

GOVERNMENT OF THE REPUBLIC OF MOLDOVA  
AND  
UNITED NATIONS DEVELOPMENT PROGRAMME IN MOLDOVA

PROJECT  
„SUPPORT TO IMPROVING AID COORDINATION IN MOLDOVA”

**MISSION REPORT**

Andžs Ūbelis, Inta Geiba,  
Ministry of Finance of the Republic of Latvia  
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## **Introduction and Structure of the Mission Report**

The project “Support to Improving Aid Coordination in Moldova” aimed at sharing experience and provision of advice to Government officials of Moldova, including the Office of the First Deputy Prime Minister (OFDPM), the Ministry of Economy and Trade (MET), the Ministry of Finance (MF), and the Ministry of Foreign Affairs and European Integration (MFAEI) on aid coordination mechanisms and supporting regulatory frameworks in order to improve the current aid coordination system in Moldova and allow them to respond to the challenges of the Harmonization and Simplification agenda.

The project was split in two parts – (1) Mission to Moldova, and (2) Deskwork. During the first part of the project the experts from the Ministry of Finance of the Republic of Latvia carried out numerous meetings and interviews with the representatives from the Government of Moldova, line ministries, as well as the donors. A round – table discussion involving all the stakeholders, where the preliminary conclusions were discussed, concluded the first part of the project. During the second part of the project the experts carried out analysis of the documents obtained prior to the Mission, as well as during the Mission, and worked on the final version of the Mission Report, as well as elaborated proposals for the amendments to the normative acts concerning aid coordination system in Moldova.

This Mission Report is drafted as a comparison between the current situation in Moldova, matching Latvian experience, and recommendations following thereof, including proposal for the amendments to the relevant normative acts. The Mission Report is followed by a chapter on Opportunities and Risks, which should be noted during implementation of the recommendations, set out in the Mission Report, as well as by the presentation from the round – table discussion.

Further questions, inquiries as well as comments are welcome, and we are looking forward to further cooperation in the future.

Andžs Ūbelis  
Deputy State Secretary  
Ministry of Finance of the Republic of  
Latvia  
Smilsu street 1, Riga, LV 1919  
Phone: (+371) 7095 565  
E-mail: [Andzs.Ubelis@fm.gov.lv](mailto:Andzs.Ubelis@fm.gov.lv)

Inta Geiba  
Head of the EU Financial Assistance and  
European Social Fund Division  
EU Funds Department  
Ministry of Finance of the Republic of  
Latvia  
Smilsu street 1, Riga, LV 1919  
Phone: (+371) 7095 480  
E-mail: [Inta Geiba@fm.gov.lv](mailto:Inta.Geiba@fm.gov.lv)

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1.	<b>STRATEGIC PLANNING / PROGRAMMING</b>		
1.1.	<p>Three-fold strategic framework:</p> <ol style="list-style-type: none"> <li>1) Country is benefiting from having coherent mid-term economic and social development strategy (EGPRSP), and regular monitoring of its progress is taking place annually (annual evaluation report).</li> <li>2) In the meantime there is a parallel reform agenda and strategy elaborated and monitored within the framework of EU-MAP.</li> <li>3) The third cross-sectoral policy document is Government's strategy.</li> </ol> <p>As a result three parallel policy planning frameworks exist at the same time, with different mechanisms for implementation and monitoring. That creates confusing environment also for programming and coordination of the resources of foreign assistance. All three documents can't be regarded as completely operational programming tools of foreign aid in</p>	<p>The strategic planning/programming environment in Latvia can be illustrated in two stages:</p> <p><u>EU pre-accession period 1995 – 2004.</u></p> <p>Since becoming a full member of the EU was a top priority for the country at that period, supporting the EU accession agenda become priority also for majority of donors. Hence the planning documents used for streamlining EU integration process were also used for the sake of programming of foreign aid. National Programme for Adoption of Acquis (National Programme for Integration into EU) was a comprehensive document covering numerous sectors where reforms were required. This programme was also used by the Ministry of Finance as a reference document for handling programming negotiations with the donors. This was also clearly a pragmatic choice because EU was becoming the largest donor and was requiring that type of programmatic framework.</p> <p>From an institutional point of view there was a clear separation of duties between the institutions coordinating EU accession - European Integration Bureau and Ministry of Foreign Affairs, who were in charge of setting policy priorities for EU integration, and the Ministry of Finance being in charge of planning financing for those priorities.</p>	<p>The Government has to put in place <u>an operational programming document for foreign aid</u> to respond to the objectives and priorities set in EGPRSP, EU-MAP and the Government programme.</p> <p><u>Scenario 1</u></p> <p>To elaborate a new integrated programming document for foreign aid for 2007-2010, taking on board:</p> <ul style="list-style-type: none"> <li>- the EU accession agenda (EU-MAP);</li> <li>- the Economic growth agenda (EGPRSP).</li> </ul> <p>The document must be structured in a way that corresponds to the structure of the government sectors (line ministries) and the budget (MTEF). The document shall outline, <i>inter alia</i>, planned operational activities to fulfil strategy set (EGPRSP, EU-MAP), results to be achieved, indicators of achievement, as well as information on the resources (indicative budget, as well as indicative financing by the donor according to its profile).</p> <p>The document should be drafted and negotiated with the line ministries and donors in close partnership between the OFDPM, MET, MFAEI, where each actor has a clearly</p>

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	<p>Moldova due to the fact that activities to be carried out, results to be achieved and resources available are not specified precisely enough.</p> <p>Consequently much more efforts are needed to arrive from the broad objectives and actions defined in all three strategies to concrete measures to be undertaken and projects that have to be implemented. In this situation it is also difficult to monitor and measure implementation of those three programmes and, as a consequence, also to evaluate relevance and effects of foreign aid projects.</p>	<p><u>Post EU accession in 2004</u></p> <p>After the accession to the EU the priorities of the government clearly shifted towards promotion of economic growth and competitiveness of the country. Therefore a comprehensive strategy for economic and social development had to be developed. Latvia was suffering from a huge number of uncoordinated sectoral policy planning documents (sometimes even contradictory), hence these could not serve as programming basis for foreign aid (mainly EU funds). In this situation the Ministry of Finance had to come up with the first Development Plan for 2004-2006, used purely for the sake of planning interventions of the EU structural funds. The document contains strategy, priorities, measures, definition of results and outputs to be achieved, as well as the matched budget. For the period of 2007 -2013 a National Development Plan is being elaborated, which is a nation-wide development strategy. NDP is elaborated under the lead of the Ministry of Regional Development and Local Governments. Meanwhile the Ministry of Finance is in charge of elaborating specific programmes for use of the EU funds in the coming 7 years. These programmes as a rule should correspond to the objectives and priorities set in the NDP.</p>	<p>designated role.</p> <p><u>Scenario 2</u></p> <p>To use and extend the programming document elaborated for the purposes of one of the major donors, for example, Moldova – European Community National Indicative Programme 2007-2010.</p>
1.2.	MTEF is an attempt to link development priorities and public	Strategy-based medium term budget is still under elaboration in Latvia. In fact the techniques used	Whereas a number of major donors are moving into direction of direct budgetary support and

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	<p>expenditure (national budget and budgeted part of foreign aid) planning in medium term. However, the policy performance (objectives, activities, results) versus funding matrix is elaborated only for several sectors (health and education). There is no evidence that the monitoring and evaluation of implementation of the MTEF is taking place apart from regular reporting on financial progress within budgetary framework.</p>	<p>for programming of European Funds (multi-annual, programme based, target oriented etc.) are much more advanced compared to the national budget. In this respect any efforts to plan economic development or reforms in the long run, as well as the attempts to match financial support from the EU and other donors to those plans suffered from not being integrated with the planning of national budget.</p>	<p>acknowledging necessity to reach maximum coordination and complementarity of the national budget resources and foreign aid, as well as respecting the cost effectiveness of having a single and integrated management system for all public financing resources available in the country, there is rationale to envisage gradual transition (by 2010) to the programming of national public expenditure and also all foreign aid within the framework of MTEF.</p> <p>The World Bank project for Public Finance Management could ensure necessary preparatory work for such transition.</p>
1.3.	<p>The Technical Assistance National Programme is a good attempt to make EGPRSP priority actions operational by linking it to the existing/potential technical assistance projects. However, there is little evidence that this document serves as a programming tool. Reason behind that is the fact that most of the measures included in the programme repeat broadly defined activities from the EGPRSP and most of these do not have funding matched to it. Also the annual report by the MoET to the Government on</p>	<p>In 1996-1998 the National Coordinating Unit in Latvia elaborated the so-called National Indicative Programme as a document outlining potential areas for foreign aid intervention and project ideas. However, after 1998 the programme was not updated anymore, taking into account that it did not bring considerable value added and eventually was replaced by more policy related programming document – NPAA (see above).</p> <p>In the meantime a number of line ministries were elaborating their own indicative programmes (project pipeline), especially the ministries dealing with major public infrastructure, e.g. environment protection, transport etc.</p>	<p>See recommendation 1.1.</p> <p>Elaboration of annual report on the foreign assistance must be continued. The format of the document could be reviewed, making it more targeted on information and publicity requirements (reader/user friendly).</p> <p>In addition to the annual report, a possibility to make available user-friendly information about the donors should be considered, which would, in addition to providing information, help to avoid the situation that the request for assistance is circulated around all the donors, regardless of their profile.</p>

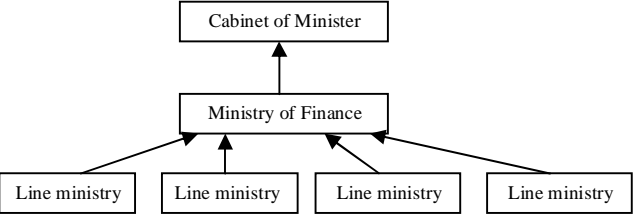
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	the Technical Assistance does not refer to the fulfilment of objectives/targets set in the programme.	Annual review on foreign assistance that is similar to Moldovan MET report to the Government was prepared in Latvia in 1996 – 1999. However, in the Latvian case the report served purely for information and publicity purposes. It was used by the government agencies, donors, journalists, general public to learn about amounts of funding received and sectors addressed. Furthermore, in order to facilitate publicity, as well as to provide information between the annual reports, a fact – sheet on each donor was prepared and posted by the Ministry of Finance on the internet outlining aim of the donor’s assistance in Latvia, donor’s profile and contact information.	
2.	<b>MANAGING REQUESTS FOR ASSISTANCE / PROJECT SELECTION</b>		
2.1.	Even if the formal procedure for initiating of any new requests/claims for foreign aid requires prior consultation of the national coordinating unit (NCU), there are numerous complaints about non-coordinated requests by the different governmental authorities towards donors.	The only official channel of communication on all foreign aid projects to be approved has been agreed between the Ministry of Finance and all the major donors (e.g. EU, WB, SIDA, Denmark etc.). The function of the Ministry of Finance as an aid coordinator has been stipulated in the statutes of the Ministry and in the specific normative acts regarding coordination of Phare programme, however specific regulation on processing of bilateral aid requests was never issued. It was acknowledged that programming and project selection practices and procedures of donors vary from donor to donor; therefore	A principal agreement with the donors and within the Government needs to be reached about using a single channel for circulating information in respect to the foreign aid projects to be approved.  There are two options to organise the communication: (1) The NCU at the MoET is serving as a single communication channel among the donors on one hand, and all the other ministries on the other hand, or (2) The NCU gathers requests for the assistance, facilitated communication of technical issues between the

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		<p>drafting a universal regulation was not meaningful.</p> <p>It was still the case that line ministries were initiating foreign aid projects and communicating them directly with the donors. However, in majority cases the donor informed the Ministry of Finance if the project was going for approval. This particularly happened in cases when the donor itself was launching calls for applications, collecting applications, and organising selection of the projects. In cases when the function of selecting (pre-selecting) of the projects was delegated to the Ministry of Finance, communication channels were very clear.</p>	<p>donors and the line ministries, but the request for the assistance is being processed through the National Committee or the Task Force to the National Committee, which would ensure actual transmission of the request. It should be noted that while the first option would be more quick, the second option would ensure coordination at higher level, and would provide a good basis for stipulating that only the National Committee/Task Force to the National Committee can officially submit the request for assistance, which in turn would help to avoid submission of the uncoordinated requests or their assessment by the donors.</p> <p>The procedure to circulate information needs to be more precisely described in either the government regulations or the secondary legislation.</p> <p>Introduction of programming document (see recommendation above), donor fact-sheets and requesting line ministries to elaborate and present their sector specific foreign aid strategies would reduce the risk of unexpected aid requests appearing.</p>
2.2.	It is also evident that NCU at its present capacity is not in the position to guide donors or potential applicants, or even organise quality	Ministry of Finance in Latvia had also different level of involvement in the project selection and aid coordination depending on the donor. For example, in the case of EU Phare programme the	Strengthening the National Committee/Task Force to the National Committee/OFDPM and the NCU through introduction of the programming document (see recommendation

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	project selection on behalf of the donor, hence the function of coordination is becoming purely technical (mailbox function).	<p>Ministry of Finance was leading priority setting and pre-selection of the projects before sending these to the European Commission. In the meantime in respect to the USAID there was only exchange of information taking place.</p> <p>The experience gained in the project selection procedures for EU Phare appeared very valuable experience for the Ministry of Finance. Later the expertise and capacity gained was perfectly used to build management capacity for the EU Structural Funds.</p>	<p>above) that could be used as a reference framework in the negotiations with the donors and potential recipients of the assistance.</p> <p>There is a need to explore possibilities for donors to delegate more functions of pre-selection of the projects to the NCU, or carry out project selection in close partnership with the NCU hence providing on the job training and building capacity of the NCU in project selection (definition of project selection criteria, organising assessment of applications etc.).</p>
3	<b>REGISTRATION OF PROJECTS</b>		
3.1.	<p>Keeping a record of all foreign aid arriving in Moldova from different donors, through different instruments (technical assistance, grants, etc.) and targeted both to public and particularly non-public sector has been signalled as a problem.</p> <p>There is a register of the projects in the Ministry of Economy used also as a reference document for application of tax-exemptions, however this procedure is not clearly regulated and registration of the project by itself does not attribute to the beneficiary/contractor within the</p>	<p>There is a single register of foreign aid projects (including aid from foreign civic organizations) in the Ministry of Finance. Registration is not compulsory, is not limited in time, and is initiated by the recipient of the foreign aid by submission of the application to the Ministry of Finance. Every project is registered just once in the electronic system, where only the main information about the project is recorded. Data on progress of the project implementation is not requested, but the recipient has to submit information on the extension of the project, since the register is used for the management of tax exemptions for foreign aid – only the projects, which are registered, can apply for the tax exemption. There are no controls carried out by</p>	<p>To establish single register of foreign aid projects (technical assistance, grants) in the Ministry of Finance. That would allow keeping all data on inflows of the financing in the country and data on public expenditure under one responsible institution. There is also a rationale in entrusting the MoF with a function to manage all issues related to the tax exemptions.</p> <p>The system of awarding tax exemptions needs to be reviewed by adopting a consecutive procedure for registration of the project and consequent granting of the tax exemption. Receipt of the tax exemption must be tied to the registration fact and a unifying factor in all</p>

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	project the rights for tax exemption. The tax exemptions are granted in a non-uniform manner both by the Ministry of Economy and the Ministry of Finance on the basis of various lists of the projects, bilateral agreements etc.	Ministry of Finance with respect to the registered projects. Besides serving for the purpose of tax exemptions, the database serves as a tool for information for statistical needs (calculations of current account etc).	projects (latter means that a clear universal definition for foreign aid projects must be set). That would not only clarify the system, but also save financial, human and time resources.  Furthermore, clear definitions for the incoming foreign aid should be introduced – it is recommended to assess the need for such definitions as technical assistance versus grants; instead, the definition should be based on the re-payable or non-repayable aspects of the foreign assistance.
3.2.	Budgeting of foreign aid financing is taking place only in the limited number of cases. However, several donors are indicating their intention to go ahead with the direct budgetary support, as well as in the future there will be more often requirements for Moldova to come up with its own co-financing.	In the case of Latvia budgeting of foreign assistance is limited to the assistance from major donors, i.e., EU and WB. Budgeting of foreign aid started to take place when requirement to ensure national co-financing was put forward by the donors. Support of other donors is not budgeted, since the only rationale that could be seen behind such action would be necessity for information about the foreign aid in the country, which is satisfied by the register on foreign aid projects (see 3.1.)	MoF has to extend the scope of the assistance budgeted to all major donors, particularly, the EU. The criteria for budgeting the support could be tied either to the co-financing requirement or the direct budgetary support provided by the donor. Information on the other donor financing could be obtained with the assistance of the register on foreign aid projects, instead of budgeting such support.
4.	<b>MONITORING AND EVALUATION</b>		
4.1.	The monitoring procedure stipulated by the government regulations – quarterly reports by Sectoral Councils to the NCU and annual report by NCU to the Government	<b>Monitoring</b>  In the monitoring of foreign aid Latvia was	Introduce and carry out monitoring on the basis of strategy/programme (see 1.1.). A possibility to harmonize (i.e. to carry it out within same institutional framework) this process with monitoring of EGPRSP and EU-MAP should be

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	<p>seems to work as a tool for gathering project information. However, there is little evidence of practical monitoring of physical and financial progress of the projects that could lead to introduction of corrective actions in the implementation of the project or draw lessons for future. Meanwhile monitoring at the strategy/programme level does not take place because of the lack of clearly defined programmatic basis. This also explains why there is very limited or almost no work done on evaluation of impact of the investments.</p>	<p>relying on the monitoring procedures proposed by the donors. Donors, particularly the EU, were gradually involving the Ministry of Finance in the monitoring, and eventually, in the case of EU Phare program, the function of monitoring was delegated to the Ministry of Finance.</p> <p>In the case of EU Phare program, an official responsible for implementation of the project was designated (Senior Programme Officer) for each sector. The SPO was responsible to prepare the sectoral monitoring report twice a year, which was later presented and discussed in sector monitoring sub-committees, organized by the NCU. In addition to the sectoral monitoring sub-committees, where larger emphasis was placed on technical and financial implementation progress of the individual projects within the particular sector, a joint monitoring committee was organized by the European Commission and the Ministry of Finance, where progress on the sectoral and program level was discussed on the basis of sector monitoring reports. Both sector monitoring sub-committees, as well as the joint monitoring committee allowed the Ministry of Finance to track implementation progress in each sector and also mobilizes the relevant line ministry to review its activities.</p> <p>Apart from the aforementioned, no parallel reporting requirements were introduced.</p>	<p>reviewed. There is a clear need to put in place a joint task force involving MoET, MoFAEI and MoF to coordinate monitoring and reporting requirements for EGPRSP, EU-MAP and foreign aid on a sectoral level.</p> <p>Current system of reporting to the NCU must be reviewed in order to clarify purpose of this exercise. Regular monitoring of financial and physical progress of the project is necessary mainly in cases where functions of implementation of the project has been delegated to the government authorities and there is possibilities to influence (introduce corrective actions) in the implementation of the project.</p> <p>It could be considered to abolish Sectoral Councils, instead requesting each line ministry to nominate Senior Official of the Sector (SOS) in charge of coordinating implementation of the assistance in the relevant sector.</p> <p>Sectoral monitoring committees could be established by the NCU to handle regular (e.g. twice a year) reviews of progress in reaching programmatic objectives and implementing foreign aid projects.</p> <p>Building evaluation capacity is a medium term</p>

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		<p>In addition, in the case of Structural Funds quarterly reports outlining progress and main issues identified during implementation of the Structural Funds are presented by the Ministry of Finance to the Government. Schematically the monitoring is organized in the following manner:</p>  <pre> graph BT     CM[Cabinet of Minister]     MF[Ministry of Finance]     LM1[Line ministry]     LM2[Line ministry]     LM3[Line ministry]     LM4[Line ministry]     MF --&gt; CM     LM1 --&gt; MF     LM2 --&gt; MF     LM3 --&gt; MF     LM4 --&gt; MF </pre> <p><b>Evaluation</b></p> <p>The evaluation function was introduced in the Ministry of Finance rather recently, when the European Commission delegated mid-term evaluation function to the Latvian authorities. There is no “in-house” evaluation capacity in the Ministry of Finance. Evaluations are handled by the external evaluators. However, the Ministry of Finance is responsible for procuring and managing the external evaluator, as well as for integrating evaluation findings with the ongoing monitoring and future planning processes.</p>	objective.
4.2.	All donors are undertaking their own monitoring and evaluation exercises	See 4.1.	Donors should consider possibilities to harmonise their monitoring practices and

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	<p>at the project level. Information on the results of monitoring exercise is shared with the beneficiary and on some occasions also with the NCU. However, use of this information (documentation) by the Government authorities is rather limited largely due to the different monitoring practices/procedures applied by the donors and limited involvement of national authorities in the implementation of the project.</p>		<p>procedures (monitoring cycle, monitoring information etc.).</p> <p>There is a need to explore possibilities for donors to delegate more functions of monitoring of the programmes and projects to the NCU and SOS, or carry out monitoring in close partnership with the NCU and Task-force hence providing on the job training and building capacity of both of them.</p> <p>The possibility to carry out joint evaluation of some projects by the Task force and donor should be considered in order to start the process of establishing evaluation capacity.</p>
<b>5. INSTITUTIONAL AND LEGAL ISSUES</b>			
	<p>Institutional setup with regard to the foreign assistance coordination on the level of normative acts is stipulated in two regulations of the Government – (1) Regulation No.988 of 28 September 2000 formulates the role of the Ministry of Economy and Trade, as well as of sectoral councils, but (2) Regulation No.322 of 28 March 2006 stipulates the establishment of the National Committee for coordination of external assistance.</p>	<p>Foreign aid coordination is a responsibility of the Ministry of Finance both with regard to coordination of bilateral aid programs, as well as multilateral – Phare, Transition Facility and Structural Funds’ programs. The role of the Ministry of Finance is stipulated in the statutes of the Ministry.</p> <p>With regard to the bilateral aid programs, provisions governing their implementation are stipulated in the bilateral agreements. In the case of EU pre-accession assistance there are Government regulations, which set out provisions with regard to planning, contracting,</p>	<p><b><i>Institutional setup</i></b></p> <p>The Strengths of the institutional and legal framework for aid coordination in Moldova are (1) commitment at highest level to improve aid coordination, and, resulting thereof, (2) establishment of a supervisory structure – National Committee for coordination of external aid. Therefore, taking into account both the specific institutional and legal framework for aid coordination in Moldova, as well as Latvian experience, it is advised to:</p>

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	<p>The scope of both regulations is similar, and, moreover, they pursue the same aim – to institutionalize and organize aid coordination in Moldova. Therefore both of the normative acts largely overlap. For instance, Regulation No.988 entrusts Ministry of Economy and Trade with the function of ensuring that the foreign assistance is directed according to the socio-economic priorities of the country. Exactly the same function is delegated to the National Committee for coordination of external assistance according to the Regulation No.322. Similar situation has arisen with regard to the monitoring function. As a result, two players with similar functions and aims are present on the foreign assistance “coordination market”.</p> <p>In addition, as foreign assistance coordination heavily relies upon policy coordination, Ministry of Economy and Trade, as the chief responsible for the EGPRSP (Economic Growth and Poverty Reduction Strategy Paper), and Ministry of Foreign Affairs as the</p>	<p>implementing, monitoring and evaluating multilateral assistance programs. Out of the scope of the Regulations two specific aspects that deserve description in the context of this chapter are aid programming and monitoring.</p> <p><i>Programming</i></p> <p>The assistance is programmed under the responsibility of the Ministry of Finance with the priorities provided by the line ministries, but the policy assistance – by the Ministry of Foreign Affairs and the European Integration Bureau in the case of Phare and Transition Facility, and with the assistance of Ministry of Regional Development and Local Governments, Prime Minister’s Office and State Chancellery in the case of Structural Funds.</p> <p><i>Monitoring</i></p> <p>See 4.1.</p> <p><i>Evaluation</i></p> <p>See 4.1.</p>	<p>1. Establish a clear division of responsibility for external aid coordination between two institutions – Ministry of Economy and Trade and the National Committee for coordination of the external aid by shifting the strategic functions of planning, monitoring and evaluation on the sectoral level to the National Committee, and leaving monitoring of technical progress at project level, and facilitation of the information exchange to MET. Although that would mean split of the functions with regard to aid coordination between the two institutions, which is contrary to the experience in Latvia, that would allow to (1) use human resource capacity and experience acquired by the Ministry of Economy and Trade, as well as (2) unburden the Ministry of Economy and Trade of the functions, whose fulfillment requires superiority of the main player over the other stakeholders, and thus allow the Ministry of Economy and Trade to focus resources on improvement of the process of monitoring technical progress of the projects.</p> <p>2. Establish a Task Force to support functioning of the National Committee for coordination of the external aid, embracing representatives from the Ministry of Finance (budget, MTEF), Ministry of Economy and Trade (both from the EGPRSP and the project coordination unit),</p>

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	<p>chief responsible for the EU – Moldova action plan should be viewed as present into the system of aid coordination as well. Furthermore, as the fulfillment of policy depends on the financing allocated to it, Ministry of Finance also plays a crucial role in the aid coordination system. Therefore, as a matter of fact, five institutions are or should be involved into the day to day aid coordination system from the Government’s side, not counting the sector councils that are responsible to coordinate a smooth implementation of projects within that particular sector.</p> <p>As the experience acquired so far has demonstrated that equal power and bargaining positions of different actors involved in the programming have lead to fragmentation of the system, it has already been decided to shift the overall responsibility for aid coordination one level up by establishing the National Committee for coordination of external assistance, at the same time retaining all of the other aforementioned structures.</p>		<p>OFDPM, and the Ministry of Foreign affairs (EU-MAP coordinator). Bearing in mind the membership of the National Committee for coordination of the external aid, it would allow it to serve the same function as the Government serves in the aforementioned Latvian system, while the Secretariat would be entrusted functions similar to those as the Ministry of Finance carries out in Latvia.</p> <p>3. Organise sector monitoring committee meetings chaired by representative of the Task Force, where representatives from sector ministries would report on the progress of achieving goals and results set in the programming document, progress of the projects carried out within the sector, their successes, as well as main problematic issues identified during their implementation, potential projects and financing needs.</p> <p>4. Possibilities to provide permanent donor support for aid coordination function in the Government should be considered. Support could involve recruiting of senior long-term local and international experts supporting the Government institutions. That would give an opportunity to ensure institutional memory in the situation of high staff turnover, as well as possibility to have senior staff in the office that</p>

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	Scarce human resources resulting from low salaries and high staff turnover have been identified as a major problem.		<p>knows local situation.</p> <p>5. In the medium term perspective (starting from 2010) it should be considered to integrate programming, monitoring, evaluation of foreign aid and national budget. Operational programming of foreign aid can be done in the framework of MTEF. Reporting on general progress as well as physical and financial progress of particular projects could be done in the framework of budget system. Therefore for next programming cycle of 2010 – 2013 it is recommended to integrate the aid coordination function into the Ministry of Finance. It would imply also moving experienced personnel involved in aid coordination to the Ministry of Finance.</p> <p><b><i>Legal framework</i></b></p> <p>On the basis of the aforementioned it is advised to:</p> <p>a. Harmonize Regulation No.322 with the Regulation No.988, namely:</p> <ul style="list-style-type: none"> <li>- to foresee in the Annex to the Regulation No.988 that the Ministry of Economy and Trade reviews technical implementation of the implementation of the foreign aid at the project level, and facilitates information exchange with regard to the foreign aid;</li> </ul>

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			<p>- to delete those functions entrusted to the Ministry of Economy and Trade from Regulation No.988 that overlap with the functions of the National Committee for foreign aid coordination.</p> <p>b. Supplement Regulation No.322 with the following provisions:</p> <ul style="list-style-type: none"> <li>- Establishment of the Task Force for foreign aid coordination and its membership;</li> <li>- Responsibility (mandate) of each of the members of the Task Force for foreign aid coordination;</li> <li>- Organization of regular (twice a year) sector monitoring committees;</li> <li>- Mandate of the National Committee for foreign aid coordination to issue secondary legislation for the improvement of planning, monitoring and evaluation.</li> </ul> <p>c. Supplement Regulation No.988 with the following provision:</p> <ul style="list-style-type: none"> <li>- Mandate of the Ministry of Economy and Trade to issue secondary legislation for the improvement of technical monitoring of the implementation on the project level and facilitation of the information exchange.</li> </ul> <p>Both the harmonization actions, as well as supplementary provisions could be initiated by the National Committee for foreign aid coordination on the basis of Article 4(1) of the Annex 1 to the Regulation No.322.</p>

<i>No.</i>	<i>Finding in Moldova</i>	<i>Situation in Latvia</i>	<i>Recommendation</i>
			Secondary legislation referred to above would outline consecutive actions of all the parties involved in planning, monitoring and evaluation process, namely – how the parties involved act and in which time frame. Such secondary legislation would mirror Regulation No.331 of the Cabinet of Ministers of the Republic of Latvia, and would allow systematizing and controlling actions of the parties involved in the planning, monitoring and evaluation process.

## **Opportunities and Risks**

During the analysis of the possibilities for further improvement of foreign aid coordination system in Moldova a number of horizontal factors have been identified that could be characterised as opportunities and risks the Government of Moldova might face in their further actions aimed at improvement of the foreign aid coordination system.

### *Opportunities*

- Opportunity to match agendas for EU integration, economic growth, and poverty reduction with the planning of public resources (national budget and foreign aid) should not be missed. Scarce public finance resources and limited administrative capacity in the hands of the Government are conflicting with very ambitious agendas of rapid economic recovery and integration into the EU. Therefore only a very close coordination of both agendas and extremely structured and pragmatic approach to the programming of foreign aid and national resources can lead to success.
- Taking into account that both processes and practices of medium term budgeting of national public resources and programming of foreign aid is in the stage of evolution, a unique possibility to ensure their coordination should be explored. Running these two processes in parallel or introducing modern practices for budgeting only for the part of expenditure (only national budget or only foreign aid) would diminish cumulative effect of both sources of financing, and, furthermore, would cause inefficient use of administrative resources.

### *Risks*

- The Mission Report stipulates for strengthening of the role of one central coordinating body, and establishment of a clear channel of communication to deal with policy planning and management of foreign aid in Moldova. Meanwhile, learning from practical experience with regard to the functioning of such a central body, it should be stressed that one should always be aware of the risk to turn from the focal point into the bottle neck where information from donors or different layers of the Government is stuck hence undermining the credibility of the institution and minimising effectiveness of the whole system. In order to avoid this risk, functioning of coordination mechanisms should be assessed according the criteria of effectiveness.
- Moldova as a small country should function in an environment of very limited human resources available to the economy in general and public sector particularly. It also should be taken into account that at the present stage of the economic performance and budgetary situation it can not be expected that Government will be able to afford sufficient number of adequately paid and well qualified staff working for institutions involved in the management of foreign aid. This means that success of the whole system depends on successful management of those scarce human resources that are at the disposal of Moldova's administration. Therefore any institutional reforms and any improvement of the aid management processes should be carried out in a way that people that have acquired certain know - how and experience would

not leave institutions and public sector. Use of different organisational, management and personnel policy arrangements should be considered to keep the employees. Meanwhile mobilisation of additional resources through long - term capacity building projects financed by the donors should be explored as an option.

- Setting up and running proper coordination system for foreign aid, as well as working in good partnership among different actors in the national administration and the donors community is extremely time and resources consuming task. Government and administration should be ready to face the situation when the whole system is claimed to be inefficient just because consultations, reaching agreement and decision-making is taking a lot of time. It should, however, be recognised that effective communication with all partners, as well as consultations and consensus in the process of planning any activities is a key to the subsequent effective implementation of the strategy.

In the conclusion it should be noted that all findings and advice is primarily derived from similar experience of running the system of foreign aid coordination in Latvia in late nineties and early 2000. Even if both countries are comparable in size, as well as historically have similar political and economical background, there could be also rather large diversities in terms of administrative culture, legal system, political situation, and economic conditions. Therefore any recommendation should be taken with proper caution and due respect to the local realities, and transposition of certain practices from Latvian experience should be preceded by a careful analysis from every point of view.