

ENPI - Neighbourhood - Mediterranean & Eastern Europe

**Support to the Implementation of the Pilot
Regional Development Programmes (PRDPs)**

Republic of Moldova

**Regional Planning and Project Pipelines for
Development Regions North, South, Central
in the Republic of Moldova**

Draft Inception Report

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Acronyms and abbreviations

APA	Academy of Public Administration
AVE	Foreign Trade Association of the German Retail Trade
BdB	Association of German Banks
BDI	Federation of German Industries
CEEC	Central and Eastern European Countries
CPSS	Complementary Private Sector Support
EC	European Commission
EE	Energy Efficiency
EaP	Eastern Partnership
ENP	European Neighbourhood Policy
EU	European Union
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOV	German Insurance Association
IFI	International Financial Institution
LED	Local Economic Development
LPA	Local Public Administration
MLPS	Modernisation of Local Public Services
MoTRI	The Ministry of Transport and Roads Infrastructure
MRDC	Ministry of Regional Development and Construction
NFRD	National Fund for Regional Development
PDP	Project Development Pathway
PPC	Possible Project Concept
PRDP	Pilot Regional Development Programme
RBM	Results Based Monitoring
RD	Regional development
RDA	Regional Development Agency
RDS	Regional Development Strategy
RDC	Regional Development Council
RGP	Ready-to-Go Project
RLR	Regional and Local Roads
ROP	Regional Operational Plan
RPP	Regional Planning and Programming
RSP	Regional Sector Programme
RSWG	Regional Sector Working Group
SC	Steering Committee
SEDS	Socio-Economic Development Strategy
SRA	State Road Administration
SWM	Solid Waste Management
VPC	Viable Project Concept
WSS	Water Supply and Sanitation
ZDH	German Confederation of Skilled Crafts

Glossary of terms

Possible project concept (PPC)	Project idea that is relevant and consistent with the regional plan.
Project development pathway (PDP)	Is a methodological and practical tool designed to assist the work through all of the 5 stages involved in developing a public project in a logical and systematic manner: Identification of project idea; Project conceptualization; Project concept outline design; Project elaboration; and Project finalization.
Project pipeline	A mechanism whereby a series of projects and their promoters are assisted to progress their projects from conception towards readiness. Projects in the pipeline can have different degrees of readiness, qualities, speeds, but it is necessary to ensure that poor quality projects do not progress through the pipeline.
Ready-to-go project (RGP)	Final project proposal, not necessarily or only full feasibility study, but which has all the required documentation, tender documents, expressed/ documented commitments, etc.
Regional operational plan (ROP)	Is an implementation plan for the Regional Development Strategy approved by the RDCs.
Regional sector plan	The initial document proposed for the regional sector planning process. The document was later reformulated into a Regional Sector Programme, which was the final output of the process. Is a tool for regional sector planning, developed in co-operation with the main stakeholders, to help them to take improved decisions related to investment, based on the general view in the region on how to develop the sector. It ensures that initiatives are based on regional and local needs and are in line with the central policy requirements currently in force. As a practical tool it gives an orientation for potential project promoters on the project development resources to be planned and allocated in the medium term.
Regional sector programme (RSP)	Document, developed based on regional sector plan and further adjusted to the structure defined by the governmental regulation, gone through official consultation process, approved by the RDCs.
Viable project concept (VPC)	Project idea which has been sufficiently developed from the state of possible project concept, and advanced further so that many of the features have become very clear; there is a clear understanding of the results/positive change that the project can bring. It has to be based on the clearly identified needs, expected demand, recognized owner/institution and expressed commitment, preliminary definition of the outputs (conceptual technical design), general understanding on financial size of the future project (this term corresponds to the definition of fiche used in the ToR of the consultant).

Project summary

Title/Number	Pilot Regional Development Programmes (PRDPs) – Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova”
Contribution	To the “Modernisation of local public services in the Republic of Moldova” project
Total cost	€19,900,000 (including additional co-financing from BMZ – 8.6 Mio EUR; Regional Fund – 7.3 Mio; Sida – 3.3 Mio EUR; Government of Romania – 0.7 Mio EUR).
Aid method / Method of implementation	Project /programme-based approach
Component II	Indirect centralized management
DAC-code	43010 Sector multi sector aid
CRIS	ENPI/2012/023-418

PRDP – Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova”– Summary

Overall objective	To support Moldova in advancing its economic, social and territorial cohesion with focus on the development of the policy, legal, institutional and developmental framework for an effective development policy for Moldova’s regions
Purpose	To facilitate a regional planning process leading to the development of a project pipeline relevant to specified areas and concerns of Moldovan RD and EU Cohesion Policy To develop capacities essential to sustaining the above objectives and support the wider regional development process
Expected results	Detailed regional plans covering five thematic fields essential to the development of Moldova’s regions (water and sanitation, solid waste management, local roads of key importance and from these updated regional operational plans for each region (N, S, C) Updated regional operational plans for each region where RD institutions are in place Validated capacity among responsible bodies relevant to the above results, including capacity to continuously manage a project pipeline A pipeline of ready to go, ready to finance and ready to procure projects in the five thematic fields. Indicative results for this are as below:
Beneficiary	Ministry of Regional Development and Construction of the RM
Duration	The project is planned for 26 months
Budget	EUR 5,000,000 - provided by the European Commission
Implementing Agency	Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ) GmbH

1 Introduction

In November 2013, GIZ and EU signed a Delegated Agreement¹ according to which the EU has delegated implementation of Component 2 of its Pilot Regional Development Programme (PRDP) to the Modernisation of Local Public Services project which GIZ has managed in Moldova since 2010.

The rationale for this was set out in a previous Formulation Study and the principle agreed with the adoption of the Action Fiche in 2012. In the formulation phase of the Action Fiche, all stakeholders in Moldova accepted that the GIZ Project “Modernisation of local public services in the Republic of Moldova” was extremely synergetic with Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova” of the PRDP for the Republic of Moldova. For this reason, Component 2 PRDP was to be implemented through indirect centralised management by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), GmbH in accordance with Article 54(2)(c) of the Financial Regulation. It was to be implemented within the above-mentioned Second Component of “Modernisation of local public services in the Republic of Moldova” and as a distinct sub-component.

In Table 5 of the Delegated Agreement the actions and outputs to be carried out in an Inception Phase are set out (see Table 1-8). Key among these is an “Inception Report including work plan and organizational issues agreed by Steering Committee”. The present document is the draft Inception Report submitted now for approval to the Delegation of the European Commission, Chisinau.

1.1 *Background to Pilot Regional Development Programmes*

The PRDP was a new initiative designed to enable and encourage Eastern Partnership (EaP) countries to learn and be inspired from the EU Policies of Economic and Social Cohesion of which regional development is an important component. In its guidelines for all PRDPs, the EC noted that the “focus should be on supporting the development of the requisite legal and institutional framework for an effective regional development policy, through policy dialogue, technical assistance, and ‘learning-by-doing’ on the basis of pilot activities”. It assumed that PRDPs would be continued in the next Financial Framework (and possibly extended to other ENP countries) and noted that without this extension it would be difficult to justify the important effort to made through PRDPs. It stated that the “...guidelines are intended to develop the foundations for an external dimension of EU Cohesion Policy and they therefore draw inspiration from the current EU Cohesion Policy instruments as well as the analysis and recommendations of the 5th Cohesion Report”. The European Commission proposed a total of EUR 7 million support to Moldova under this initiative, EUR 2 million of which related to the 2012 budget and EUR 5 million to the 2013 budget.

The Delegated Agreement recognised that actions similar to the PRDP have already been carried out in Moldova over the previous decade through three TACIS projects and bi-lateral donor-funded projects and programmes. Indeed, it was during the third and largest of the TACIS projects (“Support to Regional Development Implementing Bodies” (2005-2007), that first drafts of the National Strategy for Regional Development and the

¹ Republic of Moldova (2012) “Support to the Implementation of the Pilot Regional Development Programmes (PRDPs) - Agreement on Delegated Tasks and Actions - Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova”.

Regional Development Law were elaborated and, in the case of the latter, enacted shortly afterwards. In general, Moldova is more advanced than other Eastern Neighborhood countries in this area.

For this reason, the PRDP in Moldova focused on two main “gaps” identified in the emergent regional development system: regional statistics (subject of a separate TA contract and totally outside the scope of this GIZ project); and, regional planning and programming. The PRDP Regional Planning and Programming component has been delegated to GIZ to be delivered within its already existing “Modernisation of Local Public Services” project and within its own Area of Intervention 2, entitled “Regional Planning and Programming”.

1.2 Policy context into which EU Assistance is deployed

1.2.1 EU integration dynamics

In the past year the Republic of Moldova has made important progress on its pathway of European Integration. Specifically, an Association Agreement has been initiated² between the EU and the Republic of Moldova and this foresees a steady convergence with the EU *acquis* and general EU member state standards, including a Deep and Comprehensive Free Trade Area as part of Moldova’s gradual participation in the EU Single Market.

Under Chapter 20 of the said Agreement, “Regional Development, Cross-Border and Regional Level”, the “parties shall promote mutual understanding, and bi-lateral cooperation in the field of regional policy, including methods of formulation and implementation of regional policies, multi-level governance and partnership, with special emphasis on the development of disadvantaged areas and territorial cooperation, with the objective of establishing channels of communication and enhancing exchange of information and experience between national, regional and local authorities, socio-economic actors and civil society”. In so doing, they will seek to align Moldovan practice with the key principles of:

1. Decentralisation of the decision-making process, from the central level to the level of regional communities;
2. Consolidation of the partnership between all the parties involved in regional development; and,
3. Co-financing through financial contribution of the Parties involved in the implementation of regional development programmes and projects.

All three of the above principles are central to the entire MLPS project and especially to its Area of Intervention 2. These general principles are complementary to the efforts already supported by the EU in recent years in Moldova, especially in the sphere of regional development and good governance.

In the fields of environment, and specifically of waste management and water and sanitation, and in the areas of energy efficiency and transport including road transport, the same agreement foresees that Moldova will steadily align with the *acquis communautaire* and general EU member state practice.

1.2.2 Regional development in Moldova

“Law no. 438 of 28 December 2006 on Regional Development in the Republic of

² Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part - Version: 26/11/2013.

Moldova³ defines as the main objectives to: achieve balanced, sustainable socio-economic development for the entire territory of the Republic of Moldova; reduce the imbalances in socio-economic development levels between regions and within them; strengthen financial, institutional and human opportunities aimed at socio-economic development of the regions; and, support local public administration authorities and communities with the aim of socially and economically developing the settlements and coordinating action between these and national, sectoral, regional development strategies and programmes.

By 2010, an institutional framework of regional development similar in certain respects to that operating in other European countries had been created. Thus, a National Coordination Council for Regional Development (NCCRD) was created, aiming mainly at increasing the coordination of sectoral policies. NCCRD has, inter alia, the following main functions:⁴

1. Approval of national regional development policy (including the National Strategy for Regional Development and the Single Programming Document and ensuring consistency with broader national policy goals; and,
2. Approval of the criteria for measuring regional disparities and submission to government of proposals on determining and declaring disadvantaged areas.

At the same time, the managing and implementation authority of the regional development policy – the Ministry of Regional Development and Construction – was upgraded both in terms of staffing and funding (the NFRD comprises up to 1% of revenues to the state budget). At the regional level, Regional Development Councils (RDCs) with public and private membership were created, acting as regional coordinating and decision-making bodies and providing a link between regional priorities and the national regional development planning framework. Regional Development Agencies (RDAs) were established in three (out of six) development regions, as executive structures for the implementation of regional development strategies (RDS).

Regional development in Moldova is generally based on a programming approach (See Table 1-1), with RDSs being the core programmes and Regional Operational Plans (ROPs) intended to be their implementation plans.⁵ Programming and operational details are mostly defined in the RDSs in their description of priorities and measures. The objectives of the RDSs are developmental/investment (rather than process) in nature and the stated priorities define the programming and operational details of desired interventions. The priorities are relatively well defined as “general fields of intervention” with sufficient detail and, since 2010, have been updated twice. Two calls for projects have been run and managed by the Ministry of Regional Development and Construction (MRDC) through its three RDAs in 2010 and 2012 respectively.

Table 1-1: Key documents on which the RD programming process in Moldova is based

Strategic Document	Period covered	Validity	Operational document	Period covered	Validity	Approved by
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³ Law on Regional Development no. 438 of 28 December 2006, Official Gazette of the Republic of Moldova no. 21-24, 16 February 2007.

⁴ Appendix No.1 to Government Decision No. 127 of 08 February 2008, on the Regulation for the National Coordinating Council for Regional Development, Official Gazette no. 34-36 dated 19 February 2008.

⁵ Law on Regional Development no. 438 of 28 December 2006, Official Gazette of the Republic of Moldova no. 21-24, 16 February 2007, Articles 1, 9-11.

National Development Strategy	2008-2011	3 years	Implementation Action Plan	2008-2011	• 3 years	• Parliament
	• 2012-2020	• 7 years		• 2012-2020	• 7 years	
National Strategy for Regional Development	2010-2012	3 years	• Single Programming Document	• 2010-2012 & 2013-15	• 3 years	• Government
	2013-2015		• Yearly implementation document	• 2010 (annually updated)	• 1 year	• NCCRD
Regional Development Strategies	2010-2016	7 years	Regional Operational Plan	• 2010-2012 & 2013-2015	• 3 years	• Regional Development Council

In 2012, the Republic of Moldova developed a new three-year National Strategy for Regional Development (NSRD), though most recently has decided to initiate work on a longer-term strategy up to 2020. It is clear it will build this partly on the work already carried out in the past 18 months in key sectors that are relevant to the development of regions and have been supported by the MLPS project (see below).

The MRDC has continued to support the financing and implementation of projects through the National Fund for Regional Development (NFRD). Partly with the assistance of the MLPS project, the three RDAs have increased their resources (all employing around 20 persons), capacities and field of activities. The overall system for RD monitoring is continually being strengthened and RD policies continue to mobilise significant donor resources (in the past year, especially from the EU, Latvia, Poland, the Czech Republic, Romania, in addition to Germany and Sweden).

1.2.3 Sectoral development – SWM, EE, WSS

As in many other transitional countries (in the CEEC area), in Moldova a model of regional development got going almost in advance of sectoral development. Regional Development Agencies were founded, funding mechanisms put in place and projects developed in a largely bottom-up, and admittedly somewhat fragmented manner, within regional development policies before substantial activities on the ground had been initiated by sectoral line ministries and before sectoral policies were adequately formed. This was largely what occurred in Moldova between 2005-2010. It was unsurprising, therefore, that regional development straddled the full spectrum of possible sectoral interventions and this is reflected in regional development strategies and projects. Nevertheless, this “experimental” phase is acceptable only as a means to stimulate the development of appropriate sectoral policy. **There comes a time when sectoral policy must catch up and put some coherence into various bottom-up initiatives.**

It can be argued that with the new Government of 2010, Moldova passed to this stage. Across the Government system, and partly under pressure from donors wishing to commit budgetary support and requiring a full sector policy framework, ministries have been developing or updating national strategies and drafting framework sectoral laws. They have also, especially in the context of European Integration, been transposing

important elements of the *acquis communautaire* into Moldovan legislation.

These developments are an important start but they are still a long way from actually driving and shaping activities on the ground. **Part of the function of regional sector planning is to speed up this process and join up emergent national sectoral policies with regional and local needs.**

The status quo with regard to each of the sectors that are covered by EU-PRDP is set out in full in the following documents presented in Table 1-2.

Table 1-2: Situation (as of March 2014) with respect to regional planning in the PRDP sectors

Sector	Location of documentation
Solid Waste Management	Fully documented in approved Regional Sector Programmes (policy, strategic, legal, institutional, financial, technical)
Energy Efficiency Public Buildings	Fully documented in approved Regional Sector Programmes (policy, strategic, legal, institutional, financial, technical)
Water & Sanitation	Fully documented in draft (date: March 2014) Regional Sector Programmes (policy, strategic, legal, institutional, financial, technical)
Regional and Local Roads	Being documented within Regional RLR Programme being developed (see Annex X for background to sector)
Complementary Business Support	See below within this document

The following additional developments which have intervened in recent months should be noted.

Solid Waste Management

Table 1-3: SWM

Development	Date/details of development	Importance / Significance	Relation to sector planning or later project development
Strategy on Waste Management	GD nr. 248 of 10.4.2013 on approval of the Waste Management Strategy of the Republic of Moldova (2013-2027)	High	The WM Strategy aims to establish the direction of infrastructure development and implementation in an integrated and efficient system in social, economic and environmental terms.

Energy Efficiency Public Buildings

Table 1-4: EE

Development	Date/details of development	Importance / Significance	Relation to sector planning or later project development
DRAFT "Law on Energy Performance of the buildings",	December, 2013	High	The document describes the energy consumption of buildings. After implementation of EE project, it is planned to obtain the "Energy Certificate of the Building" - that shows high relevance of EE project.

Modernisation of Local Public Services

DRAFT Law of Thermal Energy	December, 2013	Medium	The Law promotes development of district heating system (and co-generation of heat and electricity) in raions of Moldova. For EE projects connected to district heating system of raion, it is proposed to not install new boiler houses without an economic assessment.
DRAFT Law on Renewable Energy Sources (RES)	December, 2013	Medium	Promotes development of RES. It is proposed not to install any new renewable energy sources if building is not energy efficient. (EE project implementation together with RES)

Water & Sanitation

Table 1-5: WSS

Development	Date/details of development	Importance /Significance	Relation to sector planning or later project development
Approval of the National Water Supply and Sanitation Strategy - Government of Moldova	Mar-2014	High importance - improvement of current policy framework and stimulation of regional development of WSS services	Setting directions towards regional development, harmonization of the National legislation with the most relevant EC Directives - both to be taken in RSP and further project development phases
Approval of Law on public WSS services No303 of 13.12.2013 - Parliament of Moldova	Dec-2013	High importance - improvement of current legal framework and stimulation of regional development of WSS services - introduction of new sector regulator, promotion of inter-municipal cooperation and delegation of WSS services	Introduction of licensing of operators, new tariff policy, delegation of WSS services - to be taken into consideration during the project development phase
Approval of series of secondary legislative acts for Water Law No272 of 23.12.2011 - Government of Moldova	Nov-2013	High importance - introduction of requirements on surface water protection and wastewater treatment	Transposition of the 91/271/CEE Urban wastewater treatment Directive shall be taken into consideration in RSP and further project development phases
Development of feasibility study on public-private partnership project for water supply in six northern regions in Moldova - EBRD	2013	Medium importance - relevant only for North and Center Development Regions	The results of the study shall be carefully analyzed during CPP development phase in order to avoid any duplication of efforts / overlaps with on-going activities of EBRD

Launching of the Chisinau Water Development Programme by EBRD	beginning 2014	Low importance	This activity shall be taken into consideration during development of PPCs in Chisinau neighboring rayons, benefitting from WSS services provided by Chisinau WSS Company (e.g. Ialoveni)
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1.2.4 *Regional and Local Roads & Complementary Private Sector Development*

An overview of the development in RLR is given in Annex 3. The following more recent developments are to be noted.

Regional and Local Roads

Table 1-6: RLR

Development	Date/details of development	Importance/Significance	Relation to sector planning or later project development
<p>*Program on distribution of road fund resources for year 2014. Government, MoTRI, LPAs</p> <p>[Note: *As opposed to previous years, for the year 2014 the Program envisages additional MDL 390 million for repair and maintenance of access roads to the institutions of social and cultural purposes within 706 localities.]</p>	<p>Government Decision No. 168 of 11.03.2014 published in MO No. 60-65(4699-4707 on 14.03.2014</p>	<p>High</p>	<p>Even though the 706 projects envisaged in the program are small and insignificant they cannot be ignored for the purpose of planning and may create additional work in projects selection and also may create false expectation.</p>

Complementary Private Sector Development

Moldova remains one of the poorest countries in Europe despite recent progress from its small economic base. With its moderate climate and good farmland, Moldova's economy relies heavily on its agriculture sector, featuring fruits, vegetables, wine, and tobacco. With few natural energy resources, Moldova imports almost all of its energy supplies from Russia and Ukraine. Moldova's dependence on Russian energy is underscored by an estimated \$4.3 billion debt to Russian natural gas supplier Gazprom due largely to unreimbursed natural gas consumption in the separatist Transnistria region. Previous Russian decisions to ban Moldovan wine and agricultural products, coupled with their decision to double the price Moldova paid for Russian natural gas and the large debt, continue to hamper economic growth. Moldova also depends heavily on the annual \$1 billion in remittances from the estimated one million Moldovans working in Europe and former Soviet Bloc countries.

As a small open economy in which agriculture has a significant role, Moldova's growth

performance has been strong but volatile. Real GDP grew by 7.1% in 2010 and 6.4% in 2011. In 2012, GDP contracted by 0.7%, as the economy was hit by a drought-induced contraction in agriculture and weaker external demand due to the Eurozone crisis. Finally, in 2013, Moldova had one of the best economic growths in the region, driven by a record harvest in agriculture as GDP increased by 8%.

Also in 2013 the industry sector generated by 6.6% more products compared to the same period a year before. Moreover, exports increased faster than imports (11.3% and 4.9%, respectively). However, Moldova imports twice more than it exports. Although agriculture comprises only 15% of GDP, it accounts for between 40% and 50% of employment. Moldova exports few goods, most of them agricultural products (35%), of which wine accounts for 18% of all exports. Another 16% are textile products and 13% are metal products and appliances, produced in the Rîbnița steelworks of Transnistria. Significant imports include mineral products and fuel, machinery, equipment, chemicals, and textiles.

Net inflows from foreign direct investment continue to be low, as foreign investors are still reluctant to invest in Moldova. After the record year of 2008, when the country was able to attract around \$700 million, only \$300 million and \$150 million were attracted in 2011 and 2012, respectively. The country ranks 88 out of 145 in a top of the countries with best conditions for businesses, issued by Forbes magazine.

Since 2010 the labour force employed in agriculture has declined steadily, and the service sector records from year to year a higher proportion of jobs. The proportion of people employed in industry is low, some 12.8% in 2010, and remained stable for the respective period. At the territorial level, the highest proportion of service sector workers are located in the Municipality of Chisinau. In contrast, other developing regions are characterised by high share of employment in agriculture (over 36% in all regions).

In 2010, the number of SMEs totalled 45,600 with the SME sector representing about 98% of the total number of enterprises. Most industrial enterprises are located in the Municipality of Chisinau, which accounted 76% of the total number of industrial enterprises. The largest volume of industrial production belongs to Centre region (63%). Enterprises from North and South produce 26% and 11% respectively of total industrial production.

Economic growth based on consumption and remittances exposes the economy to a number of vulnerabilities, but there is a greater danger associated with this model of economic growth, i.e. that remittances, at some point in time, will start to decline. Due to the absence of natural resources or competitive agricultural and industrial products for Western markets, Moldova is totally dependent on Russian markets and energy resources.

Moreover, Moldova's economic future remains vulnerable to political uncertainty, weak administrative capacity, vested bureaucratic interests, higher fuel prices and the concerns of foreign investors as well as the presence of an illegal separatist regime in Moldova's Transnistria region.

Against this background, the following more recent developments are to be noted:

First, the draft Association Agreement including the Deep and Comprehensive Free Trade Area, initiated in November 2013, will prepare Moldova's gradual participation in the EU Single Market. Implicit and explicit within this will be the transposition of EU public procurement law into Moldovan law, the opening up of domestic public markets to international competition, the possibility over time for Moldovan companies to bid for service, supply and works contracts across the EU. This will require a massive adaptation by Moldovan companies to embrace a much higher degree of

internationalisation than heretofore. It is well established that internationalisation, especially of SMEs, goes well beyond exporting and involves any form of cooperation, as supplier or partner, with any company that works to international standards or across international markets. Almost no Moldovan companies currently have the capacity to do this.

Secondly, the build-up of donor aid to Moldova will give rise to substantial procurement opportunities in services, supplies and works. In many cases the requirements of donors will reflect EU practice. Successful tenderers will need to know and be compliant with these standards which range from EU technical specification of equipment, to internal management, governance practices. As Moldovan law itself becomes aligned on EU law, these standards and requirements will apply to almost all procurement within, and outside, of Moldova.

These two developments offer opportunities but also some threat to Moldovan companies, almost all of which are SMEs.

The complementary private sector dimension therefore aims to ensure a linkage between the expansion of public investment (largely donor led) and the growth of the Moldovan private sector. In any usual situation around 35-50% of the volume of all sales are to the public sector. This is therefore an important opportunity for Moldovan companies, even if it requires substantial adaptation over time.

1.3 *Activities in the inception period*

Since the EU's PRDP assistance is embedded within an existing GIZ Project, deployment has been rapid and, in fact, many of the planned inception activities have already been completed in recent months. Activities and planned outputs as foreseen are set out below with commentary as to their level and mode of completion.

Table 1-7: Description of activities – Inception Phase

Activities as in Delegated Agreement	State of achievement
A 0.1 Project kick-off in Chisinau [est. Q1-2013]	EU-PRDP assistance began only in late 2013
A 0.2 Recruitment/Induction of additional members of existing GIZ Team and external consulting team to carry out PRDP activities [core and outsourced], reinforcement of Internal Management, Quality Assurance and Supervisory Resources	Already around 20 consultants and four GIZ advisors related directly to PRDP are in place. Around 10 further consultants, both short and long-term have been recruited since December 2013. Included in this are three LTEs for Regional and Local Roads as well as four STE experts.
A 0.3 Review/updating of Project Design taking account of state of progress of wider Project "Modernisation of local public services in the Republic of Moldova" and in particular component financed by Sida [with which PRDPs is particularly synergetic]	The GIZ Progress Report (December 2013) already proposed a scale-up of activities in anticipation of PRDP assistance

Modernisation of Local Public Services

<p>A 0.4 Design (re-design/updating to take account of PRDP activities and new areas of activity (roads, business development) of various intervention tool kits/methods/processes – capacity development for regional planning (roads, business development) [Workstream 1 below], pre-feasibility steps to project development (roads, business development) [Workstream 2 below], especially task of developing viable project concepts to full ready to go, ready to finance, ready to procure projects [Workstream 3 below]</p>	<p>Significant work has been undertaken in this regard, specifically: A work plan has been elaborated for the RLR sector, key stakeholders (MRDC, Ministry of Transport) have met, a Regional Sector Working Group has been formed and met in late February 2014 in all three regions, RDAs have been engaged. Work has already begun on elaboration of regional sector programme for RLR. Since January 2014 project development phase for Energy Efficiency has begun; since March 2014 also for SWM sector. RDAs have been re-assessed relative to January 2013 baseline with regard to their regional planning capacities. An entire review of regional planning activities undertaken in 2013 is being undertaken with a view to learning lessons and taking any required corrective actions. With regard to complementary private sector support, the following has been undertaken: a concept note and proposal, as well as a general work plan has been developed; sequa and the Chamber of Commerce and Industry has been contracted to implement the given workstream of activities; a series of meetings and workshop with relevant national counterparts (including MRDC, RDAs, Chamber of Commerce and Industry, ODIMM, etc.) have been undertaken in the Inception Phase to discuss the needs, challenges, prioritisation of measures for the implementation of the work plan, etc.</p>
<p>A 0.5 Establishment of regional and local planning groups per sector/per region, - business development, roads</p>	<p>Completed. For private sector business support, 1 national and 3 regional working groups were initiated for complementary private sector</p>
<p>A 0.6 Drafting and Agreement by Steering Committee of PRDP Inception Report</p>	<p>This document</p>

Table 1-8: Description of outputs – Inception Phase

Inception period outputs as in Delegated Agreement	State of achievement
<p>Inception Report including work plan and organizational issues agreed by Steering Committee</p>	<p>Subject to acceptance of this draft, this document will be presented to Steering Committee</p>
<p>Methods, processes, materials developed to support all workstreams</p>	<p>As set out in this document and also planned in Progress Report (Forward Work Plan (January 2014))</p>
<p>Project Organizational Structure reviewed and together with human resources fully operational to deliver PRDP Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova”, across workstream 1 (regional planning - roads, business development and support), workstream 2 (project development – pre-feasibility stage - roads, business development and support), workstream 3 (project development – feasibility stage – at least 2 sectors initially), workstream 4 (capacity development)</p>	<p>Undertaken - See McClements, Colm (2014, January) Progress report GOPA 2: July - December 2013. Chisinau: GIZ.</p>
<p>Project internal monitoring and reporting systems in place and operational</p>	<p>Undergoing revision: MLPS RBM Tool – Area of Intervention 2</p>

All activities and outputs foreseen for the inception period as foreseen in the Delegated Agreement are considered achieved.

2 MLPS Project

The principles of indirect centralised management through which EU assistance has been delegated to GIZ's MLPS Project imply that, save for specified exceptions, it is GIZ procedures and approach that will characterize project implementation. Practically this means that EU assistance will be combined with other donor financing within MLPS's Area of Intervention 2 which has been operational since early 2012. Below a summary of the MLPS project, and its current level of progress, is set out. This level is, to a large degree, the baseline for implementation of the EU PRDP Component 2 "Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova".

2.1 *Over-arching scope and focus of MLPS*

MLPS was commissioned by BMZ in 2009, based on the results of the government negotiations between Moldova and Germany of the same year. The current project phase (01/2010 – 12/2014) is funded by BMZ with EUR 3 million, the Romanian Government with EUR 0.7 million and the Swedish Government with SEK 30 million. Since 2010, MLPS supports various Local Public Administrations (LPAs) in extending and modernising service provision in water and sanitation, solid waste management and energy efficiency of public buildings.

Complementary to MLPS, the BMZ commissioned within the Project "Fund for Regional Development in the Republic of Moldova" at the end of 2012, which provides financial means to support the implementation of investments for improved local public service delivery. The following should be noted:

- The current budget of MLPS is 19.8 million EUR;
- The current budget of the project "Fund for Regional Development" is 6.9 million EUR;
- The main counterpart of the MLPS project is the Ministry of Regional Development and Construction;
- Technical assistance (TA) from GIZ is provided through regional development institutions in order to provide capacity development directly to the responsible public organisations, rather than providing it through separate consulting assignments; and,
- The overall objective of the project is to improve the conditions for local public service delivery in the Republic of Moldova through supporting regional and local actors in linking local needs with regional and national priorities.

With respect to project management, the MLPS is comprised of two areas of intervention:

- Intervention Area 1 – Local Public Service Delivery: Support to RDAs and LPAs in planning, developing, implementing and managing pilot projects for the improvement of local public services.
- Intervention Area 2 – Regional Planning and Programming (started early 2012): Support to RDAs and LPAs in regional planning and programming.

EU PRDP assistance is channelled only to Intervention Area Regional Planning

and Programming.

The institutional ownership and the identification with all described activities of both Intervention Areas by the competent Moldovan public institutions is crucial, as MLPS can only provide assistance and support to the various processes and shall never substitute the respective partner, according to its mandate.

2.2 Intervention area regional planning and programming

Since the start of 2012, an additional component of the project financed by Sweden (3.3 million EUR) has been under implementation. It is engaged in the region-wide planning of these sectors, based on a new methodology (regional sector planning). **From the regional sector programmes developed under this initiative, a project pipeline will emerge.** This is seen as a relevant manner by which to address much of the fragmentation in the regional (and local) development experienced to date.

This Intervention Area grew out of the first experiences of regional development as identified in the DFID/Sida Review of early 2011. This found that neither Regional Development Strategies nor Regional Operational Plans (two key instruments of RD in Moldova) provided an adequate basis to ensure good quality projects. The 2010 experience was that in fields where they ideally should have been larger, more regional and better integrated with each other and linked to wider strategic or operational plans at regional or local level, projects were often disconnected, small and lacked a coherent developmental rationale. This was especially a problem in certain areas that demand a very high level of planning and coordination at regional and sub-regional level – notably solid waste and water and sanitation. The Review emphasised the need for better planning and coordination, especially between strategic and operational levels, between relevant actors – especially national ministries (main strategic actors) and local public administrations (both levels) and between local public administrations themselves.

The focus of Regional Planning and Programming has to date been on improving and linking planning at regional level with regard to three sectors (solid waste management, water and sanitation, and energy efficiency-public buildings) to project identification and then investing time and resources to develop the most promising project concepts. Swedish support foresaw developing projects to the level of “fiche”.

The Delegated Agreement anticipated this development and considered that a fiche would be equivalent to a “viable project concept”. However, according to the methodology adopted by GIZ, and consistent with the Delegated Agreement, “Possible Project Concepts” (PPCs) are the end point of the regional sector programme. They are thus the starting point for substantial project development work to VPC and beyond. Depending on the sector, there is a little fluidity in practice with regard to the definition applied to PPC and VPC. In general, all PPCs agreed as part of the regional sector programme more than satisfy any reasonable criteria for a “project fiche” as described in the project documentation.

The focus of the Delegated Agreement was therefore on:

- Supporting development of projects from fiche/viable project concept stage to ready to finance/go stage;
- Extending the entire planning, project identification and project development stages to regional and local roads sector;
- Related capacity development;
- A complementary business support action – which in later discussions over 2014 between EU and GIZ, was limited to those activities most relevant to the other

four sectors and to the need to mobilise Moldovan companies to benefit from procurement opportunities deriving from financed projects.

The synergy between the original Swedish/German and EU support is shown below:

Table 2-1: Description of work streams within funding sources

Workstreams	Regional Planning	Project Development (1)	Capacity Development for Regional Planning and Project Development (1)	Project Development (2)	Capacity Development for Project Development (2)
Sector					
Water/sanitation	BMZ-Sweden	BMZ-Sweden	BMZ-Sweden	EU-PRDP-C2	EU-PRDP-C2
Waste management	BMZ-Sweden	BMZ-Sweden	BMZ-Sweden	EU-PRDP-C2	EU-PRDP-C2
Energy Efficiency of Public Assets	BMZ-Sweden	BMZ-Sweden	BMZ-Sweden	EU-PRDP-C2	EU-PRDP-C2
Local/ Regional Roads	EU-PRDP-C2	EU-PRDP-C2	EU-PRDP-C2	EU-PRDP-C2	EU-PRDP-C2
Business/Complementary private sector support	EU-PRDP-C2				

2.3 Progress to date

The Delegated Agreement was initially drafted in the first months of 2012, when Intervention Area 2 of MLPS was beginning. It was therefore not possible to foresee precisely the exact stage of progress the MLPS project would be at when EU-PRDP assistance began. Delays in starting the EU-PRDP also meant that alignment of the assumed start point relative to the real situation was not easy. Nevertheless, GIZ has planned its other activities within MLPS Intervention Area 2 on the assumption that EU-PRDP assistance would kick in at some point in 2013 and has planned its activities on this basis. This means that the PRDP is locked into MLPS relatively seamlessly as shown below. For future EU monitoring purposes the exact planned activities and outputs as set out in the Delegated Agreement are explained relative to MLPS Intervention Area 2 in **Annex 4**.

The precise baseline for implementation of the PRDP through Intervention Area 2 of MLPS is given below for both 31 December 2013 and March 2014. The first table effectively identifies what has already been achieved with Swedish/German support. **It is evident that the fundamental conditions for implementation of PRDP are in place.** As part of the five finalised Regional Programmes, Possible Project Concepts have been identified, assessed, and approved by the MRDC. These concepts constitute a firm basis for the project development phase of the agreed work process in Regional Planning and Programming.

The importance of the Programmes lies in the fact that they have real strategic, operational and potentially financial implications. Moreover, in both EE and SWM, it is clear that these documents are fully accepted by the relevant line ministries: in fact, in

SWM, the Ministry of Environment sees the Programmes as **their best chance to implement their National Waste Management Strategy**. Moreover the Programmes have been (or are in the process of being) discussed, consulted and accepted by all the main national and regional stakeholders.

Table 2-2: Progress to date and starting point to EU PRDP implementation (Dec, 2013)

Sector	Regional Planning Stage	Project Identification	Project Development
Water/ Sanitation	3 Draft Regional WSS Plans (in English)	Processes, methods and criteria proposed but not yet agreed	n/a
Waste Management	2 Regional SWM Programmes approved by main actors ⁶	5 SWM zones agreed each for a major SWM system projects in regions North and Centre. A further 3 proposed in region South	The detail of the Region SWM Programmes is such that effectively an outline concept for each system project is already proposed. Next stage (elaboration) can be full feasibility study, EIA, technical concept for preferred option, projected to start March 2014
Energy Efficiency of Public Assets	3 Regional SWM Programmes approved by main actors	33 “possible project concepts” consistent with Programmes agreed as start to project development work	Project development work in planning
Local/ Regional Roads	Preparatory work begun	n/a	n/a
Complementary private sector support			

Table 2-3: Progress during Inception period (March 2014)

Sector	Regional Planning Stage	Project Identification	Project Development
Water/ Sanitation	3 Draft Regional WSS Plans (in English)	Process started. PPCs due to be submitted for first review 21/3/2014	
Waste management	2 Regional SWM Programmes approved by main actors	5 SWM zones agreed each for a major SWM system projects in regions North and Centre. A further 3 proposed in region South	Work started in March 2013 on one SWM system project in each of the three regions. SWM project development team fully mobilized. New arrangements agreed

⁶ By decision of MRDC of May 2012 it was decided that regional sector plans would be terms “programmes” in the sense of the hierarchy of policy documents used in the Moldovan public administration. No SWM Programme was developed for Region South since a previous SWM strategy was taken as being equivalent in its effect.

			with RDAs to support this phase of work
Energy Efficiency of Public Assets	3 Regional SWM Programmes approved by main actors		Work started on all 33 PPCs. On site visits to 25 of the 33 complete. Reports drafted on each
Local/ Regional Roads	Preparatory work begun	n/a	n/a

*It is not easy – nor, in the spirit of Delegated Cooperation, necessary - to identify the precise point at which activities under PRDP kick in. In practice this is the point of agreement on a “fiche/viable project concept”. The expert team considers that this point will be reached as follows:

Table 2-4: Understanding precise base-line for PRDP per sector

Sector	Point of Agreement of VPC	Expected output at stage of VPC
Water/ Sanitation	Q3-2014	Around 20 out of 33 possible project concepts are expected to be considered VPCs. Current resources however do not allow all of these to be advanced beyond this stage.
Waste management	Q4-2014 ⁷	All SWM zones are expected to reach VPC stage, firstly a group of 3, then later a further group of 3 (includes on SWM zone from Region South)
Energy Efficiency of Public Assets	Q2-2014	Around 24 out of 33 possible project concepts are expected to be considered VPCs. Current resources however do not allow all of these to be advanced beyond this stage.
Local/ Regional Roads	Q3-2014	Not yet possible to determine

In Annex 4 a full explanation of the alignment between PRDP and MLPS Intervention Area 2 is given in detail.

2.4 Modalities of assistance to date

As presented above the approach may appear classically consultancy driven. However this is far from the reality. All GIZ projects follow a strict developmental methodology and process (Capacity Works, see <https://www.giz.de/en/ourservices/1544.html>), which focuses on gaining and growing partner commitment. As a general principle, GIZ seeks to avoid substituting partner effort, and considers that it merely supports the efforts of partners. This means in practice that at all stages the role of partners is strong both formally and substantively.

The development of Regional Sector Programmes was characterised by a relatively high level of participation and public consultation and an effective collaboration between the local, regional and national level as well as between the involved sectoral ministries.

⁷ To be clear, PPCs are already set out in fiche form. The issue is that until further work is undertaken it cannot be certain that in every case it is worth taking these concepts to later stages of development. This decision will be made only when and if VPC stage is reached. By “viable” we do not mean that the project will necessarily and certainly be viable in all senses, only that the concept is viable and merits being advanced through full elaboration stage. In simple terms, we might say a pre-feasibility assessment has been made. Dynamics work a little differently between sectors.

According to the legal and regulatory framework in Moldova, the Regional Operational Plans are under the responsibility of the Regional Development Councils and are being prepared by the Regional Development Agencies. With support from MLPS, the RDAs have set up Regional Sector Working Groups (RSWG) in the above mentioned areas during 2013 and have facilitated various sessions with local, regional and central-level institutions for joint planning exercises (specifically to underpin the development of the Regional Development Programmes). These RSWGs will continue to support the project development phase and in general, will aim to achieve improved sector governance.

In Annex 1 an extract from a recent internal review of the regional planning process for two of the sectors (SWM and EE) is included.

As a general comment it is fair to say that engagement deepened over the process but that in many cases it remains largely “reactive” rather than fully participative. Nevertheless, this has to be balanced against the time and resources available in which to elaborate the Programmes and the objective complexity of the issues, especially when visualised within a regional context.

The level of engagement required among key stakeholders (line ministries, RDAs, donors and IFIs) is now increasing. With regard to line ministries, engagement is clearly increasing and with regard to the RDAs it is now at a high level. **But with regard to donors and IFIs it is still inadequate and needs to be enhanced since the process of mobilising actors to develop major projects is sustainable only if there is some prospect these can be funded within foreseeable time-frame.**

In the period July – December 2013 public consultation was done in two stages after completion of the informal consultation procedure with the responsible ministries. The first stage consisted in publishing the Programmes on the RDAs’ and the MRDC’s websites, so all stakeholders and interested people could access the document and come with proposals to improve their content. These comments were collated by the RDAs and fed into the final revision of the documents. After this, the documents were presented to the RSWGs in a pre-final form.

In December 2013, public consultation events were held in all three regions organised by the RDAs with support from the MLPS, where key stakeholders participated in discussions on the draft Programmes. Attendees at these events were representatives of the Central Public Authorities (Ministry of Regional Development and Construction, Ministry of Environment, Ministry of Health, Agency for Energy Efficiency), Local Public Administrations of the 1st and 2nd level and municipal enterprises.

2.5 *Relevant lessons learnt*

This Inception Period coincides with two other developments and these provide specific lessons relevant to the work to be undertaken under the Delegated Agreement:

- An Interim Review of Regional Sector Planning (currently in draft); and,
- An internal MLPS Progress Review mission (PVK – *Verlaufskontrolle*) has been undertaken by GIZ during February- March, 2014 with regard to the entire MLPS project .

Below we set out, on the basis of these exercises work to date on regional sectoral planning and highlight a number of lessons learned.

2.5.1 *Regional sector planning*

The regional sector programmes are a hybrid and highly pragmatic form of planning. The main characteristic of this planning is to “bring order out of disorder”, and to set a feasible medium-term orientation towards action. It has been a challenge to gain consensus and understanding with respect to this approach from technical experts (often used to more ambitious, but often less successful forms of “master planning”). Only after the process is complete do stakeholders and experts see the efficiency and effectiveness of this approach within the prevailing conditions in Moldova. But in Energy Efficiency, Solid Waste Management and Water and Sanitation it is clear they do see the benefits of the approach, and the sectoral ministries as well as the MRDC, welcome it.

2.5.2 *Project development and project quality*

Work over the past 18 months has shown conclusively that the past approach to identifying and developing infrastructure and investment projects in Moldova was inappropriate. The approach proposed by the MLPS is significantly better adapted to needs; however, it does expose the huge gaps in the wider environment that hinder investment and project planning. These have been documented to date as “priority actions” within Regional Sector Programmes. It is clear that the usual Moldovan approach to project identification and development has been almost purely technical/engineer-driven and largely failed to take account of the social or economic rationale, including both need and demand, still less resolve these issues. Even if a feasibility study is required, (the case for infrastructure projects above MDL 5.0 million, though the law allows an alternative to this if the technical documentation is deemed to provide similar information as a feasibility study), well over 90% of its focus will be on technical (i.e. mainly engineering) issues. In short, the requirements and scope of a feasibility study as understood in Moldova are quite different than that in most European or OECD countries, and the main difference relates to the neglect in Moldova of demand, economic and financial considerations and, especially, key issues such as cost recovery and longer-term sustainability. Even if a project is submitted to a funding source such as the NFRD, the sections on the application form relating to economic and demand issues are inadequate and it appears likely that inadequate attention is given to these considerations at all levels of the appraisal process. Project preparation in the past has also lacked any gender mainstreaming and this will be addressed going forward through the piloting of different approaches across the four sectors.

2.5.3 *Institutional and policy development*

2.5.3.1 **Regional Development**

The RDAs play a major role in any sub-national form of development in Moldova. They are a unique delivery and development mechanism that – if used appropriately – can mobilise regional stakeholders around action. They have a potential well beyond the current mandate of the NFRD. They are increasingly useful to other line ministries (e.g. environment, economy, even agriculture) who, without any extensive network or local presence, lack the means of outreach to bridge the gap between national strategy and framework laws, on the one hand, and design and delivery of concrete actions on the ground, on the other. Appropriately harnessed, RDAs can, and do, bridge this gap in regional development and in those sectoral fields whose implementation practically is dependent on sub-national actors (increasingly solid waste management, water and sanitation and potentially other areas where they are already active (e.g. roads, economic development, tourism).

Nevertheless, the RDAs and RD system in general, are still formally premised on the expectation that the NFRD is the main mechanism and the main resource (MDL 170 million each year). But with this rate of investment, even combined with other sources, Moldova will take decades to reach even basic levels of development enjoyed currently by countries such as Romania. **It is clear there needs to be a significant increase in public and private sector investment and that planning needs to focus on that medium-term ambition.**

The RD system needs, however, to adapt to a wider challenge by becoming more developmental and strategic. In many ways this is a more ambiguous one since it will require new forms of “concentration” with sectoral line ministries, of a scale and nature that the workings of the NFRD have rarely required. In tandem, the RDAs will need to move into a more pro-developmental approach, ultimately becoming competent to support the identification and development of projects as the MLPS TA team has, and will be, doing. **For this reason, in the coming year, there is a need to re-focus and deepen the level of cooperation between the MLPS technical team and the RDAs.**

The work of regional planning has been impeded at every stage by the poor quality of regional and rayonal statistics in Moldova. Until this problem is remedied the possibility of evaluating interventions and their wider contextual impact will be impossible. The pathway towards more effective and enhanced public investment based on regional sector planning requires as well real progress to ensure adequate evidence on which to evaluate and plan interventions. This must be a priority for the MRDC.⁸

More generally, RD policy will, in practice if not in law, necessarily move towards a cross-sectoral, horizontal mechanism which promotes the outworking of sectoral policies at the regional level and the embedding of regional ambitions and energies within sectoral policies. To some extent this is already happening: it is obvious that regional sector programmes in WSS, SWM and EE provide – for the first time – a credible instrument through which line ministries can see their stated policy ambitions realised on the ground.

On the other hand, RD policy cannot simply be a mechanism for regional-sectoral interaction: the policy itself also must bring to the fore the specific territorial realities and pose a vision – at some stage in the future – for how people and economic and social opportunity should be managed across regions. In short, as sectoral ministries take up the challenge to engage with RD actors to ensure implementation on the ground, the key focus of RD policy should gradually shift **towards identifying and articulating the territorial issues underpinning national development while retaining a special interest in those fields where it is regional and local actors, rather than national administrations, which actually implement projects on the ground.**

2.5.3.2 Sector reform

A vast number of practical bottlenecks, related mainly to institutional, legal and many practical/operational issues, currently stand in the way of more ambitious investment plans in several sectors. Within those Regional Sector Programmes agreed to date, the more significant of these have been identified and targets as to their resolution set in an Action Plan.

In sum, as projects are prepared, there is a real need to address the most urgent bottlenecks that either block project preparation or will constrain the sustainability of project results. In short, project preparation **needs to be accompanied by a “smart”**

⁸ It is understood that an EU financed Regional Statistics project will soon commence.

focus on the most urgent sector reforms. These are set out in action plans within each regional sectoral programme. They are a tight list of key actions that need to be undertaken urgently. They deserve attention in the future in sector coordination councils, and in discussion among donors and within RSWGs. They are the “reform” counterpart to the practical work of preparing projects: **project preparation + focused sector reform = financing, implementation and sustainability of projects and their results.** The challenge now is to ensure these are effectively addressed and not neglected. This task goes well beyond the MLPS project. It requires a more vigorous “agenda for change” for line ministries. The sector reforms that are required are identifiable, concrete and possible: many other countries have done them. But they require a shift beyond framework strategies and laws and a real commitment to clearing away obvious bottlenecks. **They require action, not merely discussion, in some cases, complementary technical assistance, but in all cases a will to change.**

2.5.4 *Identification of the future investment sources*

It is already clear that the approach adopted under MLPS project provides advance warning of at least 24 months as to what will be emerging by way of ready-for-financing projects. There is now a real task to link donor energy and resources with real opportunity. This will require a structured approach in Chisinau, and well beyond. If it is not done, the project pipeline will silt up, as people grow weary of preparing real projects that lack prospect of future financing, or watch helpless as financing is directed to areas where it cannot be used, while areas where it can be used, go without.

Specifically, already a set of major investments is coming into view. In EE it will already require available financing in the range of EUR 15 million by end 2014, and something similar by end 2015. In WSS, EUR 25 million can be easily absorbed from end 2015 onwards, in roads certainly something similar; in SWM TA financing will be required to finish preparations after end 2015 for investments easily up to EUR 30 million. And this is only the front of the locomotive, the front end of the “pipeline”. Further back there are more projects moving up. The momentum that has been set in play will assure that, over time, more and more ready or near ready-to-go projects will emerge. It is time to consider – in a structured and strategic manner – how the financing gap can be addressed. It will soon no longer be the case that there is “more available financing than ready projects”.

3 Implementation of Delegated Agreement

3.1 *Approach*

This project is based on multi-level approach with implementation of additional consulting measures at national, regional and local levels. Like all GIZ projects, this project will be implemented according to the key principles and practices as set out in Capacity Works (<https://www.giz.de/en/ourservices/1544.html>). Specifically this means that GIZ itself will seek to empower the wider cooperation network of stakeholders so that, as far as possible, they will be able to continue the work and sustain the results of this Project after its completion. This requires constant attention to capacity development embedded within usual project activities, a process and method built into project activities to ensure that gradually counterparts take over tasks previously done, largely or wholly, by GIZ consultants and advisors and a process by which to capture, record and disseminate lessons for both policy and practice. Finally, as the project advances, it is essential to identify opportunities,, as far as possible based on existing Moldovan mechanisms, for effective policy dialogue that will drive wider changes that relate especially to the sustainability of Project processes and results.

3.2 *Process and methods*

The following main processes and methods, already observed within Intervention Area 2 activities related to regional sector planning, will be observed through the entire implementation of PRDP within MLPS.

General

The overall MLPS project is considered by GIZ to be a governance project. As such, “**how**” activities are undertaken in all parts of the Project including Intervention Area 2 is important. For GIZ it is essential to work in a manner that not only produces regional sector programmes and projects but to do so in a manner that enhances institutional and individual capacity, and that addresses all or any aspect of engagement, participation or decision-making process related to these “products”. Critically, GIZ considers that the process of planning and project development in all sectors must address the reality that most of the investment projects are part of an approach to ensure both regional development and sustainable local service provision. It is therefore important to address issues such as public awareness, regulation, and institutional development as part of the process of planning and project development. **GIZ has developed important experiences and lessons in this regard in its Intervention Area 1 (Local Public Services) and these lessons can also be harnessed to obtain outputs and results in Intervention Area 2 including those parts specifically supported by EU.**

Figure 3-1: Logic of planning and project development approach

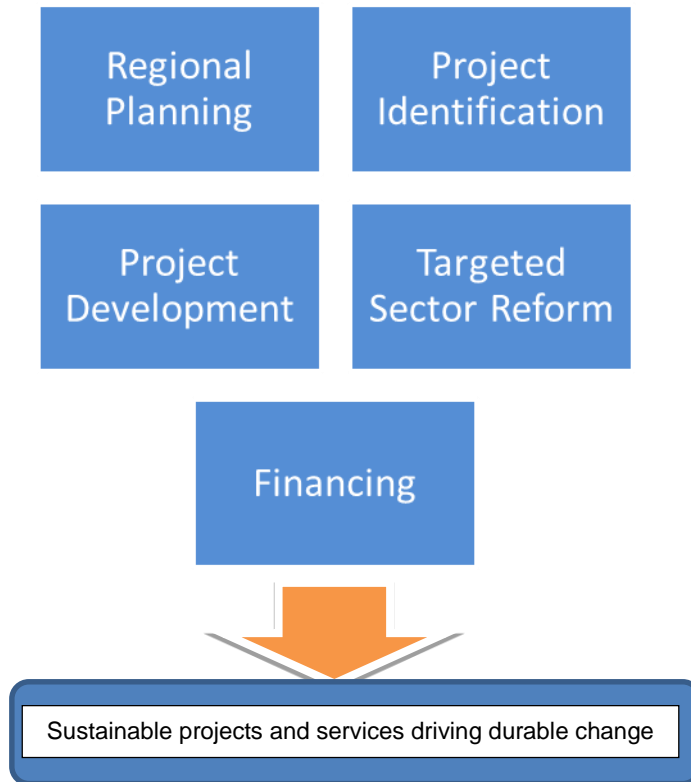


Figure 3-2: Efficient Local Public Service Model



GIZ will apply its own internal system of “Results-based Monitoring” to ensure that all

required outputs and results including those specified in the Delegated Agreement are on track. Additionally, taking account of its own distinct ethos, GIZ will monitor other outputs and results that are obtained through project activities. The model is currently being reviewed for Intervention Area 2. The relevant elements of the model as it pertains to those activities, outputs and results set out in the Delegated Agreement – are set out in the revised Results-based Monitoring Tool.

Specifically, the following tables provide indications of the kinds of process and methods to be deployed.

Table 3-1: Regional Sector Planning including Project Identification – Sectors SWM, WSS, EE, RLR

Process	Specific modalities	Intended outcome
Stakeholder Participation and Engagement into Sectoral Planning at Regional Level	Regional Sector Working Groups are established under MRDC for this purpose. With up to 30 members, these meet between 4-6 times through a planning cycle and are central in providing real inputs, and reacting to expert outputs. They ensure consensus acceptance related to key elements of the plans. Capacity development of all members is also assessed. RSWGs are convened and animated by RDAs with support from GIZ experts and advisors. Members include relevant line ministries, rayonal and municipal representatives.	Consensus based regional sector programmes, owned by regional and national stakeholders, committed to their implementation Enhanced capacity of persons and institutions involved in their elaboration
Process, Methods and Criteria for Project Concept identification	A process, method and transparent criteria have been or will be developed as part of the regional sector planning to enable identification of project concepts that will then be developed, as appropriate, into projects. These flow directly from the analysis, vision and rationale of the Regional Sector Programmes, are discussed and agreed in the Regional Sector Working Groups and with relevant line ministries. The process of identifying concepts involves RDAs, rayons and specific project beneficiaries. Appropriate support mechanisms are put into place. For WSS and RLR RDAs will be involved with experts in desk review of concepts and in discussions with beneficiaries. The processes and methods, once piloted and validated, will be transferred to RDAs along with support to capacity development so they can be replicated in any sector in the future.	Transparency, consensus ensured for relatively good project concepts. Capacities developed
Action Plan	The Action Plan which will accompany the list of possible project concepts focuses on those urgent and important actions required to clear away bottlenecks that impede or block project development and sustainability of project results. An important aspect of this is to ensure the conditions for sustainability of related services. The Action Plans specify actions correlated to specific actors and deadlines. These will be monitored in the Regional Sector Working Groups in the project development stage where a dialogue may be enabled among stakeholders as to whether and to what extent specific “enabling” actions have been effected. Regional actors as well as line ministries are part of this process which therefore makes a modest contribution to sector governance at regional level.	Regional actors as well as line ministries are part of this process which therefore makes a modest contribution to sector governance at regional level
Project Development	All projects to be developed will follow a specific “pathway” approach which is aligned on agreements already made with MRDC and is consistent with Delegated Agreement. This	A new behavior is promoted and embedded to

Pathway Approach	ensures that timely attention is given to issues which often in the past have been neglected prior to or even during project implementation in Moldova, such as economic and financial sustainability, key regulatory and institutional issues.	ensure regional development and service related projects are sustainable
Project Pipeline Management Approach	Related to the project development pathway a system will be evolved to enable the management, monitoring and reporting of pipelines of large numbers of projects. This approach, after validation by GIZ, will be transferred to RDAs.	Future management tool essential to facilitation of large-scale project development will be transferred to RDAs for future application

Process and methods: Complementary Private Sector Development

A major challenge – in view of the build-up of donor assistance in the coming years in Moldova - is the involvement of the private sector for preparing, submitting and implementing coherent and realistic bids for public tenders to implement investment projects in the public sector. This is especially the case with regard to companies located outside Chisinau. Therefore, the knowledge of companies with regard to the public procurement processes, relevant actors involved, support measures and institutions has to be increased so that they can avail themselves of tendering opportunities.

The general objective of this dimension of activity is to enhance the capacities of Small and Medium Enterprises (SMEs) operating in the North, Centre and South Development Regions of Moldova via the Chamber of Commerce and Industry of the Republic of Moldova, in cooperation with the National Organisation for Small and Medium Enterprises (ODIMM) and the Regional Development Agencies (RDAs). SMEs shall be enabled to participate at public tender processes by Regional Development Agencies for infrastructure projects in the areas of Water Supply and Sanitation, Solid Waste Management, Energy Efficiency of Public Buildings as well as Local and Regional Roads and to participate in joint ventures with multinational enterprises. Therefore, sequa and OA will provide consultancy services in the form of trainings, workshops, round tables and coaching for interested Moldovan SMEs in the above-mentioned sectors. Based on the potential results of the sequa/OA-intervention capacity development measures will be developed for the partners (RDAs, Chamber of Commerce etc.), ensuring the capacity for project development and public procurement.

Activities will be implemented by sequa and OA in Moldova and South-East-Europe. Sequa GmbH is a development organisation operating worldwide, promoting the development of the private sector and its membership organisations as well as education, training and further qualification. It is a non-profit company. Germany's top business membership organisations (DIHK, ZDH, BOA, BDI) and GIZ are sequa's shareholders. It has been cooperating with more than 100 European BMOs and over 250 BMOs from the target countries. Our business segments such as Private Sector Development, Business Membership Organisations, Vocational Education and Training as well as Social Dialogue are linked to our network and its day-to-day business.

It has broad experience in local economic development (LED)⁹ and, in particular, with

⁹ The World Bank defines LED as follows:

"Local Economic Development is the process by which public, private and non-governmental sector partners work jointly to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all."

regard to the involvement of the private sector. Sequa has refined the LED-tool and adapted it to the needs and the role of chambers and associations. Furthermore, sequa has large experience when it comes to public-private-dialogue and the role of chambers as facilitators in this process.

The Committee on Eastern European Economic Relations (Ost-Ausschuss) (OA) was founded in 1952. It is a joint organisation of the leading associations representing German business. It is supported by the Federation of German Industries (BDI), the Association of German Banks (BdB), the German Insurance Association (GOV), the Foreign Trade Association of the German Retail Trade (AVE), as well as the German Confederation of Skilled Crafts (ZDH). Membership of the Committee on Eastern European Economic Relations is open to companies with interests in Russia, Central and Eastern Europe, South-East Europe, the Caucasian Republics and Central Asia. The Committee on Eastern European Economic Relations represents and pools the interests of German business in Germany and in the above countries. It supports and strengthens the growing economic ties with these countries and regions.

QA-members are mostly multinationals, mainly operating in the sectors construction, renewable energies and engineering. Since OA is the regional arm of BDI it benefits from the network of BUSINESS EUROPE (BE). BE counts over 40 European industrial associations as its members, one of them is BDI. As a consequence, it established an institutional and corporate network. The long-term expert of the partnership project - due to his large experience in Moldova - will be offered as long-term expert of the current proposal.

4 Resource Plan and Outputs – Regional Planning and Project Development (2014-2015)

4.1 Introduction

A full explanation is given in Annex 4 of exactly how each element of activities, outputs and results as foreseen in the Delegated Agreement is addressed, or will be addressed, within the MLPS Project Intervention Area 2.

In summary:

Programmes (plans), as proposed in the Delegated Agreement for RLR, will be fully developed and agreed to standards already tried and tested in three other sectors.

Project Concepts in 4 sectors will be developed to stage of Viable Project Concept and after agreement with MRDC, and a foreseen Inter-Ministerial structure, many of these will be advanced further towards ready to go/procure stage.

Only in cases where financing for a given project is put into place and agreed, will a project (VPC) be progressed beyond “elaboration” (i.e. Stage 3). Projects at the end of Stage 3 are considered to be “VPCs at pre-final stage”, i.e. awaiting financing commitments before being progressed through the finalisation stage of full technical design and tender book.

4.2 Project Development as of 31 December 2013

Table 4-1: Situation with Possible Project Concepts (December 2013)

	Regional Plans/Programs Elaborated	Project Fiches Elaborated (PPCs)	Indicative Value of All Live Project Fiche in Sector (M€)
Energy Efficiency	3	33 + 66 in pre-fiche format ¹⁰ (+ 2 ready to go + 9 “parked” awaiting financing) ¹¹	33: 32.74 66: 51.90 2: funded: 2,239 9: “parked – to be funded”: 11.46
Solid Waste Management	2	5 (+1) in ppc format	70.9 ¹²
Water & Sanitation ¹³	3 ¹⁴	33	70
Regional & Local Roads	n/a	n/a	n/a

¹⁰ This refers to the approx. 30 M€ of possible project concepts that have not been taken up by MLPS for lack of resources but which could be taken up by other donors as a starting point to further project development.

¹¹ This refers to the projects developed from zero prior to or in parallel to Regional Planning in EE in order to ensure adequate project cover for presumed German Investment Support to this sector. In fact only approx. 2 M€ of these have been promised funding leaving a further 9 M€ of projects “parked” at an advanced stage of elaboration awaiting commitment to funding.

¹² Includes SWM Zone/Project from Region South on which MLPS will work. Does not however include other two SWM zones in Region South on which Czech Development Agency will work.

¹³ Does not include approximately 4 M€ of WSS projects taken over and developed further already for German Investment Support outside of scope of Regional Planning for WSS

¹⁴ Since Regional Plans are not yet submitted to MRDC, then figures for WSS are preliminary

Note:	Internal planning envisages around 26 road project concepts as initial starting point of an indicative budget of 90 M€
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Already project fiches or something even more substantial have been developed for a total approximate value of 187.339M€, without counting the estimated 90 M€ of regional and local road fiche that will be developed by Q3-14. Of this, 117.339 M€ are in pipelines that have been agreed with counterparts to be worked on further. The 13.70 M€ of EE projects that have been worked on are considered outside the scope of Phase B work and not taken as a base-line to Phase B work.

Current base-line (31/12/13) accepted for Phase B work: 103.64 M€ (i.e. Approved Possible Project Concepts - 32.74 M€ (EE) +70.9 M€ (SWM), all anchored in regional sector programmes.

It is fully accepted that number of PPCs will not in fact progress to VPC. They will be found to be inappropriate, problematic or, in the light of some new information, quite simply unfeasible. Nevertheless the number and financial volume of VPCs (Viable Project Concepts – see below) takes account of these realities. It also assumes that the inter-ministerial committee that will accept VPCs proposed as VPCs that should be further worked on, may reject certain proposals.

And the financial target for such ready-to-go projects following the experience of the first 18 months of Regional Programming and Planning indicates that the target foreseen in the Delegated Agreement of 205 M€ of “ready-to-go projects” cannot be met within the resources allocated by EU. The reasons are the following:

First, the volume of “ready to go/ready to procure” projects indicated is well in excess of what could currently be financed or implemented under prevailing or future conditions in Moldova. Experience within the MLPS project with regard to pilot projects undertaken within Area of Intervention 1 indicates that in the WSS and SWM sectors there exist many substantial legal, institutional, technical and practical obstacles to developing projects on this scale. Work undertaken in the context of German Investment Support confirms this and indicates that there exists practically no alternative technical assistance to develop projects other than that which is mobilised directly and financed under MLPS.

This challenges an implicit assumption underpinning the original targets: namely that the end beneficiaries (LPAs etc.) would themselves have either in-house technical expertise or have resources to mobilise some of this (as has been the case as far back as the late 1990s in countries such as the Czech Republic, Poland, and Hungary). **Practically in Moldova there exists no such capacity at all.**

The actual financing foreseen to cover technical assistance is well under the usual estimates of 3-5% of investment cost used to estimate project preparation costs. In fact it is around 1%. The resource could be adequate in a situation where the resources were used only for advice, coaching, support, verification, quality control. But in practice in Moldova much more is required to get projects prepared i.e. a very heavy commitment of highly technical expertise in the absence of any local financial capacity on the part of beneficiaries to buy in any such appropriate expertise.

Second, the assumption is made by GIZ that in practice investment financing for prepared projects will need to come from international sources according to various modalities including soft loans, budget support, and some grants. This implies that, in general, the standard of project preparation will **need to be closely aligned on international and EU standards.** This represents a major “step up” relevant to prevailing practice in Moldova where habitually project documentation is largely limited to technical design and budgetary quantification and tender book, according to old Soviet

standards. **The process of project development used by the GIZ will therefore need to be significantly more rigorous than the usual Moldovan standard with commensurate demand on resources, including international resources.**

Finally, there is the issue of project financing. In general, in Moldova projects are elaborated to a stage short of full finalisation and then submitted for funding to prospective financing sources (e.g. Energy Efficiency Fund, National Fund for Regional Development, Ecological Fund etc.). It is often the case that full technical design has not been done prior to promise of funding for the very good reason that valid technical designs require authorization from State Inspectorates and these authorizations remain valid only for a limited timeframe. Full tender documentation (including full technical design) is also subject to inspection.

In the Delegated Agreement between EU and GIZ it is explicitly noted that: “With regard to moving projects to the stage of “ready to go/procure”:, the main steps of project development under this workstream will be:

- Preliminary and full technical design;
- Feasibility tests or analysis – covering institutional, technical, economic, social and financial aspects. The objective of these analyses are to test the institutional, technical, economic, financial, environmental basis of projects as well as social aspects (i.e. willingness and affordability to pay) with a view to their improvement if appropriate;
- Other studies as may be required by legislation or requirements of particular donors/funding sources;
- All other documents or permits will be obtained/prepared;
- Subject to acceptance for financing or, exceptionally strong indications of the same, relevant tender documentation will also be prepared;
- As appropriate the Project will seek to interest other donors and IFIs in emerging projects, with regard to their financing, co-financing at implementation stage and even with regard to additional support at preparation stage”.

Already outside the scope of EU-PRDP, the MLPS Intervention Area 2 has developed projects to a stage of relative readiness well in advance of prospect of financing (See above Energy Efficiency). In the absence of such a prospect, it has proved pointless to advance further. However should such a prospect arise, then the finalisation stage can be undertaken relatively quickly. In other sectors it will take somewhat longer (e.g. SWM); however, the volume of financing required is so great that ample time will doubtless exist to complete preparation pending finalisation of a financing decision. For this reason, the GIZ, in line with the Delegated Agreement, will not to proceed to “finalisation stage” until a real prospect of financing is identified. Practically, however, all of the above steps indicated in the Delegated Agreement will be undertaken on agreed Viable Project Concepts which therefore will be advanced towards a stage of “ready-to-go” having at least all the following documentation and decisions:

Table 4-2: From VPC towards “Ready-to-Go” - Minimal Requirements

From VPC towards Ready to Go (requirements proposed by the GIZ)	
Decisions	Ownership and use/sustainability of all assets to be developed – clarified and agreed among relevant stakeholders - in writing ;

	Support for the project and its sustainability agreed by relevant ministry- in writing ; All legal requirements (including authorisations) up to current state of readiness complied with; Discussions with donors or other financing sources – already in progress.
Key documentation	Pre-feasibility study or equivalent – complete and accepted by project team (including partners); Feasibility study (economic, financial, institutional, technical, legal) - complete and accepted by project team (including partners); Conceptual Technical Design; Environmental Impact Assessment (or equivalent, e.g. environmental management plan); Confirmation of interest to support from relevant financing source.
Finalisation Stage will be undertaken if	Financing source is conditionally or unconditionally but formally promised; Will involve: <ul style="list-style-type: none"> • Full technical design of elements to be financed; • Tender book for elements to be financed that will be sub-contracted; • State Inspectorate Authorisations for elements to be implemented.
<p>Note on Finalisation Stage:</p> <p>Estimate of duration of finalisation stage (depending on intensity of resources) are as follows:</p> <ul style="list-style-type: none"> • EE: 6 months; • WSS: 6-12 months; • SWM: 18 months; • RLR: 12 months. 	

Taking account of the above remarks, and of available resources, the GIZ considers as realistic the following outputs:

Table 4-3: Readiness to end of Elaboration Stage (financing not yet secured)

Sector	Documentation	Number (Towards RTG (or equivalent without financing promise))	M€ (indicative)	Notes
Energy Efficiency	Will include documentation equivalent to feasibility studies according to standards already approved by GIZ Construction Department	12 RTG (equivalent)	11.8	Slightly in excess of DA output targets
Solid Waste Management	Pre-feasibility stage is covered by Regional Plans. Elaboration stage includes Feasibility Study, EIA, Conceptual Design	3	26.1	Around 40% Equivalent to DA output targets
Water & Sanitation	Pre-feasibility stage is covered by Regional Plans. Elaboration stage includes Feasibility Study, Environmental Management	12	25	Equivalent to DA output targets

	Plan Conceptual Design			
Regional and Local Roads	Pre-feasibility stage is covered by Regional Plans. Elaboration stage includes Feasibility Study, Environmental Management Plan Conceptual Design	12 x 15 km (180 km)	40	Around 66% of DA output targets
All 4 sectors			102.9	Around 59% of DA output targets for 4 sectors

4.3 Detailed output tables per sector

In the section below we set out the proposed target outputs for the sectors in detail. This is based on substantial internal work undertaken in November and December 2013.

Table 4-4: Detailed project outputs per sector

	Number	M€ (indicative)	Estimated date (of attainment)
Energy Efficiency			
PPCs	33	29.7	Q2-14
VPCs (approved)	18	15	Q2-14
RTG (or equivalent)	4	3.6	Q4-14
RTG (or equivalent)	4	3.6	Q2-15
RTG (or equivalent)	4	3.6	Q4-15
Sub-Total (RTG or equivalent)	12 RTG (equivalent)¹⁵	11.8	By Q4-15
Solid Waste Management			
PPCs	6 (North, Centre, South)	70,9	Q1 -14
VPCs (approved)	3	26,1	Q3/Q4 -14
RTG (or equivalent)	3	26,1	Q3/Q4 -14
RTG (or equivalent)	3	26,1	By Q4-15
<p>Notes: In this sector projects will complete “elaboration stage” (internal scoring 3.99) awaiting “finalisation phase” subject to promise of financing. Finalisation will consist primarily in full technical design and tender book elaboration as well as granting of relevant State Authorisations. Estimated duration of “finalisation stage” = 6 months. In this sector an estimated 6 VPCs, or potential VPCs, will still remain to be brought through the elaboration phase, subject to availability of further resources.</p>			
<p>Notes: In this sector projects will complete “elaboration stage” (internal scoring 3.99) awaiting “finalisation phase” subject to promise of financing. Finalisation will consist primarily in full technical design of all or part of the infrastructures for which financing has been secured and tender book elaboration as well as granting of relevant State Authorisations. Estimated duration of “finalisation stage” = 18 months.</p>			

¹⁵ RTG: no project will be advanced to full RTG unless financing promise is in place. Maximum level of progress will be 3.9 (full elaboration of VPC towards RTG). **Still to be done will be full technical design and tender book and obtain final authorizations from State Inspectorate (estimated time around 6 months).**

Modernisation of Local Public Services

In this sector the second group of Solid Waste Management Zones will also need to be brought through “elaboration stage”, subject to availability of further resources.			
Water Supply and Sanitation			
PPCs	33	70	Q3-14
VPCs (approved)	12	50	Q2-15
RTG (or equivalent) ¹⁶	12	25	Q4-15
RTG (or equivalent)¹⁷	12	25	By Q4-15
<p>Notes: In this sector projects will complete “elaboration stage” (internal scoring 3.99) awaiting “finalisation phase”, subject to promise of financing. Finalisation will consist primarily in full technical design of infrastructures for which financing has been secured and tender book elaboration as well as granting of relevant State Authorisations. Estimated duration of “finalisation stage” = 8 months. In this sector, a high number of VPCs, or potential VPCs, will still remain to be approved and then to be brought through elaboration phase subject to availability of further resources.</p>			
Regional and Local Roads			
PPCs	26 x 15 km (400km)	90	Q3-14
VPCs (approved)	18 x 15 km (270km)	60	Q3-14
RTG (conceptual design)	12 x 15 km (180km)	40	Q4-15
RTG (conceptual design)	12 x 15 km (180km)	40	By Q4-15
<p>Notes: In this sector projects will complete “elaboration stage” (internal scoring 3.99) awaiting “finalisation phase”, subject to promise of financing. Finalization will consist primarily in full technical design of infrastructures for which financing has been secured and tender book elaboration as well as granting of relevant State Authorisations. Estimated duration of “finalisation stage” = 12 months. In this sector a high number of VPCs or potential VPCs will still remain to be brought through elaboration phase subject to availability of further resources.</p>			
Total (all sectors): RTG equivalent	27	102.9	By Q4-15

¹⁶ RTG: no project will be advanced to full RTG unless financing promise is in place. Maximum level of progress will be 3.9 (full elaboration of VPC towards RTG). Still to be done will be full technical design and tender book and obtain final authorizations from State Inspectorate (estimated time around 6 months).

¹⁷ RTG: no project will be advanced to full RTG unless financing promise is in place. Maximum level of progress will be 3.9 (full elaboration of VPC towards RTG). Still to be done will be full technical design and tender book and obtain final authorizations from State Inspectorate (estimated time around 6 months).

5 Project management

5.1 *Responsible body*

The **Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), GmbH** has been chosen as the implementing partner in accordance with Article 54(2)(c) of the Financial Regulation. The Project Manager is Mr. Philipp Johannsen.

5.2 *Management structure*

GIZ is responsible for the implementation of the project and for managing the entrusted funds. There is a designated GIZ Senior Advisor for Area of Intervention 2 of MLPS. As such, he will be the person responsible for coordination of the implementation of EU-PRDP Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova”.

GIZ deploys regional programming and planning advisors to each development region, located in the RDAs. They are the contact point for all RPP activities in regions. GIZ has contracted the GOPA consortium to implement a technical work programme that, together with various process and capacity development elements, will ensure the smooth implementation of EU-PRDP- Component 2 within MLPS. Currently this team comprises:

- 10 Long Term Experts;
- Around 25-30 Shorter Term Experts; and,
- Administrative staff.

The team manages its own work plan, reporting to GIZ regularly and comprehensively.

5.3 *Other core management tasks*

GIZ-Chisinau undertakes the following tasks directly (these are not subject to any form of out-sourcing):

- Policy Dialogue;
- Quality assurance;
- Stakeholder Management; and,
- Overall M&E.

5.4 *Project organisation*

The GIZ – Moldova office is in charge for overall project implementation, including:

- Supervision of the project team;
- Continuous liaison with the MRDC, key stakeholders (RDCs, RDAs, line ministries etc.);
- Donor coordination relating to Project Activities;
- Coordination with other projects and agencies;
- Liaison with the EC Delegation;
- Organisation of, and participation, in the Steering Committee;
- Financial and team management;

- Procurement of all services, supplies and equipment; and,
- Ensuring compliance with EC visibility requirements.

GIZ Headquarters is responsible for the following tasks throughout project implementation:

- Recruitment of pool of experts;
- Carrying out monitoring and evaluation, providing backstopping support; and,
- Overall financial control and monitoring.

5.5 *Project coordination*

Through permanent representatives, the GIZ is continuously present in Moldova. GIZ is thereby able to respond in a swift and effective manner to inquiries from the beneficiary and EUD.

The **Steering Committee (SC)** will be the overall authority for the MLPS Project and will provide overall strategic direction to the project team. The SC will be identical to that currently used for the wider “Modernisation of local public services in the Republic of Moldova”. The EU Delegation is represented on this.

GIZ is also represented on the different sector coordination or donor coordination bodies.

5.6 *Monitoring and reporting*

Monitoring is a continuous function that primarily aims to provide the main stakeholders of this project with early indications of the quality, quantity and timeliness of progress towards delivering intended results. Therefore, all project activities will be subject to continuous monitoring by project implementers and beneficiaries, namely GIZ. GIZ will use its Results-Based Monitoring (RBM) system to monitor progress in an on-going manner. The GIZ RBM National Advisor is responsible for the RBM system. Specific outputs and results, as termed in the Delegated Agreement, have been integrated into the RBM system.

5.7 *Reporting*

As outlined in Annex 2, GIZ will submit to the Commission implementation reports and a final report, which will consist of both narrative and financial parts.

In addition to the abovementioned reports, GIZ will ensure that progress and situation reports are communicated to the Commission as and when they are issued.

All narrative reporting will be done in English and all financial reporting will be done in Euro.

5.8 *Financing and resources*

Financial resources are foreseen as in Delegated Agreement.

Table 5-1: Financing and resources - Summary

Component 2 – Regional Planning and Project Pipelines for Development Regions North, South, Central	5,000,000
Total Budget	5,000,000

*An indicative operational duration is foreseen for 26 months.

Table 5-2: PRDPs – Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova” only

Budget line	Cost	% of total
Human resources	4,153,000.00	83.06
Other expenses	847,000.00	16.94
Total	5,000,000.00	100.00

Table 5-3: Project “Modernisation of Local Public Services in the Republic of Moldova” and PRDPs - Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova” within it

	SIDA-GIZ Project		PRDPs		Total	
	MEUR	% of total	MEUR	% of total	MEUR	%
Human Resources	2,397,000.00	73	4,153,000.00	83.06	6,550,000.00	78.94
Other expenses	899,991.88	27	847,000.00	16.94	1,746,991.88	21.06
Total	3,296,991.88	100	5,000,000.00	100	8,296,991.88	100

Budget Notes:

The above table indicates that, in addition to EU funds, closely aligned actions will also be undertaken which are financed by Sida. The detailed costing underpinning this agreement indicates that GIZ will provide certain financial elements including common administrative support to the entire “Modernisation of Local Public Services in the Republic of Moldova” – from which the PRDP – Component 2 activities substantially benefit, and that, in the absence of this support, a higher level of administrative and back-office management costs would have had to be attributed to the PRDP Component 2 “Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova” budget.

5.9 Visibility

GIZ recognizes the potential of entire MLPS project and its EU co-financed Regional Planning and Programming Area of Intervention to promote visibility of the actions of the EU and its member states in support of the reform and EU integration process of the Republic of Moldova. The EU support intervenes at a critical moment in Moldova’s relationship with the EU, as well as to its wider neighbors. GIZ is committed to exploring synergies with wider EU communications approaches beyond the strict requirements of the Delegated Agreement.

GIZ adheres to the EC visibility guidelines as laid down in the EC regulation and in Article VII “Visibility and ex-post publication” of the General Conditions to the Delegation Agreement and the Communication and Visibility Manual for EU External Actions from April 2008. During the inception period, the MLPS developed the communication and visibility plan and consulted with the main project counterparts (please see Annex 6). All MLPS materials (website, leaflets, print and web banners) are being updated with recognition of the EU co-financing. Also, MRDC informed media on the EU support to the regional development as per Delegated Agreement. RDAs informed the media on the start of the activities in the field of Complementary Private Sector Support (please

Modernisation of Local Public Services

see Annex 7). As part of the communication and visibility plan, MLPS planned raising awareness campaign on the EU integration benefits, with focus on regional development projects.

The support of the EU for this Project within the wider “Modernization of Local Public Services” project will be clear to stakeholders and the wider public.

Annexes

Annex 1	Regional Planning – Experiences to date (Extracts from Interim Regional Sector Planning Review (draft), Feb 2014)
Annex 2	MLPS Project RBM Architecture
Annex 3	Regional and Roads Sector – Status Summary
Annex 4	Planned activities and outputs (Delegated Agreement) relative to actual situation – Detailed Comparison - Standpoint March 2014
Annex 5	Work Plans Annex 5A: Regional Planning Sectors – SWM, EE, WSS, RLR Annex 5B: Complementary Private Sector Development
Annex 6	Communication and visibility plan
Annex 7	List of media List of media clippings related to this Action
Annex 8	Bibliography to main documents

Annex 1: Regional Planning – Experiences to date (Extracts from Regional Planning Review (draft), Feb 2014)

In this section a short summary of the general approach agreed for regional sector planning is presented. It has deliberately been kept brief, but a fuller description of the process can be found in the MLPS (2013). The section also includes a description of how this methodology ***was actually applied in the EE and SWM sectors*** in 2013.

The process of regional sector planning has been introduced to address a specific issue. When the MRDC reviewed the first experiences of regional development in Moldova at the beginning of 2011, it was concluded that many of the identified projects were too small and in future needed to be better connected to each other. Moreover, projects were sometimes being initiated without any real reference to national strategic or operational guidelines. There needed to be a shift towards projects with a greater grounding in both national policy and more detailed regional planning of the sector.

RD projects are to be designed and viewed as part of a larger sector development architecture (especially in the WSS and SWM sectors) which will enable local public administrations to cooperate and strategically plan their interventions in the sectors. These considerations led to the general conclusion that: ***it is required that the process of project identification: is consistent with national strategic and regional operational priorities; and, is fluent as a process - takes over possible project concepts as a first (PPC) stage and supports the development of good ready-to-go (RGP) projects from these concepts.***

It was therefore recognised that there was a need for a form of planning that is more detailed than what is usually done when regional development strategies are developed but falls short of developing fully-fledged national sector plans which are the responsibility of sector ministries. ***Hence the idea of a new form of “regional sector planning”*** for Moldova was proposed. GIZ agreed to support this with assistance from Sweden under its MLPS project (Regional Planning and Programming component), and the EU more recently has agreed to support this same initiative further.

Now resources are available to support RSPs in each of the three development regions for SWM, EE in Public Buildings, WSS, and RLRs – all areas falling within the current regional development strategies. The RSPs will include, as a working document, a list of possible project concepts (PPCs) and an action plan. Over time, support will be provided to enable the best of these PPCs to become full RGPs.

In summary, a new method of regional planning is being applied to three sectors – SWM, EE in public buildings, WSS, with the further extension to RLRs in all three of Moldova’s development regions - North, Centre and South.

General approach to regional sector planning

The RSPs were developed by Regional Sector Working Groups (RSWG) through a series of technical workshops. Each RSWG comprised around 20 representatives of LPAs and service providers, formed by the RDAs under the auspices of the MRDC. The purpose of the RSWG technical workshops is to engage participants, draw on their experience and expertise, enable them to think and plan strategically, and offer technical support to them in order to clearly define and analyses the issues facing the sector in the region and further identify practical solutions.

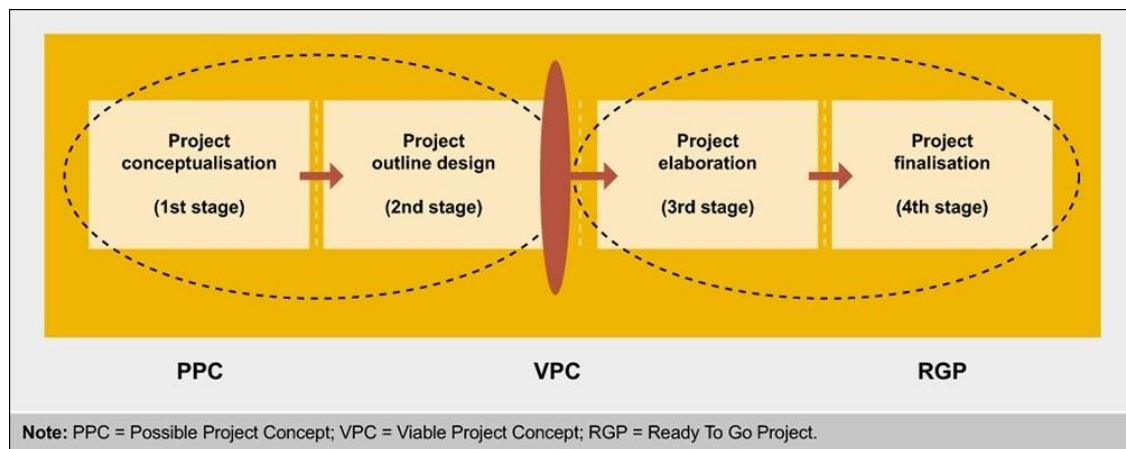
The number of workshops organised in the territories varies, depending on the sector, the level of its complexity, and progress achieved.

The RSPs were developed in a series of steps:

- Initially, a RSP structure was agreed with the main stakeholders. It was presented, discussed and agreed with the MRDC, and then presented to the RDAs and RDCs;
- The RSWGs were formed under the auspices of RDAs and the MRDC in all the development regions and were supported by the MLPS technical team;
- The draft RSP was developed as a result of series of RSWG workshops and further additional informal consultations with the line ministries, although their participation in the development was ensured by their representation along the development process and during RSWG sessions (it also involved substantial expert work); and,
- After the amendment/improvements in the initial draft, following comments, the document was adjusted to the required regional sector programme (RSP) structure.

Included in the RSPs that are presented to the RDCs for approval is the agreed methodology for identifying the list of PPCs. These represent the first stage of project identification through the agreed project development pathway summarized in Figure 1 below.

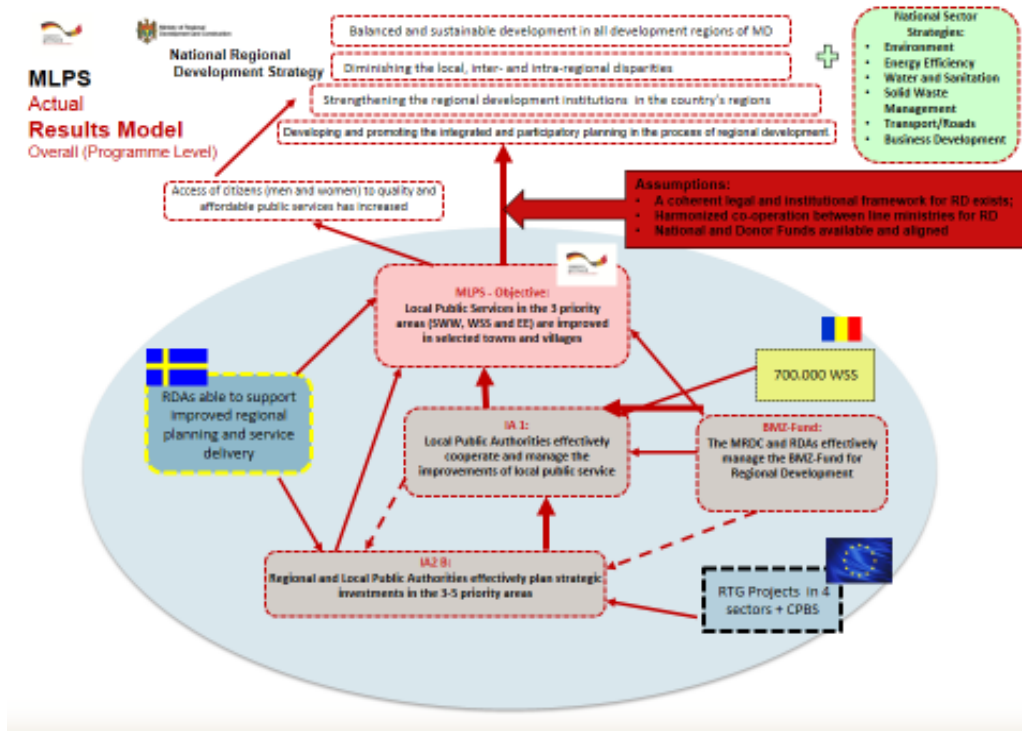
Figure 1: Project development pathway



Further details can be found in the full review:

McClements, C., Nastas, D. and Rimmer, M. (2014, March) *Interim review of regional Sector Planning*. Chisinau: GIZ.

Annex 2: MLPS Project RBM Architecture



Annex 3: Regional and Roads Sector – Status Summary

Base-line of current investment activity in the sector

Roads, in particular, are of importance for the economic and social development of Moldova. Being a geographically small and landlocked country, a decent and well maintained network of national and local roads is the optimal solution for transporting both freight and passengers inside the country and for middle distance international transport. Presently, 95% of inter-urban passengers and 85% of freight is transported by road.

Road sector in Moldova

The extent of the Moldovan road network (excluding Transnistria) has changed little over recent years, with a quoted total length in 2011 of 9,322km, of which 3,335km are national roads and 5,987km are local roads. 2011 data published by the State Road Administration (SRA) shows that 92.5% of national road and 46.1% of local road length is paved. This gives an overall figure of 62.7% paved for the entire network of 9,322 km. Table 1 below summarises the road network by surface type as of early 2011. The data is for those roads which are within the responsibility of SRA and excludes Transnistria.

Table 1: Length of road network (kilometers) by surface type, 2011

Status	Concrete	Asphalt Concrete	Surface treatment	Gravel	Earth	Total
National:	287.4	2657.1	139.8	251.0	0.0	3335.3
%	8.6%	79.7%	4.2%	7.5%	0.0%	
Magistral	249.1	550.2	18.3	2.3	0.0	819.9
Republican	38.3	2106.8	121.4	248.7	0.0	2515.3
Local	41.6	2374.0	342.6	2716.4	512.5	5987.0
%	0.7%	39.7%	5.7%	45.4%	8.6%	
Total	328.9	5031.0	482.3	2967.4	512.5	9322.2
%	3.5%	54.0%	5.2%	31.8%	5.5%	

*Source: SRA

From 1992 the maintenance of local roads decreased dramatically, which caused a high level of distress, especially for gravel and earth roads which together consist of 54% of the total local network. Most local roads have inadequate riding quality. According to a study conducted by SweRoad (Moldova, 2011) the condition of local roads network is shown in Table 2 below. Over 78% of local roads are in poor to bad condition, with the remainder in fair condition.

Table 2: Moldova's road network condition (Local Roads)

Condition	Km	%
Good	0.0	0
Fair	1,287.2	21.5
Poor	4,095.1	68.4
Bad	604.7	10.1
Total	5,987.0	100.0

*Source: SweRoad

Road Sector Reform

Based on the understanding that transport infrastructure is a critical precondition for inclusive economic and human development, the World Bank and the Government of Moldova reached an agreement in 2006 that, in principle, the World Bank would support the Government's Transport Sector Program for the years 2008-2017. Subsequently, both EBRD and EIB indicated their willingness to participate in the funding of the project. The past and currently ongoing efforts are organised under the "Road Sector Support Project" (RSPSP).

The Ministry of Transport and Roads Infrastructure (MoTRI) is the central organ of public control, which develops and realizes the policy of state in the sphere of transport and road infrastructure. The Decree 695 from 18.11.2009 defines the role and responsibilities of the agency.

The State Road Administration is the corporative road agency responsible for the day to day management and maintenance of the country's entire road network. It holds the title of ownership of the roads and their right of way. It is in charge of all road construction, maintenance and rehabilitation and of road safety. The State Road administration is also responsible for all decisions concerning the use of funds for roads, both from the State Budget and from the Road Fund. The SRA is directly subordinate to the Ministry of Transport and Road Infrastructure (MOTRI).

Current financing in Road Sector: The SRA administered program includes a total of 1,047 km of roads identified for rehabilitation and a further 1,096 km for resurfacing in the years 2011-2015. In total, 1047 km are proposed for rehabilitation at a cost of 750 million EUR, or about 716,000 EUR per km. Some of the sections include construction of limited by-passes and therefore represent new construction. Sections of reconstruction/rehabilitation on the existing road alignment average at around 630,000 EUR per km. Sections of new construction are estimated at around 1.5 mil EUR and sections of existing road that require substantial reconstruction and adjustments in alignment, such as M2 and R1 are in the range of 900,000 EUR to 1 mil EUR per km. In addition, 409 mil MDL (approximately 28 million EUR) has been allocated for 1,096 km of resurfacing. Table 4. presents a summary of the on-going Road Rehabilitation Program.

Table 3: Summary of On-going Road Rehabilitation Program

Type of work	Km	Total Cost €m	Cost per km	Annual km (2011-15)	Annual Cost €m (2011-15)
Rehabilitation	1,046.3	749.3	0.716	209.3	149.86
Surface Treatment*	1,096.0	27.22	0.025	365.3	9.07

*(2012-14) Source: Kocks Consult, Technical Report – Road Sector, Nov. 2012

Road Fund

In late December 2009 the revised Road Fund Law was enacted to include a commitment for allocating no less than 50%, 65% and 80% of the revenue from the fuel excise tax, in budget years 2010, 2011, and 2012, respectively, to the Road Fund for road maintenance; Currently, in 2013, the funding level is at about 1.1 Billion Lei or roughly 100 Million USD per year.

Table 4: Road Fund allocation, years 2011-2014

#	Item	Year			
		2011	2012	2013	2014
(a)	MOF projected Fuel Excise Tax Revenues (MDL millions)	1,013	1,119	1,200	1,258
(b)	MOF projected % of Fuel Excise Tax allocated to the Road Fund (based on current Road Fund Law)	65%	80%	80%	80%
(c)	MOF projected Road Fund Revenues from Fuel Excise Tax (MDL millions) = (a) x (b)	658	895	960	1,006
(d)	MOF projected additional Road Fund revenues (MDL millions)	130	130	130	130
(e)	Road Fund Revenues as projected by MOF (MDL millions) = (c) + (d)	788	1,025	1,090	1,136

*Source: Government of Moldova

External financing

The Government of Moldova has successfully worked with several International Financial Institutions (IFIs) to secure funding for road projects. The following agreements are in place:

- Financing Agreement between the Republic of Moldova and the International Development Association (IDA) of May 3, 2007;
- Financing Contract between the Republic of Moldova and European Investment Bank (EIB) of June 28, 2007;
- Loan Agreement between the Republic of Moldova and European Bank for Reconstruction and Development (EBRD) of June 28, 2007;
- Financing Agreement between the Government of the Republic of Moldova and European Commission (EC) of December 3, 2008 (NIF grant managed by EBRD);
- Financing Agreement between the Republic of Moldova and the International Development Association of May 3, 2007 (CE grant through IDA - managed Trust Fund);
- U.S. Government grant (MCC) signed between the Republic of Moldova and Millennium Challenge Corporation (MCC) on January 22, 2010;
- Loan Agreement between the Republic of Moldova and European Bank for Reconstruction and Development (EBRD) of June 28, 2013; and,
- Loan Agreement between the Republic of Moldova and European Investment Bank (EIB) of June 28, 2013.

Currently, IFIs contribute approximately 300 Mio € to the road rehabilitation for the years 2011 through 2015.

National Fund for Regional Development

Other sources of funding include the National Fund for Regional Development which is governed through Annex Nr. 4 to the Government's decision No. 127 from February 8th, 2008. In the "Regulation on the Development and usage of the National Fund for Regional Development Resources" it is outlined:

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- general provisions;
- fund resource development;
- fund management;
- usage of fund resources; and,
- control over the usage of the resources.

The fund resources are primarily formed through an allocation of at least 1% of the state budget revenues on an annual basis as well as financial contributions allocated through multilateral and bilateral international programmes.

The funding level in 2012 was 154.60 Mio MDL, of which 62,6 Mio MDL were allocated to 8 road projects. The annual report identifies 12,30 km of road construction and 14,5 km of road rehabilitation for a total length of 26,35 km.

Funding level for 2013 is 191,25 mil MDL, of which 78,22 Mio MDL are allocated for road projects. Each Regional Development Agency has developed a regional development strategy and regional operational plan. From the individual projects listed in the operational plans, a selection is made to include those in the government Decision for inclusion for funding through the National Fund for Regional Development.

Social Investment Fund

The objective of the Second Additional Financing to the Second Social Investment Fund Project for Moldova is to support the implementation of the national development strategy by empowering poor communities and vulnerable population groups to manage their priority needs, and to contribute to employment and wage incomes in selected poor rural communities during the current economic contraction and during the recovery. The project invests in planning, management, and infrastructure aspects of community development. In the past The Social Investment Fund has financed local road projects.

Annex 4: Planned activities and outputs (Delegated Agreement) relative to actual situation – Detailed Comparison - Standpoint March 2014

As explained in the main body of the report, certain planned activities and outputs have had to be reviewed in the Inception Phase taking account of MLPS implementation to date and the evolution of the wider context in which the Project (and EU-PRDP) takes place.

Description of activities – Implementation phase - Workstream 1

Table 1: Explanation of the MLPS work plan, Workstream 1

Implementation	Activities	Explanation relative to MLPS work plan
<p>Expected result:</p> <ul style="list-style-type: none"> Detailed regional plans covering 2 additional fields (private sector development/support and regional/local roads) in addition to three thematic fields essential (financed by other donors) to the development of Moldova's regions (water and sanitation, solid waste management, energy efficiency of public buildings, local roads of key importance, as well as complementary support to the creation of a sustainable environment for the private sector and from these updated regional operational plans for each region (N, S, C), complete, understood, agreed and subject to appropriate commitment from relevant stakeholders 	<p>A 1.1 Analyse main demand/needs related to complementary private sector development/support formulate options in each region, engage key stakeholders in discussion of options</p>	<p>A detailed plan for RLR will be done exactly as has already been done in other sectors. With regard to complementary support to the creation of a sustainable environment for the private sector and from these updated regional operational plans for each region (N, S, C), complete, understood, agreed and subject to appropriate commitment from relevant stakeholders, prior discussions in the course of 2013 between GIZ and EUD favored a somewhat different approach focused on a more narrowly focused action of a practical nature that would lead to possible business opportunities for Moldovan private sector resulting from any procurement emanating from developed projects. At the MLPS Steering Committee in February 2014, the MRDC confirmed its view that, at this stage, economic development per se should not be a core part of RD and therefore there should be no Regional Sector Plan in this area (business development). Instead they expressed support for a more pragmatic approach which would involve mobilisation of interested companies with regards to capacity development for companies, taking account of likely business opportunities that will arise in the medium-term from public investment in the sectors the MLPS is involved.</p>
	<p>A 1.2 Analyse main demand/needs related to local and regional roads, situation, formulate options in each region, engage key stakeholders in discussion of options</p>	<p>Currently being done as part of Regional Sector Programme for RLR</p>
	<p>A 1.3 Produce proposals, in consultation with key stakeholders on for key actions in complementary private sector business support, for period up to 2016, including</p>	<p>Already done in course of 2013 leading to proposal for complementary private sector (see relevant sections)</p>

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	key steps to facilitate implementation of actions	
	A 1.4 Produce proposals, in consultation with key stakeholders on for key actions for regional and local roads, for period up to 2016, including key steps to facilitate implementation of actions	RSWG already established and met. Will continue to meet
	A 1.5 Ensure agreement on regional plans for complementary private sector, business support (in each region and with relevant national ministries)	Proposed work plan agreed with Min of Economy, MRDC, ODIIM
	A 1.6 Ensure agreement on regional plans for roads (in each region and with relevant national ministries)	Stakeholders already engaged. Informal and formal including public consultation foreseen as part of regional planning process for RLR
	A 1.7 Ensure that regional plans in each region and in each of the 5 sectors (i.e. including the three supported by GIZ with Sida-funding) are complete to uniform standard and agreed as documents by appropriate structures consistent with Moldovan RD institutional framework	Plans/programmes in SWM and EE already complete to standard. WSS Plans/Programmes near completion and already subject to informal consultation Entire approach to regional planning agreed with MRDC RLR plans/programmes being developed in manner analogous to other sectors Decision that there will be no formal plan for complementary business development activities agreed with stakeholders at Steering Committee (Feb 2014)
	A 1.8 Ensure appropriate capacity development, as much as possible, built into the processes to implement A 1.1-1.6. Acquisition of competencies, validated by involvement in above activities, will be recognised through process of certification, as appropriate, in close coordination with respective national academic stakeholders.	Capacity development fully built into regional planning process

Table 2: Situation and targets with respect to planned outputs in the Delegated Agreement

Planned outputs (as in Delegated Agreement)	Situation and targets
Key stakeholders and stakeholder institutions engaged, competent to drive regional planning process forward, consistent with existing national and regional strategies	Re-assessment of capacities undertaken as part of regional planning review (December 2013-March 2014) indicates relevant capacities are improving. Capacity development activities built into usual activities will continue.
At least 12 RDA staff regularly involved in activities under this Workstream (including all five (5) fields)	Currently one person per sector per RDA is designated and involved in relevant activities. This already implies 12 such persons.

Estimated 90 interactive coaching/ technical assistance workshops (each 1-day) held to deliver above activities (including all five (5) fields)	Already with three sectors X workshops (Regional Sector Working Groups) as well as around 5 national or other workshops have been held. An estimated further 40 such workshops will be held in 2014-2015. Many other structured meetings will also be held of Project Teams (which include counterpart representatives depending on the sector)
Detailed regional sectorial plans, providing, clear orientation to future investments and development activities, for private sector/support and regional/local roads including relevant action plans for all three regions (i.e. 6 regional plans) in addition to plans for other three sectors and regions financed by other donors	For four sectors (all except complementary private sector) programmes have been already or will be developed – all will be completed including full approved by Q3-2014 at latest, all except RLR completed by Q2-2014 A process of engaging donors proactively on financing of projects will start formally in Q2-2014

Workstream 2 - Identification and development of “Viable Project Concepts” (roads, business development)

Description of activities – Implementation phase - Workstream 2

Table 3: Explanation of the MLPS work plan, Workstream 2

Implementation	Activities	Explanation									
	Note: Activities below related only to sectors of regional/local roads and complementary private sector support and development										
<p>Expected results:</p> <table border="1"> <tr> <td></td> <td>Roads</td> <td>Business Development and Promotion</td> </tr> <tr> <td>No. Viable project concepts</td> <td>18 (90km)</td> <td>18</td> </tr> <tr> <td>Est. (ind) budget</td> <td>90 M€</td> <td>40 M€</td> </tr> </table> <p>At least 100 persons competent in project development (stage 1)</p> <p>At least 12 RDA or other development actors competent to facilitate project development</p>		Roads	Business Development and Promotion	No. Viable project concepts	18 (90km)	18	Est. (ind) budget	90 M€	40 M€	A 2.1 Per region, per sector (roads, complementary private sector, business development), enrolment/identification of all project ideas consistent with revised regional (sectorial) plans	Expected to take place in Q2-2014 as part of Regional Planning for RLR
		Roads	Business Development and Promotion								
	No. Viable project concepts	18 (90km)	18								
	Est. (ind) budget	90 M€	40 M€								
	A 2.2 Grouping of strategic project clusters & project partnerships to ensure projects of rationale scale	Expected to take place in Q2-2014 as part of Regional Planning for RLR. Implicit in the networking methodology that will be used by the TA team									
A 2.3 Wholesale modular assistance to strategic clusters & project partnerships [programme based] – development of key documents relating to – i. rationale ii. demand scan iii. identification of main project results, outputs iv. provisional project partnership agreement and commitment to ownership of project iv. Outline logframe (or similar) v. cost estimate vi. preliminary estimation of relevant costs and benefits vii. Forward action plan for further project preparation and roles within this	These elements will be integrated into the project development approach which will kick in partly with project conception approach (Q2-2014) but mainly in period thereafter with work on PPCs (Q3-Q4-2014)										
A 2.4 Assessment of project concepts by i. project experts and ii. by experts from stakeholder institutions, as appropriate consistent with MD practice	Will be done as part of project concept identification approach (Q2-2014) and later in project development phase. RDA RLR contact										

		persons will be involved in these processes
	A 2.5 Consultation with donors on financing possibilities, e.g. donors fair or other forms of engagement of donors	Planned especially from Q2-2014
	A 2.6 Ensure appropriate capacity development, as much as possible, built into the processes to implement A 1.1-1.6. Acquisition of competencies, validated by involvement in above activities, will be recognised through process of certification in close coordination with respective national stakeholders. Specific assistance to ensure that regional development agencies and other relevant bodies are able to sustain consultancy effort of this work stream after project completion. Specific assistance to ensure that local government units to be involved in development projects are developing their internal capacities commensurate with their future roles	Capacity development of stakeholders as part of RSWG and of RDA staff foreseen in normal routine of work

Table 4: Situation and targets with respect to planned outputs in the Delegated Agreement

Planned outputs (as in Delegated Agreement)	Situation and targets
At least 45 project partnerships/clusters formed (3 regions x 15)	For RLR the absolute number may well be smaller since a smaller number of larger roads are likely to be worked on
At least 12 RDA staff regularly involved in activities under this Workstream	For all sectors this number will be significantly exceeded. For RLR number of involved RDA persons will be 4-8

Workstream 3 – Elaboration of “ready to go/finance/procure” projects

The Delegated Agreement states that:

“The main steps of project development under this workstream will be:

- Preliminary and full technical design;
- Feasibility tests or analysis – covering institutional, technical, economic, social and financial aspects. The objective of these analyses are to test the institutional, technical, economic, financial, environmental basis of projects as well as social aspects (i.e. willingness and affordability to pay) with a view to their improvement if appropriate;
- Other studies as may be required by legislation or requirements of particular donors/funding sources;
- All other documents or permits will be obtained/prepared; and,
- Subject to acceptance for financing or, exceptionally strong indications of the same, relevant tender documentation will also be prepared.

Project promoting organisations will be involved in this phase of work as much as possible.

As appropriate the Project will seek to interest other donors and IFIs in emerging projects, with regard to their financing, co-financing at implementation stage and even with regard to additional support at preparation stage”.

Taking account of actual availability resources relative to targets, of the immensely difficult challenge to develop sustainable (as opposed to purely engineering/infrastructure) projects in Moldova, targets for “ready-to-go” projects are to be revised. Specifically in line with the general sense of the text above, projects will be advanced into finalisation stage **only in cases where:**

- Subject to acceptance for financing or, exceptionally strong indications of the same, relevant tender documentation will also be prepared;
- A concrete financing commitment is given or is deemed to be given; and,
- Resources are available.

The reason for this is that in Moldova full technical design and tendering documentation (which in Moldovan is included in tender book) is valid for a specified time subsequent to approval by the relevant State Inspectorate. Therefore these “finalisation” steps should be undertaken only after funding is *foreseen*. *Otherwise documentation will rapidly become outdated and will need to be re-done*.

Description of activities – Implementation phase - Workstream 3

Table 5: *Explanation of the MLPS work plan, Workstream 3*

Implementation			Activities	Explanation relative to MLPS work plan																					
<p>Expected results:</p> <table border="1"> <thead> <tr> <th></th> <th>Total No</th> <th>Total Est. Budget M€</th> </tr> </thead> <tbody> <tr> <td>Water and Sanitation</td> <td>12</td> <td>25</td> </tr> <tr> <td>Solid Waste</td> <td>6</td> <td>80</td> </tr> <tr> <td>Energy Efficiency</td> <td>21</td> <td>10</td> </tr> <tr> <td>Roads</td> <td>12 (60km)</td> <td>60</td> </tr> <tr> <td>Business Development and Promotion</td> <td>12</td> <td>30</td> </tr> <tr> <td></td> <td>63</td> <td>205</td> </tr> </tbody> </table>				Total No	Total Est. Budget M€	Water and Sanitation	12	25	Solid Waste	6	80	Energy Efficiency	21	10	Roads	12 (60km)	60	Business Development and Promotion	12	30		63	205	A 3.1 Preparation and agreement on all required templates to meet likely funding requirements and observe good practice	Since funding sources are not yet known then the standards of usual external donor/IFI financing will in general be followed.
				Total No	Total Est. Budget M€																				
			Water and Sanitation	12	25																				
			Solid Waste	6	80																				
			Energy Efficiency	21	10																				
			Roads	12 (60km)	60																				
			Business Development and Promotion	12	30																				
				63	205																				
A 3.2 Elaboration of Projects – Water and Sanitation	This stage will be reached in 2015. Numbers and volumes of projects to be worked on at that stage are expected to be adhered to. However unless funding is concretely identified projects will not enter finalization stage																								
A 3.3 Elaboration of Projects – Solid Waste	Re-assessment of resources available relative to scale of task indicates that only 3 out of possible 6 SWM major projects totally around 30 MEUR can be brought to pre-final stage (i.e. Feasibility Study, EIA, Conceptual Design) + relevant accompanying actions. It will not be possible to undertake full technical design with current resources. The other three SWM projects can only be started with current resources.																								

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	A 3.4 Elaboration of Projects – Energy Efficiency	An estimated in Delegated Agreement – at least to pre-final stage
	A 3.5 Elaboration of Projects – Roads	Actual level of projects brought to pre-final stage will be around two-thirds the volume foreseen in Delegated Agreement
	A 3.6 Elaboration of Projects – Complementary Private Sector, business development and Support	Approach will be somewhat different relative to Delegated Agreement

*Note: elaboration = development of all required documentation (as required – depends on possible funding source) – e.g. technical design, feasibility study, bills of quantity/budget, procurement documentation (depending on funding source).

Annex 5A: Work Plan. Regional Planning Sectors – SWM, EE, WSS, RLR

	WORKSTREAM									
	WORKSTREAM 1: REGIONAL PLANNING	Details January-June 2014	January 14	February 14	March 14	April 14	May 14	June 14	Q3-1-14	Q3-2-14
Ref to notes	Regional sectoral programs (11) • EE, SWM: Programs finally approved by RDC – mid Feb14; • WSS: Transformation into program, informal and formal consultation, approval in Regional Working Groups and with line ministries, final approval from RDCs; • Agreement of Possible Project Concepts on which ones to work; • Regional and Local Roads (RLR); • Planning process progressed;									
1	Regional sector programs EE & SWM (5)			Approved						
2	On-going monitoring and management of implementation of approved RSPs (EE) & (SWM) – Regional Working Groups Meeting (■ ¹⁸)					■ ■				■ ■
3	Regional Sector Programme WSS , process led by RDA, based on Regional WSS Work Group meetings (■)	Completion of Regional Sector Programme WSS		■	■	■				

¹⁸ Regional Work Group Meeting

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3.1	Elaboration of Romanian language draft programme									
3.2	Informal consultation of programme with key stakeholders				◆◆					
3.3	Formal consultation incl. public consultation event (◆ ¹⁹)									
3.4	Identification of possible project concepts in regions									
3.5	Approval process of programme incl. Possible Project Concepts									
4	Regional Sector Programme RLR , process led by RDA, based on Regional WSS Work Group meetings (■)									
4.1	Definition and agreement on work plan with stakeholders									
4.2	Expert work: Current status analysis, sector assessment, proposal of vision, rationale for intervention, proposal of process, methods and criteria to identify PPCs									
4.3	Establishment, organization of RLR Regional Working Groups (■=workshops)			■		■		■	■	
4.4	Identifying possible project concepts									
4.5	Informal consultation of program with key stakeholders									
4.6	Formal consultation incl. public consultation event									

¹⁹ Public Consultation Event

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6.1	From Possible Project Concept stage (Project development pathway stages 1 and 2) to Viable Project Concept	SWM									
6.2		EE									
6.3		WSS									
6.4		RLR									
6.5	SWM/EE: Establishment of cooperation structures for project development stage										
6.6	WSS: Establishment of cooperation structures for project development stage										
6.7	RLR: Establishment of Cooperation structures for project development stage										
6.8	SWM: feasibility studies /EIA on phase 1 SWM zones (3 zones)										
6.9	EE: Screening 33 PPCs & division into 3 blocks										
6.10	EE: Outline design work & feasibility testing on Block A										
6.11	EE: Outline design work & feasibility testing on Block B										
6.12	EE: Outline design work & feasibility testing on Block C		Not in this timeframe								
6.13	WSS: Screening 33 PPCs & division into 3 blocks										
6.14	WSS: First PPCs to VPC stage										
6.15	RLR: From PPCs to VPC stage										
7	WORKSTREAM 2B: PROJECT DEVELOPMENT (GIS)										

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7	WSS projects (Handover to Area of Intervention 1)	Finalizing of tender books								No further work expected in this area	
8	WORKSTREAM 3: GIZ-led activities	These are activities where GIZ leads and GOPA 2 provides inputs as requested and agreed									
8.1	M&E										
8.2	Capacity development (other than defined above, e.g., RDCs)										
8.3	Support to Academy of Public Administration										
8.4	Support to SEDS		Development of a further 32 rayonal fiches for SEDS – sector roads								

NB: (all italicized text from the table) = principally counterpart activity organized fully by RDAs. MLPS IA2 will report on (i) progress of project development phase in relevant sector (ii) advice on RSP action plan as may be required.

NB: (all italicized text from the table) = principally counterpart activity organized fully by RDAs. MLPS IA2 will report on (i) progress of project development phase in relevant sector (ii) advice on RSP action plan as may be required

Notes:

- 1, 2, 3, 4 These processes – Regional Sector Working Groups – are convened, chaired and increasingly organised by RDAs, especially for sectors at project development phase. In project development phase it is envisaged that the RSWG will meet twice yearly and discuss (i) the implementation of the RSP in terms of its action plan and (ii) the progress of project pipeline. It may also cover other issues as RDAs and regional stakeholders’ desire. GIZ will provide specific inputs and report to it. The English language draft of the WSS plans was completed in December 2014. In January 2014 it is expected that it will be transformed into “program” format as agreed with MRDC and translated into Romanian.
- 3.2 As for other sectors it has been agreed with MRDC that the document should firstly be subject to a process of internal consultation across line ministries and with RDAs before being publicly consulted. Between informal and formal (public) consultation the Regional Working Group will meet to consider the full document.
- 3.3 Formal consultation will be undertaken by the RDAs with only external support from MLPS for sectors WSS, RLR.

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- 3.4 Identification of Possible Project Concepts in Regions is guided by chapter entitled “Process, Methods and Criteria” as set out in the Programme and discussed and agreed previously with stakeholders.
- 3.5 Approval of Possible Project Concepts is by the MRDC – however as was the case for EE and SWM, these are also discussed and noted in the Regional Working Groups.
- 4.2 The expert inputs for the RLR Programme will be similar to those for other sectors, though adapted to the sector. Expert inputs will be based on orientations provided by the Regional Working Groups and once elaborated will be validated through discussion.
- 4.3 The RLR working group is expected to function from the start with greater autonomy relative to experts and be fully guided by RDA staff.
- 5 Henceforth Horizontal Regional Development and Capacity Development will be merged into a single work stream.
- 5.1 The Regional Planning Review was accelerated in Q4-2013 after agreement with GIZ and MRDC that it should go ahead. Work started in December 2013 on basis of terms of reference agreed with MRDC. The review will identify lessons learned from the Regional Planning experience to date especially in SWM and EE sectors. It will influence further regional planning work. Activities 5.2-5.5 are dependent on the conclusions of the Review.
- 6 The MLPS project uses a system to map all project development activity, based on the Project Development Pathway (PDP). In this system Stage 1 is “Conceptualization” and Stage 2 “Outline Design”, Stage 3 “Elaboration” and Stage 4 “Finalization”. Precisely how it is applied to sectors differs somewhat. In general possible project concepts pass through Stages 1 and 2 prior to being considered Viable Project Concepts. However in the case of SWM, the possible project concept is initially taken to be equivalent to the Solid Waste Management Zone and the possible system that will be developed there. It is considered therefore that this “system” project has already passed through Stages 1 and 2 as a “system concept” and the project development phase is considered stage 3 “Elaboration”. In this sector after the very lengthy elaboration phase (taking up to 18 months), the system project may be broken down into sub projects which will then rapidly be assessed and taken through stages 1 – 4. In general however stages 1 and 2 are considered a kind of “pre-feasibility” stage and usually feasibility studies are carried out (if at all) in stage 3 “Elaboration”. Stage 4 “Finalisation” will be undertaken only after a financing source has been identified and it will involve full technical design and tender book elaboration. In practice it is clear that most projects submitted for funding in Moldova have not yet gone through stage 4.
- 6.9EE: Screening 33 PPCs and division into 3 blocks.

Annex 5B: Work plan - Complementary Private Sector Support

No.	Output / Milestones	Activities	Temporal framework				Involvement of key representatives				Comments
			T1, 2014	T2, 2014	T 3, 2014	T 4, 2014	MLPS	MRD C	RDA	Private sector	
1.	Strategic planning and programming										
1.1	Initial discussions with partners related to the complementary intervention are carried out	Initiation of discussions related to the complementary sector of intervention with partners									
1.2.	The meeting for launching the activities related to the assistance directed towards entrepreneurs is organized	Organizing the launching meeting									
1.3.	The Working Group (WG) is created	Identification of Working Group members and WG creation									

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1.4.	4 Working Group meetings are held	Organizing quarterly meetings of the Working Group									
2.	Capacity building										
2.1.	The training needs are established	Organizing working meetings and setting training needs									
2.2.		Identifying economic operators who have participated in procurement procedures									
2.3.		Identifying errors while submitting tenders									

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<p>2.4.</p>	<p>The training activities are organized</p>	<p>Organizing 12 regional workshops (in four different sectors) 3 joint regional workshops, round tables with representatives of the private sector. Identifying results (problems and goals).</p>										
<p>2.5.</p>	<p>Information documents (Contractors' Guidelines in Public Procurement)</p>	<p>Development and publishing of Contractors' Guidelines in Public Procurement jointly with the Agency for Public Procurement (APP)</p>										

Annex 6: Communication and Visibility Plan

General Communication Strategy

Objectives

1. Overall communication objectives

Ensure that the regional development field is widely recognized by regional development actors, civil society, business and media representatives as a promoter of the European integration processes

2. Target groups

1. regional development institutions – MRDC, RDAs, RDCs
2. civil society and business sector
3. mass-media representatives

3. Specific objectives for each target group, related to the action's objectives and the phases of the project cycle

1. ensure that the counterparts acknowledge the EU co-funding at all action's activities
2. raise awareness on the EU co-funding in regional development field among civil society and business sector representatives
3. raise awareness on the EU co-funding in regional development field among media representatives
4. inform the population on the impact of regional projects in the context of European integration

COMMUNICATION ACTIVITIES

4. Main activities that will take place during the period covered by the communication and visibility plan

1. writing press-releases to communicate on the action's progress, milestones achieved – drafted by the Communications Officer of MLPS and further developed in partnership with MRDC Press Officer and distributed by MRDC/RDAs to traditional and online media outlets
2. developing and producing layouts to studies and reports produced in the framework of the delegated agreement – layout produced by the contracted designer, coordinated by MLPS and approved with MRDC and EU Delegation
3. developing and producing stickers for the procured equipment – layout produced by the contracted designer, coordinated by MLPS and approved with MRDC and EU Delegation
4. developing banners in order to mark the projects' events – layout produced by the contracted designer, coordinated by MLPS and approved with MRDC and EU Delegation
5. organizing time for media representatives at project's events – responsibility within RDAs, with MLPS assistance

6. updating MLPS website, www.serviciilocale.md and other promotional products with the acknowledgment of EU co-funding
7. organizing a wide communications campaign on the social and economic impact of regional development projects in the context of European integration

5. Communication tools chosen

Press-releases - tool widely used by Moldovan authorities to communicate and maintain transparency on their activities and decisions. The local media is very often publishing the press-releases without interfering into the content, which on one hand, is advantageous, because keeps the original message unaltered and this message is able to reach the public and, on the other hand, means less thorough discussions and approaches.

Events – public events are a great tool to meet together the representatives of the key sectors, public, private and civil society – target groups of the present action.

Stickers – stick on the visible side of the equipment. They contribute to the acknowledgment of the contribution by the beneficiary of the respective equipment.

Banners – the banners ensure the visibility of the EU co-funding at events. Being placed on the backside of the panelists, the logos and text are also visible on the photos and contribute to a better identification by the public.

Campaigns – the campaign consists of a wide range of communications tools - video and audio adds, printed materials, billboards, photo stories, special events (fair of regional development projects, open days for all three Regional Development Regions) – that are being applied constantly and intensely during a period of 3-4 months, in order to impact the audience and brings to its attention a certain subject. Campaigns use the presence effect by linking traditional and on-line media carriers, so as direct communication.

INDICATORS OF ACHIEVEMENT

6. Completion of the communication objectives

Objective	Indicator	Source of verification
1. ensure that the counterparts acknowledge the EU co-funding at all action's activities	Titles slides	Photos
	Acknowledgment of EU co-funding in the speeches of the counterparts'	Quotes Video streaming, where applicable
2. raise awareness on the EU co-funding in regional development field among civil society and business sector representatives	Acknowledgment of EU co-funding by the representatives who attend the projects' events	Assessment sheets of the events organized
	RDAs' Newsletters subscribers	Mailing lists
	Project's and RDAs'/MRDC's website	Statistics from the content management system of the

	and Facebook page visitors	website Google Analytics, when applicable Facebook pages' statistics
3. raise awareness on the EU co-funding in regional development field among media representatives	Number of press-releases issues	Website
	Number of journalists who attend events	Participants lists
	Number of the media pieces on the project's intervention	Media monitoring reports of the counterparts Links and print copies, when applicable
4. inform the population on the impact of regional projects in the context of European integration	One campaign organized Products: video and audio adds, billboards, catalogues, success stories, factsheets, photo stories Events: fairs of regional development projects in all three Development Regions, open days for all three RDAs	Report on the implementation of the campaign

7. Provisions for feedback (when applicable)

The assessment sheets of events and exposure visits will include the question whether the participants were informed on the EU co-funding for the respective action.

RESOURCES

8. Human Resources

- MLPS Communications Officer and Events & Logistic Manager
- MRDC Press Officer
- RDAs Communications Specialist
- MDRC Consultant on Strategic Communications – responsible for the implementation of the campaign and objective 4. Position financed by the Sida co-funding.

The MLPS Communications Officer will be responsible for drafting and coordinating press-releases and visibility marks eg. stickers and banners, so as the layouts for the studies and reports produced in the framework of the Delegated Agreement.

The Events & Logistics Coordinator will ensure that all events, including study visits, start with a title slide that underline the EU co-funding, and all participants will fill in an

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evaluation form, which will include the question whether they have been informed on the EU co-funding.

The Counterparts' communication staff will be the key role players, being the ones who shape the broadcast message and being responsible for distributing them through the available channels: website, monthly newsletters, press-releases and others. The coordination with the MRDC and the RDAs PR staff will be ensured by the MLPS Communications Officer.

Annex 7: List of media clippings related to this Action

1. http://comunicate.md/index.php?task=articles&action=view&article_id=7325
2. <http://mdrc.gov.md/libview.php?l=ro&idc=27&id=2687&t=/Serviciul-de-presa/Noutati/5-milioane-de-euro-din-partea-UE-pentru-sustinerea-dezvoltarii-regionale-in-RM>
3. <http://adrcentru.md/libview.php?l=ro&idc=340&id=1912>
4. <http://deschide.md/ue-ofera-moldovei-inca-5-milioane-de-euro-banii-vor-merge-spre-dezvoltarea-regionala/>
5. <http://politik.md/?view=articlefull&viewarticle=21503>
6. <http://www.allmoldova.com/ro/moldova-news/1249079236.html>
7. http://www.noi.md/md/news_id/30032
8. <http://www.timpul.md/articol/ue-va-oferi-cinci-milioane-de-euro-pentru-dezvoltarea-regionala-a-moldovei-50174.html>
9. <http://tribuna.md/2013/10/23/ministerul-lui-marcel-raducan-mai-bogat-cu-5-milioane-de-euro/>
10. http://www.eco.md/index.php?option=com_content&view=article&id=9957:moldova-va-mai-primi-5-milioane-de-euro-din-partea-ue&catid=128:actualitate&Itemid=512
11. <http://www.jurnal.md/ro/news/ue-ofera-rm-5-milioane-de-euro-pentru-proiecte-regionale-1158558/>
12. http://infomarket.md/ro/investment/UE_va_acorda_5_milioane_de_euro_pentru_susiner_ea_dezvoltarii_regionale_n_RM
13. http://economie.moldova.org/news/ue-va-oferi-moldovei-cinci-milioane-de-euro-pentru-dezvoltarea-regionala-239692-rom.html?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+moldova%2Feconomie%2Ffrom+%28Economie+Moldova.org+%28Rom%C3%A2n%C4%83%29%29

List of media clipping related to CPSS activities, specifically:

1. http://comunicate.md/index.php?task=articles&action=view&article_id=7691
2. <http://www.civic.md/stiri-ong/23846-intreprinderile-mici-si-mijlocii-vor-fi-scolarizate-pentru-a-deveni-mai-competitive-la-nivel-regional.html>
3. <http://adrnord.md/libview.php?l=ro&idc=195&id=2079>
4. <http://adrcentru.md/libview.php?l=ro&idc=340&id=2150&t=/Noutati/GIZ-premiaza-trei-primari-pentru-deosebita-implicare-i-sustinerea-cooperarii-intercomunitare>
5. <http://adrcentru.md/libview.php?l=ro&idc=340&id=2162&t=/Noutati/La-Viena-a-avut-loc-edinta-coordonatorilor-pe-domeniile-prioritare-SUERD>
6. <http://mdrc.gov.md/libview.php?l=ro&idc=27&id=2779&t=/Serviciul-de-presa/Noutati/Club-de-presa-la-tema-dezvoltarii-regionale-in-Regiunea-de-Dezvoltare-Sud>
7. <http://adrcentru.md/libview.php?l=ro&idc=340&id=2165&t=/Noutati/Intreprinderile-mici-si-mijlocii-vor-fi-scolarizate-pentru-a-deveni-mai-competitive-la-nivel-regional>
8. <http://chamber.md/ro/nout%C4%83%C8%9Bi/960-imm-vor-fi-instruite-%C3%AE-n-vederea-elabor%C4%83rii-eficiente-a-ofertelor-pentru-a-participa-la-achizi%C8%9Bii-publice>
9. <http://adrsud.md/libview.php?l=ro&idc=340&id=2201>

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- Pienaru, A., Cojocaru, M., Meleca, L., Burciu, A., Murariu, C., Jalalite, J. and de Jong, A. (2014) *Regional Sector Programme on Water Supply and Sanitation, draft*. Chisinau: GIZ.
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- European Union (2012, February) *Support to the Implementation of the Pilot Regional Development Programmes in the Republic of Moldova. Formulation study*. Chisinau.
- European Union (2013, June). *Project Proposal support to the implementation of the Pilot Regional Development Programmes (PRDPs) Republic of Moldova. Component 2: Regional Planning and Project Pipelines for Development Regions North, South, Central in the Republic of Moldova. Agreement on Delegated Tasks and Actions*. Chisinau.
- Rimmer, M. and Corobceanu, S. (2013, September) *Regional sector planning and programming summary. Report*. Chisinau: GIZ.
- McClements, Colm (2014, January) *Progress report GOPA 2: July - December 2013*. Chisinau: GIZ.
- McClements, C., Nastas, D. and Rimmer, M. (2014, March) *Interim review of regional Sector Planning*. Chisinau: GIZ.
- Rimmer, M. (2013, May) *Summary conclusions related to the internal workshop*. Chisinau: GIZ.