FINANCING AGREEMENT SECTOR REFORM CONTRACT SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "the Commission", acting on behalf of the European Union, hereinafter referred to as "the EU",

of the one part, and

the Government of the Republic of Moldova, hereinafter referred to as "the Beneficiary",

of the other part, have agreed as follows:

Article 1 - Nature of the action

1. The EU agrees to finance and the Beneficiary agrees to accept the financing of the following budget support action:

Support to Public Finance Policy Reforms in Moldova (PFPR)

ENI/2014/033-684

This action is financed from the EU Budget under the following basic act: European Neighbourhood Instrument.

1. The total estimated cost of this action is EUR 37 062 500 and the maximum EU contribution to this action is set at EUR 37 000 000.

This budget support action is composed of:

* 1. a budget support component with a maximum EU contribution of EUR 33 000 000;
  2. a complementary support component with a total estimated cost of EUR 4 062 500 and a maximum EU contribution of EUR 4 000 000.

1. The Beneficiary shall not co-finance the action.

Estimated joint co-financing by potential grant beneficiaries: EUR 62 500.

Article 2 - Execution period

1. The execution period of this Financing Agreement as defined in Article 15 of Annex II (General Conditions) shall commence on the entry into force of this Financing Agreement and end 84 months after this date.
2. The duration of the operational implementation phase is fixed at 60 months.
3. The duration of the closure phase is fixed at 24 months.

Article 3 - Addresses

All communications concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this action as identified in Article 1.1 of these Special Conditions and shall be sent to the following addresses:

* 1. for the Commission

Mr Pirkka TAPIOLA

Head of the EU Delegation to the Republic of Moldova

12, Kogalniceanu Street

MD-2001 Chisinau

Republic of Moldova

[DELEGATION-MOLDOVA@eeas.europa.eu](mailto:DELEGATION-MOLDOVA@eeas.europa.eu)

* 1. for the Beneficiary

Mr Iurie LEANCA

Prime Minister of the Republic of Moldova

1, Piata Marii Adunari Nationale

MD-2001 Chisinau Republic of Moldova

Article 4 - OLAF contact point

The contact point of the Beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

Mr Serafim Urechean President

Court of Accounts of the Republic of Moldova

Stefan cel Mare Bd. 69, Chisinau 2001, Moldova

Tel: +373 22 233-776

e-mail: s\_urechean @ccrm.md

Article 5 - Annexes

1. This Financing Agreement is composed of:
   1. these Special Conditions;
   2. Annex I: Technical and Administrative Provisions, containing the detailed breakdown of the activities of this action;
   3. Annex II: General Conditions;
   4. Annex III: Reporting Template - not applicable to and not included in this Financing Agreement;
   5. Annex IV: Management Declaration Template - not applicable to and not included in this Financing Agreement.
2. In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between, on the one hand, the provisions of Annex I (Technical and Administrative Provisions) and, on the other hand, the provisions of Annex II (General Conditions), the latter shall take precedence.

Article 6 - Provisions derogating from or supplementing Annex II (General Conditions)

The foreign exchange transfers will be accounted for under the value date of the notification of credit to the EUR account of the Ministry of Finance of the Republic of Moldova held at the National Bank of Moldova.

The exchange rate will be the official exchange rate set by the National Bank of Moldova, on the value date of the notification of credit[[1]](#footnote-1).

Article 7

**- Entry into force**

This Financing Agreement shall enter into force on the date on which the Commission receives a notification from the Beneficiary confirming the completion of the internal procedures of the Beneficiary necessary for its entry into force. The Commission shall inform the Beneficiary of the date of the receipt of this notification. This Financing Agreement shall not enter into force if such a notification is not received by the Commission by 31 December 2015.

Done in English in two original copies, one copy being handed to the Commission and one to the Beneficiary

FOR THE COMMISSION

Michael A. KOHLER

Director Neighbourhood Directorate General for Development and Cooperation – EuropeAid

Date:

FOR THE BENEFICIARY

Iurie LEANCA

Prime Minister of the Government of the

Republic of Moldova

Date:

Annex I to financing agreement No ENI/2014/033-684

technical and administrative provisions

|  |  |  |  |
| --- | --- | --- | --- |
| Partner  country/region | MOLDOVA | | |
| Budget heading | 21 03 02 01 | | |
| Title/Cris Nr | Support to Public Finance Policy Reforms in Moldova (PFPR) CRIS number: ENI/2014/033-684 | | |
| Total cost | Total estimated cost: EUR 37 062 500  Total amount of EU budget contribution is EUR 37 000 000, of which:   * EUR 33 000 000 for budget support * EUR 4 000 000 for complementary support   Estimated co-financing by potential grant beneficiaries: EUR 62 500 | | |
| Budgetsiipport | | | |
| Aid method /  management  mode and Type of Financing | Direct management implemented by the Commission as the Contracting Authority  Sector Reform Contract | | |
| DAC code | 15111 | Sector | Public finance management |
| Complementary support | | | |
| Aid Method/ Management mode and Type of Financing | Direct management implemented by the Commission as the Contracting Authority:   * grants - call for proposal * procurement of services | | |
| DAC code | 15111 | Sector | Public finance management |

Specific objectives:

The specific objective is to assist the Government (notably the Ministry of Finance), Parliament (notably the Committee for Economy, Budget and Finance) and the Supreme Audit Institution (Court of Accounts) of Moldova in the process of enhancing good governance, effective fiscal policy, transparent and accountable public finance policy and strengthened public financial management systems.

1.2. Expected results

The expected results of budget support are:

* Improved quantitative and qualitative analysis of the budget, including improved macroeconomic forecasting and revenue projection for setting fiscal targets and the level of expenditures compatible with these targets over the medium term;
* Enhanced consideration by the Government of the role of the independent public institutions in fiscal policy matters;
* Enhanced capacity of the Committee for Economy, Budget and Finance of the Parliament for budget oversight and scrutiny;
* Improved quality of external audit reports by the Court of Accounts, transparency in the processes of external audits, and greater follow up of the Court's recommendations;
* Improved annual and medium-term budget planning with enhanced budget discipline and credibility;
* Improved public financial management systems to ensure effective control of expenditure (including an adequate system of accounting and reporting), as well as to ensure efficient debt management to warrant lower debt service costs and minimise fiscal risks;
* Improved budget transparency along with better public access to key fiscal information, increasing citizens' understanding of the budget.

The expected results of complementary support are:

* Improved macroeconomic forecasting and revenue projection for setting fiscal targets and the level of expenditures compatible with these targets over the medium term;
* Improved annual and medium-term budget planning to enhance budget discipline and credibility;
* Improved budget transparency and public access to key fiscal information, to increase the citizens' access and understanding of the budget;
* Improved treasury management to ensure effective control of expenditure, including an adequate system of accounting and reporting;
* Improved debt management to guarantee low debt service cost and minimise fiscal risks;
* Improved mechanisms for prioritising capital proposals taking into account the economic and financial benefits of the projects;
* Improved capacity of the Ministry of Finance (MoF) to participate effectively in the formulation and coordinate the implementation of the EU budget support programmes;
* Enhanced capacity of local Civil Society Organisations (CSOs) for oversight of the budget and for dialogue on, and participation, to economic and public finance governance related matters.

1.3. Main activities

The main activities to implement the budget support package are budget support dialogue and policy dialogue, financial transfer, performance assessment, reporting and capacity development:

* Continued budget support dialogue and policy dialogue with the Government with a particular focus on transparency and accountability in public financial policy and management;
* Regular monitoring of budget support eligibility criteria, of macro-economic and Public Finance Management (PFM) developments, budget transparency, as well as progress in implementation of the public policy;
* Transfer of funds to the State Budget against the results achieved according to the policy matrix;
* Monitoring of achievements of the reforms objectives agreed with the Government through independent reviews, regular briefings and discussions;
* Provision of complementary support to help the Government in its efforts to implement public finance policy and PFM reforms.

1. Budget Support

Main activities to be carried out within the framework of the Budget Support component of this SRC will include:

* Engagement in policy dialogue related to public finance reforms;
* Verification of conditions and subsequent disbursement of budget support against the results achieved according to the policy matrix.

1. Complementary support

Main activities to be carried will include:

* Grants/Call for Proposal to promote Civil Society Organisations' (CSOs) involvement in improving Moldova's economic governance and public finance management, enabling CSOs to oversee the budget and participate in public finance policy formulation and implementation;
* Procurement of technical assistance to the Ministry of Finance and other main stakeholders to accompany the implementation of the Sector Reform Contract (SRC). Technical assistance will be used for data collection to verify the fulfilment of the conditions for disbursement;
* Procurement of evaluation and audit missions.

2. IMPLEMENTATION

1. Indicative operational implementation period

The indicative operational implementation period of this action is as specified in Article 2 of the Special Conditions.

1. Amounts allocated for budget support

The indicative amount allocated to the Priority Area I "Public Administration Reform" under the Single Support Framework (2014-2017) is 30% of the total bilateral allocation to Moldova (ranging from EUR 335 000 000 to EUR 410 000 000).

EUR 37 000 000 from this envelope is to be delivered under the present Sector Reform Contract.(EUR 33 000 000 for budget support component and EUR 4 000 000 for complementary support).

1. Criteria and indicative schedule of disbursement of budget support

The General Conditions (GC) for disbursement of all tranches are as follows:

* 1. Satisfactory progress in the implementation of the partner country public policy and strategy - Strategy for Development of Public Finance Management 2013-2020, and continued credibility and relevance of that or any successor strategy;
  2. Implementation of a credible stability-oriented macroeconomic policy;
  3. Satisfactory progress in the implementation of the programme to improve public financial management (PFM);
  4. Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

There is no Performance Assessment Framework attached specifically to the NDS that can serve as a public policy monitoring document with respect to the specific public finance objectives. For the proposed budget support programme most of the specific conditions and the areas for determination of disbursement of the variable tranches are a result of the continuous policy dialogue between the EU and the Government of Moldova on improvements of the public fiscal policy.

The specific conditions refer to the activities related to enhanced efficiency, effectiveness, transparency and accountability in Moldova's public finances and to be implemented by (i) the Government of the Republic of Moldova, and namely by the Ministry of Finance; (ii) the Parliament of the Republic of Moldova, and namely its Committee for Economy, Budget and Finance; and (iii) the Court of Accounts, which is the Supreme Audit Institution of the Republic of Moldova.

The indicative schedule of disbursements is summarised in the table below (all figures in EUR millions) based on fiscal year of the partner country:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Country Fiscal year | 2014 | | | | 2016 | | | | 2017 | | | | 2018 | | | |  |
| Type of tranche | Q l | Q  2 | Q  3 | Q 4 | Q l | Q  2 | Q  3 | Q 4 | Q 1 | Q  2 | Q  3 | Q 4 | Q 1 | Q  2 | Q  3 | Q 4 | Total |
| Fixed tranche |  |  |  | 8 |  |  |  |  |  |  |  |  |  |  |  |  | 8 |
| Variable tranche |  |  |  |  |  | 8 |  |  |  | 8 |  |  |  | 9 |  |  | 25 |
| Total |  |  |  | 8 |  | 8 |  |  |  | 8 |  |  |  | 9 |  |  | 33 |

1. Budget Support details

The SRC "Support to public finance policy reforms in Moldova" foresees four instalments corresponding to the 2014, 2016, 2017 and 2018 Moldovan fiscal years.

The first instalment will be a fixed tranche (EUR 8 000 000) which is planned to be disbursed in the last quarter of 2014 following the signature of the Financing Agreement and provided that all four General Conditions are fulfilled.

The subsequent variable tranches (EUR 8 000 000 for 2nd and 3rd instalment, EUR 9 000 000 for 4th instalment) are planned for disbursement in the 2 quarter of 2016, 2017 and 2018 fiscal years, subject to the continued compliance to the General Conditions and the fulfilment of Specific Conditions for variable tranche release outlined in detail in Annex 2 (Disbursement arrangements and timetable) and in the corresponding Table C (Policy Reform Matrix).

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Moldovan Leu (MDL) will be undertaken at the appropriate exchange rates in line with Article 6 of the Special Conditions.

1. Disbursement criteria

The General Conditions for disbursement of all tranches are indicated in Table B of Annex 2 (Disbursement arrangements and timetable).

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended in line with Article 27.1 of the general conditions of the financing agreement, or temporarily suspended or reduced.

The disbursement arrangements and timetable is described in Annex 2 of these Technical and Administrative Provisions (TAPs).

The performance indicators used for disbursements are described in Annex 1 of these TAPs. The chosen performance targets and indicators specified in Annex 1 will apply for the duration of the programme. However, in duly justified circumstances, the Government of Moldova may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

2.4.

Details on complementary support

2.4.1. Grants: call for proposal "Strengthening role of civil society in economic governance and public finance management" (direct management implemented by the Commission as the Contracting Authority)

* 1. Objectives of the grants, fields of intervention, priorities of the year and expected results

The objective of the grants is to enable Civil Society Organisations (CSOs) to oversee budget and participate in public finance policy formulation and implementation by facilitating the policy dialogue between the authorities and CSOs.

The expected results of the complementary support are the following:

* Enhanced capacity of local CSOs for oversight of the budget;
* Improved capacity of local CSOs for dialogue on and participation to economic and public finance governance related matters.
  1. Eligibility conditions

Local CSOs having experience and/or interest in economic governance and public finance policy formulation, implementation, monitoring and analysis will be eligible for this call.

In order to further capacitate national actors with expertise and/or interest in the field, partnerships between international and Moldovan CSOs will be welcomed.

* 1. Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

* 1. Maximum rate of co-financing

The maximum possible rate of co-financing for grants under this call is 80% of the eligible costs of the action.

The maximum possible rate of co-financing may be up to 100 % in accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the Commission in the award decision, in respect of the principles of equal treatment and sound financial management.

* 1. Indicative quarter to launch the call

1st quarter of 2015.

2.4.2. Procurement (direct management implemented by the Commission as the Contracting Authority)

|  |  |  |  |
| --- | --- | --- | --- |
| Subject in generic terms | Type (works, | Indicative | Indicative |

|  |  |  |  |
| --- | --- | --- | --- |
|  | supplies, services) | number of contracts | quarter of launch of  the procedure |
| Technical assistance to Improve Public Finance Policy and Public Financial Management of Moldova | Services | 1 | Q1 2015 |
| Evaluation and Audit | Services | 2 | Q1 2018 |

2.4.3. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

2.5. Indicative budget

|  |  |  |
| --- | --- | --- |
| Module | EU contribution (in EUR millions) | Third party contribution (in EUR million, indicative) |
| 1.3.1 - Budget support | 33 | N.A. |
| 1.3.2. - Complementary support | 4 | 0.0625 |
| 2.4.1 - Call for proposals "Strengthening role of civil society in economic governance and public finance management" (direct management implemented by the Commission as the Contracting Authority) | 0.25 | 0.0625 |
| 2.4.2 - Procurement "Technical assistance to Improve Public Finance Policy and Public Financial Management of Moldova" (direct management implemented by the Commission as the Contracting Authority) | 3.5 | N.A. |
| 2.7 - Evaluation and audit | 0.25 | N.A. |
| Totals | 37 | 0.0625 |

The Commission may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 (CIR) on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

2.6. Performance monitoring and donor coordination

The donor coordination in Moldova is led by the Government of Moldova. There is a formal donor coordination mechanism approved by the Government that sets-forth all the procedural aspects and institutional grounds for coordination of bilateral and

multilateral foreign aid[[2]](#footnote-2). In addition, the State Chancellery organises annual donor meetings and presents annual reports on the use of foreign assistance provided to Moldova.

The existing system for the donor coordination described above will be used for this Programme as well.

Monitoring of the Programme (both the budget support and technical assistance component) will be entrusted to a Steering Committee chaired by the State Chancellery and whose members will include representatives of the Parliaments' Committee for Economy, Budget and Finance, Court of Accounts and the Ministry of Finance. Representatives of local CSOs with expertise and/or interest in the field will be also invited to the Committee's sittings. The Steering Committee will meet at least once a year. t

Review missions will be used to assess the state of compliance with conditions and indicators attached to the disbursement of each of the budget support variable tranches envisaged under the programme.

1. EVALUATION AND AUDIT

The European Commission foresees evaluation and audit after completion of the Programme.

For complementary support, the Commission may also carry out external evaluations [via independent consultants], as follows:

* 1. [possibly] a mid-term evaluation mission;
  2. a final evaluation, at the beginning of the closing phase;
  3. [possibly] an ex-post evaluation.

The Beneficiary and the Commission shall analyse the conclusions and recommendations of the mid-term evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations that may result from such missions.

1. COMMUNICATION AND VISIBILITY

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan for the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 2.5 above.

The communication and visibility measures shall be implemented either (a) by the Commission, and/or (b) by the partner country. Appropriate contractual obligations shall be included in, respectively, procurement and grant contracts.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

As part of the Financing Agreement, the Moldovan government undertakes to ensure that the visibility of the EU contribution to the SRC is given appropriate coverage in the various publicity media. The accompanying technical assistance service contract will endeavour to further enhance the positive image of the EU in the context of its work in Moldova and specific provision for this purpose will be included in the technical assistance service contract.

At appropriate milestones during the SRC duration and after appropriate events, press releases will be issued, by Ministry of Finance in co-operation with the EU Delegation to Moldova. In all these actions, the EU visibility guidelines will have to be strictly adhered to.

Annexes

1. Performance indicators used for disbursements
2. Disbursement arrangements and timetable (budget support)

Annex 1: Performance indicators used for disbursements

The General Conditions for disbursement of all tranches are as follows:

* 1. Satisfactory progress in the implementation of the partner country public policy and strategy - Strategy for Development of Public Finance Management 2013-2020, and continued credibility and relevance of that or any successor strategy;
  2. Implementation of a credible stability-oriented macroeconomic policy;
  3. Satisfactory progress in the implementation of the programme to improve public financial management (PFM);
  4. Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

The Specific Conditions refer to the activities related to enhanced efficiency, effectiveness, transparency and accountability in Moldova's public finances and to be implemented by (i) the Government of the Republic of Moldova, and namely by the Ministry of Finance; (ii) the Parliament of the Republic of Moldova, and namely its Committee for Economy, Budget and Finance; and (iii) the Court of Accounts, which is the Supreme Audit Institution of the Republic of Moldova.

The details of Specific Conditions are set out in the Annex 2 - Disbursement arrangements and timetable (budget support).

Annex 2 - Disbursement arrangements and timetable (budget support)

* + 1. Responsibilities

On the basis of the conditions for disbursement set out in this Financing Agreement, the competent authorities of Moldova shall make a formal request to the Commission for each tranche disbursement, indicatively in the first quarter of each fiscal year and based on what achieved in the previous year, and including (i) the fullest possible analysis and justification for the release of funds, including all necessary supporting documentation, and (ii) a duly signed Financial Identification Form.

* + 1. Indicative disbursement timetable

The indicative disbursement timetable is set out below.

Table A: Summary Indicative disbursement timetable (EUR million)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Country fiscal year | 2014 | | | | 2016 | | | | 2017 | | | | 2018 | | | |  |
| Type of tranche | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Q | Total |
|  | l | 2 | 3 | 4 | l | 2 | 3 | 4 | 1 | 2 | 3 | 4 | l | 2 | 3 | 4 |  |
| Fixed tranche |  |  |  | 8 |  |  |  |  |  |  |  |  |  |  |  |  | 8 |
| Variable tranche |  |  |  |  |  | 8 |  |  |  | 8 |  |  |  | 9 |  |  | 25 |
| Total |  |  |  | 8 |  | 8 |  |  |  | 8 |  |  |  | 9 |  |  | 33 |

3. General conditions

The General (or Eligibility) Conditions set out below represent conditions to be met before the disbursement of each and every tranche. All requests for any type of tranche release shall be accompanied by supporting information, as appropriate, on the progress achievedjn each of the four General (or Eligibility) Conditions.

Table B: Table B: General Conditions for tranche release

|  |  |  |
| --- | --- | --- |
| Area | General Conditions | Source of verification |
| Public policy | Satisfactory progress in the implementation of the partner country public policy and strategy - Strategy for Development of Public Finance Management 2013-2020, and continued credibility and relevance of that or any successor strategy. | 1. Sector Strategy(ies) and Action Plan(s) 2. Reports on the implementation of the Action Plan(s) |
| Macroeconomic stability | Implementation of a credible stability-oriented macroeconomic policy | 1. Government of Moldova annual reports 2. IMF, WB, EU reports |
| Public financial management | Satisfactory progress in the implementation of the programme to improve public financial management (PFM) | 1. Progress reports on the implementation of the strategy to improve PFM 2. IMF, WB, EU PFM- related reports |
| Transparency and oversight of the budget | Satisfactory progress with regard to the public availability of accessible, timely, comprehensive, and sound budgetary information | 1. Official Government printings and relevant websites 2. Open budget-related surveys & reports |

4. Specific Conditions

Unlike General Conditions which have to be all met as condition for the payment of any type of tranche, the Specific Conditions apply to the assessment and disbursement of individual tranches only, as specified below. Tranche release requests must be accompanied by all appropriate information and documents on the specific conditions.

Table C: Specific Conditions for Variable Tranche release (Policy Reform Matrix)

|  |  |  |
| --- | --- | --- |
| Programme: Support to Public FinancePolicy Reformsin Moldova | | |
| First Variable Instalment (EUR 8 million) Achievement: by end 2015 Assessment: by March  2016 Disbursement: By July 2016 | Second Variable Instalment (EUR gmillion) Achievement: by end 2016 Assessment: by March  2017 Disbursement: By July 2017 | Third Variable Instalment (EUR 9 million) Achievement: by end 2017 Assessment: by March  2018 Disbursement: By July 2018 |
| A. Government of the Republic of Moldova (GoM), Ministry of Finance (MoF) | | |
| Condition Al: Improved fiscal governance and enhanced independent fiscal institutions | | |
| A1.1 GoM produces a preliminary (draft) analysis on Fiscal Governance in Moldova in relation to EU standards related to:   * Fiscal rules; * Independent fiscal institutions; * Medium-term budget frameworks (MTBF). | A.l.l GoM publishes the analysis on Fiscal Governance as well as a concise paper explaining - in non-technical terms - to civil society and media the advantages for the society of improved fiscal governance. | A.l.l Following meetings and consultations with civil society on the analysis on Fiscal Governance performed in 2016, GoM publishes a final report on measures required to approximate Moldovan Fiscal Governance with EU standards related to fiscal rules, independent fiscal institutions and MTBF. |
| Source of verification:  MoF transmission of the draft analysis to the EUD | Source of verification:  MoF website and Government official documents. | Source of verification:  MoF website and Government official documents. |
| A 1.2 GoM prepares and publishes an analysis providing an assessment on the relevance and possible design of an independent Fiscal Council in the Moldovan context. | A 1.2 GoM organises meetings and consultations with the civil society on the analysis and publishes a report on the outcomes. | A1.2 GoM publishes a conclusive report on required changes in legislation for the establishment of an independent Fiscal Council in line with international standards. |
| Source of verification:  MoF and GoM websites and official documents. | Source of verification:  MoF and Government websites and official documents. | Source of verification:  MoF and GoM websites and official documents. |

|  |  |  |
| --- | --- | --- |
| Programme: Support to Public Finance Policy Reforms in Moldova | | |
| First Variable Instalment (EUR 8 million) Achievement: by end 2015 Assessment: by March 2016 Disbursement: By July 2016 | Second Variable Instalment (EUR 8million) Achievement: by end 2016 Assessment: by March 2017 Disbursement: By July 2017 | Third Variable Instalment (EUR 9 million) Achievement: by end 2017 Assessment: by March 2018 Disbursement: By July 2018 |
| Condition A2: Consolidated medium-term planning and improved public access to budget information | | |
| A2.1 GoM approves and publishes the Medium- Term Budget Framework (MTBF) 2016-2018 by end-July 2015. The MTBF shall include macro­fiscal assumptions, key fiscal ceilings and expenditure priorities. | A2.1 GoM approves and publishes the MTBF 2017-2019 by the end-July 2016. The MTBF shall include macro-fiscal assumptions, key fiscal ceilings and expenditure priorities. | A2.1 GoM approves and publishes the MTBF 2018-2020 by the end-July 2017. The MTBF shall include macro-fiscal assumptions, key fiscal ceilings and expenditure priorities. |
| Source of verification:  GoM act approving the MTBF;  MoF website and Government official documents. | Source of verification:  GoM act approving the MTBF;  MoF website and Government official documents. | Source of verification:  GoM act approving the MTBF;  MoF website and Government official documents. |
| A2.2 MoF prepares and publishes a pilot version of the 2016 "Citizens Budget". | A2.2 By the end of the 3rd quarter 2016 MoF prepares and publishes the 2017 "Citizens Budget". | A2.2 By the end of the 3st quarter 2017 MoF prepares and publishes the 2018 "Citizens Budget". |
| Source of verification: MoF website and documents. | Source of verification: MoF website and documents. | Source of verification: MoF website and documents. |
| Condition A3: Improved control and reporting of expenditure | | |
| A3.1 MoF creates a Public Sector Accounting Standards Council. The Council identifies and analyses the discrepancies in the national public sector accounting and reporting methodology versus the international practices. | A3.1 MoF produces and approves a Concept and an Action Plan on development, adoption and introduction of national public sector accounting standards, in line with international practices. | A3.1 The first set of accounting standards are published according to the approved Action Plan. |
| Source of verification: MoF Order. | Source of verification MoF Order. | Source of verification  MoF and EUD reviews and reports. |
| A3.2 MoF finalizes formats and procedures for mid-year reports on the implementation of the budget. | A3.2 By the end of the 3rd quarter 2016 MoF produces and publishes a mid-year report on the implementation of the 2016 State Budget. | A3.2 By the end of the 3rd quarter 2017 MoF produces and publishes a mid-year report on the implementation of the 2017 State Budget. |
| Source of verification: | Source of verification: | Source of verification: |

|  |  |  |
| --- | --- | --- |
| Programme: Support to Public Finance Policy Reforms in Moldova | | |
| First Variable Instalment (EUR 8 million) Achievement: by end 2015 Assessment: by March 2016 Disbursement: By July 2016 | Second Variable Instalment (EUR 8million) , , Achievement: by end 2016 Assessment: by March 2017 Disbursement: By July 2017 | Third Variable Instalment (EUR 9 million) Achievement: by end 2017 Assessment: by March 2018 Disbursement: By July 2018 |
| MoF official documents. | MoF website and Government official documents. | MoF website and Government official documents. |
| Condition A4: Enhanced public debt management | | |
| A4.1 GoM allocates funds in the 2015 State Budget for procurement and installation of updated Debt Management and Financial Analysis System, and for upgrading hardware and software of the Public Debt Management Department of the MoF. | A4.1 2016: Upgraded Debt Management and Financial Analysis Systems are in place. | A4.1 A consolidated report providing information on the benefits of GoM-organized trainings, data validation and debt statistics workshops is prepared and approved by MoF. |
| Source of verification: 2015 State Budget. | Source of verification  MoF review and 2015 budget execution report. | Source of verification MoF reviews and reports. |
| B. Parliament of the Republic of Moldova - Committee for Economy, Budget and Finance (PCEBF) | | |
| Condition Bl: Enhanced capacity for legislative scrutiny and oversight of the budget | | |
| Bl.l PCEBF develops an action plan on reinforcing the analytical support capacity provided by its Secretariat. | Bl.l The PCEBF Secretariat with appropriate staff, capacity and budget is established so as to be capable to operate starting from 1st quarter 2017. | Bl.l The PCEBF Secretariat is operational and provides a technically sound opinion to the parliamentarians on the draft budget, on the budget execution report and on reports transmitted by the Court of Accounts (CoA). |
| Source of verification:  Parliament website and official documents. | Source of verification: 2017 Budget Law.  Parliament website and official documents. | Source of verification:  Availability of information on budget and Parliament (PCEBF) hearings of CoA. Parliament website and official documents. |
| Condition B2: Enhanced transparency in anticorruption measures in legislative work | | |
| B2.1 Parliament establishes an anti-corruption forum to bring together interested stakeholders and the civil society to discuss corruption risk mitigation measures and legislative initiatives. | B2.1 Quarterly meetings of the anti-corruption forum take place and the main results of such meetings are made available to the public on a quarterly basis. | B2.1 Quarterly meetings of the anti-corruption forum take place and the main results of such meetings are made available to the public on a quarterly basis. |

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| Programme: Support to Public Finance Policy Reforms in Moldova | | |
| First Variable Instalment (EUR 8 million) Achievement: by end 2015 Assessment: by March 2016 Disbursement: By July 2016 | Second Variable Instalment (EUR 8miUion) Achievement: by end 2016 Assessment: by March 2017 Disbursement: By July 2017 | Third Variable Instalment (EUR 9 million) Achievement: by end 2017 Assessment: by March 2018 Disbursement: By July 2018 |
| Source of verification:  Parliament website and official documents. | Source of verification:  Parliament website and official documents. | Source of verification:  Parliament website and official documents. |
| C. Court of Accounts (CoA) of the Republic of Moldova - Supreme Audit Institution (SAI) | | |
| Condition CI: Enhanced effectiveness of external audits | | |
| Cl.l CoA prepares and publishes an analysis on compliance with International Standards of Supreme Audit Institutions (ISSAI) principles in auditing standards and follow-up procedures. | Cl.l CoA prepares and publishes the draft regulatory framework to enhance compliance with the ISSAI principles and improve the follow-up procedures. CoA also holds consultations with the Government and the Parliament. | Cl.l CoA together with the Parliament initiates the process of legislative changes required (i) to align auditing standards with ISSAI principles and (ii) to improve follow-up procedures. |
| Source of verification: CoA website. | Source of verification: CoA and Parliament websites. | Source of verification: CoA and Parliament websites. |
| Condition C2: Increased transparency of external audits and improved management for results | |  |
| C2.1 CoA prepares an action plan aimed at enhancing performance audits and related communication to Parliament, Government and civil society. | C2.1 CoA carries out performance audits concerning at least 12 public authorities. CoA communicates the reports to the public. | C2.I CoA carries out performance audits concerning at least 15 public authorities. CoA communicates the reports to the public. |
| Source of verification: CoA website. | Source of verification: CoA website. | Source of verification: CoA website. |
| Condition C3: Increased transparency in the anti-corruption activities of the CoA | | |
| C3.1 CoA develops and publishes guidelines regarding SAI role in fraud and corruption cases. | C3.1 CoA develops, publishes and makes available to the public a report containing:   * All cases of suspected fraud identified by CoA; * Potential conflict of interest detected by CoA within the audited entities. | C3.1 CoA develops, publishes and makes available to the public a report focused on decisions and measures undertaken by law enforcement authorities (Anti-Corruption Prosecution Office, Prosecutor General Office, National Anti­Corruption Centre and the Ministry of Interiors) as |

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| Programme: Support to Public Finance Policy Reforms in Moldova | | |
| First Variable Instalment (EUR 8 million) Achievement: by end 2015 Assessment: by March 2016 Disbursement: By July 2016 | Second Variable Instalment (EUR 8million) Achievement: by end 2016 Assessment: by March 2017 Disbursement: By July 2017 | Third Variable Instalment (EUR 9 million) Achievement: by end 2017 •Assessment: by March 2018 Disbursement: By July 2018 |
|  |  | a result of conflicts of interest detected and cases of suspected frauds identified by CoA and notified to the mentioned authorities. |
| Source of verification: CoA website. | Source of verification: CoA website. | Source of verification: CoA website. |

5. Modalities of assessment of performance in the case of variable tranches

The programme foresees the payment of four annual instalments. For each instalment, a fixed tranche can be paid upon compliance with the General Conditions (as detailed in section above). Once compliance with the General Conditions has been positively assessed by the European Commission, the variable tranche will be assessed and paid according to the level of compliance with each of the Specific Conditions.

There are three possible levels of compliance related to the Specific Conditions:

1. Full compliance, which will result in a disbursement decision of the European Commission amounting to the full corresponding quota;
2. Partial but significant compliance, which will result in a disbursement decision of the European Commission amounting to half of the corresponding quota;
3. Insufficient or no compliance, which will result in a no disbursement decision of the European Commission. In the event that more indicators are grouped under the same specific condition:

* Full compliance corresponds to all indicators under such specific condition being fully met;
* Partial but significant compliance corresponds to more than half of all the indicators under such specific condition being fully met;
* Insufficient or no compliance corresponds to half or less than half of all the indicators under such specific condition being fully met.

In duly justified cases and following a duly-substantiated request submitted by the competent authorities to the European Commission, compliance might be re-assessed during the review of the immediately subsequent annual tranche, eventually allowing for the payment of the corresponding unpaid amount(s). Funds withheld for lack of compliance will be lost at the end of the Programme.

In any case, the final decision on the degree of compliance and on any type of tranche disbursement rests with the European Commission.

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| Percentage and amount (assuming full and timely compliance) | 1st Instalment | | 2nd Instalment | | 3rd Instalment | | 4lb Instalment | | Total  amount |
| % of total instalment | maximum amount (EUR mln) | % of total instalment | maximum amount (EUR mln) | % of total instalment | maximum amount (EUR mln) | % of total instalment | maximum amount (EUR mln) |
| Total | 100 | 8.0 | 100 | 8.0 | 100 | 8.0 | 100 | 9.0 | 33.0 |
| Fixed Tranche | 100 | 8.0 | 0.0 | 0.0 | 0.0 | 0.0 | \* 0.0 | 0.0 | 8.0 |
| Variable Tranche | 0.0 | 0.0 | 100 | 8.0 | / 100 | 8.o : | 100 | 9,o ; | 25.0 |
| A. Government of the Republic of Moldova (Ministry of Finance) | N.A. | N.A. | 50 | 4.0 | 50 | 4.0 | 44.5 | 4.0 | 12.0 |
| A1 : Improved fiscal governance and enhanced independent fiscal institutions | N.A. | N.A. | 12.5 | 1.0 | 12.5 | 1.0 | 11.1 | 1.0 | 3.0 |
| A2: Consolidated medium-term planning and improved public access to budget information | N.A. | N.A. | 12.5 | 1.0 | 12.5 | 1.0 | 11.1 | 1.0 | 3.0 |
| A3: Improved control and reporting of expenditure | N.A. | N.A. | 12.5 | 1.0 | 12.5 | 1.0 | 11.1 | 1.0 | 3.0 |
| A4: Enhanced public debt management | N.A. | N.A. | 12.5 | 1.0 | 12.5 | 1.0 | 11.1 | 1.0 | 3.0 |
| B. Parliament of the Republic of Moldova (Committee for Economy, Budget and Finance) | N.A. | N.A. | 20 | 1.6 | 20 | 1.6 | 22.2 | 2.0 | 5.2 |
| B1 : Enhanced capacity for legislative scrutiny and oversight of the budget | N.A. | N.A. | 10 | 0.8 | 10 | 0.8 | 11.1 | 1.0 | 2.6 |
| B2: Enhanced transparency in anticorruption measures in legislative work | N.A. | N.A. | 10 | 0.8 | 10 | 0.8 | 11.1 | 1.0 | 2.6 |
| C. Court of Accounts of the Republic of Moldova (Supreme Audit Institution) | N.A. | N.A. | 30 | 2.4 | 30 | 2.4 | 33.3 | 3.0 | 7.8 |
| CI : Enhanced effectiveness of external audits | N.A. | N.A. | 10 | 0.8 | 10 | 0.8 | 11.1 | 1.0 | 2.6 |
| C2: Increased transparency of external audits and improved management for results | N.A. | N.A. | 10 | 0.8 | 10 | 0.8 | 11.1 | 1.0 | 2.6 |
| C3: Increased transparency in the anti­corruption activities of the CoA | N.A. | N.A. | 10 | 0.8 | 10 | 0.8 | 11.1 | 1.0 | 2.6 |

N.A. Not Applicable

1. According to the methodology approved and published on the official web-site of the National Bank of Moldova: Regulation on the Setting of the Official Exchange Rate of Moldovan Leu against Foreign Currencies, Decision of the Council of Administration of the National Bank of Moldova No.3 of January 15. 2009, Official Monitor of the Republic of Moldova. No.27-29 of February 10. 2009. Art. 100. [↑](#footnote-ref-1)
2. Government Decree N 12 of the I9lh of January 2010 [↑](#footnote-ref-2)