

THE EVOLUTION OF EXTERNAL ASSISTANCE IN THE REPUBLIC OF MOLDOVA IN 2016 AND RECOMMENDATIONS FOR IMPROVING THEIR COORDINATION MECHANISM

Ina CREȚU¹²⁶, PhD
Ala OBERȘT¹²⁷, PhD(c)

Abstract

The Government of the Republic of Moldova has as a major priority the attraction of the external assistance from the development partners. In this sense, positive results were obtained in 2016 regarding the disbursements of the external assistance. The article deals with the main shortcomings identified in the coordination process of external assistance in the Republic of Moldova. Taking into account the assistance from the development partners, it is very important that Moldova has an efficient mechanism for programming, implementing, monitoring and assimilating external assistance. In this context, the authors come up with a set of short, medium and long term recommendations aimed at overcoming the existing deficiencies in the coordination of the external assistance.

Keywords: Republica Moldova, asistența externă, partenerii de dezvoltare.

JEL classification: F33, F53, G28

Introduction

The year 2016 was a productive one in the field of foreign assistance, with the joint efforts of the Moldovan Government (RM) and the development partners managing disbursements of external assistance amounting to more than 440 million euros, increasing by about 33% compared to 2015 and , practically at the level of 2014.

Ina Cretu, Counselor in Foreign Assistance Coordination at the State Chancellery, drafted the Report on Official Development Assistance to the Republic of Moldova in 2016, the basic findings of which were the basis for preparing the article.

The Content and Forms of Foreign Assistance in Republic of Moldova

Generally, 2016 was the year of regaining confidence and regaining credibility from development partners in our country, primarily due to the signing of the Agreement with the International Monetary Fund (IMF) on 7 November 2016.

This three-year RM agreement, funded by two loan instruments: The Enhanced Financing Facility (EFF) and the Extended Loan Facility (ECF), aims to support the country's economic and financial reform program. Thus, Moldova received access to a total amount of 129.4 million special drawing rights (about USD 178.7 million).

In 2016 Moldova's biggest development partner was the European Union. Other significant development partners after the volume of disbursements are: World Bank, Romania, European Bank for Reconstruction and Development (EBRD) and UN Agencies.

With regard to external assistance according to financing instruments, with a share of 78% in 2016, loans and loans prevailed.

The Main Beneficiaries

In the reference year, the following public authorities benefited from the largest number of projects: Academy of Sciences, Ministry of Health, Ministry of Economy, Ministry of Finance, etc. However,

¹²⁶ *Technic University of Republic of Moldova, Chisinau, Republic of Moldova, email:*

¹²⁷ *Technic University of Republic of Moldova, Chisinau, Republic of Moldova, email:*

the largest budgets for external assistance were enjoyed by the Ministry of Transport and Road Infrastructure, the Ministry of Economy and the Ministry of Environment.

As a result of signing the IMF Agreement and ensuring macroeconomic stability in the RM, in December 2016 the European Commission unblocked disbursements for budget support and the total amount of tranches amounted to EUR 45.3 million.

An increase is also being made on 16 December 2016 by the World Bank of the \$ 45 million Program of Operations for Development Policy in the Field of Competitiveness (so-called DPO-2).

In order to create a modern, professional, small but efficient public administration oriented towards the provision of quality public services, being one of the strategic priorities of the Moldovan Government, the Government negotiated with the Delegation of the European Union (EU) the Financing Agreement on the Support Program for public administration reform, amounting to EUR 15 million, signed in September 2016.

At the same time, the Government contributed significantly to the negotiations of three Financial Agreements under the European Neighborhood Instrument (for the Black Sea Basin Joint Operational Program 2014-2020, the Joint Operational Program Romania - Moldova 2014-2020 and the 2014-2020 Danube Transnational Program). The agreements concerned provide financial assistance in the form of a grant totaling over 143 million euros.

In 2016 of the Reimbursable Financial Assistance Agreement between Moldova and Romania in the amount of EUR 150 million, the first installment of EUR 60 million was disbursed to Moldova in August 2016.

In September 2016, two Development Assistance Agreements were signed between the Government of the US and the US Government to increase trade and investment in key sectors, as well as more efficient and responsible government governance, with a total of about 98.7 million US dollars.

In 2016, special attention was paid to establishing, together with development partners, the priorities of the Multi-Annual Strategic Framework for EU-2017-2020 programming and the United Nations Development Assistance Framework in RM 2018-2022.

The Main Problems in Attracting External Assistance

The main deficiencies identified by the authors in the process of coordination of the foreign assistance in the Republic of Moldova are the following:

1. The change in the information record system, implemented by the Ministry of Finance on 1 January 2016, has caused delays in capitalizing on the sources of external assistance projects.
2. Complex and lengthy procedures for obtaining EU-funded Twinning projects.
3. Long-term procedures in the case of the extension of external assistance programs / projects, in line with the legal framework in force with regard to the mechanism for the conclusion, application and termination of international treaties.
4. The use of parallel systems by technical assistance projects makes it difficult to monitor and evaluate them in line with national policies. This limits the predictability of external assistance in the sectoral annual planning process as well as the complementarity to exclude donor duplication.
5. A frequently encountered difficulty is that it is difficult to predict the number of international projects and their budget for the planned year when it comes to budgeting in June next year or the existence of calls for projects coming early next year. Thus, if a previously unplanned project is won, there are difficulties in accounting because it takes a rather long time to redesign budget to include the project in the Financial Plan -contributable in the year of management, and this leads to the non-utilization of the financial means in due time.

In our opinion, given the assistance of the development partners, it is very important that Moldova has an efficient mechanism for programming, implementing, monitoring and assimilating external assistance.

Proposals to Improve the Process of Co-ordination of External Assistance

The following is a set of recommendations, drafted by authors, to remedy the existing deficiencies in the coordination of foreign assistance in Moldova:

Short-term (2017)

1. Redesigning the coordination mechanism of external assistance by amending / completing the normative framework in the field;
2. Taking over the attributions from the ministries and strengthening the institutional capacities of the Ministry of Finance in the Republic of Moldova for the coordination of the external financial assistance, especially its planning.
3. Strengthen the institutional capacities of civil servants involved in the process of co-ordination of external assistance from public authorities, especially in the field of project management;
4. Ensure proper implementation of the Sectoral External Aid Coordination Mechanism by reanimating Sectoral Councils for External Assistance and Accountability of Sector Coordinators within Public Authorities;
5. Training and informing the staff of responsible departments within public authorities on how to operate the Aid Management Platform (AMP), but also to develop programming and monitoring skills for sectoral external assistance.

Medium term(2018-2019)

1. Strengthen and develop the Aid Management Platform (AMP) platform by dedicating the necessary administrative / financial resources for its proper functioning / maintenance.
2. Simplify financial procedures in the implementation of external assistance projects (opening accounts, reallocating finances, allocating IBANs for each category of expenditure, etc.).
3. Improving the national public budget planning framework to ensure the sustainability of external assistance projects by forecasting the necessary financial amounts in the state budget for sustainability / maintenance of projects;
4. Ensure adequate coordination with the Ministry of Finance of the programming of external funds in the budgeting process, including taking into account the Medium-Term Budgetary Framework;

Long-term

1. Creation of a Reserve Fund, besides the Ministry of Finance, for the co-financing of external assistance projects, in case of necessity / urgency.
2. Establishment of the External Assistance Coordination Agency / Office, based on international practices (especially CIS and Balkan countries).

Conclusions

Currently, the assistance provided by development partners to Moldova is a catalyst for the development of the national economy, an important source for the implementation of priority infrastructure projects, policy support in all areas in the context of alignment with the EU acquis and, not least, an opportunity to strengthen the institutional capacities of public authorities.

In the view of the authors, the implementation of the recommendations proposed in this article will enable the RM to ensure sustainable and efficient development of external assistance coordination with the support of development partners.

Bibliography

* * *, The data of the State Chancellery of the Republic of Moldova (www.amp.gov.md)