

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

Review of Moldova's Regional Development Legal Framework

Background paper 3: The roles of ministries and departments in implementing regional development policy

**DRAFT: NOT FOR QUOTATION**

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## **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: Purpose and procedures (formal, informal) for co-ordination among various ministries**

### **Main findings**

The policy-making process in Moldova is regulated by several laws and regulations that provide the general rules for adopting legislative acts (laws and Parliament Decisions), normative acts (Government decisions and ordinances, acts and decisions of central and local public administration bodies), as well as policy documents (concepts, strategies, programmes and action plans). The main ones are the Law on Government, the Law on legislative acts, and the Law on the normative acts adopted by the Government and authorities of the central and local administration.

Inter-ministerial consultations are required as part of the formal process of preparing any legislative, normative act or policy document for consideration at a Government meeting. Consultations are carried out by circulating draft documents to the relevant ministries, as determined by the sponsoring ministry, and documenting comments received and decision on accepting or rejecting these comments in a consultation record (table of differences). The ministries generally have 10 days to give their opinion on a draft document and the ministers' signatures are required. In addition, numerous inter-ministerial committees exist at different political and technical levels, which review and approve policies, draft legal acts, as well as make operational decisions on policy implementation.

Although the Moldovan legislation provides the requirement for inter-ministerial co-ordination, both consultations and examination by inter-ministerial committees are quite formalistic and policy co-ordination remains problematic. Consultations usually take place late in the process of policy-making; they concentrate excessively on the language of the legal act or policy document rather than the substantive issues of policy; and they do not effectively deal with unresolved conflicts between different public administration bodies.

Since 2007, the State Chancellery has been implementing the central public administration reform (CPAR), one of the objectives of which is to improve the policy process, including inter-ministerial co-ordination. Some of the changes introduced as part of the CPAR include:

- Activities to achieve better correlation between policies and the budgetary framework through improved strategic planning and the introduction of the Consolidated Action Plan (CAP) comprising all main Government commitments;
- The introduction of a policy development and impact assessment manual and testing of ex-ante impact assessment;
- Continuous clarification of roles, so that line ministries are responsible for developing and proposing policy, and the GO is responsible for policy coordination and setting analytical standards;
- Work on rules for administrative procedures;
- Streamlining the monitoring and evaluation system.

To improve analytical capacities in ministries and promote better policy co-ordination between ministries, policy departments have been created in all ministries and methodological trainings have been carried out. In addition, attempts have been made to promote informal co-ordination mechanisms through networking, increased use of electronic communication, and meetings on an issue-by-issue basis. However, the capacities of policy departments remain weak, and methodological improvements are very slow to take root in other departments of line ministries.

The problems that affect inter-ministerial co-ordination in general also affect co-ordination between the regional development institutions on the central and regional level on one side and line ministries and other public authorities on the other side. This is true both for consultations on RD policy initiated by the Ministry of Construction and Regional Development (MCRD) as the main central public authority responsible for RD policy and for consultations on sector policies that have a regional aspect initiated by line ministries (this point is further detailed below in Issue 2).

## **Options or Solutions**

Improving policy co-ordination and inter-ministerial co-operation at the national level represents a major undertaking and is beyond the scope of improvements that could be promoted by the MCRD. Nevertheless, the MCRD could introduce some steps to achieve more effective co-ordination specifically on RD policy implementation:

- The MCRD should pay special attention to **use of informal mechanisms for inter-ministerial co-ordination**. These could take various forms, from regular information meetings and workshops to communication on the phone.
- The MCRD should ensure an **effective flow of information to relevant line ministries and other stakeholders early on in the process** of designing new policy details. This will ensure that details are explained and disagreements are resolved

informally before they come to the National Co-ordination Council for Regional Development (NCCRD) or the Government for decision. Keeping partners informed should also contribute to their buy-in in the process of RD policy implementation.

- Experience in other countries suggests that, once the Government meeting receives better quality information on proposals, ministers want to spend more time discussing them. Consequently, the MCRD should work continuously to **improve the quality of its documents.**<sup>1</sup>
- The MCRD should **involve regional-level institutions in consultations with line ministries** as much as possible to ensure that these institutions can effectively co-ordinate the implementation of sectoral policies on the regional level.

## **Recommendations**

Based on the analysis and options described above, it is recommended that the GoM undertake the following steps:

- In the course of designing the RD institutional architecture, procedures for the use of funds from the NFRD, criteria for selecting RD project proposals, etc., the MCRD has created a network of public servants from different ministries that are familiar with RD policy and are aware of the challenges in implementing it. The MCRD should continue **regular communication and consultation** with such public servants, who will carry this institutional memory in their respective institution.
- The MCRD should continue to have a **pro-active communication policy** and distribute widely its analytical material and reports.
- In general, information and reports presented to the Government, NCCRD, line ministries, and other stakeholders should be clear, concise, and address substantive issues and their importance.
- The MCRD should continue **building capacities of RD institutions and training its own staff and the staff of RDCs and RDAs to carry out qualitative policy analysis.**
- The MCRD should choose a limited number of priority areas with respect to regional development (e.g. SME development, establishment of industrial parks, and capital investments) and **invite representatives of RDCs and RDAs to workshops or other types of consultations** on these priority areas initiated by relevant line ministries.

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<sup>1</sup> This is a general point about government effectiveness and is not based on a review of the quality of MCRD's documents ie all ministries should try to do this.

## **Issue 2: Co-ordination between the RD and other ministries which invest in regions or which have direct impact in regional development through their activities**

### **Main findings**

The Ministry of Construction and Regional Development (MCRD) is the main central public authority responsible for the implementation of the RD policy. According to the Law on Regional Development (Article 4) and the Government Decision (GD) on the implementation of the Law on Regional Development, the MCRD determines the national priorities for regional development, supports the creation and development of the regional institutions, organises the meetings of the National Coordination Council for Regional Development (NCCRD) and provides support for NCCRD decision-making. In the past year, in addition to the competencies prescribed by the RD law and regulations, the MCRD played an important role in refining procedures and kick-starting the RD project development process. The roles of RD institutions and the relationship between them are addressed in a separate paper that is part of the review of the RD legal framework, but some key points on the role of the MCRD relevant to this paper that resulted from interviews with key stakeholders are presented in Box 1.1.

### **Box 1.1. MCRD's evolving role in implementing RD policy**

The RD policy and institutional architecture was devised by the Ministry of Local Public Administration and the Law on Regional Development was adopted in early 2007. The creation of the regional institutions and the implementation of the law proceeded quite slowly. When the Ministry of Construction and Regional Development (MCRD) was established in 2009 with enhanced competencies on regional development and more capacities in terms of staff, the implementation of RD policy received a new impetus. In the first year after its creation, the MCRD faced a challenging task of finalising the creation of RD institutions, building capacities both within the ministry and on the regional level, overseeing the adoption of Regional Development Strategies, and developing procedures for RD projects selection and implementation.

Considering that in the first year of its creation, the MCRD managed in parallel both the establishment of regional institutions and the implementation of RD policy, particularly in terms of launching the implementation of the first RD projects, decision-making has been naturally quite centralised. The Ministry played a leading role in supporting the elaboration of the Regional Development Strategies, launching the call for RD project proposals, and co-ordinating the appraisal and selection of projects. At the same time, in the early stages of RD policy implementation, there has been less stringent need for strategic-level policy monitoring and evaluation. However, as RD institutions mature and build their capacities and as RD policy implementation evolves, the MCRD should gradually take on a more strategic role in terms of RD policy analysis, monitoring and evaluation, and decentralise more decision-making to RD institutions.

Inter-ministerial co-ordination is a dynamic process that is shaped by both formal legal requirements and informal communication through networks of public servants. As the MCRD and RDAs are new institutions implementing a novel policy, both legal requirements and informal communication are in a process of development. In the past year, the MCRD led inter-ministerial co-ordination and ensured

that ministries understood and consented to decision-making on regional development. Over time, the role of the MCRD is expected to shift towards facilitating direct communication between RD institutions and line ministries.

In addition to regular procedures for inter-ministerial co-ordination, the main forum for co-ordinating RD policy with other ministries which invest in regions or which have direct impact in regional development through their activities is the National Coordination Council for Regional Development (NCCRD). According to the Law on Regional Development (Article 5), the NCCRD is the main decision-making and co-ordinating body on RD policy on the national level. The NCCRD is led by the Deputy Prime-Minister responsible for economic matters, who also serves as the Minister of Economy. The NCCRD also comprises the Ministers of Construction and Regional Development, State, Finance, Environment, Agriculture and Food Industry, and Transportation and Road Infrastructure; Presidents of the three Regional Development Councils (RDCs), as well as private sector and civil society representatives. The MCRD's Regional Development Department serves as the Secretariat of the NCCRD, although the functions of this role are not formalised.

The main competencies of the NCCRD include:

- Endorsement of the National Strategy for Regional Development (NSRD);
- Approval of the Single Programming Document;
- Approval of criteria for evaluating regional development discrepancies, based on MCRD's analysis;
- Approval of financing from the National Fund for Regional Development (NFRD);
- Approval of the annual implementation plan, based on funding from the NFRD;
- Attraction of additional financing for the implementation of RD policy.

The MCRD prepares documents and analyses for NCCRD meetings, and recommends draft decisions as appropriate. Each Minister and other members of the NCCRD nominate a person from their ministry/organisation who reviews the documents and gives recommendations for action. The Minister may or may not follow the advice of the MCRD or the ministry's own staff. This is similar to the practice of inter-governmental decision-making in many European countries.

In 2010, The MCRD and RD institutions carried out the first call for RD project proposals, and the NCCRD approved for the first time financing from the NFRD. Projects were screened initially at regional level (by a committee established by the RDC) against a set of criteria. Following this screening, where a number of projects were rejected, project proposals were evaluated at national level by a Commission for Evaluating RD Project Proposals, a technical level group mirroring the composition of the NCCRD itself, i.e. comprising representatives from the same ministries. The Commission collectively analysed project proposals and applied criteria developed by the MCRD to select projects for financing from the NFRD. Those involved in the process generally consider it as an effective mechanism for inter-ministerial co-ordination. Moreover, formal mechanisms are in place to ensure collective decision-making and consensus-building on the political level.

The NCCRD and the Commission for evaluating RD project proposals include only several ministries that invest in regions or which have a direct impact on regional development through their activities. As such, a number of ministries are virtually cut off from participating in the decision-making process both when strategic objectives are defined and when financing for specific projects is approved. They can provide their opinion only at the point when draft Government decisions are presented for approval. As the RD institutions mature and a growing amount of activities and donor programmes are implemented on the regional and local levels, the ownership and participation of a growing number of ministries will be required to ensure effective information flow and co-ordination of activities.

In addition, as mentioned above, with changing roles of the MCRD and regional-level institutions, the focus of inter-ministerial co-ordination on some issues will shift. The RDAs and RDCs should gradually take over some responsibilities connected to policy implementation, such as leading the call for proposals, carrying out the initial appraisal of project proposals, and monitoring project implementation. The MCRD, on its part, should gradually move towards facilitating inter-ministerial co-ordination and overseeing RD policy implementation. The RDAs and RDCs, with the support of the MCRD should involve line ministries early on and at all stages in the process of RD policy implementation, from the identification of priorities in the Regional Development Strategies, to drafting calls for proposals, to reporting on project implementation.

In 2010, the Commission for evaluating RD project proposals was faced with the extremely challenging task of evaluating a large number of technically-complex project proposals in a limited amount of time. Members of the Commission did not always have the necessary information, nor were they best placed to take decisions regarding RD project proposals. Due to this, in the future, the GoM (through the NCCRD or the MCRD) might consider employing project evaluators to assist in determining the merits of project proposals. More of the evaluation could be done at the regional level, while the national-level appraisal would consist mostly of a compliance and consistency check. This issue is detailed in the options and recommendations below and addressed more thoroughly in the paper 5 on the call for proposals procedure that is part of the review of the RD legal framework.

The analysis in this paper has dealt mostly with the co-ordination of RD policy with line ministries which invest in regions. However, there is an emerging debate about the role of the RDCs and RDAs in coordinating sectoral policies at the regional level. This is a complex issue which is linked to the administrative-territorial organisation and the relationships between central and local administrative authorities at different levels, and as such is beyond the scope of this paper. However, consultations on this issue could be started within the Government and with donors, particularly in the framework of the EU-Moldova dialogue.

## **Options or Solutions**

- In the future, the GoM could consider formalising the role the MCRD as the NCCRD Secretariat by describing clearly its functions and responsibilities. This could facilitate communication and co-ordination with other bodies.

- The NCCRD should use its competence provided in the Law on Regional Development to invite other Ministers, as necessary, to its sittings. More importantly, perhaps, **technical-level specialists from line ministries should be involved in all stages of RD policy implementation, even if only to be informed about progress in various activities.**
- As the practice of evaluating projects becomes more the responsibility of the RDAs, with the use of external assessors, **new mechanisms for ensuring effective information flow both on the technical and political levels have to be designed.** These could include, but are not limited to: (i) submission of overview reports developed by project assessors to all relevant ministries and; (ii) workshops on the technical level of ministries to discuss conclusions of project appraisal; and (iii) formal presentations of the results of project appraisal to the political level.

## **Recommendations**

Based on the analysis and options described above, it is recommended that the GoM undertake the following steps:

- Introduce amendments to the GD on implementing the Law on Regional Development (Point 13) and describe the functions of the NCCRD Secretariat, particularly pertaining to relationship and co-ordination with other ministries.
- After the amendment of the Law on Regional Development to introduce provisions on programming and project cycles (as per Paper on RD Call for Proposals Procedures), introduce amendments in the GD on the implementation of the Law on Regional Development and provide for the requirement that RDAs submit overview reports to all relevant ministries, which will check compliance with legislation on State Budget Law, Public Procurement Law, public finance management legislation and requirements on technical projects.
- To ensure understanding of the project formulation, evaluation and selection procedure, the RDCs and RDAs, with the support of the MCRD, should organise workshops with public servants from relevant ministries, who will carry out the compliance check, and discuss the details of the process and projects.
- Before the NCCRD adopts the Annual Implementation Plan, the MCRD should make a presentation on the details about the project appraisal process.

## **Issue 3: Regional statistics availability**

### **Main findings**

In accordance with the Law on Regional Development (Articles 4 and 11) and the GD on the implementation of the Law on Regional Development, the MCRD, with the support of the MDRD project, has designed a monitoring and evaluation (M&E) system that has the function of ensuring accountability and supporting the proper functioning of the systems being monitored. The M&E system has been designed to report on individual projects, the Single Programming Document (SPD), the National Regional Development Fund, the Regional Development Strategies (as implemented in the Regional Operational Plan) and the National Regional Development Strategy, thus covering project monitoring, programme monitoring and evaluation and policy formulation, monitoring and evaluation.

As RD policy evolves and the MCRD increasingly focuses on strategic policy development, regional statistics availability will become an increasingly important issue for policy analysis, monitoring and evaluation. Regional statistics are particularly important for establishing key context indicators, preparing the basis for targeting of policies, and generally for informing decision-makers and supporting their decision by analyses and data. As other papers address project and programme-level monitoring and evaluation, this section will discuss specifically policy-level context indicators.

The M&E system and indicators for evaluating RD policy implementation is based (and should be based in the future) on an iterative consultation process between the MCRD, regional RD institutions, and the National Bureau of Statistics (NBS). The context indicators formulated for the current policy cycle (i.e. the current National Strategy for Regional Development and Regional Development Strategies) are presented below. The context indicators were formulated based on available regional statistics produced by the NBS, but also administrative data, such as budgetary flows collected by Ministry of Finance and lower level administrative data collected by the Ministry of Economy.

### **Context Indicators**

1. Number of new jobs
2. Increase in Short-term employment
  - a. Men
  - b. women
3. Increase in Long-term employment
  - a. Men
  - b. women
4. Increase in production
5. No of enterprises created
6. No of people trained
  - a. men

b. women

7. Increase in the value of exports
8. No of households with improved access to services
9. % of total expenditure going to infrastructure
10. % of total expenditure going to environmental activities

However, the M&E system should make use of available statistics and data, but also identify data needs and gaps from a policy perspective, which should then guide regional statistics development.

In the process of developing the current M&E system, the two most important data gaps that emerged were:

- The NBS does not currently produce regional GDP, which is probably the most important impact indicator; and
- Some of the data required for monitoring Regional Development Strategies is produced by statistical, rather than developmental regions and is not consistently available in the right format.

In the last year, as implementation of RD policy has progressed, the NBS, supported by the MDRD project and the MCRD, has been analysing options and thinking about development of regional statistics in the future. The NBS has already started to supply several key regional indicators to the MCRD and the NBS plans to begin estimating regional GDP in 2011.

## **Recommendations**

Based on the analysis and options described above, it is recommended that the GoM undertake the following steps:

- As Moldova moves closer towards the EU and dialogue on regional development assistance progresses, the Government should consider providing the necessary resources to the NBS for building the capacity of NBS in producing regional statistics. The regulations on the functioning of the NBS should be formally adjusted to reflect growing competencies in this area.
- In the future, the MCRD should continue working together with the NBS to define priorities in producing regional statistics. This will become particularly important in the next cycle of strategic planning (updating of the National Strategy for Regional Development and of the Regional Development Strategies), as new policy priorities for regional development emerge over time.

## **Issue 4: Role of RD policy as a co-ordination mechanism for donor funding of projects**

### **Main findings**

The main document that regulates the co-ordination of external assistance within the Moldovan Government is the GD on approving the Regulation on the institutional framework and mechanism for co-ordinating external assistance provided to the Republic of Moldova by international organizations and donor countries, which was approved in January 2010 (hereinafter GD on Co-ordinating External Assistance). In addition, there are formal requirements for Parliamentary approval of loans agreements, as well as various practices of managing assistance provided by specific donors.

The GD on Co-ordinating External Assistance is largely based on best practices of co-ordinating external assistance in former and current EU candidate countries. It establishes an institutional framework and a process for co-ordinating assistance with the following main features:

- The Inter-ministerial Strategic Planning Committee, headed by the Prime-Minister, ensures that external assistance is directed towards implementation of national priorities. The Committee endorses the main areas selected in donors' strategic planning documents, such as country partnership strategies and framework agreements.
- The Prime Minister is the National Co-ordinator of External Assistance. The Prime Minister signs framework agreements on behalf of the Government and reviews progress in effective and efficient use of assistance provided.
- The State Chancellery is the National Authority for Co-ordinating External Assistance. The State Chancellery is responsible for methodological and operational programming, monitoring and evaluation of external assistance, as well as for the transparent recording and use of the external assistance flows. As such, the State Chancellery, through its Policy, Strategic Planning and External Assistance Department, ensures communication with the donor community, provides advice to the Prime-Minister and the Strategic Planning Committee on programming of external assistance, participates in negotiations of framework and sectoral agreements, and monitors implementation of projects.
- The Minister/Head of the Central Public Authority or his/her deputy is the Sectoral Co-ordinator of External Assistance. The Sectoral Co-ordinator ensures co-ordination on the sectoral level, which includes elaborating project proposals, negotiating sectoral agreements, ensuring that there is no overlap of assistance, and ensuring effective implementation of projects in the sector.
- The Sectoral Council on External Assistance is a collective, consultative body, led by the Sectoral Co-ordinator and comprised of representatives of ministerial subdivisions, the National Authority, donors active in the sector, private sector (as relevant) and non-governmental organisations (as relevant). The Sectoral Council

identifies and proposes sector assistance priorities and monitors implementation of programmes and projects in the sector. Depending on the complexity of the sector, several Sectoral Councils on External Assistance can be created within one central public authority.

The GD on Co-ordinating External Assistance was envisaged to streamline decision-making in the area of external assistance, clearly provide for functions and responsibilities during the process of planning, contracting, and implementing external assistance programmes and projects, and replace the numerous project-specific Steering Groups by a limited number of Sectoral Councils. As mentioned above, the regulation is based on best practices of countries that have had increasing assistance from the EU in the area of EU integration.

However, neither the GoM, nor the donors fully respect the GD on Co-ordinating External Assistance. Capacities for the strict implementation of the regulation are still limited, and practices are not thoroughly entrenched. At the political and State Chancellery level, the regulation is understood and applied more systematically. The Inter-Ministerial Committee discusses and decides on major areas where external assistance is to be directed, particularly budget support and major projects; the Prime-Minister signs off framework agreements and supervises the most important programmes; and the State Chancellery co-ordinates major policy commitments, participates in negotiations, and maintains records of assistance flows. At the line ministries' level, on the other hand, the regulation is not clearly understood. Sectoral Councils are not fully operational in many central public authorities; numerous Steering Groups for individual projects still function separately from each other; and requests for funding from line ministries are not always coordinated with the State Chancellery.

The GD on Co-ordinating External Assistance does not include any provisions regulating provision or co-ordination of sectoral external assistance on the regional or local levels. In the last several years, the number of programmes and projects providing assistance directly to local authorities has been limited. Moreover, sectoral interventions that may have effect on regional or local development had little input in terms of decision-making from regional or local authorities. Most of assistance was given to sectoral ministries and specific locations were decided in consultation with national authorities. The programmes providing investments on the local level, such as the Social Investment Fund, for example, included mechanisms for approving specific sites in consultation with ministries.

That being said, the Law on Regional Development envisages a role for RD institutions in attracting and co-ordinating external assistance. Thus, one of the functions of the RDAs is to 'attract non-budgetary resources for the implementation of regional development strategies, programmes, and projects'. Moreover, there is a growing number of operational or planned external assistance projects that have the objective of investing in local infrastructure, improving local-level service-provision, and/or relating to spatial planning. Thus, the GTZ has begun implementation of a local service provision project in 2010; a number of donor agencies (the World Bank, the EBRD, etc.) have projects that invest in local level-infrastructure, an EU Twinning project to support regional development has been

announced, and significant amounts of bilateral assistance have been planned to be oriented towards regional and local development in the near future.

## **Options or Solutions**

The RDAs and RDCs could play an important role in co-ordinating external assistance on the regional level. The GoM could consider several options for including the RD institutions in the effective co-ordination of external assistance:

- The State Chancellery and the MCRD could consult and consider the **creation of a separate Sector Council on External Assistance in the area of regional and local development, led by the Head of the NCCRD or the MCRD**, as well as decentralisation. Such a Council should include representatives of RDCs and RDAs, relevant line ministries, donors, private sector and non-governmental organisations. The main objective of such a Sector Council would be to ensure effective flow of information and avoiding overlap.
- As the capacities of RDAs grow, the **RDAs could take on responsibilities for co-ordinating external assistance on the regional level**. The RDAs could collect information, carry out mapping exercises, co-ordinate activities of projects, and provide a link to sectoral policies. In carrying out such activities, the RDAs would have to liaise with both the MCRD and the State Chancellery. The GD on Co-ordinating External Assistance should be amended to clearly provide the role and resources of the RDAs in this field.
- In the medium-term, **a Regional Council on External Assistance could be created under the auspices of each of the RDCs**. They could have the same competencies and functions as Sectoral Councils, but on the regional level.

## **Recommendations**

Based on the analysis and options described above, it is recommended that the GoM undertake the following steps:

- Create a Sector Council on External Assistance in the area of regional and local development. It should include donors working on regional development, local service provision, and decentralisation.
- Carry out training and build the capacities of RDAs to co-ordinate external assistance. If possible, a focus point for external assistance should be appointed in each RDA.
- In the medium-term, create Regional Councils on External Assistance by amending the GD on Co-ordinating External Assistance to reflect their competencies.

These recommendations could be implemented gradually, by providing information and training at the regional level about external assistance, and increasingly involving RDAs in activities linked with attracting and implementing projects. As in other areas, it is important to

have a mutual understanding of constraints that national authorities and RD institutions face and **make sure that these activities are not perceived as a burden, but rather contribute to a successful performance of the institution.**