



# POLICY PAPER

No. 39 (141), November 2015 © PISM

Editors: Wojciech Lorenz (Managing Editor)

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## Aid Coordination in Moldova: Politics Killing Policy<sup>1</sup>

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*Leading up to the formation of Moldova's third government since elections a year ago, Chisinau faces not only political and macro-financial instability, but also suffers from a severe trust deficit in relations with external partners, some of which have suspended aid flows this year. If Moldova was once the most advanced Eastern Partnership state in terms of aid coordination, government ownership of the process has significantly weakened as a result of the protracted political crisis. Although donors continue to cooperate among themselves via well-established channels, participation by state institutions is currently limited. Once the political setting is stabilised, the government will need to go to great lengths to regain the trust of its external partners and re-establish donor coordination. This is fundamental if Moldova is to make the best use of assistance in order to recover its finances quickly.*

In recent years, and particularly since the Twitter revolution and subsequent change of government in 2009, Moldova has come under the spotlight of international attention and consequently attracted significant amounts of development assistance. The influx of external assistance has grown year by year (with the exception of 2013, marked by a lengthy domestic political crisis), and total ODA has grown from €112 million to €452.3 million between 2005 and 2014.<sup>3</sup> Thus in 2014 overall ODA made up as much as 27.11% of the annual public budget.<sup>4</sup> The major donors active in the country are the EU and the European financial institutions, the World Bank, the UN, and, in terms of bilateral donors, the United States, Romania, Germany, Switzerland, Austria and Sweden. The sectors receiving the greatest assistance are agriculture, government, civil society, water and waste management, and transport.<sup>5</sup> In line with the past years' spike in external assistance, the strategic framework and institutional setup for aid coordination has been established and set in motion.

If since 2009 the pro-European governments have embarked on a series of significant reforms, and Moldova has quickly become known as the “wunderkind” of the Eastern Partnership, since 2013 one political crisis

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<sup>1</sup> This paper is published within the framework of the project “Destination: Transparency—New EU Member States’ Best Practices for Moldova and Ukraine,” led by the Polish Institute of International Affairs, and supported by the International Visegrad Fund. The authors would like to express their gratitude to all the stakeholders interviewed for the purpose of this paper.

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<sup>3</sup> State Chancellery of the Republic of Moldova, *Cooperare pentru dezvoltare. Raport anual 2014 cu privire la Asistență Externă acordată Republicii Moldova*, August 2015, Chisinau, p. 8, [http://amp.gov.md/portal/sites/default/files/inline/raport\\_aod\\_2014\\_-\\_ro\\_3.pdf](http://amp.gov.md/portal/sites/default/files/inline/raport_aod_2014_-_ro_3.pdf).

<sup>4</sup> *Ibidem*, p. 7.

<sup>5</sup> *Ibidem*, p. 10.

seems to have followed another. Consequently, there is a growing sense that reforms have been only simulated, or even hijacked by political interests. In the first half of 2014 the government managed to harvest the fruits of previous progress by achieving two major successes in the country's relations with the EU. These were liberalising the visa regime as of 28 April 2014, and signing the Association Agreement (AA) with the EU on 27 June 2014. Yet since then there have been many deficiencies in delivering results based on the AA agenda. A major banking scandal involving the disappearance of \$1 billion has also shaken the country,<sup>6</sup> and the third government since the parliamentary elections of November 2014 is already in the process of being formed.

These circumstances have had a visible effect on external partners' attitudes, and they have started to apply the "less for less" principle, the flipside of "more for more," in response to political deadlock and macro-financial instability. The International Monetary Fund's postponement of negotiations was followed by the World Bank's suspension of \$45 million assistance for 2015, and the EU's freezing of budget support worth €40.7 million.<sup>7</sup> Apart from endangering earlier achievements in key reforms, the current situation also threatens further loss of donor trust, and could paralyse the previously well-established mechanisms of donor coordination, an essential ingredient of aid effectiveness.

## Strategic Framework for Assistance

The framework for reforms is provided by a number of documents that development partners can also use as guidelines in programming their activities. First, the National Development Strategy "Moldova 2020: 7 Solutions for Economic Growth and Poverty Reduction,"<sup>8</sup> elaborated in 2012, outlines seven areas with very broad targets, namely education, roads, access to finance, business environment, energy, pensions, and justice. The first four areas are identified as the most critical, as their shortcomings are evaluated as the main barriers to investment.<sup>9</sup> The government programme for 2015–2018<sup>10</sup> elaborates further on planned actions in all areas.

Although Moldova's AA with the EU is not a development plan in itself, it also contains relevant guidelines for reforms. Furthermore, the Single Support Framework for the EU—Republic of Moldova (2014–2017) defines three priority intervention sectors to be financed through the EU's national envelope. These are public administration reform, agriculture and rural development, and police reform and border management. All of them comply with the previous commitments, and with the "Moldova 2020" National Development Strategy. Still, support is dependent on political stability and the will to implement reforms and restructure the system. Because comprehensive reforms would touch upon certain political interests and imply a decrease in electoral support, the political parties are reluctant to fulfil their pre-election commitments.

## Legal and Institutional Set-Up

As a result of the EU Council meeting of 13 October 2008, which stated that "the EU welcomes the recent increase in the pace of its relations with Moldova," and that "it is ready to have a deeper relationship in the framework of the European Neighbourhood Policy and to negotiate a new and ambitious agreement with

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<sup>6</sup> In late 2014 around \$1 billion, an eighth of Moldova's GDP, disappeared from three of the country's leading banks, Banca de Economii, Banca Socială and Unibank. The money was paid out by the three banks in a series of loans that were never repaid, bankrupting lenders. Although an investigation was launched and former Prime Minister Vlad Filat was arrested, one year later nobody else has been held responsible.

<sup>7</sup> K. Jaromin, "EU freezes funding for Moldova," *Euractiv*, 10 July 2015, [www.euractiv.com/sections/europes-east/eu-freezes-funding-moldova-316202](http://www.euractiv.com/sections/europes-east/eu-freezes-funding-moldova-316202).

<sup>8</sup> *Moldova 2020. National Development Strategy: 7 Solutions for Economic Growth and Poverty Reduction*, 17 January 2013, <http://www.cancelaria.gov.md/lib.php?l=en&idc=435>.

<sup>9</sup> *Ibidem*, p.7.

<sup>10</sup> Government of the Republic of Moldova, *Programul de activitate al guvernului Republicii Moldova 2015–2018*, Chisinau, 2015, [www.parlament.md/LinkClick.aspx?fileticket=uskjCCIZKzg%3D&tabid=128&mid=506&language=ro-RO](http://www.parlament.md/LinkClick.aspx?fileticket=uskjCCIZKzg%3D&tabid=128&mid=506&language=ro-RO).

Moldova soon,”<sup>11</sup> Moldova has started a new period in its relations with the EU, thus requiring the revision of its legal and institutional aid coordination structure. On 19 January 2010, the government approved Decision Number 12,<sup>12</sup> which stipulated the regulations regarding the institutional framework and the mechanisms of coordinating foreign assistance granted to Moldova by international organisations and foreign donors, and requires the creation of sectoral committees to manage external assistance. The State Chancellery is given the position of national authority in charge of foreign assistance coordination, with the National Coordination Unit (NCU) in a subordinate supporting role. In April 2011 a Joint Partnership Council, chaired by the prime minister, was established. Its main duties were to facilitate consultation with respect to the development agenda, and monitor the implementation of national development documents and foreign assistance contribution.

The Joint Partnership Council also took responsibility for the development and promotion of the strategic partnership between the public authorities, external development partners, civil society and the private sector, although in practical terms this did not bring the expected result due to the lack of genuine engagement from all parties. Although there were several attempts to create mechanisms of communication with individual target groups, they proved inefficient as there was no real intention to develop a participatory process. For example, in accordance with Government Decision Number 12, of 19 January 2010, the National Participation Council (NPC) was established, formed of 30 representatives of civil society groups. The NPC was set up in order to facilitate the involvement of all stakeholders in designing, implementing, monitoring, evaluating and updating strategic planning documents, thus its activity was purely formal and it had insignificant influence over the decision-making process. Although it was established at the initiative of the central authorities, the latter did not contribute to the smooth functioning of the NPC. For instance, it did not send government decisions to the Council in due time to be properly reviewed and thus the NPC activity was limited to random statements during government sessions. After two mandates (four years), the NPC has difficulties in attracting members, and as a result its continued existence is questionable.

Government Decision Number 12 also stipulates the establishment of Sectoral Coordination Councils, with a particular role in consulting all stakeholders during the programming, implementation and evaluation period. The councils are supposed to meet on a monthly basis, and be co-chaired by the responsible ministry or other state institution and the lead development partner in the sector. In practice, not all the councils are active, and government representatives are not always engaged even in those that are.<sup>13</sup> In reality their effectiveness relies on the personal commitment of public officials in charge of external assistance coordination in the specific sector and the open-mindedness of the individual Sectoral Council leader. There are few such institutions that build partnerships and engage with stakeholders on a permanent basis, and dialogue is usually reduced to reporting activities at the end of the year.

Coordination works relatively well in some areas. For instance, in the field of work and social security, donor meetings themselves are not very effective, but the Ministry of Labour, Social Protection and Family has competent experts on foreign assistance.<sup>14</sup> Another sector with successes in donor coordination is construction and regional development, thanks to the expertise of the Ministry of Regional Development, which has benefitted from the solid capacity-building of the German Corporation for International Cooperation (GIZ). Donor coordination also functions well in the health sector, thanks to the strong ownership taken by the Ministry of Health and pre-donor coordination carried out by the World Health Organisation (WHO), the coordinator on the donors' part.<sup>15</sup> OSCE coordination in tackling human trafficking and gender issues is also deemed by donors to be effective, particularly because it involves not only Moldovan authorities, but civil society representatives as well.

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<sup>11</sup> 2896<sup>th</sup> Council meeting, General Affairs and External Relations, Luxembourg, 13 October 2008, accessed on 4 November 2015, [www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/gena/103435.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/103435.pdf).

<sup>12</sup> Government Decision Number 12 of 19 January 2010, accessed on 4 November 2015, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=333522>.

<sup>13</sup> Telephone interview with a representative of UN Moldova, 5 November 2015.

<sup>14</sup> Opinion of more donors, expressed independently of each other during interviews.

<sup>15</sup> Interview with representatives of USAID in Moldova, 25 September 2015, Chisinau.

Once the AA was signed, and negotiations of the Single Support Framework for EU support to the Republic of Moldova (2014–2017) were underway, Government Decision Number 12 of 19 January 2010 was replaced by Government Decision Number 561 of 19 August 2015.<sup>16</sup> The new document reasserts the position of the prime minister as the national coordinator of the foreign assistance, and reconfirms the State Chancellery as the national authority in charge of foreign assistance coordination mainly responsible for programming, monitoring and evaluation, operational and methodological assessment, as well as for ensuring transparency in using external assistance. Within the State Chancellery, external assistance is administered by the National Coordination Unit (NCU), as it was before. According to the new Government Decision, priorities for the development assistance at the national level are formulated by the NCU, based on proposals submitted by the Sectoral Councils and the provision of the National Development Strategy, on bilateral agreements between the EU and Moldova, and the government activity programme. The consultation process faces challenges due to several factors, such as the lack of proper mechanisms of inter-institutional communication, the political affiliation of the ministries and state agencies, and low institutional capacity for dealing with the permanent flow of tasks. The political factor also explains why some ministries perform better than the others, or get more support in terms of technical and financial assistance.

The deficiency in staff qualified to manage external funds, and insufficient institutional capacity building programmes designed for public servants by the public institutions themselves indicate that awareness and acknowledgement of the problem are not developed. The current civil service training system does not foresee rapid capacity-building in priority areas or support any modern management patterns. Existing EU Technical Assistance Programmes are not enough to ensure the functional sustainability of the institutions as long as reforms are not implemented properly and institutional continuity is being broken by public servants being discouraged from continuing their careers in the civil service.

The above mentioned issue concerns the local public authorities as much as central government. Moreover, local authorities require increased attention because there is no clear understanding of their role in programming external assistance and implementing the agreed projects. These aspects should be tackled together in order to strengthen the engagement of the local authorities in the reform processes and give them more leverage while identifying the country's needs. Thus, full-speed public administration reform represents one of the main priorities on the EU-Moldova agenda.

Shortcomings in the transparency and visibility of public institutions are related to insufficient and deficient mechanisms for ensuring the availability of proper information on external assistance in Moldova. This is also one of the reasons why the level of civil society engagement is low and the EU is becoming less attractive. A step in confronting this situation was taken by explicitly indicating in the AA the need for civil society to participate in the monitoring process of the agreement, thus, in accordance with Article 377 and Article 442,<sup>17</sup> a joint forum was established in July 2015. However, the ongoing political crises, and the failure of two governments that were each in office less than four months, have continuously proved challenging to the activity of this forum, and it is difficult to evaluate its future impact. These circumstances also endanger adequate cooperation with development partners and weaken the public institutions, regardless of the legal framework in place.

## **Donors' Coordination Efforts**

Monthly generic meetings organised by the UN at the World Bank's premises in Chisinau, attended by bilateral and multilateral donors, are the major platform for development partners. The meetings have been taking place since at least 2006 and they are supposed to be co-chaired by the UN and the State Chancellery. However, as the position of the Secretary General of the government, heading the Chancellery, was until recently vacant for almost a year, government ownership of the meetings was severely reduced. The meetings mainly consist of taking stock of running projects and their results, looking for potential partners for future

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<sup>16</sup> Government Decision Number 561 of 19 August 2015, accessed on November 4 2015, <http://lex.justice.md/md/360497>.

<sup>17</sup> "Text of the Association Agreement, European Union External Action," *Official Journal of the European Union* (2014), accessed 4 November 2015, [http://eeas.europa.eu/moldova/assoagreement/pdf/md-aa-title-v-trade-related-matters\\_en.pdf](http://eeas.europa.eu/moldova/assoagreement/pdf/md-aa-title-v-trade-related-matters_en.pdf).

projects, and government presentations of Moldova's needs. They are largely informative, rather than being platforms for decision-making. Although some donors assess the quantity of information presented as overwhelming and thus question the usefulness of the meetings, these gatherings are generally regarded as a useful mechanism of exchanging not just information, but also experience of obstacles and possible solutions.

Parallel to the meetings organised by the UN, the EU delegation also holds quarterly (and sometimes also additional ad-hoc) meetings with the embassies of EU Member States. These focus on EU support for Moldova and on bilateral aid activities, but there are no government representatives involved. These meetings are also largely informative, with presentations on projects and exchanges of views on communication and visibility issues, as well as on the current state of play of the coordination structure with the government.

In order to increase aid effectiveness and harmonise aid from the EU and its Member States at the planning phase, the European Commission (EC) is now planning to introduce Joint Programming<sup>18</sup> in Moldova for assistance for the period 2018–2020. The general concept was launched by the EC in 2012, and it is now underway in more than 30 partner countries<sup>19</sup> that are beneficiaries of EU aid, for instance, those in Africa and the Middle East. For Moldova, a roadmap was agreed by representatives of the Member States and the EU delegation just this summer and it stipulates the preparation of a "Joint Analysis" and a "Joint Response" in 2016. Eventually, a "Joint Strategy" is planned to be consulted with and signed by the government in 2017.

A tool often used for donor coordination is an online system summarising information on all external aid received by the country. In the case of Moldova this is the Aid Management Platform (AMP),<sup>20</sup> launched in January 2014 and run by the State Chancellery. As is usually the case with such databases on aid, donors are often reluctant to add information on their projects and programmes, first because it is a time consuming process (very detailed information is required), and second because not all of them are interested in full transparency of their expenses.<sup>21</sup> With no sanctions for failing to provide information, it is hard to make the database a comprehensive tool containing comparable data.

## **Conclusions: Coordination without a Coordinator**

Roughly a decade ago, Moldova became the first Eastern Partnership country in which the foundations of comprehensive donor coordination started to be laid out, and the system was set into motion. However, since 2013 this coordination has weakened because of diminished political interest. Even though donors (especially those who are most engaged) still continue dialogue among themselves, both through the formal mechanisms and the well-established informal channels, frequent changes of government and the related fluctuation of personnel in state institutions, have led to a significant lowering of government ownership of the process. This is problematic, as aid coordination can be effective if it takes place not only among donors, but between the donor community and the government, ideally under the management of the latter.

The political division of ministries among the government coalition parties (an openly admitted practice in the Moldovan political system since 2009), is also a severe hindrance to the effectiveness of aid and coordination between the government and development partners. This means the largest receivers of aid (the Ministry of Regional Development, Ministry of Economy, Ministry of Transport and Road Infrastructure, and the Ministry of Environment) are constantly subject to inter-party struggles for control, and appointments to them are not merit-based but politically motivated.

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<sup>18</sup> The Joint Programming (JP) process "maps" of EU donors' priorities, planning cycles, the sectors they are involved in and projects they are running. Additionally, a needs analysis is conducted in consultation with the partner country government. In each sector, lead donors coordinate input and an indicative financial allocation per sector, and a donor is worked out. The JP strategy is then elaborated and first agreed by the EU delegation, then by the Member States. For more on EU Joint Programming, see: [www.trialog.or.at/images/doku/trialog\\_sv\\_2014\\_jointprogramming\\_michaelkirosingh\\_devco.pdf](http://www.trialog.or.at/images/doku/trialog_sv_2014_jointprogramming_michaelkirosingh_devco.pdf).

<sup>19</sup> *Ibidem*, p. 23.

<sup>20</sup> The Aid Management Platform can be accessed here: [www.amp.gov.md/portal/?language=en](http://www.amp.gov.md/portal/?language=en).

<sup>21</sup> Discrepancies often occur between what donors report in the database as ODA, and what does not appear in the OECD statistics as ODA, as it formally does not qualify as such (for instance scholarships).

The prevailing shortcomings in public administration present a further obstacle to better aid coordination. Among other things, donors face difficulties because of the still overly hierarchic structures of the civil service. For instance, directors of departments are often unwilling to take decisions and push the issue to the level of deputy ministers or ministers, who in turn often lack the necessary expertise and/or time to give a decision their thorough consideration. In terms of personnel competence, although donors acknowledge improvements in the past few years (often as a result of training and capacity-building supported by donors themselves), this is not a uniform tendency across the civil service, and ability and willingness to cooperate with donors still often depends on personal dedication. Moreover, the professionalism of the civil service is negatively affected by incoherence and in-fighting at the political management level. Along with fluctuations in personnel, another negative side effect of the frequent political crises is that they demotivate the most competent layer of the civil service, members of which migrate to international jobs and leave state structures with reduced capacities again. A prime case in point is the State Chancellery, which, since 2013, has lost much of its capacity and now faces difficulties in the proper execution of its legal duty to overview all external assistance to Moldova.

Although the donor community in Moldova has well-established practices and channels of cooperation, a number of challenges prevail on their part, too. These, however, are not specific to the case of Moldova, and are faced in most other aid recipient countries. For instance, smaller (usually bilateral) donors have more willingness to cooperate or at least consult with other donors in search of complementarity, given their restricted financial means and often little experience as donors (this is most notable in the case of newer EU Member States). At the same time, their in-country personnel capacity is also limited and taken up by the management of the aid projects, which leaves them little opportunity to engage proactively in donor coordination. The large donors, with strict development agendas and long-term budgets, are less eager to go beyond information sharing and coordinate programming. Furthermore, donors with well-established partnerships with local institutions tend to by-pass the state agencies in charge of coordination for the sake of efficiency.<sup>22</sup>

### **Recommendations for the Moldovan Government:**

- **Increase local ownership of the donor coordination processes**, both at a central level and in the ministries. As the position of the Secretary General of the government has been filled after a long break, the State Chancellery should again become not only the formal, but also the de facto coordinator of external assistance, and a mediator between the donors and beneficiaries on a strategic level.
- Although in some sectors aid coordination is functioning fairly well, there is a need to **increase coordination in some other key reform sectors**, where it is currently absent or poorly working, such as agriculture and education.
- **Increase the participation of government representatives in sectoral donor meetings, and make them richer in substance** by going beyond pro forma presentations on projects and opening frank discussions on the actual progress with reforms, the impact of projects, and the obstacles encountered.
- **Clearly define the role and ways of involving local public administration** in identifying the country's priorities, regional development plans and projects. This would contribute to better planning and, in the medium and long term, enhance their institutional capacities, increase their cooperation with the central authorities and the donor community, and provide solid ground for reform implementation throughout the country.
- **Continue public administration reform**, and in this context depoliticise the public administration system, increase personnel capacities in a more uniform manner, and improve the capacity for budget

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<sup>22</sup> Interview with a representative of the Embassy of Romania in Chisinau, 25 September 2015, Chisinau.

programming. Ensure an advanced civil service training system in order to establish rapid capacity-building programmes in priority areas or support any modern management patterns.

- **Establish partnerships with civil society in the framework of the Sectoral Councils.** Civil society representatives should become fully fledged partners in the process of programming aid assistance, and should have the necessary means to participate, at a later stage, in monitoring and evaluation. This will not only increase transparency but also strengthen civil society's participation in the decision-making process.
- **The State Chancellery could launch a newsletter** with regular updates on donor activity. Beyond informing about new projects, this could also contain regular statistical data (provided by the National Statistics Office), showing the extent of progress with reforms supported by the development partners (for example, more people getting access to drinking water).
- **The Aid Management Platform has to be better used to reach its full potential** as a means of securing transparency of aid and accountability of both the donors and the beneficiaries, rather than just providing a collection of information. For this, a common code should be developed to track and measure results of the projects. Standardised procedures and better cooperation is needed between the State Chancellery (administering the platform), the donors, and the beneficiaries of the development projects.

### Recommendations for the Donors:

- In line with EU guidelines on development aid, donors should **keep their development agenda focused on a few priorities** (the EU suggests a maximum of three priorities per donor).
- Even at the time of political crises and a limited proactive attitude on the authorities' part, donors should **continue to apply leverage through assistance to various stakeholders interested in change**, such as local government associations, civil society, business associations, and others. This is fundamental to the long-term process of building up local expertise and internalising the demand for reforms countrywide.
- Regardless of well-established partnerships and the drive for efficiency in day to day communication with the direct beneficiaries, **do not by-pass the State Chancellery at the planning phase of development projects, even if it still needs to reinforce its capacities.**
- **Cooperate better on making the Aid Management Platform a useful tool of aid coordination**, especially by taking a more responsible attitude to inputting data on the projects.
- **Elaborate more common projects matching the financial resources and development policy know-how of larger donors with the sectoral expertise of smaller, usually regional bilateral donors**, which have valuable and relevant experience with similar reforms, but still count as emerging donors.



Policy Paper published within the framework of the project  
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