with no such experience, in contrast, were generally unable to leverage MEPO assistance to penetrate the EU market. Similarly, MEPO's training component mostly benefited companies that already had some capacity in place and a foothold in the EU market.



Despite the successes of MEPO, many experts interviewed expressed concern about the sustainability of the project. The project has failed to create a dynamic export promotion system in the country. A gap, during which neither GoM nor Tacis funding was secure, occurred between the end of the first phase and the beginning of the second. When activities re-commenced in the summer of 2006, it was on the basis of outdated ToR written in 2003. The Interruption of the activities of MEPO caused a loss of momentum in a very dynamic sector. Owing to the hasty and poorly thought-through formulation of the follow-on MIEPO project, the first phase gains in the form of capacity in place and partnerships formed were put at risk.

The Tacis "Country Brand Development" project, implemented in 2005-2006, had as its objective the preparation of the country's national promotion concept. The strategic interventions proposed were definition of the values of the Moldova brand; preparation of a communications strategy and Promotion Action Plan; development of brand marketing instruments (context, message, logo, colours); implementation of promotional activities; preparation of promotional materials; and organisation of a mass-media campaign. The project was implemented effectively and planned outputs were delivered on schedule, although uptake of the branding concept was limited to only a few firms and institutions, as a result of which the attempt to create a true country-level brand failed.

The Tacis project "Harmonisation of Moldovan System of Standardisation with the EU" was implemented in 2005-2006. The project's aim was to establish a quality control infrastructure in Moldova to facilitate trade. A number of specific measures were implemented: assessment of technical legislation in the field; analysis of existing legislation gaps and EU requirements on technical harmonisation support; drafting of laws; formulation of recommendations for elaboration of standards framework legislation; and others. But the project was aimed more at identification of problems than formulation of action plans and implementation of concrete steps to deal with them. While it was effective in advocating standards harmonisation, the fact remains that standards remain a significant barrier to expanded Moldovan trade with the EU.

All three of the projects described here (Support to MEPO / MIEPO, Country Brand Development, and Harmonisation of Moldovan System of Standardisation with the EU) were highly relevant to national needs and in line with long-term EC policy objectives. However they failed to produce the critical mass needed to push Moldovan export capacity on to a self-sustaining growth path. The same observation can be made on promotion of FDI. MEPO/MIEPO mostly helped firms that already had significant capacity, and then lost momentum because of the implementation gap and subsequent hasty re-start. Country brand development foundered on the problem of low uptake, and promotion of standards harmonisation remained just that: promotion.

In concentrating on large interventions, the team do not lose sight of the fact that there were, over the evaluation period, a number of highly successful small, tightly-focused interventions. As an example, one may cite the collaboration between FSP experts and the Tacis project "PCA, WTO and ENAP implementation." Under this project, the necessary documentation and measures put in place and promoted by the GoM permitted re-launching of the export of honey from Moldova to the EU.

#### **Special Focus IV: Experience with the EC FSP Targeted Budget Support in Moldova**

Based on Council Regulation 1291/96 and financed under the Food Aid and Food Security Budget Line B7-200, the EC launched a Food Security Programme (FSP) with targeted budget support (TBS) in Moldova in 2000. The first FSP was followed by the FSPs 2002, 2004 and 2006. The FSPs are aimed at reducing rural poverty and improving food security. They include measures to support public finance management, promote agricultural sector development, enhance rural livelihoods and advance social assistance reform. The budget support was combined with Technical Assistance (TA), both to assist the Government in programme implementation and sector reform, and for monitoring. The performance of the FSPs was monitored by a number of mid-term and final review missions.

The following table shows the overall and sector allocations and disbursements made under the FSPs 2000 – 2006.

**Table a: FSP Targeted Budget Support Allocations and Disbursements, 2000 – 2006**

in €'000

| Sector allocations<br>Programme year   | FSP<br>2000 | FSP<br>2002 | FSP<br>2004      | FSP<br>2006 <sup>3</sup> | Total    | %                 |
|--|-------------|-------------|------------------|--------------------------|----------|-------------------|
| FY of disbursements  | 2002/3      | 2005/6      | 2005/6           | 2006/7                   |          |                   |
| Public finance management  | -           | 940.7       | 600              | 500                      | 2,040.7  | 6.3%              |
| Agriculture /rural livelihoods   | 200         | 2,175.7     | 6,500            | 4,220                    | 13,095.7 | 40.3%             |
| Social assistance<br>- not disbursed since conditionality not fully met <sup>1</sup>       | 4,800       | 6,161.7     | 900<br>- 400     | 3,280                    | 14,741.7 | 45.3%             |
| Other use:<br>- Support to census data processing<br>- General budget support <sup>2</sup> |             | 221.9       | 1,200            | 1,200                    | 2,621.9  | 8.1%              |
| Total FSP budget support (original allocation)   | 5,000       | 9,500       | 8,800<br>(9,200) | 9,200                    | 32,500   | 100%              |
| Technical Assistance   | 500         | 900         | 800              | 800                      | 3,000    | 9.2% <sup>4</sup> |

1) According to the recommendation of the Monitoring Mission of the FSP 2004 (Nov. 2005), €0.4m was deducted from the original allocation because of incomplete compliance with the specific conditions set for the release of the 3rd tranche of €4m (selection of beneficiaries of social assistance based on income assessment had not been achieved).

2) The first instalments each of €1.2m each under FSPs 2004 and 2006 were treated as general budget support since no specific sector related conditions had been set in the Financial Agreements for the disbursements.

3) The disbursement of the first instalment took place in October 2006, the other two instalments of €4m each are planned to be disbursed in FY 2007.

4) Cost of TA as percentage of budget support allocations.

Source: EC FSP TA documents

In the following section the suitability of “*TBS cum TA*” as an instrument for development co-operation is examined, based on the experiences gained with FSP TBS in Moldova. As with the evaluation of the effectiveness of EC FSP assistance in reaching its objectives of rural poverty reduction and improved food security, reference is made to section 4.6 of the main report. The results of that evaluation are taken into account, but the analysis as such is not repeated here.

*TBS cum TA* is a form of a blended instrument of development co-operation, incorporating elements of project or programme assistance on the one hand (funds provided for specific purposes, TA component) and general budget support on the other. In assessing the suitability of the “*TBS cum TA*” approach, the pros and cons of this instrument, as it worked in Moldova, are compared with alternative instruments, using the DAC criteria *efficiency, effectiveness, impact and sustainability* as points of reference for the assessment.<sup>86</sup>

### 1) Efficiency and effectiveness

To what extent has the FSP *TBS cum TA* approach led to a cost- and time-efficient provision of EC support?

As to **cost-efficiency**, budget support is generally assumed to be more cost-efficient than project or programme assistance, since no special project or programme organisation and infrastructure needs to be set up and maintained. However one essential precondition for budget support is that public finance management must be efficient and transparent. Apparently, this condition did not fully apply to Moldova, at least not at the time when the FSPs were prepared. Therefore conditionalities had been defined to bring about public finance sector improvements, and about

<sup>86</sup> *Relevance*, another DAC criterion, is not applicable here, because it refers to the relevance of the type of intervention and not to the suitability of an instrument. The relevance of the FSP was discussed (and confirmed) in the main report.

6.3% of the TBS funds were allocated for that purpose. This reduced by some 9% the resources available for the specific poverty reduction and food security purposes, but presumably increased not only the efficiency but also the effectiveness with which the remaining resources were expended. Since improved financial management capacity has spillover effects throughout the government budget, it is entirely likely that the *TBS cum TA* approach was more cost-efficient than project or programme assistance. To the extent that resources for poverty reduction, in the strict sense, were reduced, it might be argued that the provision of TA reduced the effectiveness of the programme, but that on the other hand there were gains in cost-efficiency as a result.

The **time-efficiency** of the TBS is determined by the time lapse between programming, commitment and actual disbursement of funds. It took 1-2 years from programming to commitments (Financial Agreement or FA), and the release of funds was made in instalments, depending on the fulfilment of certain conditionalities stipulated in the FA.<sup>87</sup> A first instalment was usually due after the signature of the FA. During the period 2003-2005, all budget support payments to Moldova, including the EC FSP TBA, were suspended due to lack of an IMF agreement. This upset the process of budget planning and execution, and the measures to be financed with FSP TBA (targeted child benefits, support to childcare institutions, promotion of agricultural development and rural livelihoods) had to be postponed by up to two years.

In 2005 funds from the 2002 and 2004 FSPs were released even before an IMF agreement was achieved, because it was found that the specific conditionalities set for the FSPs had been met. The quick resumption of disbursements was possible because conditionalities set for the release of funds were directly related to the planned interventions, that is to say they were designed to ensure that the necessary conditions for the specific interventions to meet the required quality standards were in place. The ability of the FSP to re-start significantly more quickly than other instruments is a strong point in its favour. While the time-efficiency of the FSP TBS was less than that of project or programme support (which was not affected by the suspension of budget support payments), it was superior to that of general budget support from other sources, for payments could be resumed before the general conditionalities of an IMF agreement had been fulfilled.

During the period of over two years, when the FSP TBS payments were suspended, the TA under the FSP continued. There are three possible reasons for continued TA during this time when no funds were released:

- The expectation that the disbursement would be resumed soon,
- The TA as such was considered helpful even without disbursement of TBS funds,
- Nobody of the stakeholders (EC, GoM) dared to raise the issue whether FSP TA is justified without the budgetary support, in order not to complicate the situation even further.

There were hints during the evaluation mission that each of these factors applied to a certain extent.

## **2) Relevance, specially ownership**

The *TBS cum TA* approach contributed substantially to the relevance of the interventions, especially in ensuring national ownership. For instance:

- The GoM partners (MoF, MoA, MoE, MLSP – the latter now: MSP) were actively involved in the process of negotiating and formulating the conditionalities, increasing the sense of ownership and responsibility for the conditions to put in place. There was only one reported case when a FSP review mission stated that one condition had not been fully met (see footnote 1 of the table above).
- The EC FSP funds not only facilitated implementation of measures of national priority but also helped to ensure availability of budgetary resources and to strengthen the position of those ministries which usually had a weaker position in the cabinet and in national budget negotiations (MoA, MLSP/MSP).

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<sup>87</sup> The issue of the conditionalities is discussed under effectiveness below.

- The TA coming along with the TBS has generally been considered as supportive by the GoM partners, particularly with regard to the preparation of proposals for new FSPs,<sup>88</sup> backing up implementation, adhering to EC standards and monitoring.

It should be pointed out that the first instalments of the FSPs 2004 and 2006 each of €1.2m were treated by the GoM/MoF as general budget support, because there was no sector-specific conditionality attached. Although such an approach is questionable as it reduces the funds for the purposes explicitly targeted under the FSPs, it can be justified by the fact that the GoM is funding the same social assistance programmes from its own budgetary resources.

### 3) Impact and Sustainability

Since most measures supported by the FSPs have only been implemented since 2005, no firm statements on sustainability can be made at this stage. However, it can be plausibly assumed that the *TBS cum TA* approach enhances sustainability, for the following reasons:

- the measures promoted by the FSPs are in line with national development objectives and priorities, as defined in the EGPRSP and other national policy and strategy documents;
- since the measures form an integral part of the process of national budget planning and execution, and since they are linked to an ongoing process of policy reform, they are likely to be continued even when the EC TBS ends;
- EC support to such programmes and the TA component which accompanies budgetary support help consolidate the process of approximation to EU standards and procedures, and to the European Union as such, which is an explicit policy goal of the GoM.

However, some of the concerns over macroeconomic performance raised early in this report cannot be avoided. The donor community cannot finance social assistance and key safety net programmes in perpetuity. Only substantial economic growth combined with fiscal discipline can generate the fiscal resources needed to put the progress already made on a sustainable basis.

Lessons for general budget support:

Under the new ENPI, and in conformity with Paris Declaration commitments, the EC and other donors will increasingly shift to general budget support (GBS) as its basic instrument. It remains to be asked what lessons can be gleaned from experiences with FSP which, as the team mentioned above, came very close to being GBS; the main ones are as follows:

- the important role that can be played by donor-financed TA and capacity-building in the areas of financial management, priority setting, proposal preparation, and policy reform;
- the importance, usually in the context of TA and capacity-building, of fully implicating government officials in priority-setting and the design of conditions.

In passing, the team observe that the recent review of General Budget Support in a range of countries noted that TA and capacity-building have been the least well-integrated components of GBS. Experience with the FSP in Moldova suggests that these components have a vital role to play in increasing the quality of the GBS instrument.

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<sup>88</sup>The replacement of the TAs under the new FSP 2006 was considered by the partner ministries (MoF, MoA) as a loss. Since the TAs under in the previous FSP 2004 had been involved in preparing the proposals for the FSP 2006, their contract could not be extended because of possible "conflict of interest" according to EC regulations.

## Special Focus V: EC assistance programmes dealing with the environment in for Moldova

### ***A micro case study using the sector of environment as an example***

In the main text, the team described aid coordination in Moldova as “if not complex, then at least complicated.” In this special focus section, the team ask the straightforward question of whether aid coordination by national and EU partners successfully avoided overlap in the environmental field between programmes financed by the Tacis National, Tacis Regional and Tacis Cross-Border Co-operation Programmes. The accompanying table lists environmental programmes financed by these instruments by major area of intervention:

**Comparative Table of EC assistance in Moldova by Programs**

| Field of Assistance  | CBC / CBC SPF   | Regional Program  |
|--|---|---|
| Nature conservation  | Ecological database natural reserve Emil Racovita   |   |
| Environmental / Industry                                     |   | Cleaner production in some NIS countries – Mol/Geo/Kaz  |
| Support to Moldova’s international environmental commitments |   | TA to Mol/Arm/Aze/Geo for global climate change commitment  |
| Support to environmental NGOs                                |   | Support to REC  |
| Environmental policy and administrative management           |   | Environment Information, education, public awareness (all NIS)  |
|  |   | Building capacity in the field of Environmental Information and Environmental Monitoring in NIS Countries |
|  |   | Support to the implementation of Environmental Policy and NEAP in NIS countries                           |
| Environmental agriculture                                    | Cross Border Co-operation Ungheni   | REC seminars on organic agriculture   |
| Solid waste management, waste water management               | Tacis Cities Award Scheme (TCAS) for environmental protection (UA, RU, BY, MD and Georgia) – 5 towns awarded for project in solid waste management. | Black Sea investment facility – Geo/Mol/Rus/Ukr (waste management and waste water management in Moldova)  |
|  |   | Water Investment Support Facility (all 12 NIS)  |

From the table above is evident that, at least in respect of the environmental sector there is no major overlapping of programmes. The same topics addressed by CBC TCAS Project and Black Sea Investment Project (its waste management component for Moldova) address the same thematic problem but in geographically distinct areas, each contributing to the common goal of reduced pressure on the Black Sea.

The two projects on environmental information funded from the Tacis Regional Programme address the same topic but in different contexts, the first being concerned with environmental information management, reflecting Aarhus Convention requirements on free access to environmental information and participation of the public in the decision-making process; and the

second supporting integration of NIS country systems of environmental monitoring and information management with EU systems.

Avoiding overlapping is one of the main functions of the National Coordination Unit, which is responsible for maintaining open lines of communication with relevant line ministries. Every two weeks the NCU updates the latest developments at programme and project levels, in addition to which it produces an annual report. It is also responsible for providing recommendations on possible co-operation between different projects. The recommendations are prepared following consultations with the relevant stakeholders.

## Annex 4 – Documents gathered/used

### Documents accessible to the evaluation team and reference group

- Members of the evaluation team and members of the reference group to whom this report is addressed may accede to the documents listed in the following table. Documents are posted on a special server which will be operational during the evaluation period. Reach <http://web.particip.de/moldova> through your internet explorer
- Login = user name: **"Moldova"**, password: **"!42Nerine!"**<sup>89</sup>

|  |
|--|
| <b>Indicative Programme for the Tacis Cross-Border Co-Operation (CBC) Programme 2000-2003</b>  |
| <b>Evaluation of Tacis Country Strategy in Moldova 1995-1999.</b> Final Report. Volume 1 – Executive Summary and main text. 2000   |
| <b>Evaluation of Tacis Country Strategy in Moldova 1995-1999.</b> Final Report. Volume 2 – Detailed project profiles. 2000   |
| <b>Country Strategy Paper 2002-2006 and National Indicative Programme 2002-2003 Moldova.</b>   |
| <b>Annual report on the implementation of the European Commission's external assistance in 2000.</b>   |
| <b>Annual report on the EC development policy and the implementation of the external assistance in 2001.</b>   |
| <b>Annual report on the European Community's development policy and the implementation of the external assistance in 2002.</b>   |
| <b>Annual report on the European Community's development policy and the implementation of the external assistance in 2003.</b>   |
| <b>Annual report on the European Community's development policy and the implementation of the external assistance in 2004.</b>   |
| <b>Annual report on the European Community's development policy and the implementation of the external assistance in 2005.</b>   |
| <b>Tacis 2003: Cross Border Co-Operation Action Programme.</b>   |
| Communication from the Commission to the Council and the European Parliament. <b>Wider Europe – Neighbourhood: A new framework for relations with our Eastern and Southern neighbours.</b> COM(2003) 104 final.                                  |
| <b>Country Strategy Paper 2004-2006 and National Indicative Programme 2005-2006 Moldova.</b>   |
| <b>Tacis Cross-Border Co-Operation: Strategy Paper and Indicative Programme 2004-2006.</b>   |
| <b>Tacis Regional Co-operation: Strategy Paper and Indicative Programme 2004-2006.</b>   |
| Commission staff working paper: <b>European Neighbourhood Policy. Country report Moldova.</b> COM(2004) 373 final.   |
| <b>Evaluation of trade-related assistance by the European Commission in third world countries.</b> Final report. Volume 1. 2004  |
| <b>Evaluation of trade-related assistance by the European Commission in third world countries.</b> Final report. Volume 2 – Annexes. 2004  |
| <b>Proposal for a regulation of the European Parliament and the Council laying down general provisions establishing a European Neighbourhood and Partnership Instrument.</b> COM(2004) 628 final. 2004/0219 (COD).                               |
| <b>EU - Moldova Action Plan 2005.</b>  |
| <b>Memorandum of understanding between the European Commission, the government of the Republic of Moldova and the government of Ukraine on the European Commission border assistance mission to the republic of Moldova and to Ukraine 2005.</b> |
| Government of the Republic of Moldova: <b>Economic growth and poverty reduction strategy paper (2004-2006).</b>  |
| <b>Regulation (EC) No 1638/2006 of the European Parliament and the Council of 24 October 2006 laying down</b>  |

<sup>89</sup> An updated password, February 2007

|   |
|---|
| <b>general provisions establishing a European Neighbourhood and Partnership Instrument.</b>   |
| <b>Evaluation of Council Regulation 99/2000 (Tacis) and its implementation.</b> Synthesis report. Volume 1. 2006  |
| <b>Evaluation of Council Regulation 99/2000 (Tacis) and its implementation.</b> Synthesis report. Volume 3 – Annexes 6-7. 2006  |
| <b>Evaluation of Council Regulation 99/2000 (Tacis) and its implementation.</b> Synthesis report. Volume 4 – Annexes 8-13. 2006   |
| <b>Evaluation of Council Regulation 99/2000 (Tacis) and its implementation.</b> Synthesis report. Volume 5 – Annexes 14-16. 2006  |
| <b>The Republic of Moldova: National Human Development Report 2006.</b>   |
| <b>Partnership and Co-operation Agreement between the European Union and the Republic of Moldova 1994.</b>  |
| <b>Council Regulation (EC, EURATOM) No 99/2000 of 29 December 1999 concerning the provision of assistance to the partner states in Eastern Europe and Central Asia.</b> |
| <b>Tacis Regional Co-operation: Strategic Considerations 2002-2006 and Indicative Programme 2002-2003.</b>  |
| <b>Tacis Moldova Action Programme 2001.</b> Extension of the Programme.   |
| <b>Tacis Moldova Action Programme 2003.</b>   |
| <b>Food aid and food security Moldova 2004.</b>   |
| <b>Proposal for a Commission decision for a financial allocation in support of a FSP for Moldova 2003.</b>  |
| <b>Tacis Moldova Action Programme 2005.</b>   |
| <b>Food aid and FSP Moldova 2006.</b>   |
| <b>FSP Moldova 2006.</b> Commission Decision C(2006)3182 Cris Nr. FOOD/2006/018-310. Financing agreement. 2006  |
| <b>European Commission FSP Republic of Moldova 2002</b>   |
| <b>European Commission FSP Republic of Moldova 2002.</b> Annexes.   |
| <b>Proposal for a Commission decision for a financial allocation in support of a FSP for Moldova. 2003</b>  |
| <b>FSP Moldova 2006 – Annex II</b>  |



**Annex 5 - People Interviewed**

| <b>Name</b>       | <b>Position</b>  |
|-------------------|--|
| Albu Alexandru    | Programme Manager, Delegation of the EC to Moldova   |
| Anderson David    | Peace Corps  |
| Arion Valentin    | Technical University of Moldova  |
| Arvinte Vitalie   | Director, Mercuri International Moldova, (1998 – Expert on External Trade Analysis, Moldovan Economic Trends EU Project;<br>2002-2003 Sector Analysis Expert, PCA Implementation EU Project) |
| Babii Viorel      | NYRC   |
| Babii Vladimir    | Logistics and Administrative Associate EUBAM   |
| Behak Tatjana     | Assitant, Business Centre for SME Development in the Rural Sector (Tacis I project)  |
| Beregoi Mihai     | Project Manager, BUMAD Project   |
| Berejan Ecaterina | Head Equal Opportunities and Prevention of Violence Department, Ministry of Social Protection  |
| Bobeica Alexandru | National Team Leader of the completed in 2005 Cleaner Production Project and the Directors of the Industrial enterprises benefiting from the said project results                            |
| Botezatu Sergiu   | Economic Growth Strategy Objective Team Leader, USAID Moldova Office   |
| Brinzila Dimitriu | Head of International Relations and Marketing Department, Ministry of Agriculture  |
| Bucसानean Angela  | Member WCPS, chairwoman of the community – based centre for the elderly  |
| Budis Oxana       | Consultant, Ministry of Economy and Trade, Division for Technical Assistance and Coordination  |
| Buehler Carmela   | Teamleader Tacis II, EC/MoE/UNICEF Project   |
| Bugai Igor        | Secretary, International Trade Club of the Republic of Moldova, (Former Economic Counsellor of the Embassy of Poland in Moldova)   |
| Bulicanu Vasile   | Head of Budget Synthesis Dept., Ministry of Finance  |
| Buruiana Mihai    | Owner, Buruiana Partners, Attorneys at Law   |

|                    |   |
|--------------------|---|
|                    | Company (former manager of “Civil Code” Project, GTZ)   |
| Burunsus Victor    | Project Officer Private and Finance Sector Development, World Bank Moldova Country Office                                   |
| Calmac Octavian    | Director, Directorate General Trade Regimes, Ministry of Economy and Trade  |
| Candu Adrian       | Foreign Investors Association Secretary, Manager of PriceWaterhouseCoopers Moldova  |
| Carasciuc Lilia    | Executive Director, Transparency International  |
| Casian Aureliu     | Executive Director, Project Implementation Unit of the World Bank, Competitiveness Enhancement Project                      |
| Caziuc Liudmila    | Asst. Economist, FSP (TA in MoF)  |
| Chetraru Anatol    | Deputy president of the rayon Hincesti,   |
| Chirila Cecilia    | Associate Administrative UNHCR  |
| Chraye Helene      | Head of Operations, EC Delegation Kiev  |
| Chrica Roman       | Senior Programme Representative, US Department of Commerce, Commercial Law Development Programme                            |
| Ciocanu Mihai      | Director, Scientific Practical Centre of Public Health and Sanitary Management  |
| Ciukaj Tomasz      | Head of Chisinau Field Office EUBAM   |
| Coca Mihai         | Head of Biodiversity Protection Division, Ministry of Ecology and Natural Resources   |
| Cohn Ikan          | Project Coordinator, International Organisation for Migration (IOM)   |
| Colun Marcel       | Associate Legal Officer, UNHCR  |
| Coseru Inna        | Manager of the Environmental Policy Programme, Regional Environmental Centre of Moldova                                     |
| Craievschi Viorica | Key social policy expert, Strengthening Civil Society   |
| Creanga Elena      | Head of the National Environmental Fund   |
| Crudu Angela       | Child protection expert of the UNICEF project   |
| Datco Olga         | Team leader assistant, Strengthening Civil Society  |
| Deleu Silvia       | Managing Director Centrul de Resurse  |
| Dodon Diana        | Child protection expert of the UNICEF project   |
| Donciu Anatolie    | Director of General Department for Analytics, Prognosis and Prevention, Centre for Combating Economic Crimes and Corruption |
| Dragan Gabriel     | Coordinator, FSP (TA in MoF)  |

|                     |   |
|---------------------|---|
| Dragan Maximilian   | Veterinary Expert, FSP in MoA   |
| Drumea Dumitru      | International Convention for the Protection of the Danube River Focal Point, Manager of the CBC Prut River Tributaries Project, National Institute of Ecology                               |
| Duicu Cristian      | Veterinary Expert, FSP in MoA   |
| Dumitrasco Angela   | Programme Associate, UNDP   |
| Duronsoy Jean       | Development of the Vocational Education and Training System in Moldova  |
| Frumosu Elena       | Head of the Criuleni Volunteer Centre   |
| Godea Mihai         | Director, NGO Centre "Contact"  |
| Gorceag Viorel      | Medical Officer, IOM  |
| Gori Lucia          | Consultant, Directorate Traitsies and European Integration  |
| Grajdian Alexandra  | Chairwoman WCPS   |
| Grant Euan          | Customs Risk Analysis Advisor EUBAM   |
| Grant Ian           | Managing Director, Black Sea Development Corporation  |
| Grigoras Stela      | Country Director, Every Child (NGO Tacis I Project)   |
| Gumene Ion          | National Finance Consultant, EC/MoE/UNICEF Project  |
| Gumovschi Liviu     | Executive Director, Ministry of Finance   |
| Gumovski Liviu      | Project Manager, Rural Investment and Service Project (RISP)  |
| Gutu Oxana          | Project Manager, Delegation of the EC to Moldova  |
| Hanne Gottfried     | Deputy Head of Mission, OSCE  |
| Harea Sergiu        | Director of the Department, Chamber of Commerce and Industry, Economic Development Department   |
| Hartikainen Antti   | European Union Border Assistance Mission to Moldova and Ukraine<br>Deputy Head of the Mission/Head of Operations  |
| Hill Stephen B.     | Investment Advisor, Support to MEPO/MIDA  |
| Hristev Eugen       | Expert, Millennium Challenge Account Project (Millennium Challenge Corporation US Government), Expert (Former Head of WTO and Trade Policy Department of the Ministry of Economy and Trade) |
| Hristev Eugeniu     | Manager BrokerAsig  |
| Ianachevici Mariana | Vice-president Save the Children Moldova  |

|                     |   |
|---------------------|---|
| Iftodi Mihai        | Head of Environmental Pollution Prevention Division, Ministry of Ecology and Natural Resources  |
| Inanchevici Mariana | President, and Vice-President Save the Children Moldova, NGO Alliance for Child Protection  |
| Isac Andrei         | Executive Director, Regional Environmental Centre of Moldova, (former Head of the Environmental Policy Division of the Ministry of Environment , 1997 – 2004) |
| Ivanov Violeta      | Head of Environmental Policy and EU Integration Division, Ministry of Ecology and Natural Resources   |
| Jecicov Ilie        | Head of the Anti-Trafficking Department, Ministry of the Interior   |
| Kanna Valeriu       | Executive Director UNIVERSAL Drip Irrigation Manufacturing Company Moldovan Export Promotion Organisation (MIEPO) (MEPO Director (2000-2004))                 |
| Klima Pavel         | Counsellor Deputy Head of Mission, Embassy of the Czech Republic  |
| Kotoglou Katarina   | Oxford Policy Management  |
| Kypr Petr           | Ambassador, Embassy of the Czech Republic   |
| Laur Elna           | Project Officer, M&E, UNICEF  |
| Lazar Valeriu       | Director, Business Intelligent Service (Minister of Economy and Trade 2005-2006)  |
| Leasenco Galina     | Food Safety Centre, Rural Investment and Service Project (RISP)   |
| Leu Iurie           | Head of the Cleaner Production Centre   |
| Lisenco Olga        | Member WCPS, chairwoman of the community based centre for youth   |
| Lisenco Sergiu      | Criuleni Debate Centre  |
| Lupan Nina          | Vice-Minister, Ministry of Finance  |
| Lutenco Victor      | Prevention Coordinator, Counter –Trafficking Program, International Organisation for Migration (IOM)  |
| Lyashenko Galina    | General Director, Food Safety Service (Moldovan Centre for Food Safety and Quality), (Former Director of the TACIS Supported CAMIB Centre)                    |
| Malanciuc Irina     | National Expert of UNICEF Project   |
| Malanciuc Iurie     | Head of Agrochemistry, Ecology and Plant Protection Division, Ministry of Agriculture and Food Industry   |
| Marit Vladimir      | Targeting Unit (responsible for FSP), Ministry of   |

|                       |   |
|-----------------------|---|
|                       | Social Protection   |
| Matricala Elena       | Media Communication Centre for Democracy (since 2001)   |
| Melian Ruslan         | Head of Science and International Relation Division, "Acvaproject" Engineering Design Institute                             |
| Mihailescu Constantin | Minister of the Environment, Ministry of Ecology and Natural Resources  |
| Mincheva Ludmila      | Team Leader, EU and TRANSTEC  |
| Mitchell John         | Deputy Head of Mission, British Embassy Chisinau  |
| Mizsei Kálmán         | EUSR for Moldova  |
| Mosneaga Cristina     | Project Manager, Delegation of the EC to Moldova  |
| Munteanu Victor       | Political Officer British Embassy Chisinau  |
| Muravschi Alexandru   | Dep. Team Leader, SME Support in the rural sector Project   |
| Murzac Alexandru      | President, Rotary International   |
| Niculita Aliona       | UNDP Civil Society NGO  |
| Olaru Speranta        | Project Manager, Delegation of the EC to Moldova  |
| Onufrei Viorel        | Deputy Head of the Director's Office (responsible for the EU Projects), Customs Service of the Republic of Moldova          |
| Organ Zinaida         | specialist in Child Rights Protection, General Directorate for Education, Youth and Sports                                  |
| Ostaf Serghei         | Executive Director CREDO  |
| Perju Ion             | head Department Analysis, Monitoring and Policy Evaluation, Ministry of Agriculture   |
| Popescu Daniela       | National Centre for Child Abuse Prevention  |
| Porceseu Yigore       | Veterinary Department, Ministry of Agriculture  |
| Prepelita Violeta     | Assistant, FSP in MoA   |
| Prisacaru Ina         | Communication expert of the UNICEF project  |
| Puntea Mariana        | Economic expert, Support to PCA and WTO Implementation and to EU/Moldova European Neighbourhood Policy Action Plan (EN PAP) |
| Racu Lilia            | National Bureau of Statistics   |
| Radautan Liudmila     | Monitor, EU Monitoring Programme in CIS Countries   |
| Rhodes, M.G.H.        | Senior Consultant ECORYS  |
| Richelmann Jan-Willem | Key Expert RCBI   |
| Rusu Liliana          | Director, Moldovan Investment and Export Promotion Organisation (MIEPO), Ministry of  |

|                        |  |
|------------------------|--|
|                        | Economy and Trade  |
| Rusu Mihai             | Director Flowers Hotel   |
| Salah Mohamed Azzedine | Programme Officer, UNICEF  |
| Sarari Aurelia         | Chief of Division, Ministry of Economy and Trade, Division for Technical Assistance and Coordination   |
| Schloch Mickie         | Oxford Policy Management   |
| Scobioala Veaceslav    | Monitor  |
| Scutelnic Olga         | Anti-Drug Observatory  |
| Scvortova Ala          | Head of DFID Section, British Embassy Chisinau, Department for International Development (DFID)  |
| Selari Galina          | Economist Centre for Strategic Studies and Reforms   |
| Sestacov Angela        | specialist in issues of family with children at risk, SASPFC   |
| Skrumsager Skau Jens   | Team Leader, FSP in MoA  |
| Stafania Svetlana      | Project Officer, UNICEF  |
| Stanovlenie            | Choice of South, Acolada Dubasari  |
| Sterbet Veaceslav      | Smart Business Solution Company Head of the Board, <i>Moldovan Export Promotion Organisation (MIEPO)</i> (MEPO Operations Officer (2000-2004)) |
| Stolsgard Iorgen       | Managing Director (Investment Opportunities Study in Moldova), Berrifine Quality Fruit Products Company  |
| Stratulat Alexandru    | Economist  |
| Terzioglo Simion       | National Programme Officer, International Organisation for Migration   |
| Todirasco Stan         | Manager, Business Centre for SME Development in the Rural Sector (Takis I project)   |
| Todorova Irina         | Counter-Trafficking/ Reintegration Coordinator, International Organisation for Migration (IOM)   |
| Tols Martin            | Key Customs Expert, Border Management – Simplification and Harmonisation of Customs Procedures in Moldova                                      |
| Udrea Tatiana          | Deputy Head Division for Technical Assistance Coordination, Ministry of Economy and Trade  |
| Ursu Pavel             | Head of Office, WHO  |
| Velisco Nedejda        | Chief of Pre-University Education  |
| Vintila Iurie          | Mayor of Carpineni Village   |
| Wigninga Peter         | Representative UNHCR   |

|                     |   |
|---------------------|---|
| Wyss Martin Andreas | Chief of Mission in Moldova, International Organisation for Migration (IOM) |
| Yonascu Alexei      | Social Sector Officer, World Bank   |
| Zagorodniuc Arcadie | Head of, Ministry of the Industry and Infrastructure                        |

## **Annex 6 – 1<sup>st</sup> Reference Group (RG) Meeting**

The first RG meeting took place at 11.12.2006 in Brussels. The external evaluation team represented by Landis MacKellar (team leader), Manfred Metz and Libor Grošpic presented the draft Evaluation Questions and an intervention logic.

- Sergio Giorgi, AIDCO A1
- Luca Oriani Vieyra, AIDCO E1
- David Domes, AIDCO E2
- Camilla Hagstrom, AIDCO E5
- Blanka Studnickova, TRADE E1
- Mia Hurttta, TRADE E1
- Stefan Schleuning, RELEX E2
- Markku Miettinen, AIDCO 03 ( chair, evaluation manager in charge )
- Hicham Daoudi, AIDCO 03 (second evaluation manager )
- Helene Chraye, EC Delegation in Kiev, Head of Operations
- Lilia Palii, Mission of the Republic of Moldova to EC, First secretary
- Petr Jelinek, Head of Czech Development Centre, ( an observer )
- Alexandru Albu, EC Delegation in Moldova ( virtual member )

### **1<sup>st</sup> Draft Evaluation Questions:**

#### **Evaluation questions (Institutional, Legal and Administrative Reform):**

- **EQ (J)** To what extent has EC co-operation resulted in improvements in JHA-related problems such as trafficking in women and children, money laundering, Customs, border control, and corruption? [Impact]
- **EQ (N)** To what extent has EC engagement (policy dialogue, Tacis, EIDHR, small project facilities, co-operation with NGOs, etc.) resulted in a stronger role for Civil Society? [Effectiveness, Impact]

#### **Evaluation Questions (Support to the Private Sector/Assistance for Economic Development):**

- **EQ (S)** To what extent has EC support in the areas of SMEs and rural development (including the off-farm sector) given rise to sustainable reductions in unemployment and poverty? [Impact, Sustainability]
- **EQ (E)** To what extent has EC co-operation contributed to strengthening trade and economic links (particularly export and FDI) between Moldova and the EU? [Impact]



Evaluation Question (Support in addressing the social consequences of transition):

- **EQ (F)** Has the FSP instrument been effective in alleviating the distress of the most vulnerable groups in Moldova? [Effectiveness, Efficiency]

Evaluation Question (Mainstreaming cross-cutting issues - environment):

- **EQ (X)** How successfully has environmental protection been mainstreamed into the overall EC approach, from policy dialogue to regional programmes to the national Tacis programme? [Relevance]

Evaluation Questions (Synthesis questions):

- **EQ (C)** Was the EC's engagement with Moldova, taken as a whole (political dialogue as well as co-operation) coherent with national needs and EC long-term policy objectives? [Relevance, Coherence]
- **EQ (R)** Was the EC- Moldova bilateral co-operation programme coherent with and complementary to regional and cross border programmes, as well as with interventions of other major donors? [Coordination, Complementarity]

Evaluation Questions (Transnistria):

- **EQ (T)** Has the EC's overall engagement with Moldova, including political dialogue as well as co-operation, resulted in tangible progress towards a viable solution to the Transnistria conflict? [Impact]

Reference group remarks (reflected in Inception Report) and evaluation team's (ET) feedback(extract from e-mail communication):

- **RG:** 1. /Evaluation questions have been derived mainly from 2005-06 CSP, we suppose that also the earlier documents have been checked, as the scope of the evaluation is from the year 2000 to 2006/ –
- **ET:** \* The team agree that the team have to go beyond CSPs and the team are incorporating the respective documents/information
- **RG:** /2. Your approach is based mainly on PCA and CSPs, however you should pay attention enough also to other crucial Moldova related documents, as TACIS Regional programmes. In that context sectors like environment,

transport and energy should be covered too./

- **ET:** \* The team agree , TL's exploratory visit to Kiev also indicated it. Moreover, the team have to definitely concentrate on the coherence between the TACIS Regional (ie CBC, transport,energy, etc.) and TACIS National Programmes.
- **RG:** /3. Environment EQ (X): it should not be dealt with only in the context of relevance but also on the level of programming and implementation. Does programming reflect the importance of the environment sufficiently ? On the level of implementation, the team would like to make the reference to the previous evaluation of 2000 which stated that the land reform had created environmental problems ( water pollution, soil erosion ). It would be interesting to see now, what kind of developments there have been since the last evaluation./
- **ET:** \* The team agree and will reflect this in our judgement criteria
- **RG:** /4. Cross-cutting issues : For example, gender issue in Moldova would be worth of considering. On the other hand, Transnistria could be dealt with also as a cross-cutting issue under the conflict prevention framework/
- **ET:** \* Taking into consideration also the reaction from RELEX' colleagues, the team believe that there will be still a discussion on this EQ. In this regard the team are fully open to further recommendations,adjustments and fine-tunings.Especially a clarification of the position of Action Plan - a political document also aiming at further supporting of viable solution to the Transnistria conflict- in the whole framework would be appreciated. Additionally, the team would like to point out that our focus is on the EC assistance (e.g. EUBAM )  
\* The team agree that the Transnistria issue is a cross-cutting topic. On the other hand the team are not fully convinced that the gender issue should be dealt in this framework. Our suggestion will be to address it in the framework of "social consequences to the transition".
- **RG:** /5. EQ (N) : As one judgement criteria you could perhaps assess the role of NGOs and of Civil Society in formulating the Poverty Reduction

Strategy Paper ( PRSP )/

- **ET:** \* The team agree as TL's also hinted during the 1<sup>st</sup> RG meeting
- **RG:** /6. Support in addressing the social consequences of transition : besides one FSP linked question you could perhaps have another, for example for the strengthening of the social assistance system, reflecting the development in the field of social disparities./
- **ET:** \* The team agree and will reflect it/broaden it (also concentrating on health issues and NGOs activities regarding the suggested foci)

Comments from DG TRADE :

- **RG:** /> " (i) on p. 4 - the team suggest explicitly mentioning that the EU support in the first two "clusters" includes a support to the institutional/administrative capacity building;./
- **ET:** \* This is a matter of a discussion as each of the clusters carries certain "institutional/administrative capacity building" elements. Therefore, the team would rather suggest to reflect it at the level of judgement criteria
- **RG:** /> (ii) on p. 7 - in the diagram under expected results there is a box for "Economic Free Trade Area established" the team would suggest putting (maybe as a footnote to this mention) that a feasibility study carried out after the entry into force of the PCA concluded that Moldova was not ready for a FTA with the EU. Therefore the EU decided (in the ENP Action Plan) to consider granting Moldova additional autonomous trade preferences on condition that Moldova significantly improved its system of control and certification of origin./
- **ET :** \* The team agree and will reflect it//
- **RG:** /(ii) on p. 8 - the team suggest adding the PCA into the first sentence, so that it reads "Cover major strategic goals set forth in the PCA, CSP and Action Plan"./

- **ET:** \* The team agree and will reflect it

Comments from Macro-economic support

- **RG:** /Consequently, in my view the only thing you could perhaps sharpen as regards the Evaluation Questions is the institutional capacity linked with the question ( J ). Institutional capacity aspect could be added into the question covering Institutional, Legal and Administrative Reform./
- **ET:** \* In our view the “institutional capacity aspect” would be one of judgement criteria/indicators (e.g. number of border guards trained, etc.)

## Annex 7 – 2<sup>nd</sup> Reference Group (RG) Meeting

The second RG meeting took place at 16.03.2007 in Brussles. The external evaluation team represented by Landis MacKellar (team leader) and Libor Grošpic (project manager and sector expert) presented the Preliminary Assessments and further strategy for the field mission.

Attendance:

- Markku MIETTINEN, AIDCO 03
- Paola GESSI, AIDCO 03 (back up)
- Luca ORIANI, AIDCO E1
- Sergio GIORGI, AIDCO A1
- Steve BULLOCK, RELEX E2
- Lilia PALII, Mission of the Republic of Moldova to the EC

### Evaluation Unit's Minutes of the 2nd Reference Group (RG) meeting, and Consolidated Comments Consolidated comments of the RG on the draft Desk Report:

The evaluation team presented the Draft desk report: proposed evaluation questions, main preliminary assessment as well as further steps foreseen, while the RG was invited to comment and foster the debate.

In general, the Draft desk report was well accepted and comments made by the RG will be taken into account by the Evaluation team in the final version of the document.

The evaluation questions proposed cover a wide range of sectors, namely justice and home affaires, Civil Society, SMEs and Rural development, Trade and Economy, Food Security, Health, Environment, Transnistria issues and the overall EC relevance, coherence, coordination and complementarity. This broad analysis will allow tackling main structural issues and institutional roles at the heart of Moldova's development and provide the EC with a set of recommendation clearly linked to the drawn conclusions.

Next step will be the field phase, with an extent use of interviews both with local authorities and EC officials (Delegation) while triangulation of the information will be done through enquiring on final beneficiaries (target groups) perception of the EC interventions. Contacts and interviews foreseen in the draft should still be planned more precisely for the field mission to be able to deepen the analysis given at the stage of the draft Desk report. Before the start of the field mission the evaluation team will provide AIDCO 03 with a more detailed implementation plan of the field mission. The tentative plan of the meetings/interviews during the field mission should be attached with the Desk report.

Upon request of the Moldova government's representative, it has been agreed that in the context of Transnistria issue the Evaluation team will indicate Moldova's government remark of not recognising Transnistria as such and using Transnistria region terminology.

The RG has underlined the fact that the Ukraine Delegation has been the official EC responsible of EC assistance in Moldova during the evaluation period 2000-2006, thus briefing and debriefing the Delegation in Kiev is expected while carrying out the field mission.

It was noted that even though the 2000 Moldova Evaluation has been taken into account to a certain extent, a further effort could be done in order to verify impact of past evaluations' recommendations in the final report.

It has also been noted that the criteria of "sustainability" does not appear to answer any of the evaluation question and should be integrated. The team are looking forward that "sustainability" will be used as a cross-cutting evaluation criterion in the next report.

Mr Oriani/ AIDCO E1 noted the following points in his speech and in his further note of 21/03/2007 :

- the need to deepen the macroeconomic analysis,
- the need to focus on major structural problems in Moldova,
- the need to focus on the gap between declared objectives and the actual implementation results,
- the need to clarify the institutional responsibilities in implementing the EC programmes in Moldova,
- the need to deepen the analysis of corruption

The whole note of Mr Oriani has been sent for the evaluation team's information to be used as a background material.

As a conclusion of the meeting it was agreed that the consolidated comments of the RG will be sent to the evaluation team by Friday 23.03. The evaluation team will incorporate the comments into the Desk Report by Monday 02.04. The Desk report must be approved by AIDCO 03 before the start of the field mission.

## (2) Consolidated comments of the RG on the draft DESK REPORT

The following comments are given in addition to those comments already mentioned in the above Minutes of the RG meeting.

### General comments

1. Overall, the draft Desk Report is of good quality.
2. The quality of the next report would be improved by preparing a short section on the main macroeconomic trends in a bit longer perspective. This would allow a rapid and more significant assessment of key macroeconomic changes in the 2000-2006 compared with the preceding period. This brief section should also include a summary table with key macroeconomic data ( for example, 1990-2006), paying attention to select data based on the same, consistent and internationally reliable source (preferably, IMF).
3. The final evaluation report would benefit by a review of the major structural problems in Moldova. Some issues are briefly mentioned in the draft report, as the performance of the agriculture sector as the root cause of the persistence of rural poverty, the financial sustainability of social security systems, the ability to deliver in terms of private sector-led contribution (incl. via remittances) to productive investment and increased standards of product quality. The evaluation team is encouraged to provide an analytical perspective on such critical structural issues, within the scope of the evaluation, to allow a better EC-Moldova programming in the future.
4. The gap between declared objectives (see, e.g., CSP documents) and the actual implementation results is a very important content issue. This is central not just for assessing past performances but also in terms of better understanding present and forthcoming challenges. The level of analysis on the stated objective vs. implementation results should be raised and its findings and eventual recommendations made throughout the various sectors and parts of the final report.
5. Institutional responsibilities between/ within EC and local authorities should be clearly explained in the final report regarding implementation and coordination of EC assistance in Moldova.

6. In the context of the analysis of corruption factual information as comprehensive as possible should be used, not only cases of corruption by civil servants "reported to the Court" but also the number of administrative and penal cases "transmitted" and "concluded", if available, should be indicated in the final report.

Methodology :

1. The way of presentation should be developed so that assessments should be written clearly under each Indicator used. This would mean that in the final report indicators appearing not feasible would disappear.
2. Evaluation is possible only if the scale of EC interventions in the field is large enough and some documentation is available to facilitate the assessment, otherwise the judgement criterion/ indicator should be deleted in the final report.
3. If projects are implemented by other partners than AIDCO, this should be clearly indicated when giving an assessment in the final report.

Specific comments :

EQ ( S )

- p. 53 : indicators under Judgement criteria 1 and 2 are the same, this mistake should be corrected in the desk report.

EQ ( E )

- p.60 : 4.5.4. Judgement criterion E3 : Strengthening of energy sector for sustainable economics growth

No documents or very little information generated by the EU projects are identified at the moment. If no EC interventions are existing, is it possible/ reasonable to try to assess this judgement criterion in the final report ?

EQ ( F )

- p. 64 : 4.6.2.2. Preliminary assessment

The assessment information should be given in the form of a table.

- p. 65 : 4.6.3.1. Judgement criterion F2 : Capacity of child care institutions to provide adequate food and other essentials improved

No documents or very little information generated by the EU projects are identified at the moment. If no EC interventions are existing, is it possible/ reasonable to try to assess this judgement criterion in the final report ?

EQ ( H )

- p. 73 : 4.7.3.2. Preliminary assessment

The assessment information should be given in the form of a table.

ANNEXES

- p.114 : Annex 6, the information should be replaced by an updated one from CRIS data base.

## Annex 8 – 3<sup>rd</sup> Reference Group (RG) Meeting

The second RG meeting took place at 08.06.2007 in Brussles. The external evaluation team represented by Landis MacKellar (team leader) and Libor Grošpic (project manager and sector expert) presented the 1<sup>st</sup> Draft Final Report.

Attendance:

- Markku MIETTINEN, AIDCO 03
- Paola GESSI, AIDCO 03
- Luca ORIANI, AIDCO E1
- Sergio GIORGI, AIDCO A1
- Alexandra NERISOM AIDCO A1 (Stagiare)
- Steve BULLOCK, RELEX E2
- Lilia PALII, Mission of the Republic of Moldova to the EC

The evaluation team presented the field mission's results as well as the main conclusions and recommendations of the Draft Final Report (DFR).

It was asked in the RG if any possible conflict of interest was seen concerning local expertise. The Team leader discharged the point as not relevant and he explained the work done by local experts being closely supervised.

In general, the DRF was considered of sufficient good quality, content of the report was well accepted by the RG and the comments made were meant to improve the overall quality but they did not question the content of the draft as such. A Powerpoint presentation by the Team leader was presented, giving an overview of the evaluation results so far.

Concerning the EQ 'T' (Transnistria), it was mentioned that the EC delegation discouraged to undertake a field visit there: conclusions on the issue shall be understood with this limitation.

General and specific comments made by the RG in the meeting and/or later in writing are incorporated and sent out to the evaluation team and to the Reference Group as a separate file already earlier.

The Quality grid template is filled in by AIDCO 03 and it is annexed with these Minutes. The Quality Grid will be filled in again for the final version and that version will be published with the final report.

### The Quality Grid

| Concerning these criteria, the evaluation report is:  | Unacceptable | Poor | Good | Very Good | Excellent |
|---|--------------|------|------|-----------|-----------|
| <b>1. Meeting needs:</b> Does the evaluation adequately address the information needs of the commissioning body and fit the terms of reference? |              |      | x    |           |           |



|   |  |   |   |   |  |
|---|--|---|---|---|--|
| <b>2. Relevant scope:</b> Is the rationale of the policy examined and its set of outputs, results and outcomes/impacts examined fully, including both intended and unexpected policy interactions and consequences?                             |  |   | x |   |  |
| <b>3. Defensible design:</b> Is the evaluation design appropriate and adequate to ensure that the full set of findings, along with methodological limitations, is made accessible for answering the main evaluation questions?                  |  |   | x |   |  |
| <b>4. Reliable data:</b> To what extent are the primary and secondary data selected adequate. Are they sufficiently reliable for their intended use?  |  |   | x |   |  |
| <b>5. Sound analysis:</b> Is the quantitative and qualitative information appropriately and systematically analysed according to the state of the art so that evaluation questions are answered in a valid way?                                 |  |   | x |   |  |
| <b>6. Credible findings:</b> Do findings follow logically from, and are they justified by, the data analysis and interpretations based on carefully described assumptions and rationale?  |  |   |   | x |  |
| <b>7. Validity of the conclusions:</b> Does the report provide clear conclusions? Are conclusions based on credible findings?   |  |   | x |   |  |
| <b>8. Usefulness of the recommendations:</b> Are recommendations fair, unbiased by personal or stakeholders' views, and sufficiently detailed to be operationally applicable?   |  | x |   |   |  |
| <b>9. Clearly reported:</b> Does the report clearly describe the policy being evaluated, including its context and purpose, together with the procedures and findings of the evaluation, so that information provided can easily be understood? |  |   | x |   |  |
| <b>Taking into account the contextual constraints on the evaluation, the overall quality rating of the report is considered</b>   |  |   | x |   |  |

THE COMMENTS OF THE REFERENCE GROUP ( RG ) ON THE 1ST DRAFT FINAL REPORT OF THE MOLDOVA EVALUATION:

1. In general the RG sees that the evaluation team has done good work so far and the first draft final is a good report at this stage of the evaluation exercise.
2. Evaluation findings and conclusions are presented logically in the chain of Evaluation Questions, Judgement Criteria, Indicators and the evaluation team has been able to provide evidence to support its findings. Thus the field mission looks to have been successful.
3. Still, it is obvious that there are still numerous points where general improvements are needed, as :

- For the time being the main report is too long ( 118 pages ) and it should be partly re-structured, i.e. at least SWOT analysis and Evaluation findings should be transferred to the annexes of the main report.
- The reporting style should be finished, typing errors should be corrected, list of acronyms should be supplemented and in the context of Sector recommendations and the Overall assessment ( chapters 5. and 6. ) the information should be delivered in a more reader friendly way using schemes, graphs, boxes etc.
- The executive summary should be attached with the revised version.
- Overall conclusions (6.2.) should be linked more explicitly to the analysis and to the evaluation findings.
- Whereas sector and specific recommendations ( 5.) should be clearly linked to sector conclusions ( 4. ).
- The formulation of recommendations at this stage is not yet optimal. For the time being the recommendations are too long and they are not enough specified and operational, recommendations are still more like continuation of the analysis. It should also be remembered that recommendations are addressed for the EC services, not for the Moldovan authorities.

#### 4. Comments received

The Delegation comments ( Kiev ) :

From the Delegation's viewpoint, in the poorest country of Europe the first priority is to have people not starving, children going to school and globally speaking citizen being offered the minimum of decent social support. Thus in the Delegation's view the health / social situation issue in Moldova is much more critical than the political human rights (vote, torture, freedom of expression) one.

On the other hand, as regards the rule of law the Delegation sees the role of NGOs as watchdogs. The Delegation has tried to develop empowerment of citizen (for instance through transparency and so on) instead of spreading out small amounts on some NGOs where nothing guarantees sustainability. In that respect the Delegation indicates that in view of workload assessment within the Delegation as well as considerations related to impact, the tendency is to move away from rather small grants to NGOs.

Moldova is a country with Action Plan but it is not a candidate country. The Delegation highlights that for enlargement the major criteria/issue for rule of law has always been the implementation of the law and the administrative capacity and fairness of administrations to implement the law.

However, it should be mentioned that Civil Society issues were inter alia addressed by the following (finalised) projects (please note that Civil Society played a considerable role in these projects which does not seem to be recognised by the report):

a) Support to the National Anti-corruption Strategy of Moldova – PACO Moldova Finished in January 2006, (NAP 2003) Contract: Joint-management agreement, Budget: 350 000 Eur (EC contribution: 250 000 Eur), Duration: 36 months till 31/03/2006

Objective: To support the Government of Moldova in the implementation of its national anti-corruption action plan and preparation of a follow-up anti-money laundering, anti-terrorist financing and anti-corruption project.

b) Joint Programme between the European Commission and the Council of Europe for Moldova: Support to continued democratic reforms 2004 – 2006, TACIS/2004/078-232 NAP 2003), Contract: Joint-management agreement, Budget: 1 300 000 Eur ( EC contribution: 800 000 Eur), Duration: 27 months (extended by 3 months until December 2006), Implementing agency: CoE

Objectives: implementation of four different projects aiming at strengthening human rights protection in Moldova. The projects cover training of judges, lawyers, prosecutors, trade unions,

NGOs and law students in human rights, with the aim of making the European Convention on Human Rights (ECHR) effective in domestic legal practice

c) Moreover, there are two projects under NAP 2005 (on "Increased independence, transparency and efficiency of the justice system of the Republic of Moldova "and on "combating corruption, money laundering and money laundering") where Civil Society at large has an important role.

It may appear surprising that probably no mention has been made of the ongoing TACIS support to the National Bureau of Statistics ("Reform of the Official Statistics of the Republic of Moldova- Statistics 9").

#### AIDCO/A1 comments :

The evaluation could have dealt with the assessment of the extent to which the different aid delivery modalities (NGOs, TA, projects, programmes etc.) have been complementary to each other throughout the period of the assessment. The social or environment sector could provide a good example; maybe focusing on binary terms: NGOs and Governmental channels, TA and Budget support.

The fact that the FSP has been able to disburse at a time when all the other budget support programmes were suspended - may be an occurrence rare enough to deserve some more attention.

The statement according to which the evaluation did not look at efficiency sounds a bit disappointing; without entering into time consuming analytical work an assessment based on aggregated inputs - outputs could maybe have been done. Little difference seems to be made between figures related to commitments and disbursements.

The terminology of Budget Support operations used in the report ("targeted" seems to be opposed to "direct") should be double-checked against the one used within the Commission.

The arguments favouring targeted budget support appear as rather thin against the evidence of a satisfactory macro-economic framework, sufficiently sound PFM system (and evidence of improvements), fungibility and, last but not least, ownership and accountability vis-à-vis local budget institutions. Please elaborate.

The statement according to which the EC has not been involved in Public Administration Reform might be inaccurate: check with the Delegation (SIGMA).

TA under FSP and under generally budget support: when external resources are used to finance TA under a budget support programme (rather than the resources channelled through the State Budget being used to procure TA) transaction costs are higher, and thus efficiency tends to be lower; there might be other good reason to do so (effectiveness);

TA is not meant to ensure conditionalities for implementation of budget support at all.

#### AIDCO/E1 comments :

Mr L. Oriani/ AIDCO/E1 has delivered the note ( 4 pages ) as regards points still to be taken into consideration in the revised version. Due to length and breadth of the note only the main points are raised below but the whole note will be attached with the RG comments. The evaluation team is requested to take into account the comments made in the limits of the scope, schedule and budget of the evaluation exercise.

The main points of the note :

- Structural issues, information on macroeconomic dimension should be improved further by avoiding the duplications and the scattering of related information throughout the report.
- The analysis in the context of the access to credit and of the liquidity of the financial system should be clarified and deepened.

- Sustainability, the analysis of social security systems/ FSP could be deepened by providing a view of documented results or by reviewing measures taken to promote effectiveness and sustainability of social protection.
- Corruption, effective and concrete recommendations on the possible measures to tackle the root causes of corruption would be needed.
- The presentation of Poverty related data should be improved.
- Coordination and complementarity, the specificity of the information about the contributions of all the donors in Moldova is incomplete in the report and the fact is not clearly indicated in the text.
- A short summary as regards evaluation results, if any existing, of previous EC-funded Macro-Financial Assistance programmes carried out in Moldova should be presented.

#### 5. Detailed comments :

- p. 6 (table 4, SWOT economic development): Please change "accede in 2007 to EU ATPs" to "Perspective to be granted in 2007 Autonomous Trade Preferences by the EU". (ATPs is a unilateral measure by the EU, TRADE comment )
- p.12 : EUSR is not an Ambassador ( RELEX comment )
- p 15 : last para of section 2.3.2 (top of page 15): needs updating (eg South Caucasus Action Plans are being implemented ) ( RELEX comment )
  
- strange language on ENP, p. 14 :  
"In general, the ENP Action Plans are negotiated with and tailor-made for each country, based on the country's needs and capacities, as well as their and the EU's interests."  
They are all negotiated with and tailor-made for each country, based on the country's needs and capacities, as well as their and the EU's interests. ( RELEX comment )
- p. 15: "Apart from Moldova with Israel, Jordan, Morocco, the Palestinian Authority, Tunisia and Ukraine – with implementation of those with Armenia, Azerbaijan, Georgia beginning, to be followed shortly by the AP with Lebanon and by that with Egypt once it is adopted. "  
This is unclear and should be redrafted. ( RELEX comment ).
- p. 19 : at times the report moves out of the specified time frame, it should be better clarified when this is the case, as p. 19 there is a reference made to the aggregate figure of 12 billion of support to the ENP region; what is the relevance of this for the current Moldova country report ? ( AIDCO/A1 comment )
- p. 21-23: PCA does not expire after 10 years, but automatically extended unless either side withdraws from it. ( RELEX comment )
- p.27 : first six months of EUBAM were RRM financed. ( RELEX comment )
- p. 29/ 3.5./ last chapter/ last sentence : the number of Annex (6) is not right here. ( AIDCO 03 comment )
- p. 75, tables 29 and 30 ( Poverty indicators and Poverty rates ) : Poverty indicators should be shortly explained for the reader to be able to understand them. ( AIDCO 03 comment )
- p. 80, the closing date of one project in the table is wrong. Instead of 30/9/2006 it should read 31/03/2007. ( The Delegation comment )
- p. 85, 4.7.3., JC H2 : the analysis should be finalized in the revised version. ( AIDCO 03 comment )
- p. 95: EUSR not an EC activity – They are Solana's representatives. ( RELEX comment )
- p. 95/96 : General assessment of EC contribution to TN-settlement. While the factual description is correct overall, the impression is given that that only an out-and-out settlement would allow

EUBAM to be deemed a success. A final settlement, or movement towards that, is the subject of intensive international negotiations, and could not be solved by EUBAM, which did not set out with the objective of creating, single-handed, a solution. While the team would not wish to interfere in any way with the independence of the consultants' judgements, the conclusion that EUBAM has made a 'modest contribution' is something of an understatement for what has been a groundbreaking activity. By bringing transparency to the border, enhancing MD-UA co-operation etc., many would argue that EUBAM has made a very substantial contribution ( RELEX comment )

- p.109 : to include a possibility of issuing a national envelope under EIDHR for MD, this will be taken into account in the future (2007-2010). There is a project envisaged under NAP 2007 related to support to Civil Society in Transnistria. ( The Delegation comment )

- p. 111, 5.6.1., 2nd line unclear, to be clarified. ( AIDCO 03 comment )

- p. 114 : 6.12 Impact (section) in the first paragraph 9 line, impacts have not ha the multiplier efforts should be impacts have not had the multiplier efforts.... ( The Delegation comment )

- p.127 - last paragraph : Through MEP should be Through MEPO, becameshould be became. ( The Delegation comment )

- p. 130 : section 1) Efficiency, first paragraph - the statement on the low efficiency is not accurate: addressing PFM related issues is a pre-condition to ensure effectiveness and efficiency of the Budget as a whole. Please explain how could measures / reforms / conditions aimed at improving PFM decrease the efficiency of a programme implemented through budget support. ( AIDCO/A1 comment )

- p. 137, Annex 4, People Identified/Visited, the list of people to be updated ( for example, Mr Hartikainen/ EUBAM to be added ). ( AIDCO 03 comment )

- p. 148, Annex 8 – An extract from the CRIS database, the title should be more informative. ( AIDCO 03 comment )

- Annex 14, the footnote " ECHO withdrew assistance in accordance with its core mandate. FSP programme is currently on hold because Moldova has not met the key conditionalities", should be taken out. ( AIDCO/A1 comment )

## 6. Next steps

- Following the RG comments the evaluation team will provide the revised report by 03/09/2007 at the latest.

- The revised version with some further modifications, if needed, will be presented in the evaluation seminar in Chisinau/ Moldova 28/09/2007.

- After the seminar feedback the evaluation report will be finalized and published as soon as possible.

## Annex 9 – The Impact Diagrams

The country strategy for Moldova includes three clusters: (a) support for institutional, legal and administrative reform, (b) support to the private sector/assistance for economic development, (c) support in addressing the social consequences of transition. Together with other sources, they have been used and completed for elaborating a series of impact diagrams which describe the logic of EC's interventions. An overall diagram has been derived through a synthesis of all others but taking as a fundamental point of departure the Partnership and Co-operation Agreement.. The whole exercise was meant to suggest evaluation questions. All diagrams and the first series of questions suggested by the evaluation team have been submitted to the reference group (see a separate file 2000 Kb)

The analysis proceeded through the following steps:

- Systematic extracts of sentences reflecting the objectives of the European Commission
- Translation of extracts into result/impact statements and presentation in the form of impact diagrams (coloured boxes in the section 2 hereafter)
- Review of activities implemented or to be implemented
- Connection of activities and selected result/impact (boxes in the diagrams) through cause-and-effect assumptions (arrows in the diagrams) and identification of logical gaps (black boxes) where causal links seem to be missing.
- Identification of areas of special interest for asking evaluation questions (grey spots)
- First proposal for evaluation questions, including preliminary comments on how the evaluation team would address the question and what is the likely utility of the question.

**Annex 10 – Moldova related projects/ contracts between 2000 - 2006**

**List of contracts by beneficiary country**

**29/03/2007 17:31:15**

**Contract year >= 2000**

**Geographical Zone = MD**

**Number of records = 227**

| Contr act year | Project No              | Title  | Contracting party  | Amount in € | Paid in €  | Total cost in € | Status  |
|----------------|-------------------------|--|--|-------------|------------|-----------------|---------|
| 2000           | DDH/2000/017-154        | Micro-project delegation Moldova   | TECHNICAL ACCOUNT<br>COMPTÉ<br>TECHNIQUEBANK<br>TRANSFERT EC | 189.006,02  | 189.006,02 | 189.006,02      | Closed  |
| 2001           | DDH/2001/002-857        | Promoting the Implementation of European Standards of Rule of Law, Human Rights and Human Conditions in places of Detention in the Republic of Moldova | ASOCIATIA RESOURCE<br>CENTRE OF MOLDOVAN<br>HUMAN RIGHTS NGO | 463.948,00  | 417.553,00 | 463.948,00      | Ongoing |
| 2002           | <u>DDH/2002/050-662</u> | Promoting Human Rights through advocacy for, monitoring about, and raising awareness of human rights respect in the republic of Moldova                | HELSINKI COMMITTEE<br>FOR HUMAN RIGHTSIN<br>MOLDOVA          | 120.617,00  | 120.617,00 | 141.902,00      | Closed  |
| 2002           | <u>DDH/2002/050-666</u> | Joint Programme of Co-operation to Strengthen Democratic Stability in Moldova  | CONSEIL DE L' EUROPE   | 261.234,80  | 261.234,80 | 561.234,80      | Closed  |
| 2006           | ENV/2006/018-188        | Audit of Children Abandonment Moldova  | MOORE STEPHENS LLP   | 30.831,00   | 9.249,00   | 0,00            | Ongoing |

|      |                   |   |   |              |              |              |         |
|------|-------------------|---|---|--------------|--------------|--------------|---------|
| 2000 | FOOD/2000/002-500 | AGRER/JOHNSON/CN0509/TA MINISTRY OF FINANCES  | JOHNSON                                 | 348.033,21   | 348.033,21   | 0,00         | Closed  |
| 2000 | FOOD/2000/002-500 | AGRER/RAYMAEKERS/CN0481   | RAYMAEKERS                              | 73.423,00    | 73.423,00    | 0,00         | Closed  |
| 2000 | FOOD/2000/002-500 | MOU MOLDAVIA 2000 EC FOOD SECURITY PROGRAMME  | REPUBLICA MOLDOVA                       | 5.000.000,00 | 5.000.000,00 | 0,00         | Ongoing |
| 2003 | FOOD/2002/002-367 | Public expenditure management   | ECORYS NEDERLAND BV                     | 28.746,00    | 28.746,00    | 0,00         | Closed  |
| 2003 | FOOD/2002/002-367 | Final Review of the 2000 Food Security Programme in Moldova                                     | AIDE A LA DECISION ECONOMIQUE SA        | 39.999,20    | 39.999,20    | 0,00         | Closed  |
| 2003 | FOOD/2002/002-367 | MOU for FSP 2002, Moldova   | REPUBLICA MOLDOVA                       | 9.500.000,00 | 9.500.000,00 | 9.500.000,00 | Ongoing |
| 2003 | FOOD/2002/002-367 | EI Habillage Johnson - Moldavie   | JOHNSON                                 | 94.511,19    | 94.511,19    | 0,00         | Closed  |
| 2003 | FOOD/2002/002-367 | EI Johnson - Moldavie   | JOHNSON                                 | 243.234,39   | 243.234,39   | 0,00         | Closed  |
| 2004 | FOOD/2002/002-367 | Short term policy support to the EC food security programme in Moldova, Ministry of Agriculture | INVESTISSEMENT DEVELOPPEMENT CONSEIL SA | 54.910,18    | 54.910,18    | 0,00         | Closed  |
| 2004 | FOOD/2002/002-367 | Final Review of the 2000 Food Security Programme in Moldova                                     | AIDE A LA DECISION ECONOMIQUE SA        | 8.087,74     | 8.087,74     | 0,00         | Closed  |
| 2004 | FOOD/2002/002-367 | Public expenditure management   | ECORYS NEDERLAND BV                     | 7.909,89     | 7.909,89     | 0,00         | Closed  |
| 2004 | FOOD/2002/002-367 | Short-term policy support to the EC Food Security Programme in Moldova                          | HTSPE LTD                               | 179.353,89   | 179.353,89   | 0,00         | Closed  |
| 2004 | FOOD/2002/002-367 | Mid-term and final reviews of the Food Security Programme in Moldova                            | INVESTISSEMENT DEVELOPPEMENT CONSEIL SA | 75.403,00    | 63.243,93    | 0,00         | Ongoing |
| 2005 | FOOD/2004/016-707 | Short-term support to the Food Security Programme in Moldova                                    | INVESTISSEMENT DEVELOPPEMENT CONSEIL SA | 195.173,00   | 190.564,39   | 0,00         | Ongoing |



|      |                   |  |   |              |              |              |         |
|------|-------------------|--|---|--------------|--------------|--------------|---------|
| 2005 | FOOD/2004/016-707 | Multi-donor Fiduciary Risk Assessment for Moldova  | INVESTISSEMENT DEVELOPPEMENT CONSEIL SA         | 63.071,00    | 60.866,20    | 0,00         | Ongoing |
| 2005 | FOOD/2004/016-707 | Study on remittances and social protection in Moldova  | AIDE A LA DECISION ECONOMIQUE SA                | 25.607,83    | 25.607,83    | 0,00         | Ongoing |
| 2005 | FOOD/2004/016-707 | Analysis, Specification and Implementation Programme of a System for Animal Identification and Registration of Holdings in Moldova | HTSPE LTD                                       | 86.246,00    | 44.979,60    | 0,00         | Ongoing |
| 2005 | FOOD/2004/016-707 | Budget support (indirect budgetary support by means of foreign exchange facility for food imports)                                 | REPUBLICA MOLDOVA                               | 9.200.000,00 | 8.800.000,00 | 9.200.000,00 | Ongoing |
| 2005 | FOOD/2004/016-707 | Evaluating the Moldovan agricultural sector under the FSP  | ECORYS NEDERLAND BV                             | 198.730,00   | 50.991,00    | 0,00         | Ongoing |
| 2005 | FOOD/2004/016-707 | Evaluating the Moldovan public finance and social sectors under the FSP  | ECORYS NEDERLAND BV                             | 199.896,00   | 199.896,00   | 0,00         | Ongoing |
| 2006 | FOOD/2006/018-310 | Food Security Programme Moldova 2006   | REPUBLICA MOLDOVA                               | 9.200.000,00 | 1.200.000,00 | 0,00         | Ongoing |
| 2006 | FOOD/2006/018-310 | Mid-term, final and closing reviews of the Food Security Programme in Moldova  | ACE ASESORES DE COMERCIO EXTERIOR SL            | 76.004,00    | 45.602,40    | 0,00         | Ongoing |
| 2006 | FOOD/2006/018-310 | Capacity-Building of the Social Targeting Unit of the Ministry of Health and Social Protection of Moldova                          | ECORYS NEDERLAND BV                             | 112.456,00   | 67.473,60    | 0,00         | Ongoing |
| 2006 | FOOD/2006/018-310 | Support to the Ministry of Agriculture and Food Industry of Moldova  | DANSK LANDBRUGSRADGIVNING LANDSCENTRET FORENING | 176.680,00   | 106.008,00   | 0,00         | Ongoing |
| 2006 | FOOD/2006/018-310 | Support to the Moldovan Ministry of Finance in implementation of the EU Food Security Programme                                    | INVESTISSEMENT DEVELOPPEMENT CONSEIL SA         | 166.137,00   | 99.682,20    | 0,00         | Ongoing |

|      |                      |   |  |              |              |              |         |
|------|----------------------|---|--|--------------|--------------|--------------|---------|
| 2006 | FOOD/2006/018-310    | Development of Animal Health and Food Safety Systems in the Republic of Moldova   | TRANSTEC SA  | 99.980,00    | 59.988,00    | 0,00         | Ongoing |
| 2006 | MIGR/2005/017-809    | Beyond Poverty Alleviation: Developing a Legal, Regulatory and Institutional Framework for Leveraging Migrant Remittances for Entrepreneurial Growth in Moldova | INTERNATIONAL ORGANISATION FOR MIGRATION                     | 794.665,38   | 263.559,00   | 993.331,73   | Ongoing |
| 2006 | MIGR/2005/017-809    | Combating Trafficking in Human Beings in Ukraine and Moldova  | INTERNATIONAL ORGANISATION FOR MIGRATION                     | 1.728.276,82 | 720.440,00   | 2.160.346,02 | Ongoing |
| 2004 | ONG-PVD/2003/004-562 | SUPPORT TO SOCIALLY VULNERABLE FAMILIES FOR PREVENTION OF CHILDREN ABANDONMENT IN MOLDOVA   | ASSOCIAZIONE AMICI DEI BAMBINI                               | 500.000,00   | 450.000,00   | 668.964,00   | Ongoing |
| 2000 | TACIS/1999/000-481   | Assist.Implement.EU-Moldova PCA   | DEUTSCHE GESELLSCHAFT FUR TECHNISCHE ZUSAMMENARBEIT GTZ GMBH | 2.392.673,95 | 2.392.673,95 | 2.400.000,00 | Closed  |
| 2000 | TACIS/1997/000-450   | FeasibilityStAntiMoneyLaundringMeasure  | UNIVERSITA DEGLI STUDI DI TRENTO                             | 237.719,77   | 237.719,77   | 285.000,00   | Closed  |
| 2000 | TACIS/1998/000-467   | NRECM   | REGIONAL ENVIRONMENTAL CENTRE REC MOLDOVA                    | 125.000,00   | 125.000,00   | 125.000,00   | Closed  |
| 2000 | TACIS/1998/000-467   | INO9705ExtensionOfInogateSupportGroup   | CONCEPTION, ETUDES ET CO-OPERATION DE FORMATION SA           | 149.999,00   | 142.465,78   | 149.999,00   | Ongoing |
| 2000 | TACIS/1997/000-432   | Support to Higher Edu. in Economics   | SYNTHESIS EVROPAIKES MELETES EREVNA KAI STRATIGIKI AE        | 797.338,73   | 797.338,73   | 799.966,00   | Closed  |
| 2000 | TACIS/1999/000-484   | Monitoring Tacis Projects: MT Kiev  | INSTITOUTO SYSTIMATON EPIKOINONIASKAI                        | 721.005,00   | 721.005,00   | 724.155,00   | Closed  |

|      |                    |  |  |              |              |              |         |
|------|--------------------|--|--|--------------|--------------|--------------|---------|
|      |                    |  | YPOLOGISTON  |              |              |              |         |
| 2000 | TACIS/1998/000-466 | Customs 5                                | ASSOCIATION POUR LA GESTION DU GROUPEMENT EURODOUANE | 1.430.040,67 | 1.430.040,67 | 3.799.688,00 | Closed  |
| 2000 | TACIS/1999/000-481 | Supp. Competitiveness&Productivity Centr | FESTIVAL OF YOUTH DRAMA LYUBIMOVKA                   | 980.119,69   | 980.119,69   | 998.558,00   | Closed  |
| 2000 | TACIS/1999/000-481 | StrenghteningRegionalPublicAdmin         | THALES ENGINEERING & CONSULTING SA                   | 994.046,32   | 994.046,32   | 999.975,00   | Closed  |
| 2000 | TACIS/1999/000-481 | Supervis.of Gura Bicului Bridge,Moldova  | FINNROAD OY  | 226.812,00   | 226.812,00   | 238.348,00   | Closed  |
| 2000 | TACIS/1999/000-481 | Support for Dvlpmt Agricultural Educatio | LANDELL MILLS LIMITED                                | 2.877.082,01 | 2.877.082,01 | 2.969.668,00 | Closed  |
| 2000 | TACIS/1998/000-467 | New Reg.Envir.Centres-Phase 3            | LINDEN CONSULTING PARTNERSHIP LTD                    | 1.256.170,00 | 1.204.185,53 | 1.256.170,00 | Ongoing |
| 2000 | TACIS/1997/000-450 | Drugcontrol Multisect.Assist.&Inst.build | UNITED NATIONS DEVELOPMENT PROGRAMME                 | 78.110,00    | 76.616,07    | 78.110,00    | Ongoing |
| 2000 | TACIS/1999/000-501 | BuildingUpAndDevOfEffectiveStructures    | LANDRATSAMT VOGTLANDKREIS                            | 100.000,00   | 100.000,00   | 100.000,00   | Closed  |
| 2000 | TACIS/1999/000-501 | DevThePromotionofEntrepreneurship        | SIMENYI  | 90.200,05    | 90.200,05    | 100.000,00   | Closed  |
| 2000 | TACIS/1999/000-481 | Refurbishm. of Gura Bicului Bridge-Moldo | JSC LATVIJAS TILTI                                   | 962.244,14   | 962.244,14   | 962.330,00   | Closed  |
| 2000 | TACIS/1999/000-486 | MO AP 01 Social Consequences of Transiti | IBF INTERNATIONAL CONSULTING SA                      | 28.615,64    | 28.615,64    | 30.000,00    | Closed  |
| 2000 | TACIS/2000/000-514 | Prep of 2001 Private Sector Moldova      | POHL CONSULTING & ASSOCIATES GMBH                    | 63.935,00    | 63.935,00    | 74.948,00    | Closed  |
| 2000 | TACIS/1997/000-450 | EnhancingBorderManagement                | ASSOCIATION POUR LA GESTION DU GROUPEMENT            | 33.258,29    | 33.258,29    | 59.000,00    | Closed  |

|      |                    |  |  |            |            |            |        |
|------|--------------------|--|--|------------|------------|------------|--------|
|      |                    |  | EURODOUANE   |            |            |            |        |
| 2000 | TACIS/1999/000-486 | MoldovaCountryReview-NeedsAnalysisFuture   | SOFRECO-SOCIETE FRANCAISE DE REALISATION D'ETUDES ET DE CONSEIL SA | 65.098,15  | 65.098,15  | 65.098,15  | Closed |
| 2000 | TACIS/1999/000-481 | ReplaceOOS 99-9620 - PilotSt.Legislative   | SERVICES TECHNIQUES GLOBAUX SA                                     | 154.723,92 | 154.723,92 | 154.723,92 | Closed |
| 2000 | TACIS/1999/000-486 | supp.competiveness.& productiv. centr Mo   | NOMISMA SOCIETA DI STUDI ECONOMICISPA                              | 4.081,54   | 4.081,54   | 4.081,54   | Closed |
| 2000 | TACIS/1999/000-486 | Eval"SuppOfMinOfHealth"  | SERVICES TECHNIQUES GLOBAUX SA                                     | 11.215,91  | 11.215,91  | 11.215,91  | Closed |
| 2000 | TACIS/1999/000-486 | EvalOf"SuppToHigherEduinEconimicsIIProgM   | SERVICES TECHNIQUES GLOBAUX SA                                     | 10.402,04  | 10.402,04  | 10.402,04  | Closed |
| 2000 | TACIS/1999/000-486 | Eval"StenghteningOfRegPublAdmin"Moldova  | SERVICES TECHNIQUES GLOBAUX SA                                     | 7.528,04   | 7.528,04   | 7.528,04   | Closed |
| 2000 | TACIS/1999/000-486 | FollowUpPilotStudyLegislFramworkMold   | SERVICES TECHNIQUES GLOBAUX SA                                     | 4.450,66   | 4.450,66   | 4.450,66   | Closed |
| 2000 | TACIS/1999/000-486 | Add to 00-9575:Drug procur.agency MO   | SERVICES TECHNIQUES GLOBAUX SA                                     | 12.250,00  | 12.250,00  | 12.250,00  | Closed |
| 2000 | TACIS/1999/000-486 | Add.00-9535competit&product.centre Mold  | NOMISMA SOCIETA DI STUDI ECONOMICISPA                              | 2.975,00   | 2.975,00   | 2.975,00   | Closed |
| 2001 | TACIS/2000/000-514 | Assistance in the preparation of a project in the field of Border Crossings, Programme 2000,2001 | SUUNNITTELUKESKUS OY   | 26.470,77  | 26.470,77  | 27.310,00  | Closed |
| 2001 | TACIS/1999/000-486 | trafficking women in Moldova   | BASYS BERATUNGSGESELLSCHAFT FUR ANGEWANDTE SYSTEMFORSCHUNG MBH     | 109.663,28 | 109.663,28 | 149.760,00 | Closed |

|      |                    |  |   |              |              |              |         |
|------|--------------------|--|---|--------------|--------------|--------------|---------|
| 2001 | TACIS/2000/000-514 | ToR Judicial Project Moldova AP 2001     | BUSINESS STRATEGIES EUROPE SA AND IN      | 27.899,50    | 27.899,50    | 29.978,00    | Closed  |
| 2001 | TACIS/1999/000-506 | Works Supervision Contract - 1999        | OVE ARUP AND COMPANY LIBYA LIMITED        | 1.441.239,39 | 1.441.239,39 | 1.000.000,00 | Closed  |
| 2001 | TACIS/1998/000-467 | Dangerous Goods Transport Training       | LERNIA AKTIEBOLAG                         | 961.848,45   | 961.848,45   | 986.868,00   | Closed  |
| 2001 | TACIS/1998/000-467 | Grant Contract to the RegEnvirCentr-MOLD | REGIONAL ENVIRONMENTAL CENTRE REC MOLDOVA | 258.550,00   | 256.842,00   | 258.550,00   | Ongoing |
| 2001 | TACIS/2000/000-514 | Framew.contr."Moldovan Railw.Restruct."  | EURONET CONSULTING EESV                   | 8.496,89     | 8.496,89     | 12.025,00    | Closed  |
| 2001 | TACIS/1999/000-481 | Support to the Min of Health of Moldova  | CII GROUP AG                              | 1.144.601,02 | 1.144.601,02 | 971.679,00   | Closed  |
| 2001 | TACIS/1999/000-481 | Moldovan Railways Restructuring          | NEI B.V.                                  | 948.976,37   | 948.976,37   | 952.664,00   | Closed  |
| 2001 | TACIS/1999/000-506 | Assistance through creation&devpt BISME  | RIBE AMT                                  | 196.800,00   | 196.800,00   | 200.000,00   | Closed  |
| 2001 | TACIS/1999/000-481 | Policy advice office Prime minister mold | PLANET AE                                 | 299.550,00   | 299.550,00   | 300.000,00   | Closed  |
| 2001 | TACIS/1999/000-506 | Impvt agricult. Product Process IAAP-ESA | REPUBBLICA ITALIANA                       | 200.000,00   | 200.000,00   | 200.000,00   | Closed  |
| 2001 | TACIS/1998/000-467 | New RECs Phase III- Moldova              | REGIONAL ENVIRONMENTAL CENTRE REC MOLDOVA | 68.270,00    | 68.195,00    | 68.270,00    | Ongoing |
| 2001 | TACIS/1999/000-502 | Financ small scale investm oil&gas Ukrai | TEBODIN B.V.                              | 1.169.640,00 | 1.169.640,00 | 1.299.600,00 | Closed  |
| 2001 | TACIS/1999/000-501 | Prom &devpt sustainab health&soc childre | ASSOCIAZIONE AMICI DEI BAMBINI            | 190.803,00   | 190.228,33   | 190.803,00   | Ongoing |
| 2001 | TACIS/2000/000-530 | New regional environment centre Moldova  | REGIONAL ENVIRONMENTAL                    | 216.000,00   | 215.982,00   | 216.000,00   | Ongoing |

|      |                    |   |   |              |              |            |        |
|------|--------------------|---|---|--------------|--------------|------------|--------|
|      |                    |   | CENTRE REC MOLDOVA  |              |              |            |        |
| 2001 | TACIS/1999/000-486 | Supp. Ministry of Health in Moldova                                       | SERVICES TECHNIQUES GLOBAUX SA  | 9.604,61     | 9.604,61     | 9.604,61   | Closed |
| 2001 | TACIS/1999/000-486 | Add. 01-9500: Supp Ministry of Health Moldova                             | SERVICES TECHNIQUES GLOBAUX SA  | 2.530,69     | 2.530,69     | 2.530,69   | Closed |
| 2002 | TACIS/1999/000-486 | Prep harmonisation of standards   | EUROPEAN CONSULTANTS ORGANISATION SPRL                                    | 20.644,08    | 20.644,08    | 25.360,00  | Closed |
| 2002 | TACIS/1999/000-501 | Reint pg of Moldav women victims traffic                                  | ASSOCIAZIONE COMUNITA PAPA GIOVANNI XXIII CONDIVISIONE TRA I POPOLI ONLUS | 134.803,00   | 134.803,00   | 0,00       | Closed |
| 2002 | TACIS/2001/000-546 | Civil and commercial judiciary project NIS, Moldova at Chisinau           | DEUTSCHE GESELLSCHAFT FUR TECHNISCHE ZUSAMMENARBEIT GTZ GMBH              | 2.000.054,44 | 2.000.054,44 | 0,00       | Closed |
| 2002 | TACIS/2001/000-546 | SME Development Moldova at Moldova  | EMERGING MARKETS GROUP SPRL   | 2.676.202,37 | 2.676.202,37 | 0,00       | Closed |
| 2002 | TACIS/2001/000-546 | Health promotion and disease prevention                                   | EPOS HEALTH CONSULTANTS GMBH  | 2.754.161,78 | 2.754.161,78 | 0,00       | Closed |
| 2002 | TACIS/2000/000-514 | Policy Advice to the Prime Minister and Vice Prime Minister of Moldova    | NEI B.V.  | 198.410,39   | 198.410,39   | 0,00       | Closed |
| 2002 | TACIS/2000/000-514 | Moldova Economic Trends   | NEI B.V.  | 198.953,33   | 198.953,33   | 0,00       | Closed |
| 2002 | TACIS/2001/000-553 | Reintegration of Vulnerable older people in Moldovan Society - IBPP01-136 | HELPAGE INTERNATIONAL   | 191.537,00   | 191.537,00   | 191.537,00 | Closed |
| 2002 | TACIS/2001/000-553 | Youth against social exclusion in Moldova - IBPP01-215                    | CONSORZIO ITALIANO DI SOLIDARIETA   | 159.764,01   | 159.764,01   | 159.764,01 | Closed |

|      |                    |  |  |              |              |            |         |
|------|--------------------|--|--|--------------|--------------|------------|---------|
| 2002 | TACIS/2001/000-553 | Mental Health Development in Moldova - IBPP01-0167   | INTERMINDS LBG   | 157.206,00   | 157.206,00   | 0,00       | Closed  |
| 2002 | TACIS/2001/000-553 | Strengthening capacities & management skills of Moldovan NGOs - IBPP01-161   | GUSTAV STRESEMANN INSTITUT EV                                    | 169.149,09   | 169.149,09   | 169.149,09 | Closed  |
| 2003 | TACIS/2001/000-546 | Harmonisation of Moldova's system of standardisation   | DEUTSCHE GESELLSCHAFT FUR ZERSTORUNGSFREIE PRUFUNG EV            | 1.482.620,00 | 1.172.489,32 | 0,00       | Ongoing |
| 2003 | TACIS/2001/000-546 | Capacity building in social policy reform - Moldova  | THE EUROPEAN CHILDREN'S TRUST                                    | 2.644.010,00 | 1.998.928,00 | 0,00       | Ongoing |
| 2003 | TACIS/2001/000-553 | Support for Moldova's Presidency of the Council of Europe  | ARS PROGETTI AMBIENTE RISORSE E SVILUPPO SRL                     | 195.188,96   | 195.188,96   | 0,00       | Closed  |
| 2003 | TACIS/2002/000-633 | Restoration and maintenance of the Manta Lakes natural environment and ecosystem   | ASOCIACION PARA LA PROMOCION DE LOS RECURSOS HUMANOS EN CANARIAS | 186.028,00   | 175.452,20   | 234.760,00 | Ongoing |
| 2003 | TACIS/2002/000-633 | Sustainable regional development through the creation of an agency for cross border co-operation and the elaboration of a cross-border regional development strategy | HINCESTI MUNICIPALITY  | 149.841,00   | 149.841,00   | 193.392,00 | Closed  |
| 2003 | TACIS/2002/000-633 | "Upper Prut", a new tourism market offer for Moldovan and Romanian cross-border area   | AYUNTAMIENTO DE ANNA   | 199.998,00   | 119.029,20   | 250.298,00 | Ongoing |
| 2003 | TACIS/2002/000-633 | Setting up of the "Lower Danube" Euroregion informational network  | REPUBLICA MOLDOVA  | 194.176,00   | 184.929,60   | 242.720,00 | Ongoing |
| 2003 | TACIS/2002/000-633 | Lapsuna - Vaslui: A bridge for the world   | CONSILIUL JUDETEAN VASLUI  | 128.000,00   | 116.056,50   | 161.600,00 | Ongoing |
| 2003 | TACIS/2002/000-633 | Business Centre of Cahul (BCC): enhancing the support of Moldovan Small and medium Enterprises   | AYUNTAMIENTO DE MONCADA  | 200.000,00   | 180.000,00   | 251.918,00 | Ongoing |

|      |                    |   |  |              |              |              |         |
|------|--------------------|---|--|--------------|--------------|--------------|---------|
| 2003 | TACIS/2001/000-553 | Support for the Development of Regional Policy in Moldova   | TEA CEGOS SA                             | 191.647,70   | 191.647,70   | 0,00         | Closed  |
| 2003 | TACIS/2000/000-531 | Giurgiulesti Border Terminal Moldova  | BADPRIM LIMITED LIABILITY COMPANY        | 1.900.000,00 | 1.863.311,01 | 0,00         | Ongoing |
| 2003 | TACIS/2001/000-553 | Support for Implementation of the PCA in Moldova  | ATOS ORIGIN BELGIUM SA                   | 198.398,40   | 198.398,40   | 0,00         | Closed  |
| 2003 | TACIS/2002/000-633 | Creation and strengthening the Department of Cross Border Co-operation within Leova Mayoralty   | REPUBLICA MOLDOVA                        | 46.392,92    | 46.392,92    | 59.699,92    | Closed  |
| 2003 | TACIS/2001/000-553 | Support to the Moldovan Export Promotion Organisation   | WEST MIDLANDS ENTERPRISE LIMITED         | 187.051,99   | 187.051,99   | 0,00         | Closed  |
| 2003 | TACIS/2001/000-546 | Feasibility Study for the Implementation of a National Health Insurance System in Moldova   | CII GROUP AG                             | 49.864,00    | 49.864,00    | 0,00         | Closed  |
| 2003 | TACIS/2002/000-633 | Analysis of energy related problems and study of potential of exploitation of new and renewable energy sources in the municipality of Ungheni – Republic of Moldova | UNGHENI COUNTY COUNCIL                   | 46.022,40    | 46.022,40    | 58.422,40    | Closed  |
| 2003 | TACIS/2000/000-530 | Capacity building and technical co-operation for Moldovan Border Guards and Border Officials  | INTERNATIONAL ORGANISATION FOR MIGRATION | 900.000,00   | 900.000,00   | 1.100.000,00 | Closed  |
| 2004 | TACIS/2001/000-546 | Enhancing Border Control Management in the Republic of Moldova  | UNITED NATIONS DEVELOPMENT PROGRAMME     | 1.850.000,00 | 1.665.000,00 | 1.850.000,00 | Ongoing |
| 2004 | TACIS/2001/000-546 | Artificial contract extending the contract 27522  | EMERGING MARKETS GROUP SPRL              | 292.080,00   | 292.080,00   | 0,00         | Closed  |
| 2004 | TACIS/2002/003-016 | IOM Rehabilitation Centre for Victims of Trafficking (Chisinau, Moldova): Recovery, Rehabilitation and Reintegration through Comprehensive Care                     | INTERNATIONAL ORGANISATION FOR MIGRATION | 308.000,00   | 246.400,00   | 308.000,00   | Ongoing |
| 2004 | TACIS/2001/000-553 | Policy Advice to the Prime Minister and Minister of Economy of Moldova  | ECORYS NEDERLAND BV                      | 196.900,20   | 196.900,20   | 0,00         | Closed  |



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|------|--------------------|--|---|------------|------------|------------|---------|
| 2004 | TACIS/2003/005-604 | Human right-Council of Europe  | CONSEIL DE L' EUROPE                    | 800.000,00 | 756.609,00 | 800.000,00 | Ongoing |
| 2004 | TACIS/2001/000-553 | Strengthening the legislative framework and enhancing the enforcement of industrial property protection legislation  | INVESTISSEMENT DEVELOPPEMENT CONSEIL SA | 146.416,29 | 146.416,29 | 0,00       | Closed  |
| 2004 | TACIS/2001/000-553 | Moldova trade policy and TFA implementation  | POHL CONSULTING & ASSOCIATES GMBH       | 199.876,00 | 137.981,53 | 0,00       | Ongoing |
| 2004 | TACIS/2004/006-202 | TOR Public Health Reform, Moldova  | IBF INTERNATIONAL CONSULTING SA         | 22.814,95  | 22.814,95  | 0,00       | Closed  |
| 2004 | TACIS/2004/006-202 | Drafting TOR for project ""Support to PCA and EU-Moldova Action Plan and WTO Implementation  | AGRICONSULTING EUROPE SA AESA           | 23.502,31  | 23.502,31  | 0,00       | Closed  |
| 2004 | TACIS/2001/000-553 | supply of equiment for the Customs Services of Moldova   | KRUG INTERNATIONAL LTD                  | 28.414,00  | 25.572,60  | 0,00       | Ongoing |
| 2004 | TACIS/2003/005-604 | Support to the Ministry of Economy to Implement the Regional Approach to Socio-Economic Development  | INTERNATIONAL DEVELOPMENT IRELAND LTD   | 192.754,51 | 192.754,51 | 0,00       | Closed  |
| 2004 | TACIS/2004/006-202 | TOR for the project Development of integrated social services for vulnerable families and children at risk   | EURONET CONSULTING EESV                 | 23.265,00  | 20.698,84  | 0,00       | Ongoing |
| 2004 | TACIS/2001/000-553 | Moldovan Economic Trends 2004  | POHL CONSULTING & ASSOCIATES GMBH       | 198.159,51 | 198.159,51 | 0,00       | Ongoing |
| 2004 | TACIS/2004/006-202 | Drafting of ToRs for AP 2003 ""Strengthening Civil Society in Moldova  | EUROPEAN CONSULTANTS ORGANISATION SPRL  | 19.681,60  | 19.681,60  | 0,00       | Closed  |
| 2004 | TACIS/2001/000-546 | Harmonisation of Moldova System of Standardisation, Technical Regulations and Conformity Assessment with PCA and WTO Requirements:Supply of Equipment for Testing Laboratories | AGROTEC SPA                             | 375.000,00 | 375.000,00 | 0,00       | Ongoing |

|      |                    |   |   |              |            |            |         |
|------|--------------------|---|---|--------------|------------|------------|---------|
| 2004 | TACIS/2001/000-553 | Reform and modernisation of the Moldovan Customs Administration   | ASSOCIATION POUR LA GESTION<br>DU GROUPEMENT EURODOUANE | 799.917,00   | 727.305,55 | 0,00       | Ongoing |
| 2004 | TACIS/2001/000-546 | Supply of computer hardware for capacity building in social policy reform Moldova                         | INTREPRINDEREA TEHNOLOGICA MESTERSRL                    | 134.524,00   | 134.524,00 | 0,00       | Closed  |
| 2004 | TACIS/2001/000-553 | Supply of equipment for the Customs Services of Moldova   | INTREPRINDEREA TEHNOLOGICA MESTERSRL                    | 56.825,00    | 56.825,00  | 0,00       | Closed  |
| 2004 | TACIS/2001/000-553 | Supply of equipment for the Customs Services of Moldova   | PRORAS SRL  | 36.479,92    | 36.479,92  | 0,00       | Ongoing |
| 2004 | TACIS/2003/005-604 | Support to the National Anti-Corruption Strategy of Moldova (PACO Moldova)                                | CONSEIL DE L' EUROPE                                    | 250.000,00   | 225.000,00 | 250.000,00 | Ongoing |
| 2004 | TACIS/2004/006-202 | Survey on HIV/AIDS awareness in Ukraine and Moldova   | THE EUROPEAN OMNIBUS SURVEY SCRL                        | 18.500,00    | 18.500,00  | 0,00       | Closed  |
| 2004 | TACIS/2001/000-553 | Statistics 7 - Supply of IT Equipment for the Department of Statistics of the Republic of Moldova - Lot 1 | XAN SRL   | 91.306,00    | 91.306,00  | 0,00       | Closed  |
| 2004 | TACIS/2001/000-546 | Supply of office Furnituree and Vehicles for capacity building in social policy reform Moldova            | IM RUMEON SRL   | 77.350,00    | 77.350,00  | 0,00       | Closed  |
| 2005 | TACIS/2003/005-604 | Regional Development Implementing Bodies  | THE HELM CORPORATION LTD                                | 1.896.790,00 | 774.533,39 | 0,00       | Ongoing |
| 2005 | TACIS/2003/005-604 | Strengthening of Moldova Red Cross Society activities   | CROIX ROUGE FRANCAISE ASSOCIATION                       | 196.942,00   | 177.248,00 | 262.589,00 | Ongoing |
| 2005 | TACIS/2003/005-604 | Training Programme for Rural Transformation in Moldova  | STICHTING OXFAM NOVIB                                   | 173.233,00   | 155.910,00 | 216.568,00 | Ongoing |

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|------|--------------------|---|--|--------------|--------------|------------|---------|
| 2005 | TACIS/2003/005-604 | Create an appropriate de-centralised institutional framework to support Moldovan companies' capacity to operate cross-border and internationally                                  | CAMERA DE COMERT SI INDUSTRIE IASI   | 195.660,00   | 176.094,00   | 254.220,00 | Ongoing |
| 2005 | TACIS/2003/005-604 | Re-socialisation and de-institutionalisation of children in difficulties including mentally or physically disabled children and building of a Rehabilitation and Education Centre | HILFSWERK AUSTRIA - OSTERREICHISCHES HILFSWERK FUR INTERNATIONALE ZUSAMMENARBEIT | 197.209,00   | 177.488,00   | 285.315,00 | Ongoing |
| 2005 | TACIS/2003/005-604 | The social reintegration of vulnerable and marginalized older people in rural communities of Southern Moldova   | HELPAGE INTERNATIONAL  | 199.268,00   | 179.341,00   | 249.085,00 | Ongoing |
| 2005 | TACIS/2003/005-604 | Model project for the improvement of waste management in Gagauzia   | KONTAKTE FUR EUROPA EV   | 198.595,00   | 178.735,00   | 248.244,00 | Ongoing |
| 2005 | TACIS/2003/005-604 | Promotion of new services to facilitate the family reintegration process of institutionalised children in Moldova   | ASSOCIAZIONE AMICI DEI BAMBINI   | 176.274,00   | 158.647,00   | 220.342,20 | Ongoing |
| 2005 | TACIS/2003/005-604 | Support to the Election in Moldova  | ORGANISATION FOR SECURITY AND CO-OPERATION IN EUROPE                             | 30.501,00    | 30.501,00    | 35.995,00  | Closed  |
| 2005 | TACIS/2003/005-604 | Moldova ""Country brand Development Strategy  | DFC SA   | 199.070,12   | 195.697,70   | 0,00       | Ongoing |
| 2005 | TACIS/2003/005-604 | Public Health Reform in Moldova   | EPOS HEALTH CONSULTANTS GMBH   | 1.946.560,00 | 1.433.045,05 | 0,00       | Ongoing |
| 2005 | TACIS/2003/005-604 | Support to PCA, WTO Implementation and Implementation of the ENP AP within the Framework of the PCA   | EUROPEAN PROFILES ANONYMI ETAIREIAMELETON KAI SYMVOULON EPICHEIRISEON            | 3.569.000,00 | 1.676.938,94 | 0,00       | Ongoing |

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|------|--------------------|--|--|--------------|--------------|--------------|---------|
| 2005 | TACIS/2003/005-883 | Demonstrative utilisation of alternative sources of energy in Moldova through crop cultivation experimentation   | REPUBBLICA ITALIANA                      | 285.993,00   | 179.881,00   | 357.939,00   | Ongoing |
| 2005 | TACIS/2003/005-604 | Moldova Treasury System Consolidation and Development  | ECORYS NEDERLAND BV                      | 199.380,00   | 197.517,29   | 0,00         | Ongoing |
| 2005 | TACIS/2002/003-016 | Fighting Trafficking in Persons in the Republic of Moldova   | INTERNATIONAL ORGANISATION FOR MIGRATION | 300.000,00   | 270.000,00   | 376.000,00   | Ongoing |
| 2005 | TACIS/2003/005-604 | Support to National Coordinating Unit (TANCU)  | ATOS ORIGIN BELGIUM SA                   | 199.992,00   | 119.995,20   | 0,00         | Ongoing |
| 2005 | TACIS/2003/005-604 | Development of Integrated Social Services for Vulnerable Families and Children at Risk in Moldova  | UNITED NATIONS CHILDREN'S FUND           | 2.499.028,00 | 1.180.396,00 | 2.499.028,00 | Ongoing |
| 2006 | TACIS/2003/005-604 | Supply of IT Hardware Equipment for Public Health Care reform Moldova  | S & T MOLD SRL                           | 348.960,00   | 348.960,00   | 0,00         | Ongoing |
| 2006 | TACIS/2003/005-604 | Developing a comprehensive community-based intervention for monitoring and improving the reproductive health of young people and prevent violence in Ialoveni, Moldova | ASOCIATIA OBSTEASCA COMPASIUNE           | 49.763,00    | 39.810,40    | 68.714,00    | Ongoing |
| 2006 | TACIS/2003/005-604 | Reform of official statistics in Moldova - Statistics 9  | RICERCHE PER L'ECONOMIA E LA FINANZA SRL | 482.000,00   | 0,00         | 0,00         | Ongoing |
| 2006 | TACIS/2003/005-604 | Strengthening Civil Society  | TRANSTEC SA                              | 1.288.340,00 | 881.755,74   | 0,00         | Ongoing |
| 2006 | TACIS/2003/005-883 | TACIS Tacis Cities Award Scheme Grant 1/10   | REPUBLICA MOLDOVA                        | 159.780,80   | 127.825,00   | 199.780,80   | Ongoing |
| 2006 | TACIS/2003/005-604 | Support to the establishment of the twinning programme administration office in Moldova  | ATOS ORIGIN BELGIUM SA                   | 199.316,00   | 119.589,60   | 0,00         | Ongoing |

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|------|--------------------|---|--|--------------|--------------|--------------|---------|
| 2006 | TACIS/2003/005-604 | Development of animal health and food safety systems regarding the control of major epizootic diseases  | HTSPE LTD  | 179.972,00   | 107.983,20   | 0,00         | Ongoing |
| 2006 | TACIS/2003/005-604 | Increasing the social and professional integration of young people with mental disabilities - graduates of four auxiliary boarding schools in Moldova | FILIALA ASOCIATIEI OBSTESTI PARTENAIRE                                       | 50.000,00    | 40.000,00    | 60.000,00    | Ongoing |
| 2006 | TACIS/2003/005-604 | Better present - Better future for family type homes  | ASOCIATIA CCF MOLDOVA - COPIL, COMUNITATE, FAMILIE                           | 49.491,90    | 39.593,52    | 55.691,90    | Ongoing |
| 2006 | TACIS/2003/005-604 | Strengthening Civil Society Network to reduce poverty and social exclusion of older persons in Moldova  | ASOCIATIA GERONTOLOGICA RESPIRATIAA DOUA PENTRU MOLDOVA                      | 50.000,00    | 40.000,00    | 71.187,00    | Ongoing |
| 2006 | TACIS/2003/005-604 | Community-based support to children and families in difficult social situations   | ASOCIATIA OBSTEASCA KEYSTONE HUMANSERVICES INTERNATIONAL MOLDOVA ASSOCIATION | 46.998,00    | 37.598,40    | 81.879,00    | Ongoing |
| 2006 | TACIS/2003/005-604 | ""Let's do it together !"" - empowering social orphans as part of community development   | LIGA NATIONALA DE DEZBATERI PREUNIVERSITARE ASOCIATIEI OBSTESTI              | 49.992,00    | 39.993,60    | 57.862,00    | Ongoing |
| 2006 | TACIS/2003/005-604 | SME support in Rural Sector   | INTERNATIONAL DEVELOPMENT IRELAND LTD  | 1.909.910,00 | 700.068,00   | 0,00         | Ongoing |
| 2006 | TACIS/2003/005-604 | Support to MEPO/MIDA  | ACE ASESORES DE COMERCIO EXTERIOR SL   | 2.859.045,00 | 1.141.977,00 | 0,00         | Ongoing |
| 2006 | TACIS/2005/017-094 | Project against Corruption, Money Laundering, and Terrorist Financing in the Republic of Moldova  | CONSEIL DE L' EUROPE   | 3.000.000,00 | 1.191.570,00 | 3.500.000,00 | Ongoing |

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|------|--------------------|---|---|--------------|--------------|--------------|---------|
| 2006 | TACIS/2005/017-749 | Preparation of technical assistance project in the area of electricity in Moldova                     | INSTITOUTO SYSTIMATON EPIKOINONIASKAI YPOLOGISTON     | 180.168,00   | 108.100,80   | 0,00         | Ongoing |
| 2006 | TACIS/2005/017-094 | Increased independence, transparency and efficiency of the justice system of the Republic of Moldova  | CONSEIL DE L' EUROPE                                  | 3.000.000,00 | 1.060.400,00 | 3.300.000,00 | Ongoing |
| 2006 | TACIS/2006/017-965 | Audit of Ecological centre in Emil Racovita   | MOORE STEPHENS LLP                                    | 18.766,00    | 3.753,00     | 0,00         | Ongoing |
| 2006 | TACIS/2005/017-094 | Support to NCU  | EUROPEAN CONSULTANTS ORGANISATION SPRL                | 199.940,00   | 119.964,00   | 0,00         | Ongoing |
| 2006 | TACIS/2003/005-883 | Tacis Cities Award Scheme<br>Grant 5/10   | REPUBLICA MOLDOVA                                     | 160.000,00   | 128.000,00   | 206.407,00   | Ongoing |
| 2006 | TACIS/2003/005-883 | Tacis Cities Award Scheme<br>Grant 6/10   | REPUBLICA MOLDOVA                                     | 144.808,00   | 115.846,00   | 181.010,00   | Ongoing |
| 2006 | TACIS/2003/005-883 | Tacis Cities Award Scheme<br>Grant 8/10   | REPUBLICA MOLDOVA                                     | 148.456,00   | 118.765,00   | 185.856,00   | Ongoing |
| 2006 | TACIS/2003/005-883 | Tacis Cities Award Scheme<br>Grant 10/10  | REPUBLICA MOLDOVA                                     | 140.832,00   | 112.666,00   | 176.040,00   | Ongoing |
| 2006 | TACIS/2005/017-749 | Preparing and drafting ToR for the project "Sustainable Regional Development" (Action Programme 2005) | SUDGEST - SERVIZI E FORMAZIONE PERLO SVILUPPO - SCARL | 46.998,00    | 28.198,80    | 0,00         | Ongoing |

|      |                    |   |  |            |            |      |           |
|------|--------------------|---|--|------------|------------|------|-----------|
| 2006 | TACIS/2005/017-749 | Review. Assessment and drafting ToRS for Support to the implementation of the EU Moldova Action Plan and PCA, the National Coordinating Unit and the Legal Approximation Process in Moldova | SUDGEST - SERVIZI E FORMAZIONE PER LO SVILUPPO - SCARL         | 38.641,00  | 23.184,60  | 0,00 | Ongoing   |
| 2006 | TACIS/2005/017-749 | Preparation ToR for service contract Support to health reform by strengthening of PHC in Moldova  | AGENCE EUROPEENNE POUR LE DEVELOPPEMENT ET LA SANTE SCRL AEDES | 38.856,00  | 23.313,60  | 0,00 | Ongoing   |
| 2006 | TACIS/2005/017-749 | Preparation of TOR for service contract Addressing needs of vulnerable layers of the population   | CAMBRIDGE EDUCATION LIMITED                                    | 35.496,00  | 21.297,60  | 0,00 | Ongoing   |
| 2006 | TACIS/2005/017-749 | Developing a framework for the introduction of a SWAP to the health care system in Moldova  | ECORYS NEDERLAND BV  | 198.194,00 | 118.916,40 | 0,00 | Ongoing   |
| 2006 | TACIS/2005/017-749 | Development of a twinning fiche on support to Moldova in the field of norms and standards   | SUDGEST - SERVIZI E FORMAZIONE PER LO SVILUPPO - SCARL         | 89.224,00  | 53.534,40  | 0,00 | Ongoing   |
| 2006 | TACIS/2005/017-749 | SWAP assessment of quality infrastructure in Moldova and selection of priority sectors  | ECA ENTIDAD COLABORADORA DE LA ADMINISTRACION SA               | 169.270,00 | 101.562,00 | 0,00 | Ongoing   |
| 2007 | TACIS/2006/018-597 | Assistance to the authorities of the Republic of Moldova to bring their Energy Strategy paper into line with EU energy policy objectives  | INSTITUTO SYSTIMATON EPIKOINONIASKAI YPOLOGISTON               | 29.986,00  | 0,00       | 0,00 | Committed |

**Annex 11 – EC Funded Civil Society-Related Projects in Moldova**

| Domain  | Contract year | Title   | Contract type  | Total cost |
|---------|---------------|---|----------------|------------|
| DDH     | 2000          | Micro-project delegation Moldova  | Grant          | 189006     |
| DDH     | 2001          | Promoting the Implementation of European Standards of Rule of Law, Human Rights and Human Conditions in places of Detention in the Republic of Moldova          | Grant          | 463948     |
| DDH     | 2002          | Promoting Human Rights through advocacy for, monitoring about, and raising awareness of human rights respect in the republic of Moldova                         | Grant          | 141902     |
| DDH     | 2002          | Joint Programme of Co-operation to Strengthen Democratic Stability in Moldova   | Grant          | 561234,8   |
| MIGR    | 2006          | Beyond Poverty Alleviation: Developing a Legal, Regulatory and Institutional Framework for Leveraging Migrant Remittances for Entrepreneurial Growth in Moldova | Grant          | 993331,7   |
| MIGR    | 2006          | Combating Trafficking in Human Beings in Ukraine and Moldova  | Grant          | 2160346    |
| ONG-PVD | 2004          | SUPPORT TO SOCIALLY VULNERABLE FAMILIES FOR PREVENTION OF CHILDREN ABANDONMENT IN MOLDOVA   | Grant          | 668964     |
| TACIS   | 2000          | NRECM   | Implementation | 125000     |
| TACIS   | 2001          | Grant Contract to the RegEnvirCentr-MOLD  | Implementation | 258550     |
| TACIS   | 2001          | New RECs Phase III- Moldova   | Implementation | 68270      |
| TACIS   | 2001          | New regional environment centre Moldova   | Implementation | 216000     |
| TACIS   | 2002          | Reint pg of Moldav women victims traffic  | Implementation | 0          |



|       |      |   |                |          |
|-------|------|---|----------------|----------|
| TACIS | 2002 | Reintegration of Vulnerable older people in Moldovan Society - IBPP01-136   | Grant          | 191537   |
| TACIS | 2002 | Youth against social exclusion in Moldova - IBPP01-215  | Grant          | 159764   |
| TACIS | 2002 | Mental Health Development in Moldova - IBPP01-0167  | Implementation | ?        |
| TACIS | 2002 | Strengthening capacities & management skills of Moldovan NGOs - IBPP01-161  | Grant          | 169149,1 |
| TACIS | 2003 | "Upper Prut", a new tourism market offer for Moldovan and Romanian cross-border area  | Grant          | 250298   |
| TACIS | 2003 | Setting up of the "Lower Danube" Euroregion informational network   | Grant          | 242720   |
| TACIS | 2003 | Partnership and Institutional Capacity Building to support CBC initiatives  | Grant          | 149490   |
| TACIS | 2003 | Lapsuna - Vaslui: A bridge for the world  | Grant          | 149656,5 |
| TACIS | 2003 | Utopolis: - Innovative training programme for multipliers to communicate democratic values and conflict resolution techniques to young people   | Grant          | 246963   |
| TACIS | 2003 | Creation and strengthening the Department of Cross Border Co-operation within Leova Mayoralty   | Grant          | 59699,92 |
| TACIS | 2003 | Capacity building and technical co-operation for Moldovan Border Guards and Border Officials  | Grant          | 1100000  |
| TACIS | 2004 | Enhancing Border Control Management in the Republic of Moldova  | Grant          | 1850000  |
| TACIS | 2004 | IOM Rehabilitation Centre for Victims of Trafficking (Chisinau, Moldova): Recovery, Rehabilitation and Reintegration through Comprehensive Care | Grant          | 308000   |

|       |      |   |       |          |
|-------|------|---|-------|----------|
| TACIS | 2004 | Creation of Informational Euro-regional Centre  | Grant | 61380    |
| TACIS | 2004 | Human right-Council of Europe   | Grant | 800000   |
| TACIS | 2005 | Strengthening of Moldova Red Cross Society activities   | Grant | 262589   |
| TACIS | 2005 | Training Programme for Rural Transformation in Moldova  | Grant | 216568   |
| TACIS | 2005 | Create an appropriate decentralised institutional framework to support Moldovan companies' capacity to operate cross-border and internationally                                   | Grant | 254220   |
| TACIS | 2005 | Re-socialisation and de-institutionalisation of children in difficulties including mentally or physically disabled children and building of a Rehabilitation and Education Centre | Grant | 285315   |
| TACIS | 2005 | The social reintegration of vulnerable and marginalized older people in rural communities of Southern Moldova   | Grant | 249085   |
| TACIS | 2005 | Promotion of new services to facilitate the family reintegration process of institutionalised children in Moldova   | Grant | 220342,2 |
| TACIS | 2005 | Support to the Election in Moldova  | Grant | 35995    |
| TACIS | 2005 | Demonstrative utilisation of alternative sources of energy in Moldova through crop cultivation experimentation  | Grant | 357939   |
| TACIS | 2005 | Fighting Trafficking in Persons in the Republic of Moldova  | Grant | 376000   |
| TACIS | 2005 | Development of Integrated Social Services for Vulnerable Families and Children at Risk in Moldova   | Grant | 2499028  |
| TACIS | 2006 | Developing a comprehensive community-based intervention for monitoring and improving the  | Grant | 68714    |

|              |      |   |                |                    |
|--------------|------|---|----------------|--------------------|
|              |      | reproductive health of young people and prevent violence in Ialoveni, Moldova   |                |                    |
| TACIS        | 2006 | Increasing the social and professional integration of young people with mental disabilities - graduates of four auxiliary boarding schools in Moldova | Grant          | 60000              |
| TACIS        | 2006 | Better present - Better future for family type homes  | Grant          | 55691,9            |
| TACIS        | 2006 | Strengthening Civil Society Network to reduce poverty and social exclusion of older persons in Moldova  | Grant          | 71187              |
| TACIS        | 2006 | Community-based support to children and families in difficult social situations   | Grant          | 81879              |
| TACIS        | 2006 | ""Let's do it together !"" - empowering social orphans as part of community development   | Grant          | 57862              |
| TACIS        | 2006 | Strengthening Civil Society   | Implementation | 1228340            |
| TACIS        | 2007 | Development of investment capacities in the Hincesti-Leuseni tourist zone   | Grant          | 426551             |
| TACIS        | 2007 | Integrated revitalisation of historical towns to promote a polycentric and sustainable development  | Grant          | 271009,6           |
| <b>Total</b> |      |   |                | <b>18663525,72</b> |

## Annex 12 – Trafficking survivors assisted by the Tacis Project

**Trafficking survivors assisted by the Tacis Project - Combating Trafficking in Women: Moldova (2002/030-263)**

| Country of destination | Total | Direct support | legal | Medical assistance | Reintegration/ support | VoT | Family support | Housing allowance | Reinstallation grants | Vocational training | Transport assistance |
|------------------------|-------|----------------|-------|--------------------|------------------------|-----|----------------|-------------------|-----------------------|---------------------|----------------------|
| Turkey                 | 113   | 15             |       | 78                 | 11                     |     | 6              | 7                 | 76                    | 13                  | 5                    |
| Macedonia              | 94    | 22             |       | 67                 | 18                     |     | 3              | 3                 | 8                     | 19                  | 2                    |
| Russian Federation     | 46    | 19             |       | 35                 | 15                     |     | 13             | 9                 | 26                    | 11                  | 11                   |
| Bosnia                 | 42    | 6              |       | 29                 | 9                      |     | 1              | 1                 | 3                     | 8                   | 0                    |
| Kosovo                 | 31    | 7              |       | 27                 | 6                      |     | 1              | 3                 | 3                     | 10                  | 1                    |
| UAE                    | 23    | 0              |       | 5                  | 0                      |     | 0              | 0                 | 16                    | 3                   | 18                   |
| Yugoslavia             | 20    | 7              |       | 17                 | 4                      |     | 0              | 1                 | 1                     | 6                   | 1                    |
| Moldova                | 15    | 3              |       | 9                  | 4                      |     | 1              | 2                 | 8                     | 5                   | 4                    |
| Romania                | 13    | 4              |       | 7                  | 7                      |     | 3              | 0                 | 4                     | 2                   | 1                    |
| Italy                  | 12    | 0              |       | 4                  | 6                      |     | 1              | 0                 | 3                     | 8                   | 0                    |
| Israel                 | 12    | 3              |       | 4                  | 5                      |     | 0              | 1                 | 8                     | 5                   | 0                    |
| Albania                | 9     | 0              |       | 7                  | 0                      |     | 1              | 0                 | 1                     | 4                   | 0                    |
| Poland                 | 7     | 2              |       | 4                  | 2                      |     | 3              | 1                 | 5                     | 1                   | 1                    |
| Ukraine                | 3     | 1              |       | 3                  | 1                      |     | 1              | 0                 | 3                     | 2                   | 0                    |
| Czech                  | 2     | 0              |       | 2                  | 1                      |     | 1              | 1                 | 2                     | 1                   | 0                    |
| Cyprus                 | 2     | 0              |       | 0                  | 0                      |     | 0              | 0                 | 0                     | 0                   | 2                    |
| Great Britain          | 2     | 0              |       | 1                  | 0                      |     | 0              | 0                 | 1                     | 2                   | 0                    |
| Greece                 | 2     | 2              |       | 1                  | 0                      |     | 1              | 0                 | 1                     | 0                   | 1                    |
| Switzerland            | 2     | 0              |       | 2                  | 1                      |     | 0              | 1                 | 1                     | 1                   | 0                    |
| Austria                | 1     | 0              |       | 1                  | 0                      |     | 1              | 0                 | 0                     | 0                   | 1                    |
| Croatia                | 1     | 0              |       | 1                  | 0                      |     | 0              | 0                 | 0                     | 0                   | 0                    |

| Country of destination       | Total      | Direct support legal | Medical assistance | Reintegration/ VoT support | Family support | Housing allowance | Reinstallation grants | Vocational training | Transport assistance |
|------------------------------|------------|----------------------|--------------------|----------------------------|----------------|-------------------|-----------------------|---------------------|----------------------|
| Egypt                        | 1          | 0                    | 1                  | 0                          | 0              | 0                 | 1                     | 0                   | 0                    |
| Germany                      | 1          | 1                    | 1                  | 0                          | 0              | 0                 | 1                     | 1                   | 1                    |
| Montenegro                   | 1          | 1                    | 0                  | 0                          | 0              | 0                 | 0                     | 0                   | 0                    |
| Portugal                     | 1          | 0                    | 1                  | 0                          | 0              | 1                 | 1                     | 1                   | 0                    |
| Saudi Arabia                 | 1          | 0                    | 1                  | 0                          | 0              | 0                 | 1                     | 0                   | 0                    |
| Syria                        | 1          | 0                    | 1                  | 0                          | 1              | 0                 | 1                     | 0                   | 0                    |
| Tajikistan                   | 1          | 1                    | 1                  | 1                          | 1              | 0                 | 1                     | 0                   | 1                    |
| Uzbekistan                   | 1          | 1                    | 1                  | 0                          | 1              | 1                 | 1                     | 0                   | 0                    |
| Mixed trafficking experience | 29         | 1                    | 10                 | 3                          | 5              | 1                 | 10                    | 2                   | 1                    |
| <b>total:</b>                | <b>489</b> | <b>96</b>            | <b>321</b>         | <b>94</b>                  | <b>45</b>      | <b>33</b>         | <b>187</b>            | <b>105</b>          | <b>51</b>            |

***Annex 13 – Environmental Projects implemented in Moldova within the 2000 – 2006***

| Programme  | Title   | Date                | Budget, Euro | Environmental Field                            |
|--|---|---------------------|--------------|--|
| CBC-CPF  | Ecological database natural reserve Emil Racovita   |                     | 150.086      | Env. Management                                |
| CBC-SPF  | Developing rural tourism Ecotour  | 2002 - 2003         | 228.265      | Ecotourism                                     |
| CBC-SFP  | Management Plan for Biodiversity Protection and Sustainable Development in protected areas "Lower Danube" Euro-region | n/a                 | 241.215      | Biodiversity conservation                      |
| REGIONAL<br>EuropeAid/113534/C/SV/Multi,2002/027-537 | Cleaner production in some NIS countries – Mol/Geo/Kaz  | Feb 03 – Jan 05     | 1.499.122    | Cleaner production                             |
| REGIONAL<br>Europeaid/111901/C/SV/WW,02-0114         | Environm. information, education, public awareness (all NIS)  | Jul 02 – Dec 04     | 2.489.400    | Access to Env. Infor. and Env. decision making |
| REGIONAL   | Support to REC  | May 03 – Apr 04     | 301.665      | Env. NGOs strenth.                             |
| REGIONAL   | Support to REC Moldova/NGOs   | Sep 03 – Aug 04     | 79.000       | Env. NGOs strenth.                             |
| REGIONAI (REC)                                       | Public awareness campaign in LEAP developm. And implementation  | Feb 04 – Feb 05     | 114.000      | LEAP   |
| REGIONAL<br>Europeaid/27034                          | Building capacity in the field of Environmental   | April 02 – March 04 | 1.500.000    | Env. Information integration                   |

|  |   |                 |           |  |
|--|---|-----------------|-----------|--|
|  | Information and Environmental Monitoring in NIS Countries                       |                 |           |  |
| REGIONAL SCRE/111232/C/SV/WW                         | Support to the implementation of Environmental Policy and NEAP in NIS countries | Jul 01 – Oct 03 | 1.500.000 | Env. management                              |
| CBC<br>EuropeAid/112818/C/SV/Multi,2002/031-236      | Cross-border co-operation in Ungheni  | Oct 02- Sep 04  | 1.975.000 | Organic agriculture                          |
| CBC-SPF  | Restoration and maintenance of Manta lakes ecosystem                            | 2003 - 2005     | 234.750   | Protection of Danube River Basin (Black Sea) |
| REGIONAL (REC)                                       | Support to REC Moldova  | Nov 04 - Sep 06 | 615.000   | Env.NGOs                                     |
| REGIONAL   | TA to Mol/Arm/Aze/Geo for global climate change commitment                      | Apr 04-Oct 06   | 1.228.390 | Int. Convention commitm. UNFCCC              |
| REGIONAL<br>EuropeAid/116448/C/SV/Multi,2004/069-367 | Black Sea investment facility – Geo/Mol/Rus/Ukr/ service                        | May 04 - Nov 06 | 3.291.256 | Black Sea protection                         |
| REGIONAL<br>EuropeAid/116448/C/SV/Multi,2004/069-367 | Black Sea investment facility – Geo/Mol/Rus/Ukr/ supply                         | May 04 - Nov 06 | 1.500.000 | Black Sea protection                         |
| AP/SPP/IBPP<br>099568                                | Model project for the improvement of waste management in Gagauzia               | Apr 05 – Apr 06 | 189.595   | Waste management                             |

|                                  |  |                 |           |                                 |
|----------------------------------|--|-----------------|-----------|---------------------------------|
| CBC-SPF                          | Demonstrative utilisation of alternative sources of energy in Moldova through crop cultivation experimentation | Dec 05 – Jun 07 | 357.939   | Energy saving in agriculture    |
| CBC EuropeAid/122846/C/ACT/Multi | Tacis Cities Award Scheme (TCAS) for environmental protection (UA, RU, BY, MD and Georgia)                     | 2004 - 2006     | 2.000.000 | Protection of urban environment |
| Tempus                           | MSc Programme in Environment and Clean Technologies  | Sep 04 - Sep 06 | 230.000   | Env. Education                  |
| Regional                         | Water Investment Support Facility (all 12 NIS)   | Nov 06 - Dec 07 | 2.700.000 | Water management                |
| CBC-SPF                          | Domestic waste management in Leova   | Oct 06 - Oct 07 | 148.456   | Municipal wastes                |
| CBC-SPF                          | Improvement of the solid municipal waste management in Falesti Town  | Oct 06 - Oct 07 | 206.407   | Municipal wastes                |
| CBC-SPF                          | Partnership for better environment protection through selective waste collecting                               | Oct 06 - Oct 07 | 181.000   | Municipal wastes                |
| CBC-SPF                          | Improvement of ecologic situation in Hincesti town via eliminating the permanent source of                     | Oct 06 - Oct 07 | 159.780   | Protection of urban environment |



|         |                                       |                 |                   |                 |
|---------|---------------------------------------|-----------------|-------------------|-----------------|
|         | environmental pollution               |                 |                   |                 |
| CBC-SPF | Self Cleaning Attitude                | Oct 06 - Oct 07 | 176.040           | Env. management |
| CBC-SPF | Eco-Rural Tourism in Codru of Lapusna | Aug 06 - Jan 07 | 61.545            | Ecotourism      |
|         |                                       | <b>Total:</b>   | <b>21.857.911</b> |                 |

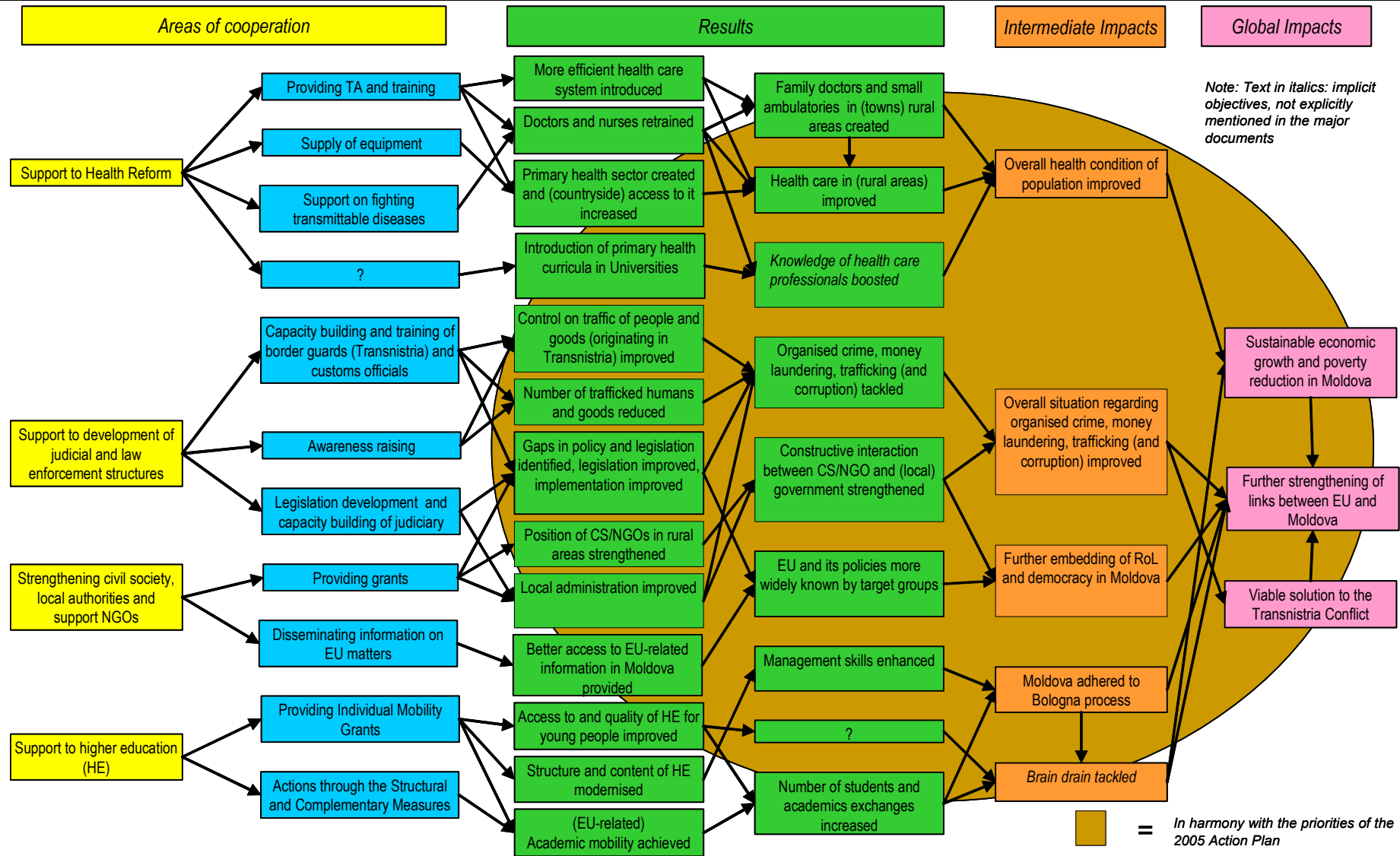
**Annex 14 – Follow-up of recommendations of the “2000 Tacis Evaluation”<sup>90</sup>**

| “2000 Tacis Evaluation” Recommendations – “Overall Strategy”  | Situation in 2006  |
|---|--|
| “Better” Donor Coordination   | Continues to be an area of concern.  |
| Continued need for a strong in-country presence   | EC presence in country remained inadequate. Improvement is currently taking place.   |
| The Parliament as a counterpart in policy reform  | <i>Not investigated</i>  |
| “2000 Tacis Evaluation” Recommendations- “Sectoral”   |  |
| Support SME development   | Continuing importance, continuing problems (e.g. lack of access to credit for SME) - will be possibly further addressed in the framework of ENPI.  |
| Reduce emphasis on agriculture in the traditional sense (i.e., traditional agricultural development projects) | Emphasis reduced, which suggests that the recommendation has been followed.  |
| Attention to the environmental problems of land reform  | Insufficient attention has been paid to this issue. Rural environment continues to be an area of concern.  |
| From enterprise restructuring to industrial co-operation (IC)   | IC not formulated as a separate area but some components addressed: (i) SME development (struggled with sustainability issues) (ii) trade development (struggled with standard/quality approximation). |
| Discontinue direct assistance to privatisation  | Discontinued, which suggests that the recommendation has been followed.  |
| Continue prudence in education  | A development took place in the framework of higher education (i.e. generally positively assessed TEMPUS).   |

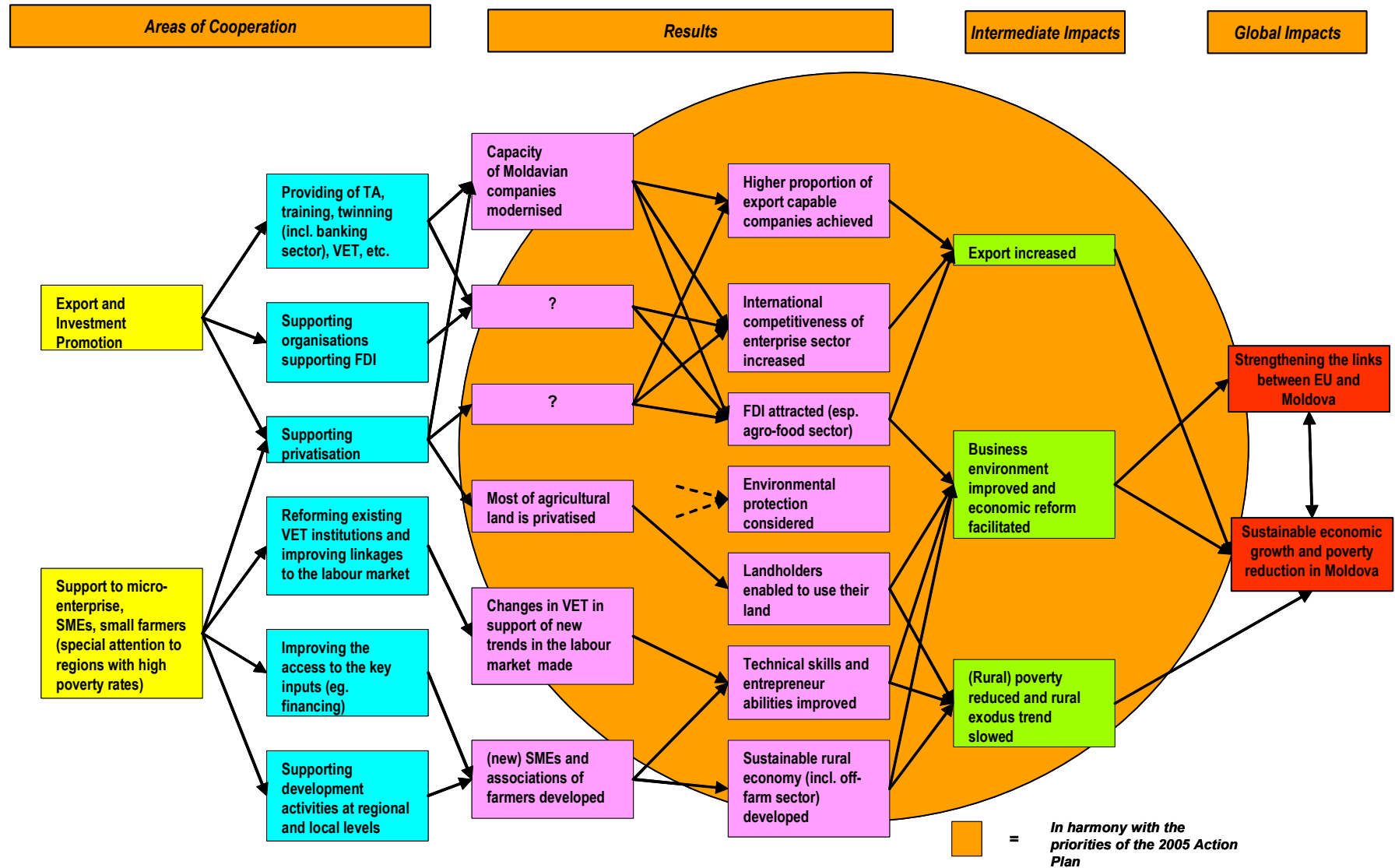
<sup>90</sup> Please note that the “2000 Tacis Evaluation” recommendations were not the ultimate points of departure for the “2000-2006 Country Level Evaluation”.

| <b>“2000 Tacis Evaluation” Recommendations- “Horizontal Issues”</b> |  |
|---|--|
| Avoiding excessively large projects                                 | In general, the balance is appropriate and some large projects are highly relevant and successful (e.g., EUBAM).However, in the realm of Civil Society some projects were too large for local NGOs to effectively manage/absorb. |
| The risks of financial self-sustainability                          | A continuing concern (e.g., SME development; Civil Society, social assistance reform).   |
| Streamlined management of cross- border initiatives                 | Progress noted (e.g. EUBAM/BOMMOLUK or some environmental projects).   |

## Annex 15 – Support for Institutional, Legal and Administrative Reform (Intervention Logic)



**Annex 16 - Support to the Private Sector/Assistance for Economic Development (Intervention Logic)**



# Annex 17 - Support in addressing the Social Consequences of Transition (Intervention Logic)

