

Victoria Boian, APE Program Coordinator

TAKING STOCK AND EVALUATION OF FINANCIAL ASSISTANCE GRANTED TO MOLDOVA BY THE EUROPEAN UNION

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The declaration of independence by the Republic of Moldova, following the breakup of the Soviet Union, puts Moldova within a new cooperation framework on the international arena. Hence, the Republic of Moldova becomes an independent political and governance entity, which, on its own, has the means to assert and develop, following the principle of sovereignty and territorial integrity, its own political, economic, social and cultural identity, contingent on its priorities at national level. Moreover, that new capacity provides the Republic of Moldova with the opportunity to diversify its cooperation with foreign stakeholders. The role played by foreign stakeholders, from the very beginning, proved to be a very important one, given that the declaration of independence was followed by the breaking up with planned economy and by the establishing of market economy that implied a whole new experience for the Republic of Moldova, which was in a process of political, economic and social transition.

With the breakup of the Soviet Union, the European Union has become the primary objective for the Republic of Moldova in terms of economic, political and social development, with the latter also becoming the main stakeholder on the international arena, besides USA, interested in the Republic of Moldova as a new independent state. The assistance that the EU has been extending to the newly independent states emerging from the former Soviet Union after the latter split up is resulting in the EU's growing political and economic influence and role, thus consolidating its powers on the international arena. However, one may not speak about an absolute breakup between the Republic of Moldova and Russia economy and politics wise, because Moldova is over-relying on the Russian Federation when it comes to the export of farming goods and wine products. One may also not overlook the Republic of Moldova's energy dependency – an issue threatening the sustainable economic development of the country.¹

Foreign aid is a less popular topic in the Republic of Moldova, although it is the key driver of economic, social, and partly political development. There is not enough dialogue on the efficiency, relevance and impact of foreign aid at government and civil society levels. There are several reasons that make us believe that there is little interest in the matter. First and foremost, there is scarcity of statistical data. The Government of the Republic of Moldova has no centralized database to cover the full information on foreign aid. Data is quite dispersed and difficult-to-access at times, although this is a public domain information and access to this data should not be hindered in any way. A second element is the lack of any civic awareness, with population having no interest in how the public moneys are used, regarding it as a matter that is not targeting them directly. Therefore, the lack of demand entails a lack of supply. The policy and political situation furthered by the Communist governance throughout 2001-2009 is a third reason. Keeping the population misinformed about the foreign aid amounts and modalities to manage the economic situation in the country was a handy tool to conceal the foreign aid topic until such stage when it became almost inexistent.

This study suggests an assessment and review in progress for the development assistance that the Republic of Moldova was granted by the European Union. The European Union is one of the key donors for the Republic of Moldova that is contributing towards supporting the democracy and institutional capacity building reforms in the country on an ongoing basis. There have been significant changes reported in the ties of the Republic of Moldova and the European Union over the years, having had an impact on the aid amounts being granted, too. When having a look at recent history in terms of politics, one may identify two periods: 1991-2005, and 2005-2009. Since 2005, the relations between the Republic of Moldova and the EU took another deeper dimension, being institutionalized by having the Republic of Moldova – European Union Action Plan signed at Brussels on 22 February 2005 within the framework of the European Neighborhood Policy. Moreover, there has been reference made to the challenges that the public facilities have been facing in terms of their capacity to manage foreign aid and data accessibility.

¹ There was an average growth rate of 7 per cent reported within Moldova's economy during 2000-2005, but the limitations that the Russian Federation imposed on wine imports and the doubling of natural gas prices by *Gazprom* back in 2006 cut the economic growth down to 4 per cent, with industry outputs dropping by 6.9 per cent / EBRD Strategy for Moldova, 4 September 2007.

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EVOLUTION OF DEVELOPMENT ASSISTANCE GRANTED TO THE REPUBLIC OF MOLDOVA BY THE EUROPEAN UNION (1991-2005 TIMEFRAME)

The Republic of Moldova has been benefiting from the EU support to build up its economic, political and social potential over the last 18 years. Although none of the papers corroborating the cooperation between the Republic of Moldova and the EU does not provide for awarding the former the status of a EU candidate country, it has systematically contributed towards the development and implementation of democracy reforms in the Republic of Moldova – reforms that would take Moldova institutionally closer to the European standards.

The foreign assistance made available by the EU is of several types. The Republic of Moldova is also eligible for the development aid made available to former Soviet Union states.¹ The development assistance made available to Moldova by the European Union started at the time the Republic of Moldova declared its independence. The EU – Republic of Moldova Partnership and Cooperation Agreement (PCA), effective as of 1 July 1998 despite being signed on 28 November 1994, is the official benchmark for the start-up to the relationship between the EU and the Republic of Moldova. It provided for the framework for trade liberalization, legislation harmonization, cooperation in a number of areas, as well as for a political dialogue. The TACIS Program (Technical Assistance for the Commonwealth of Independent States) is one of the key tools set up by the EU aiming at establishing and building up economic and political relations with FSU states. Pursuant to article 78 under the PCA², the EU committed to provide Moldova with finite financial and technical assistance in the form of donations through the TACIS program. Initially, the TACIS Program comprised three stages, as follows³:

1. 23 September 1997 – September 2008: PCA implementation. There was a Guidelines for PCA Implementation developed in order to help Moldovan officials in their efforts of PCA interpretation and implementation, and give a hand with the legal framework in place;
2. February – December 1999: Structural capacity building and facilitation of public awareness of the role and importance of PCA implementation in Moldova. Hence, there was a database established for the Moldovan and EU laws and regulations, with a documentation center created, and studies on legislation harmonization opportunities conducted etc.
3. April 2000 – 2003: overall budget tallying up to EUR 2.5 million.

A new concept of the TACIS program was launched in March 2004, targeting 2 core objectives: poverty reduction and cooperation with the EU in areas of strategic interest. The new concept also provided for the diversification of the array of available tools. Moreover, besides technical assistance

¹ Development aid or technical assistance is managed at institutional level by the European Commission's Development Directorate. Such kind of assistance is earmarked for 160 countries and regions from Eastern Europe and Central Asia, the Near East and Middle East, Africa countries and the Caribbean, Pacific Ocean region, Latin America and Asia. As opposed to all other post-socialist countries from Europe, the FSU countries are eligible for this kind of aid. The conceptual difference is in the apolitical nature of such programs, lack of any conditionality, non-differential approach, focus on technical assistance (with an extremely limited package of investments), rigidity, low degree of coordination of the basic program (TACIS) with other EU assistance tools (macro-financial assistance, Food Security Program etc.) / Victoria Umanet, The European Union Assistance Policy. Opportunities for the Republic of Moldova; <http://www.ipp.md>

² "In order to fulfill the objectives of this Agreement and pursuant to Articles 70, 80 and 81, the Republic of Moldova shall benefit from temporary financial assistance from the Community through technical assistance as donation to speed up its economic reform process"; Partnership and Cooperation Agreement between the EU and the Republic of Moldova, <http://www.undp.md/border/RelatiileRM-UE.html>

³ Victor Chirila, European Union – Republic of Moldova relationship; <http://www.ipp.md>

it was also about twinning programs, investments, and budget support. In the same vein, TACIS became a driver of transboundary cooperation and the integration of the Republic of Moldova in the Trans-European Transport Network. The EU tried to encourage transboundary cooperation between the Republic of Moldova and its neighboring countries – Romania and Ukraine. Thus, it has been helping establish good neighborhood relations – a key principle guiding European states, as well as it has been building up ties between countries in different fields, one of which has been of utmost importance, i.e. border control and facilitation of cross-border circulation. The “Transboundary Cooperation” TACIS program earmarked a special budget worth over EUR 30 million a year back in 1996, with EUR 9 million approved for Environmental protection projects at the borders of Moldova and for infrastructure development at the border crossing points in Leuseni and Ungheni.

Listed below are some of the TACIS-supported programs in Moldova:⁴

1. Infrastructure program at the border crossing points Leuseni-Ungheni-Giurgiulesti (since 1997);
2. Transboundary Cooperation Program (development of private sector in agriculture, development of small and medium enterprises, development and encouraging business and informal sector) in Ungheni (October 2002 – October 2004);
3. Environmental protection information and education program (development of an information package for officials, NGO representatives etc., training of national teams and training of trainers, pilot projects at national and regional levels) (October 2002 – December 2004);
4. Strengthening border management (activities meant to facilitate the border crossing of passengers and goods, as well as criminality control, combating of illicit human trafficking etc.) (December 2003 – December 2004);
5. Harmonization of the Republic of Moldova’s system of standardization (harmonization of legislation, development of human resources, institutional capacity building, advocacy for international cooperation in the field) (April 2003 – April 2005);
6. Policy Advice program for the office of the prime-minister and minister of economy (development and implementation of the Government of the Republic of Moldova reform program, in particular, Economic Growth and Poverty Reduction Strategy (11 March 2004 – 11 March 2005).

Another EU financial assistance tool is the Food Security Program (FSP). This is a program designed to reduce poverty and improve food safety, including by taking measures within agriculture, social reform and management of public funds. FSP is a program that implies budget support contingent on the accomplishment of some commitments set forth before. The progress achieved in terms of meeting the conditions prescribed in 2002 made it possible to allocate EUR 9.2 million in 2005. The first installment in the amount of EUR 1.2 million for year 2004 was transferred in the fall of 2005, whereas the second installment worth EUR 7.6 million was transferred in December 2005. There was another amount of EUR 10 million transferred through the FSP, too, of which EUR 9.2 million was in budget support which was available in 2006 already.⁵

The table below depicts the amounts earmarked by the EU, including through the TACIS program and FSP throughout 1991 – 2006.⁶

EU Assistance for Moldova, 1991-2006 (EUR, million)										
	1991-1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
TACIS national program	41.1	14.7	-	14.8	-	25.0	-	42.0	-	137.6
TACIS transboundary cooperation	-	-	2.0	3.0	1.1	2	1.0	3.6	10	22.7

⁴ Victoria Umanet, European Union Assistance Policy. Opportunities for the Republic of Moldova; <http://www.ipp.md>

⁵ Republic of Moldova, Country Strategy Paper 2007-2013, http://ec.europa.eu/world/enp/pdf/country/enpi_csp_moldova_en.pdf

⁶ Ministry of Foreign Affairs and European Integration of the Republic of Moldova, <http://www.mfa.gov.md/privire-general/>

TACIS regional program	-	-	0.9	-	1.25	-	6.6	5.1	12.3	26.15
Food Security Program (FSP)	-	-	5.5	-	10.4	-	10.0	-	10.0	35.9
Macrofinancial Assistance	87.0				-					87.0
Humanitarian Aid	-	3.9	0.8	0.8						5.5
PVD-NGO co-financing	-	-	-	-	-	0.5	-	-	-	0.5
European Initiative for Democracy and Human Rights (EIDHR)	-	-	0.2	0.47	-	-	-	-	-	0.67
SPP	-	-	-	4.7	-	-	-	-	-	4.7
Total	128.1	18.6	9.4	23.77	12.75	27.5	17.6	50.7	32.3	320.72

The EU development assistance granted to the Republic of Moldova throughout 1991-2005 is more technical in nature. The EU came with financial and technical assistance to set an enabling environment for democratic development and to set up a legal framework in line with European standards. Besides technical assistance, the EU has been involving the Republic of Moldova in transboundary cooperation, which is a sort of regional development and that contributes to establish partnerships with neighboring Romania and Ukraine. The transboundary cooperation is an advantage for both the economic and social development, and for the establishment and up-keeping of good neighborhood relationships.



IMPLEMENTATION OF THE EUROPEAN UNION ASSISTANCE FOR THE REPUBLIC OF MOLDOVA THROUGH THE EUROPEAN NEIGHBORHOOD POLICY (2005-2009)

At the donors meeting organized jointly by the European Commission and the World Bank in Brussels in December 2006, the European Commission announced the doubling of assistance made available for the Republic of Moldova for the next 4 years. The new instrument, European Neighborhood Policy (ENP), made available EUR 209 million for 2007-2010, for reform support and for the implementation of the EU – Moldova Action Plan within the framework of the European Neighborhood Policy. Moreover, it was suggested to have a grant worth EUR 45 million awarded as macrofinancial assistance for 2007-2008, with the overall amount of assistance tallying up to EUR 254 million for the next 4 years. The first installment in the amount of EUR 20 million was allocated in 2007¹, whereas installments 2 and 3 worth EUR 10 million and EUR 15 million respectively were paid during 2008.² Hence, the European Neighborhood Policy is more than just the successor of TACIS Program, but rather it is the main financial tool of the EU, whereby the latter provides East-European countries with assistance. Moreover, the European Neighborhood Policy suggests a new approach to priority setting and implementation. Such priorities are set together with the partner-country, as set out in the National Indicative Program³, covering a number of areas, such as: reforms and policy dialogue, poverty reduction and economic development, development of democracy and good governance, building up administrative capacity. The European Neighborhood Policy provide financial support not just within the framework of national programs, as outlined above, but also to the regional ones. Through the Transnational / Regional ENPP Program, the EU awarded the amount of EUR 484.1 million and EUR 144 million through the ENPP Transboundary Cooperation programs throughout 2007-2010.⁴ Through the new European Neighborhood Policy Instrument, the EU assistance for Moldova grew considerably from approximately EUR 14 million a year (throughout 2004-2006) up to EUR 40 million in 2007.

The European Commission opened its office in the Republic of Moldova at the end of 2005, indicative of a heightened interest on the side of the EU in the Republic of Moldova, which could be explained, in part, by the close proximity of the Republic of Moldova, once Romania joined the EU on 1 January 2007. Moreover, the European Commission developed a Country Strategy for Moldova for 2007-2013, which was endorsed at the end of 2006 alongside the multi-annual National Indicative Program for bilateral assistance, under the aegis of the European Neighborhood Policy Instrument, covering the period between 2007 and 2010, which was referred to above.

In line with the National Indicative Program for 2011-2013, Moldova shall benefit from financial support worth EUR 273.14 million granted through the European Neighborhood Policy Instru-

¹ <http://www.eumission.mfa.md/asistentia-ue-pentru-moldova/>

² <http://www.mfa.gov.md/proiecte-ue-moldova/>

³ Republic of Moldova National Indicative Programme (2007-2010), http://ec.europa.eu/world/enp/pdf/country/enpi_nip_moldova_en.pdf

⁴ The transnational / regional program comprises the inter-regional ENPP program and the Eastern ENPP regional program, whereas the Transboundary Cooperation is done through 2 programs, namely – the ENPP Transboundary Cooperation Program: trilateral program Romania – Moldova – Ukraine and the Black Sea Basin Program / <http://www.eumission.mfa.md/asistentia-ue-pentru-moldova/>

ment. This amount comprises EUR 41.16 million earmarked for the Eastern Partnership Comprehensive Institution Building Program. This program aims at providing the key institutions of the Republic of Moldova to be involved in the implementation of the next EU-Moldova Agreement-to-be with institutional assistance. Shall there be no unity on the above Program or shall its implementation be delayed, funds have to be reallocated for other programs. Moreover, the amount of EUR 6.98 million was earmarked for the Cohesion Policy.⁵

The matter of Transnistrian standoff is becoming more prominent on the EU agenda, in part because of the new status taken up by the EU, namely – that of observer within the new “5+2” negotiation format. Hence, of the overall amount allocated as per the National Indicative Program for 2011-2013, 15 per cent shall be earmarked for the conflict settlement / trust building measures. Currently, the EU is allocating EUR 3.7 million for 2009-2011 as project support for trust building measures, managing this money in partnership with the Office for Country Reintegration and with international NGOs operating in Transnistria.⁶

The amount to be earmarked throughout 2011-2013 is approximately 75 per cent higher than the amounts allocated before. With the change in governance in the Republic of Moldova and the “Alliance for European Integration” taking over the power, the European course of the Republic of Moldova has got a more pragmatic rather than declarative dimension to it, as compared to the period of communist governance. The new leadership has taken considerable steps towards domestic reforms, thus improving the trust of European authorities in carrying out and implementing reforms required to have the Republic of Moldova get closer to European standards. So, the European Community, international donors, as well as individual countries alike, displayed their trust of the new governance in the draft reform paper of the Republic of Moldova – “Rethink Moldova” – made public at the reunion of the Consultative Group: “Partnership for Moldova” Forum din 24 March 2010. The overall amount to be allocated by Western donors and individual countries like USA and Japan is totaling EUR 1,936 billion.⁷

The EU has also been providing assistance for education programs, too, supporting student mobility from/to the Republic of Moldova through an array of programs, such as Tempus, Erasmus Mundus, Jean Monnet. There have been 48 projects carried out under the Tempus Program in the Republic of Moldova throughout 1994 – 2006, with a total budget of about EUR 8,815 million. As to the Erasmus Mundus program, it was awarded a budget for 2009-2013 four times that allotted during the previous period.

The time period between 2005 and 2009 was remarkable for the new turn in the EU – Republic of Moldova relationship. The European Union was shifting from technical assistance to the establishment of institutionalized frameworks indicative of its ties with the Republic of Moldova. Not only the joining by the Republic of Moldova to the European Neighborhood Policy (ENP) provided the opportunity to benefit from more financial assistance, but it could also move it forward policy-wise in its dialogue with the EU. Although such discussions do not imply an eventual political accession, those play an important role, because that is the way one could jointly identify a country’s priorities to further be set forth in the National Indicative Program. That period was featuring a greater focus on the Transnistrian conflict, which in part may be explained by having the EU get the status of observers to the “5+2” format negotiations. Education programs have also benefited from assistance, thus providing many students from the Republic of Moldova the opportunity to study in higher education facilities from Eastern and Western Europe.

⁵ Republic of Moldova National Indicative Program (2011-2013)http://ec.europa.eu/world/enp/pdf/country/2011_enp_nip_moldova_en.pdf

⁶ <http://www.undp.md/projects/Transnistria.shtml>

⁷ <http://www.eumission.mfa.md/asistentia-ue-pentru-moldova/>

CONCLUSIONS AND RECOMMENDATIONS

As one may notice from all of the above, the volume of the formal foreign aid awarded to Moldova has been constantly increasing over the years. Each year international donors provide the Republic of Moldova with assistance for different sectors through various European tools or through the official representations of individual states in Chisinau, if applicable. The most frequent question asked is what we know about such programs and about the funds earmarked for the development of the Republic of Moldova. Unfortunately, there is not much knowledge about that. Information is very fragmented, kept to a minimum and irrelevant at times. It is difficult for us to figure out an explanation to that phenomenon, because considerable amounts of funds have been allocated to build up the institutional capacity of government structures and facilities over the years. Although there were a number of facilities that managed foreign aid for the Republic of Moldova, there is no single information source to get reports from or statistical data on the amounts that the Republic of Moldova has been awarded, the way those have been allotted and managed; names of projects, either implemented or ongoing, their results and efficiency. Some data could be found on the web-page of donors or may be gotten from the officials or representatives of donor institutions.

Project monitoring and evaluation is another quite sensitive subject for the Republic of Moldova. Government authorities are not accountable for the evaluation and monitoring of the projects implemented with foreign support. This is odd, because, although the projects are implemented with foreign money, such projects are carried out to benefit the state of the Republic of Moldova; therefore, usually, government authorities shall be the party most interested in impact evaluation and in making use of findings. As a rule, donors do project evaluation and monitoring during several formal stages, by not engaging beneficiaries in, while the findings are made public in specific cases only, depending what the purpose of the project is. This phenomenon may be the result of donor distrust in the institutional capacity of government structures to conduct project evaluations.

Government structures involved in foreign aid management are facing staffing problems. The workload is quite high, the work is of highest importance and there is scarcity of staff. Currently, foreign aid management is given utmost attention, as the achievements and reforms of most of the government sectors are contingent on the good performance of such state structures. The existence of clear-cut structures, lasting ties between those, and adequate and competent staffing are all prerequisites that are absolutely critical for a good management of foreign aid.

Recommendations:

- Establish a single data source (website) to provide information on the foreign aid that the Republic of Moldova is awarded by the international community, thus contributing to the streamlining of the operations of involved structures – currently, the State Chancellery is the national foreign aid coordination authority – as well as to the enhancing of transparency in the work of government institutions;
- Staff and train the personnel working in the State Chancellery, as well as the staff of government structures involved in foreign aid management, thus contributing quantity- and quality-wise to a faster apprehension of workload and a more efficient foreign aid management;
- Create a network of potential beneficiaries to benefit from news on the recent trends and potential opportunities to get foreign funds on a regular basis, thus contributing towards a much faster identification of service providing facilities or organizations, as well as to a more efficient sharing of information (projects, programs for civil society or local authorities etc.);

- Create a unit liaising between the State Chancellery, the structure accountable for foreign aid management, EU Delegation of the European Commission and potential beneficiaries, as well as civil society, thus contributing towards starting up a more efficient dialogue between government authorities and beneficiaries, and civil society;
- Revisit records keeping, monitoring and evaluation of the impact of implemented projects, thus making it easier to identify the key areas requiring assistance, as well as to emphasize the ensuing outcomes of their implementation;
- Set up a national monitoring and evaluation mechanism for the projects carried out with foreign aid support, such as: harmonization of the national monitoring and evaluation institutional procedures with those of donors; building up institutional capacity (staff training is not enough on its own, well-defined and properly-staffed structures are needed);
- Set up an efficient communication mechanism between government structures (State Chancellery and line ministries, regional authorities) to better perform now and to avert eventual challenges;
- Hold the directly-involved government structures accountable for project implementation and for their results.
- Publish reports on project evaluation; and
- Carry out an information campaign about European funding opportunities and eligibility as beneficiary (for instance: education programs).

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INTERVIEWS:

Doina MUNTEANU, Civil Society and Transnistria Program Coordinator;
Faith TEMPEST, Aid Coordination Consultant, Joint Consultancy supported by World Bank, SIDA and UNDP;
Gheorghe STAMATE, Project Manager, Delegation of the European Commission to Chisinau;
Ion STAVILA, head of the Reintegration Office;
Lucretia CIUREA, head of the Foreign Aid Division, State Chancellery.



Sciusev St. No 64, MD-2012
Chisinau, Republic of Moldova
Tel.: +373.22.224.430, 210986
office@ape.md
www.ape.md



Gheorghe Pop de Basesti St,
No 43-45, sc. 1, 2nd floor, ap. 5
Bucharest – 2, Romania
Tel.: +4 037.108.3577
office@crpe.ro
www.crpe.ro/eng

The Foreign Policy Association of Moldova (APE) is Moldova's leading foreign policy think-tank, committed to supporting Moldova's Europeanization, integration into the European Union and a viable settlement of the Transnistrian conflict. It was established in fall 2003 by a group of well-known experts, public personalities and former senior officials and diplomats reunited by their commitment to contribute their expertise and experience to a comprehensive analysis of Moldova's foreign policy options and formulation of an efficient foreign policy.

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