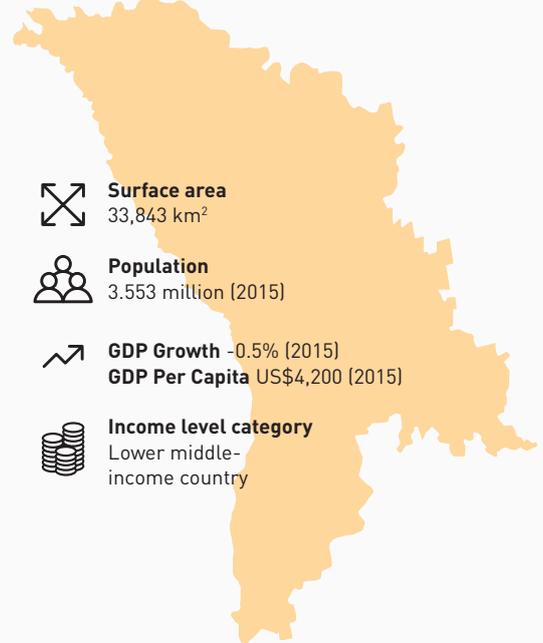




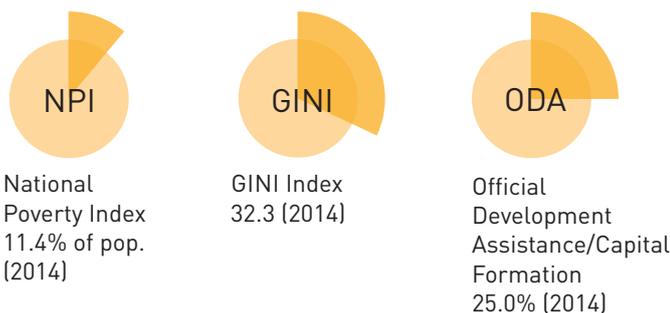
1. Country Context

The Republic of Moldova is a lower middle-income country in Europe. Moldova's economy relies on the agriculture sector and remittances from overseas workers in Europe. Political instability and weak control of corruption, which deterred country's reform in the justice and banking sectors, have led to suspension of foreign financial support worth 10% of expected government budgetary income. In early 2015, a major domestic bank fraud and subsequently a US\$1 billion government bailout equivalent to 12% of GDP exacerbated the budget deficit that government had been struggling to fix. The cost of short-term debt on international markets quickly more than doubled as the country tightened monetary policy for the fiscal squeeze. The current account gap reached 7.3% of GDP, remittances fell by more than 30% and agriculture contracted, undermining progress on poverty reduction. Although a new IMF deal is expected to enforce policy credibility and access to external financing, such an arrangement becomes unlikely in the short term with the political instability. Regional conflict persists, especially around the issue of Transnistria, which remains under the auspices of a peacekeeping mission composed of Moldovan, Transnistrian, Russian and Ukrainian troops.

Quick Facts



Key Development Indices:



ODA per Capita US\$101.3 (2015)



Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE



Key Development Challenges

Moldova experienced political volatility in 2015 that affected the socio-economic development of the country; however, following the appointment of the new government in January 2016, the political situation has stabilized. In 2014, the government signed the Association Agreement and the Deep and Comprehensive Free Trade Agreement with the EU to increase trade ties with the Single European Market. Integration with the EU has been a critical item on government agenda, but could be delayed by the EU's shift of attention towards the UK's Brexit.

2. Efforts to Implement the Effectiveness Principles

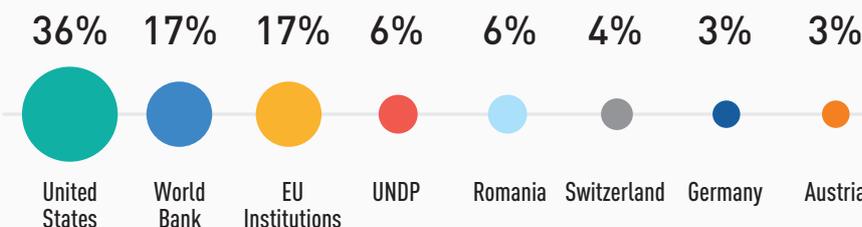
A. Policies and Tools for Partners' Alignment

The Moldova National Development Strategy 2020, RM-EU Association Agreement and Government Programme are key guiding documents for Moldova's strategic development priorities. The Government Action Plan 2016-2018,

which is underpinned by the Government Programme, sets out the main short-term and medium-term objectives to improve welfare, safety and quality of life of citizens and to achieve better governance and EU integration. The 2030 Agenda is the main

guiding framework for the government in implementing development plans and monitoring achievements. The government is committed to achieving the SDGs through translation of the 17 Goals into national quantifiable targets.

Major Development Partners of this Round (by Reported Disbursements)



Participation in 2014 Monitoring

Yes



Existence of a National Co-operation Policy

Yes

B. Governance and Management of Development Finance and Co-operation

The RM-EU Association Agreement (AA), which has replaced the Partnership and Cooperation Agreement (PCA) and the EU-Moldova European Neighbourhood Policy Action Plan (ENP-AP), establishes a new legal framework for political association and economic integration of Moldova with the EU and provides policy arrangements of development co-operation between the two. The AA has created a free trade area (DCFTA) and an Association Agenda to promote trade and economic development. Moldova has participated in the Mutual Accountability Survey 2013-2014 and is a member of the IATI. Since 2013, Moldova has been tracking partner commitments through an Aid Management Platform that ensures quality data, standardization and

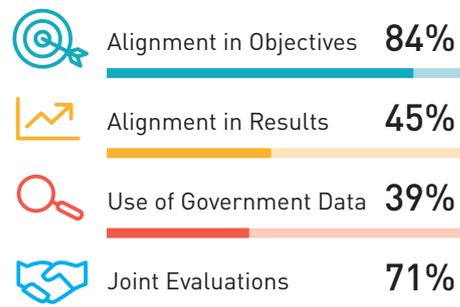
validation of official development finance information. The State Chancellery is the national governance body for external assistance coordination responsible for programming, monitoring and evaluation, operational and methodological assessment, and transparency in the use of official development finance. The State Chancellery reviews annually progress made on implementation of sector-specific development strategies and plans. In 2014, the government joined the Open Governance Partnership (OGP) and produced an Open Government Action Plan to increase public integrity, improve delivery of public services and enhance management of public resources.

3. Country Ownership

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

The National Development Strategy Moldova 2020 sets a long-term vision for effective development; the Government Programme 2016-2018 outlines medium-term development goals; and the Budgetary Framework 2015-2017 specifies public expenditure plans. Sector-specific strategies and plans in transport, education, health care and public finance

have been established by individual ministries for implementation. Ministries submit annual progress reports on implementation of development priorities for monitoring and evaluation purpose to the State Chancellery, which is the national authority overseeing foreign assistance coordination.

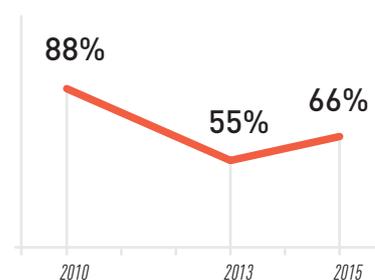


Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Development co-operation finance recorded in the 2015 annual government budget was US\$218.9 million, which indicates that 66% of finance is disbursed to government budget as scheduled. The extent to which budgets cover resources expected at the time of formulation has improved compared to only 55% of official

development finance disbursed on budget reported in the 2013-2014 monitoring round. However, there is still room for improvement to enhance country ownership, as the current percentage of official development finance on budget is lower than the share reported in 2010.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

Following the banking and financial crisis in 2014-2015, the European Union and World Bank decided to freeze budgetary support and, since they were the ones mainly using country's public financial management and procurement systems (as per Paris Declaration §21, 26 and Accra §15 commitments, as reaffirmed

in Busan), the indicators dropped respectively. However, we expect better results in the next monitoring round, since all conditions for signing a new IMF agreement were fulfilled by the Republic of Moldova. The Country Policy and Institutional Assessment (CPIA) score improved from 3.5 in 2005 to 4.00 in 2010;

it has remained unchanged since 2010, reflecting consistent and moderate use of country systems in development co-operation. Untying of official development finance improved from 54% in 2013 to 72% in 2014, demonstrating improved country ownership.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	22% ▼	7% ▼	6% ▼	6% ▼		
INDICATORS 9A & 10.					4.0 ►	72% ▲

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Civil society and the private sector are discussing issues related to specific sectors in the process of designing national development strategy. NGOs, academia and private sector representatives have been engaged in the discussions, but trade unions are less active in the process. There have been attempts to resume the activity of the National Participation Council, which was postponed in early 2015. The Council aims to bring together representatives of the government, parliamentarians and civil society to review projects that are in the process of approval by the government. In order to facilitate

better public service delivery and guided by the OPG Action Plan, public institutions have actively collected public feedback and opinion through online portal, the government official website and social media networks. Other capacity-building initiatives undertaken as part of the Action Plan include knowledge management platforms, trainings and courses on governance e-transformation, open data portal and others. The National Development Strategy 2020 aims to shift the country's development paradigm from a remittance- and consumption-driven model of growth to an export-

driven model in order to reduce economic vulnerabilities and stimulate job creation. Thus, it becomes crucial to improve the business environment and to facilitate access to finance for citizens. The government's efforts to promote EU integration are also a key component of the paradigm shift. A major challenge to public-private partnership is the lack of legal and strategic frameworks; however, reforms have been undertaken to address issues in customs administration, tax authorities and business regulation.

Indicator 8. Gender Empowerment

Although equality of rights has been incorporated into national legislation, gender inequality remains one of the critical issues of the country, as disparities exist in horizontal and vertical segregation.

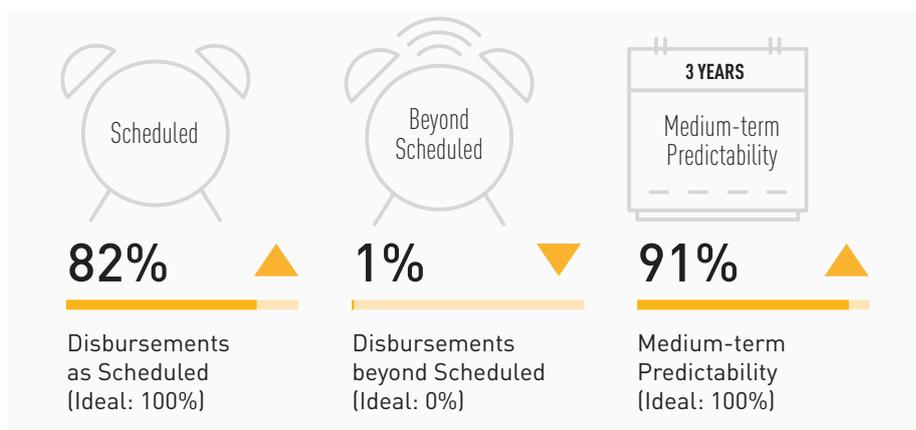
Women are mostly employed in low-income occupations and sectors and often hold subordinate positions within the job hierarchy. Representation of women in politics is rare in central and local

government: only 19.8% of parliament seats were held by women in 2012 and the share of women in local public agencies was only 18.49% in 2011.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

Based on feedback from the government and partners, development co-operation finance have become more predictable since the 2013-2014 monitoring round. Predictability of short-term disbursements as scheduled and medium-term information availability for national budget planning purposes has significantly improved.



Indicator 7. Mutual Accountability

Moldova has built an aid management platform tracking over 1,900 activities with total commitments of EUR 4.65 billion. Official development finance policy defining development co-operation priorities has

been established; country-level targets have been defined for government and development co-operation partners; and comprehensive results of development initiatives are published. However, since

non-governmental stakeholders and local governments have not been engaged in the target review process, more inclusivity needs to be achieved in the process in order to enhance mutual accountability.

National Priorities Going Forward

“

Public administration reform (PAR) is currently the priority area for the government. PAR is a pre-condition for the implementation of other reforms in any sector and for the implementation of the important commitments assumed by the Republic of Moldova – EU Association Agreement, National Development Strategy ‘Moldova 2020’, Government Activity Programme 2016-2018, National Decentralization Strategy, etc. Taking into account the results of the indicators from this monitoring round, the government is planning to carry out a functional and institutional analysis and capacity assessment across all central authorities to ensure efficiency, predictability and transparency in development co-operation. Additionally, taking into account the Busan commitments, the main objective is to improve the strategic planning, monitoring and evaluation processes across the ministries (i.e., horizontal transmission of knowledge).

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**Cristina Gangan, National Coordinator
The State Chancellery, Government of the Republic of Moldova**

Disclaimer This document was prepared based on data collected from voluntary reporting to the Second Monitoring Round of the Global Partnership for Effective Development Co-operation and, for Country Context, other open source information available online. The views presented cannot be used or cited as an official UNDP source of information.

For ease of reference, the term ‘country’ is used to refer to developing countries and territories that reported to the Monitoring Round. Participation in this process and mention of any participant in this document is without prejudice to the status or international recognition of a given country or territory.