

# **MOLDOVA: CO-OPERATION IN REGIONAL DEVELOPMENT**

Review of Moldova's Regional Development Legal Framework

Background paper 1: RD Policy and Objectives

**DRAFT: NOT FOR QUOTATION**

Jan Vozáb



Oxford  
Policy  
Management

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*This MDRD project paper was supported by the UK Department for International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA). The opinions expressed are those of the authors and do not necessarily reflect the views of DFID or SIDA.*

*The “Moldova: Co-operation in Regional Development” (MDRD) project is a technical assistance programme financed by the UK government’s Department for International Development (DFID) and the Swedish International Development Cooperation Agency (SIDA) and managed by Oxford Policy Management (UK). Consortium members include the Institute for Public Policy (Republic of Moldova) and the University of Birmingham (UK).*

## **Abbreviations**

AIP	Annual Implementation Plan
CHU	Central Harmonisation Unit
DFID	Department for International Development
EU	European Union
FY	Financial Year
GoM	Government of Moldova
GDRD	General Directorate for Regional Development
IPP	Institute for Public Policy
OPM	Oxford Policy Management
M&E	Monitoring and Evaluation
MCRD	Ministry of Construction and Regional Development
MDRD	“Moldova: Cooperation in Regional Development” Project
ME	Ministry of Economy
MoF	Ministry of Finance
MTEF	Medium Term Expenditure Framework
NBS	National Bureau of Statistics
NDS	National Development Strategy
NCCRD	National Coordinating Council for Regional Development
NFRD	National Fund for Regional Development
NPC	National Participatory Council
NSRD	National Strategy for Regional Development
PPA	Public Procurement Agency
RD	Regional Development
RDA	Regional Development Agency
RDC	Regional Development Council
RDS	Regional Development Strategy
RDL	Regional Development Law
ROP	Regional Operational Plan
SADI	Small Area Deprivation Index
SAI	Supreme Audit Institution
SPD	Single Programming Document
WG	Working Group

## **Introduction**

This paper is part of a broad legal review of RD law and regulations, undertaken between October 2010 and February 2011 by the DFID & SIDA funded MDRD project, together with the MCRD and other Moldovan government stakeholders. The review focuses on the Regional Development Law and on Regulations to this Law as well as on other documents governing the regional development interventions. The purpose of the review is to draw lessons from progress to date in the implementation of the RD policy and propose areas where the RD law can be strengthened.

A key aim of the review is to look for ways to simplify procedures. But the papers elaborated for the review also focus on the institutional framework and conceptual matters and their mutual relationships or implications. This is because the institutions and concepts are important for RD policy and its implementation and because the legislation – even if well designed – need not cover all situations.

The objectives of the Moldova RD legal framework review are to:

- identify and analyse good practice and strengths of the current RD legislation in order to build on them in the development of RD policy and interventions;
- identify and analyse weak points and problem areas in the current RD legislation and implementation, including the conceptual and institutional framework;
- propose areas where the Law on Regional Development and RD regulations need to be changed; and,
- provide recommendations for the further improvement of RD policy and its implementation.

## **Background**

The Regional Development Law, adopted in February 2007, was elaborated over a period of two to three years, mainly with the assistance of a previous EU Technical Assistance project, the largest and third such EU TA project in the field of regional development in Moldova stretching back to around 2002-3. The same EU project elaborated a large part of the secondary legislation which, subject to certain amendments, was not adopted definitively until 2010. The focus of the primary RD Law – and indeed of a very large part of the secondary legislation - is mainly on designating key functions, institutions and instruments. The RD Law made almost no direct mention of the process of project preparation, appraisal, and selection. The focus was on programming, not on projects per se. The secondary legislative documents – notably the Framework Regulation on Regional Development Agency, the Framework Regulation on Regional Development Council and even the Regulation on the development and usage of the National Fund for Regional Development resources (all of 8 February 2010) focus on institutional and procedural issues of a mainly legal-administrative nature. Among the secondary documentation is also the Manual for the National Fund for Regional Development which provides the most elaborate description of the project and programming cycles. The development modalities of the project cycle (and to some extent the inter-related programming cycle) were not covered in detail.

The Regional Development exercise for 2010 was considered by all concerned as an exceptional exercise, driven by severe time-pressure. It was never envisaged by anyone involved in the process that the 2010 exercise would be the normal manner in which to articulate either the programming or project cycles. Under pressure of time and in view of the embryonic nature of regional structures, certain instruments were introduced which had never been foreseen in previous planning. Primary among these were a “national call for project proposal” identical across all regions, a straight-forward and time-pressured project submission process and a rapid and mainly national project appraisal and selection process.

## **Issue 1: Conceptual Framework of RD Policy**

### **Main findings**

“The Moldovan economy is heavily dependent on the agriculture sector which accounts for 35%-40% of employment, however... around 10% of GDP. ... Currently industrial production represents around 14% of the country’s GDP, 12,7% of employment and approximately 80% of exports. Remittances from Moldovans working abroad are ... approximately 35% of the total [GDP] ... Clearly a great deal of industrial activity is concerned with the agro-food and drink industries.”<sup>1</sup>

These figures indicate that the Moldovan economy is weakly integrated into global value production chains, as it exports mostly industrial goods (of which a large part is linked to agriculture) and the industrial sector itself represents just 14 per cent of GDP. Moldovan GDP per capita (in purchasing power parity) is the lowest in Europe and more than 10 per cent of the economically active population works abroad.<sup>2</sup> Therefore, the overall objective of Moldova’s development policy is focussed on economic development, which, in the case of Moldova, relates also to the alleviation of poverty, as stated in the National Development Strategy (NDS). Although the NDS defines increasing the quality of life as a main goal (NDS, pg. 40-41), successful growth of the economy is a prerequisite for achieving this. Moreover, as some indirect indices show,<sup>3</sup> economic activity (and growth) are distributed unequally in Moldova, with Chisinau being the most successful territory while others are lagging behind. Therefore, regional development cannot be independent from the overall economic development objectives and policies in Moldova.

Relying predominately on small and poorly developed domestic markets is not an option. In this context, the main challenge for Moldova is how to exploit the potential of global networks of production and consumption in a way that will deliver long-term economic growth. This challenge should be addressed by both economic and regional policies.

Despite its weak economy and poor links to global markets, some foreign companies have invested in manufacturing in Moldova (Selari, 2008). Current investors’ motivation is primarily low labour costs, with “...materials and equipment ... supplied by foreign firms, manufacture

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<sup>1</sup> MacNeill, S., Campbell, A. (2009): Economic Development Report, MCRD project

<sup>2</sup> Selari, G. (2008): Review of Regional Development Results in the Republic of Moldova, MCRD project

<sup>3</sup> Selari, G (2008): Review of Regional Development Results in the Republic of Moldova, MCRD project

undertaken in Moldova and the finished products exported.” (MacNeill & Campbell, 2009). Free economic zones may also play a role in attracting foreign direct investment. In this context, Moldova and its regions need to find ways of stimulating economic growth through developing more (and more beneficial) connections with global or (at least European) markets in which the attraction of foreign direct investments (FDI) represents one of the key opportunities both for the metropolitan region of Chisinau and for other regions.

In the short and medium-term, because of the weakness of the Moldovan economy, FDI is likely to be the best way to increase exports. It will eventually lead to initiating endogenous growth through local companies becoming suppliers to foreign companies. Currently, the attractiveness of Moldova for foreign companies is limited and the benefits of Moldova from FDI is low as foreign firms often do not create linkages to the Moldovan economy. Investors are concerned about long-term political stability, their experience with the labour force is limited and the state of basic transport and communications infrastructure, including the infrastructure related to industrial sites, is poor.

On the other hand, economic growth is not based solely on inward investment and domestic companies also face barriers. Although the barriers to growth faced by local companies are partly different than the barriers to FDI, the infrastructure problems are usually similar.

Therefore, national economic policy and regional development policy will be aimed, inter alia, at creating conditions for foreign investors as well as for local companies to be able to benefit from inward investment. Foreign investors and local companies will benefit from investment in infrastructure with the aim of improving the conditions for economic activity. Additionally, businesses will need interventions helping them to increase their productivity and also to become suppliers of international companies in Moldova or abroad.

There is a strong regional dimension in creating the conditions for investors and domestic firms because, despite macroeconomic similarity, the combination of local factor conditions in Moldova’s regions is different.<sup>4</sup> The Regional Development Strategies in their analytical parts, as well as in their established priorities, describe these differences in a more detailed way.<sup>5</sup> These differences are in the quality and skills of the labour force, in economic specialisation and potential, in the availability of infrastructure and access to foreign markets, etc. Consequently, the regions’ potential in their efforts to enter global markets varies and RD policy has to be able to distinguish, or partly target, its interventions in order to reflect these differences.

Successful national economic growth in poor or developing countries often leads to an increase in regional inequalities, both in economic and social terms. It is likely these inequalities will grow between Moldova’s regions (and perhaps sooner and faster) within Moldova’s development regions, with the disadvantaged areas lagging more and more behind, with all the associated adverse effects e.g. depopulation, poorer access to public services etc...

Within this framework, there are other issues to be dealt with when conceptualising regional development policy and interventions. Even if economic development through increasing

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<sup>4</sup> See reports (MacNeill, Campbell, 2009), (Selari, 2008), also report: Sukhwinder, A. (2009): Private Sector Development, MCRD project background study.

<sup>5</sup> Regional Development Strategy North (Central, South) Development Region, 2010.

productivity and linking the (regional) economy to global markets is the core regional development objective, measures to reduce inequalities are also an inevitable part of regional development policy and its interventions (see more in Issue 2 of this paper).

According to the legislation, current regional development policy in Moldova seems to be more focussed on supporting disadvantaged areas and on addressing social and economic differences<sup>6</sup> than on directly supporting economic growth. Nevertheless, it also includes private sector development objectives and priorities, and generally economic development objectives in key strategic documents (see more in Issues 2 of this paper).<sup>7</sup> Yet it also needs to be stressed that the emphasis on public infrastructure projects in the current (2010) round of RD implementation is mostly due to specific reasons associated with this first Call for Proposals.

## **Options or Solutions**

There are three options:

- First, regional development interventions and policy can remain as they have been designed in the legislation and implemented now, with a focus on disadvantaged areas and disfavoured zones, stressing the need to reduce imbalances in social and economic development. If so, the discrepancy between the legislation and the strategic documents may persist, but it will not cause any major difficulties in implementation. Such a focus will likely lead to favouring investment in public infrastructure and tourism, and in generally equalising public services and (implicitly) living conditions, with a low priority given to economic development and no consideration of potential growth areas.
- Second, re-directing regional development policy specifically towards economic development as a main objective - this may be too strong an option. It would require the interventions being more concentrated (mainly to territories with “growth potential”<sup>8</sup>) – selective and with activities different in growth potential areas and lagging areas.
- Third, regional development policy may continue with its main focus on public infrastructure – but economic development projects will be included to a greater extent than at present. The regional development strategies will need to be adapted in due course when regularly updated in order to become more targeted and prioritised. The specific focus of interventions in each region will be the result of consultations among regional participants but with the sectoral ministries also participating – more co-ordination is necessary compared with the first option.

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<sup>6</sup> Law on Regional Development, Articles 2, 6, NFRD Regulation, Article 5.

<sup>7</sup> Regional Development Strategy North (Central, South) Development Region, 2010, National Strategy for Regional Development, 2010.

<sup>8</sup> “Growth-potential territories” term is used on purpose to distinguish from the term “growth poles”. As growth poles refer to urban areas, sometimes even understood (wrongly) as cities within their administrative boundaries, the growth-potential territory as used here means territory with good conditions for economic development – e.g. for FDI location, which may be urban area but which may also be an area (around smaller town) close to the main border crossing. The term “growth-potential territory” stresses the economic development dimension (opportunity) while the term “growth pole” combines urban function, economic development and implicitly also quality of living conditions.

## **Recommendations**

Support to economic development cannot be avoided. The extent to which economic development should be concentrated on “growth-potential territories” needs to be discussed further with stakeholders. There are several ways of identifying and defining growth-potential territories:

- At the level of the city and surrounding communities which need not respect the rayon boundaries; this may be recommended in certain conditions as such an area shall represent the functional territory, and shall be large enough to target interventions to;
- At the level of several rayons, which is also possible, depending on the type of interventions.

Any final recommendation cannot be given now as how to establish growth-potential areas, as it depends on the purpose of interventions, their scope and nature (measures, tools). Generally, the growth-potential areas should be defined at the sub-regional level as functional areas, in a limited number. It is likely that a region would have not more than 2-3 growth-potential areas. The growth-potential areas can eventually be called, or evolve into, growth poles (as defined in footnote 8 above).

**The third option described above, of changing the RD concept to reflect more economic growth issues, seems to be the best choice.** It is an evolutionary option, allowing more time for adjusting the structures and institutions while not requiring numerous legislative changes. It may even to be possible without regulatory changes.

**The second option, however, to have economic development as a core objective of regional development policy ought to be a long-term target towards which regional development policy should be aimed.** Elements of the second option (see more in options under Issue 2) can be incorporated in stages, allowing experience to be gained to adjust the institutions and structures, and after extensive consultations into the third option in an evolutionary process. This process would need to be carefully managed by the Ministry for Construction and Regional Development.

Although it is likely that the suggested changes can be implemented gradually without immediate legislative changes, economic development objectives should be emphasised and re-formulated in the Law on RD and subsequently in the relevant Regulations. This is also important for the strategies (NSRD, RDSs) to establish economic development either as an objective or as one of the priorities clearly establishing its focus on areas with larger growth potential, but the legislation still may retain the interventions on the disadvantaged regions.

**In the medium-term the legislation could also be changed in order to place a greater focus of interventions on the specific regions with high growth potential (see also Issue 2).**

## **Issue 2: The balance between welfare-oriented and growth stimulation objectives of the regional policy and its institutional implications**

### **Main findings**

As noted above, regional development policy in Moldova generally reflects two objectives:

- (i) the welfare-oriented objective which is largely concerned with reducing disparities, and focussing on disadvantaged areas; and,
- (ii) growth-oriented objective which concerns the economic development of regions and, sometimes implicitly, the concentration of interventions into smaller (though not yet defined, just generally described) growth areas.

The first objective is more elaborated in the legislation and it may even be understood that growth-stimulation is possible only in disadvantaged areas. The welfare-oriented objective aiming at balancing sub-regional inequalities is also more developed and more reflected in strategic documents<sup>9</sup> as well as in practice of decision-making and implementation – see following Issue (3).

If the recommendations of the previous Issue 1 are followed, suggesting a greater focus on economic development in regional policy (thus to support more the objective (ii) above), it is likely that inter- and intra-regional disparities will grow.

### **Options or Solutions**

These two aspects of regional development policy will not remain stable over time as the situation in Moldova evolves, the balance between the policy choices will need to be adjusted accordingly. **The following issues need to be considered as part of the solution** when balancing (or changing the balance of) the two different objectives over time.

First, the differences between the development regions (North, South, Centre) are currently quite small.<sup>10</sup> The territories at sub-regional level (e.g. the area of several communities or rayons) therefore shall be identified in order to target more complex growth-oriented objectives and more straightforward welfare-oriented objectives of regional development interventions into two different kinds of regions (growth-areas and other areas).

Second, if the regional development interventions are targeted as described above, the pressure is likely to occur from small/disadvantaged communities because of concentration of (financial) resources at a limited number of areas with higher growth potential. In order to decrease these pressures (i) the areas with growth potential shall be identified in a facilitated process of consultation involving regional actors as well as representatives of the state and (ii) the

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<sup>9</sup> Regional Development Strategy North (Central, South) Development Region, 2010, National Strategy for Regional Development, 2010.

<sup>10</sup> See reports (MacNeill, Campbell, 2009), (Selari, 2008)

disadvantaged territories need to have assured access to support for their “regional” development interventions. In any case, the selection of territories is a sensitive process that will have to combine both objective criteria and careful negotiation.

Third, the territories with growth potential shall be limited in number and size in order to increase the chance that the interventions are effective and that they can change the situation

Fourth, sufficient stabilisation support should be maintained in areas which are not selected as growth potential areas. These territories need not be only disadvantaged areas but any area which is not defined as a “growth potential area”. The purpose of such stabilisation support is to sustain standards of living as well as access to the growth potential areas so that the areas surrounding of the growth potential areas can benefit from the (hopefully) improving conditions.

Fifth, if this new balance of regional development objectives is to be implemented in an effective manner, the sectoral interventions should reflect and respect these objectives. Therefore, there is also a need for communication of these objectives to the sectoral ministries and to finding out good ways of coordinating their activities.

Despite our general view that the development interventions should deal with the territories of higher growth potential in a specific way and that this is one of the key roles of regional development policy, it need not be necessarily pursued exclusively by the bodies directly responsible for regional development as they are established by the Law on Regional Development. Two options of institutional arrangements (Ministry of Economy or Ministry of Construction and Regional Development) are possible:

- If sectoral coordination is viable through the Ministry of Economy, resulting in agreement on the territories with higher growth potential, then the role of regional development bodies (RDAs, RDCs, NCCRD, MCRD) may be stronger with respect to the co-ordination of activities. The implementation of activities directly supporting economic development may remain with the Ministry of Economy or its agencies.<sup>11</sup> In this case the Ministry of Economy will target the “growth-potential territories” with direct economic development support (e.g. industrial zones, business incubators). The MCRD (and other regional development bodies) will then carry out activities targeted at the improvement of conditions for economic development in “growth-potential areas” (particularly such activities closely linked to the economic development support by the Ministry of Economy). And at the same time the MCRD (and regional development bodies) will carry out welfare-oriented, balancing interventions on the whole territory of development regions.
- Regional development policy, with two distinguished objectives as described above, may be eventually merged with or rather closely linked to economic development policy. The difference from the previous option is not as much in the contents of the policy and interventions but it in the different institutional structure and its implications. Therefore, in this option, the MCRD will become the main body responsible for the identification and setting up the “growth-potential territories” in cooperation with the Ministry of Economy.

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<sup>11</sup> E.g. the existing body supporting SMEs, or any other agency which may be established as a result of discussion about the regional dimension of the economic development policy.

The division of responsibilities for regional and economic development policy (or policies) will have to be discussed and agreed upon between these two ministries. But generally the regional development bodies will become more involved also in the implementation of activities and measures directly supporting economic development.

## **Recommendations**

Before defining areas of higher potential, it is important to gather more experience with the implementation of the current round of regional development interventions and to allow the current system of regional development to settle down. The concept of territories with growth potential should be developed but then an extensive consultative process is necessary with regional and central level stakeholders in order to make sure the conclusions are accepted by all stakeholders on a consensual basis. The Ministry of Construction and Regional Development will initiate the process of identification of territories with the growth potential and will lead the consultations about the focus of the regional development policy within the regions as well as at the national level. The Ministry of Economy, other ministries and regional development bodies, the NCCRD, the RDCs and the RDAs, shall play an active role in the consultation. **It is recommended that the MCRD lead the process of identifying growth potential areas (the second option above) because:**

- the process of identifying growth-potential territories will have to consider complex conditions, though the economic factors will play major role, and it will involve distinguishing between territories within development regions, which is natural part of regional development policy; and,
- the MCRD and the RDAs has the capacity and resources to facilitate the discussion with regional stakeholders.

The relevant parts of the RD Law (Articles 2 and 6) and of the RD Regulations should be amended so that they: (i) clearly specify new objectives of the RD Policy, reflecting the balance between the growth-oriented and welfare-oriented policies, (ii) explicitly require the relevant bodies to stipulate growth-oriented objectives in addition to current ones, and (iii) to identify and define the areas with higher growth potential within the development regions.

The National Development Strategy when updated in 2011 and the National Strategy of Regional Development when updated in 2012 shall incorporate the above objectives in a balanced way, and the NSRD shall set up and delimitate the specific territories (growth-potential territories, neglected/disfavoured territories) for the purpose of targeting the RD as well as potential sectoral interventions.

## **Issue 3: Value added of regional development approach**

### **Main findings**

The system of financing investment by supporting local actors (communities, rayons), present in Moldova prior to the passing of the Law on Regional Development, had several weaknesses which the regional development approach to interventions sought to overcome.

First, it favoured isolated projects as each beneficiary has competed for scarce funds with others and the system has assessed the needs of each applicant individually and not within in a wider, comprehensive framework. Second, such a system did not provide an adequate framework for the identification and assessment of needs reaching beyond each locality. Third, it discouraged consultations between stakeholders in order to reach agreement on a specific investment. This was particularly true in situations where the communities or rayons were weak actors, having insufficient resources and their investment activity depends predominantly on various forms of financial transfers from the central authorities. Fourth, this system may have also led to domination of projects by strong stake-holders (e.g. rayons or communities) and to putting the weak, smaller stakeholders into a disadvantageous position.

The sectoral attitude to investment in regions, present in Moldova before the Law on Regional Development (and of course still being used by the sectoral ministries), prefers sectoral priorities and strategies which may be in conformity with the wider regional needs beyond the sectoral focus. If the regional development approach does not exist the regional strategies may not exist, too. In this case the articulation of the regional needs would be difficult, non-coordinated, vague or dominated by subjective decisions.

The Regional Development Law, the Regulations and the new regional development institutions brought in a new focus and a concern in making interventions which should have an impact which would be purposefully more regional even if some of the interventions themselves still might have been local. This is clearly stipulated in the Law on Regional Development, Articles 1, 3, 6.

The Law and the Regulations establish the structures, system and financial resources whose core is the development of the territory, with the main focus on the “development region”. The Law also sets the objective of interventions which is “... *the balanced sustainable development ... on the territory...*” which represents a new dimension for public interventions in Moldova. Therefore the value added of the new framework (of RD) lies in increasing the efficiency of the resources by producing greater regional impact of the projects supported and implemented within this framework. The RD framework is designed to avoid small, local, isolated interventions and it is intended to increase synergies among sectoral interventions in regions.

Key issues to focus on with respect to regional development value added are:

**Planning** – preparation of the development strategies, programmes and plans at the national and regional levels. A key requirement is that the development plans are multi-sectoral, cross-cutting and that they set up priorities which have more of a regional focus. The participatory planning exercise itself is the value added of the RD.

**Project cycle management** – identification, facilitation, elaboration, selection and implementation of such projects, which cover larger territory than 1 or 2 communities or whose impact is arguably supposed to be larger than on these communities even if the investment is local.

**Funding** – allocation of money has been achieved in the state budget for the purpose of financing projects with the regional/supra local impact thus making sure that the implementation of the RD policy is possible. The 1% of the state budget has been assigned to RD projects as well as to funding the RDAs.

This new budget line – the NFRD – alone is an important change for Moldova as it strengthens the position of the local and regional stakeholders (rayons, communities, other actors) to

influence the central decision making process of the investment made in regions, thus increasing its relevance to regional needs.

## **Options or Solutions**

The options to further increase the value added of the RD interventions are based on the improvement of issues that are dealt with in other background papers and that represent the 3 problem areas described above.

The options that link other issues to the value added issue of RD approach concern the following question: **Which of the above problems shall be given priority in order to increase the value added of the RD approach more efficiently?** There are two options:

- Focus on **programming/planning** (the preparation of programmes and strategies) in the belief that making the planning framework more precise, more accurate and more targeted will lead to an improvement in the quality of projects submitted and financed by the National Fund for Regional Development.
- Focus on **project development**, facilitation, selection and implementation processes, with particular attention to be paid to project cycle. This option is based on an assumption that the investment is made in regions, by regional actors, with their own understanding of development obstacles and objectives.

## **Recommendation**

The options above are not mutually exclusive. The second option, focusing on project level (project management cycle), **is likely to enable achievement of better results of interventions (and higher impact of the RD policy) in the short/medium run, thus increasing the value added of the RD interventions.**

The emphasis should be put on increasing the capacity of the local and regional stakeholders and on building a project pipeline in order to make sure the projects applying for support are of regional importance and that they will bring benefits to wider range of beneficiaries. For more details see papers 2, 5 and 5.

No legal changes are necessary for the above recommendations.

## **Issue 4: Implications of the above recommendations for the regional policy concept**

### **Key implications**

The implications described below are based on recommendations from the previous issues. They focus on key concerns if the recommendations above are implemented.

- Concentrating resources and distinguishing interventions in different areas will require **very good technical preparation and expert analysis; however, in the end, the**

**decision is political one.** Good analytical and data background is needed in order that the discussion of stakeholders concerns is evidence-based not political opinions.

- The key actors of the consultation process at the regional level are the RDCs, with RDAs providing expertise for them. National RD and sectoral stakeholders shall participate in the process of distinguishing the different target areas within development regions together with RDCs. **The process shall be initiated and managed by the MCRD**, the final decision shall be adopted by NCCRD (in which case the Law on RD has to be amended), though the MCRD or even GoM shall make the formal final decision in the form of the Decree or Government decision.
- A stronger role for the NCCRD in coordinating sectoral interventions needs to be reflected in the Law (see also paper 3 on The role of other ministries and departments).
- Good, reliable regional statistics have to be available in order to get sufficient basis for analysing regional disparities, for identification the growth-potential areas and disadvantaged areas in economic terms, not only in terms of the poverty or living conditions.
- Grant schemes or other funding mechanisms shall be developed in order to allow the funding of projects of NGO and business support projects (see paper 6 on Financing RD). This is important when the broader concept of the RD is accepted, focusing on the economic development/competitiveness.
- The capacity of regional actors (particularly RDAs but also rayons or communities) shall be continuously increased in order for the RD to accommodate the new, broader concept, to stretch more to economic development/competitiveness field as described in Issue 1 and to distinguish its interventions according to the different objectives in different territories as described in Issues 2 and 3.
- The capacity and competence of RDAs will need to be continuously increased so that the RDAs can extend their role into new fields as well as they can provide better services to widening array of potential beneficiaries when facilitating the project development.

## **Issue 5: Understanding – and acceptance – of various stakeholders of the concept and objectives of regional development policy**

This issue is dealt with under previous issues.