

INTRODUCTION

WITH A POPULATION OF 4 MILLION, Moldova has a gross national income (GNI) of USD 1 100 per person. According to the latest survey conducted in 2006, 4.76% of the population lived below the 2.15 dollars-per-day threshold; 34.46% fall below the 4.13 dollars-per-day threshold. Net official development assistance (ODA) to Moldova in 2006 was USD 228 million, 90% higher than 2004; this accounted for 6% of GNI. Moldova has endorsed the Paris Declaration on Aid Effectiveness (The Paris Declaration). Twenty donors have responded to the 2008 Survey; together, they provided 60% of the country's ODA. .

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Lacking balanced and well-sequenced strategy	Implement National Development Strategy and Action Plan
Alignment	Low	Donors rely on parallel project implementation units	Government to fully implements reforms in public administration, public financial management and procurement; donors make better use of country systems
Harmonisation	Moderate	Limited use of programme-based approaches	Explore use of sector-wide approaches; increase use of budget support
Managing for results	Low	Poor quality of poverty-related information	Fully implement plans for improving national statistics across government agencies
Mutual accountability	Moderate	Partial mutual assessments of progress on aid effectiveness	Ensure that the Harmonisation Group and Development Partnership Framework work together to deliver mutual assessments

OVERVIEW

Box 34.1:
Challenges and
priority actions

OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

INDICATOR 1

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country’s development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country’s development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

Moldova received a D rating in the 2006 Baseline Survey, indicating that some elements of an operational development strategy were in place. However gaps remained in several areas. According to the World Bank, Moldova is relatively strong in medium-term strategies, in setting country-specific development targets, and in allocating capacity and resources for implementation. By contrast, it found that Moldova lacks a long-term vision and a holistic, balanced and well-sequenced strategy. There is also some fragmentation of responsibilities among various government ministries.

For the 2008 Survey, Moldova received an improved C rating. According to World Bank’s 2007 Aid Effectiveness Review assessment, this indicates that “progress is being made, although not yet enough, and the basis exists for even more substantive progress.”

Moldova’s long-term vision is to become a member of the European Union (EU). The country has two strategic plans to set medium-term aspirations for economic development and ensure the population’s welfare: the Economic Growth and Poverty Reduction Strategy Paper for 2004-2007 and the EU–Moldova Action Plan for 2005-2007. Due to the large number of priorities generated from the wide range of national documents, implementation of policies was difficult and constrained by limited financial resources. In addition, sectoral strategies were developed that were sometimes not consistent with national policies.

At the end of 2007, Moldova finalised the National Development Strategy (NDS) for 2008-2011, which serves as a unique tool for the integration of the previous strategic framework, alignment between the budgeting process and the policy framework, and absorption of external technical and financial assistance. All priority development areas set forth in the NDS aim to adjust relevant national policies to relevant European policies. The NDS intends to focus attention on a limited number of priorities and target existing resources towards their strict implementation. The Action Plan for 2008-2011 outlines specific tasks to achieve the identified priorities and objectives in the NDS.

Initiatives within the NDS will be reflected in the national public budget and in the Medium-Term Expenditure Framework (MTEF). The NDS Action Plan will be revised every year, along with the MTEF to ensure that the Action Plan evolves concurrently with achievements made throughout the NDS implementation. The NDS implementation monitoring results will be evaluated through an Annual Evaluation Report, which will reflect the previous year’s progress towards achieving the NDS objectives and the dynamics of selected performance indicators.

The NDS provides evidence that Moldova has taken additional action towards achieving good practice and, thus, is on course to meet the 2010 target. However, the NDS is not fully operational due to certain challenges. The broad scope of the strategy may strain the limited capacity of the government. Further work is also needed to clearly define responsibilities among various ministries and to encourage greater participation from civil society and other key stakeholders in the national development process. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

Moldova's ratings for alignment reveal some progress since the 2006 Baseline Survey. However, continued effort is needed in all areas if the 2010 targets for alignment are to be met.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

In 2005, Moldova received a rating of 3.5 on a 6-point scale, slightly above the average of 3.2 for all countries rated in the World Bank's Country Policy and Institutional Assessment. Moldova received a rating of 3.8 in 2007, moving closer to meeting the 2010 target.

Moldova launched a PFM reform strategy in 2005, which is still ongoing. Several actions have been taken to improve the quality of the system to meet international standards and EU requirements. The government has drafted a new law on local public finance and established a new system for budgetary classification and financial accounting. It is implementing the strategy to develop internal public financial audit and reform external audit. In 2008, a new financial management information system will be installed. The priority for the government is to ensure the implementation and success of all these new mechanisms and institutions, in order to meet the target of 4.0 on Indicator 2a by 2010.

INDICATOR 2a

How reliable are country public financial management systems?

INDICATOR 2b

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

Moldova has undertaken several reforms to improve public procurement systems. In 2007, a new Public Procurement Law was adopted. The Law mandated the establishment of an independent agency, with adequate staff and budget, in accordance with the provisions of the public central administration reform. An Action Plan was also put in place that identifies concrete tasks aimed at increasing publicity and transparency of public procurement, building capacity of the stakeholders, supervising data and public procurement achievements, automating public procurement and accelerating the process of Moldova's adherence to the WTO Agreement on Public Procurements.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES**INDICATOR 3**

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

The 2006 Baseline Survey for Moldova showed 70% of total aid disbursed being recorded in the government budget. The 2008 Survey results report a significant decline, with only 57% of total aid disbursed recorded in the national budget. This puts Moldova further away from achieving its 2010 target of at least 85% for this indicator. The simple (un-weighted) average donor ratio reveals that the situation is even worse on a donor-by-donor basis: the accuracy of budget reporting for the average donor was as low as 12% in 2007. Significant efforts will be needed –from both donors and government – in improving quality and communication of data aid flows if Moldova is to meet the 2010 target of 85% of aid recorded in the government budget.

Several government units oversee foreign assistance co-ordination, making it difficult to ensure effective information sharing regarding Moldova's budget. At the end of 2005, Moldova addressed this by re-organising its aid co-ordination structure into two levels. An External Assistance Coordination Unit within the Prime Minister's Office focuses on all forms of external assistance. The National Coordination Unit within the Ministry of Economy and Trade focuses on technical assistance. However, because lines of responsibility and reporting remain unclear for many functions, donors are still reporting to many different units. In 2006, the government established the Donor Presence Matrix, which is designed to inform the government on programmes implemented by donors. The Matrix reflects the data on ODA executed in the reporting year, as well as the estimations for the following three years. While information was collected from more donors in 2007 than in 2006, failure of one large donor to provide information negatively impacted the relevance of the whole exercise.

	Government budget estimates of aid flows for 2007 (USD m)	Aid disbursed by donors for government sector in 2007 (USD m)	2005 (for reference)	2007*
	a	b		c = a/b c = b/a
Austria	0	0	--	0%
Czech Republic	0	3	--	0%
Estonia	0	0	--	0%
European Commission	10	37	100%	27%
France	0	1	--	0%
GAVI Alliance	0	0	--	0%
Germany	1	2	100%	61%
Global Fund	2	9	100%	23%
Hungary	0	0	--	0%
IFAD	4	2	100%	42%
IMF	0	--	--	--
Japan	0	5	--	0%
Latvia	0	0	--	0%
Lithuania	0	0	--	0%
Netherlands	0	--	--	--
Sweden	0	14	--	0%
Switzerland	0	5	--	0%
Turkey	0	2	--	0%
United Kingdom	0	2	10%	0%
United Nations	0	10	--	0%
United States	0	1	--	0%
World Bank	71	61	100%	87%
Average donor ratio	--	--	85%	12%
Total	88	156	70%	57%

* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

On the donor side, information provided to the government is often incomplete and late. The donors' planning cycles often do not coincide with the MTEF cycle; thus, the information on planned assistance is not incorporated in the MTEF. Even if information about the donors' commitments for respective financial years are available, use of individual reporting systems by some donors do not allow for the inclusion of aid flows in national budgetary planning documents. Donors have expressed their willingness to formulate a joint assistance strategy in support of the NDS, which could improve the situation. The government is also encouraging donors to provide more direct budget support, which would be captured more effectively in the national budget.

TABLE 34.1:
Are government budget
estimates comprehensive
and realistic?

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

INDICATOR 4

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

TABLE 34.2:
How much technical
co-operation is co-ordinated
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
Austria	1	1	0%	100%
Czech Republic	1	2	--	28%
Estonia	0	0	--	0%
European Commission	--	16	--	--
France	0	0	--	0%
GAVI Alliance	0	0	--	--
Germany	0	2	--	24%
Global Fund	--	--	--	--
Hungary	0	0	--	0%
IFAD	0	0	--	0%
IMF	--	--	--	--
Japan	1	1	0%	100%
Latvia	0	0	--	64%
Lithuania	0	0	--	25%
Netherlands	--	--	0%	--
Sweden	3	13	100%	20%
Switzerland	4	6	0%	59%
Turkey	0	0	0%	7%
United Kingdom	2	2	84%	99%
United Nations	15	16	100%	92%
United States	0	25	8%	0%
World Bank	2	12	100%	17%
Total	28	97	26%	29%

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

Co-ordinated technical co-operation in Moldova improved marginally in 2007 – 29% of technical assistance provided by donors was co-ordinated, compared with only 26% in 2005. This is still far below the 2010 target of 50%. No national capacity building strategy exists in Moldova, and only some sector's strategies have capacity building components. Only broad institutional reform programmes – such as the public financial management and central public administration – have co-ordinated technical assistance in terms of the 2008 Survey guidelines. In many cases, national authorities do not have control over the technical assistance delivered. For some joint assistance projects, donors do not adopt a unified approach.

Since 2005, the government has developed several sector strategies on capacity development as part of the NDS. It has also launched a donor-mapping exercise to better identify co-ordinating mechanisms between donors. To reach the 2010 target, Moldova and its donors must step up efforts on this indicator.

USING COUNTRY SYSTEMS

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

INDICATOR 5

TABLE 34.3:
How much aid for the government sector uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005	2007	Procurement systems (USD m) e	2005	2007
					(for reference)	avg (b,c,d) / a		(for reference)	e / a
Austria	0	0	0	0	0%	0%	--	0%	--
Czech Republic	3	0	0	0	--	0%	--	--	--
Estonia	0	0	0	0	--	0%	--	--	--
European Commission	37	37	37	37	100%	100%	37	100%	100%
France	1	0	0	0	--	0%	--	--	--
GAVI Alliance	0	0	0	0	--	35%	0	40%	60%
Germany	2	2	2	2	--	100%	2	--	100%
Global Fund	9	0	0	0	0%	0%	--	0%	--
Hungary	0	0	0	0	--	0%	--	--	--
IFAD	2	0	0	0	--	0%	--	--	--
IMF	--	--	--	--	--	--	--	--	--
Japan	5	2	2	2	0%	33%	2	0%	33%
Latvia	0	0	0	0	--	8%	0	--	1%
Lithuania	0	0	0	0	--	0%	0	--	100%
Netherlands	--	--	--	--	--	--	--	--	--
Sweden	14	6	6	0	0%	29%	1	0%	11%
Switzerland	5	0	0	0	--	0%	--	--	--
Turkey	2	0	0	0	0%	0%	--	0%	--
United Kingdom	2	0	0	0	7%	0%	--	10%	--
United Nations	10	0	0	0	0%	3%	--	0%	--
United States	1	0	0	0	0%	0%	--	0%	--
World Bank	61	18	18	18	0%	29%	18	0%	29%
Total	156	66	66	59	25%	41%	60	25%	39%

The 2006 Baseline Survey for Moldova reported that 25% of aid made use of PFM systems, averaged across the three components. Given that Moldova scored 3.5 on Indicator 2a, the target for 2010 on Indicator 5a is that 50% of aid (one-third reduction) will make use of national PFM systems.

The 2008 Survey shows a tangible improvement with 41% of aid using country PFM systems, putting Moldova within reach of the 2010 target. Significant use of country PFM systems remains largely restricted to those donors delivering assistance in the form of general budget support, which has increased since 2005. In order to build greater donor confidence in its PFM systems, the government should continue with PFM reforms to improve the quality and accountability. One positive example to increase the use of country systems is the decision of UN agencies to consolidate assistance planning instruments around a Common Country Programme. A UN-harmonised approach to cash transfers is also expected to contribute to the gradual use of country financial reporting systems.

On procurement (Indicator 5b), 39% of aid now makes use of the country's systems, a substantial increase on the 25% recorded in 2005. The 2006 survey did not include an assessment of the country's procurement system, so no target was set for 2010. The World Bank, in particular, has made progress on this indicator by moving towards "agreed procedures" whereby small value procurement may use the national procurement system. Although the government must continue to improve its PFM and procurement systems, donors must also find ways to make greater use of national systems if the 2010 targets are to be met.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be "parallel" when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes." Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2008 Survey shows an increase in the number of parallel PIUs in Moldova from 43 in 2005 to 59 in 2007. This puts the 2010 target of reducing the number of parallel PIUs to 14 much further away. This increase should be interpreted carefully since the number of parallel PIUs in the 2006 Baseline Survey may have been understated given the revised definition of PIUs in the 2008 Survey. There may also be unreported parallel PIUs in cases which donors deliver assistance to the government sector.

External partners rely heavily on PIUs, which are external to government structures and use special accounting and reporting mechanisms for project implementation. Many donors are trying to reduce their reliance on parallel PIUs by integrating their functions into the appropriate ministries. However, donors often still have the authority to appoint staff members and provide higher salaries than those of civil service personnel. This can undermine national capacity building efforts and create tension within ministries. Joint efforts by government and donors to build capacities in the public authorities of Moldova will contribute to the full transition of PIUs into government authorities, allowing Moldova to make progress on this indicator. However, reaching the 2010 target of only 14 parallel PIUs seems unrealistic.

	2005 (for reference)	2007 (units)
Austria	0	0
Czech Republic	--	8
Estonia	--	0
European Commission	--	10
France	--	0
GAVI Alliance	--	0
Germany	--	0
Global Fund	0	0
Hungary	--	0
IFAD	--	1
IMF	--	--
Japan	1	2
Latvia	--	0
Lithuania	--	0
Netherlands	0	--
Sweden	6	4
Switzerland	0	0
Turkey	0	1
United Kingdom	4	3
United Nations	11	14
United States	13	0
World Bank	14	16
Total	43	59

TABLE 34.4:
How many PIUs are parallel
to country structures?

PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

INDICATOR 7

In Moldova, donors scheduled USD 159 million for disbursement in 2007 and actually disbursed – according to their own records – slightly less than expected (USD 156 million). The second angle is donors’ and government’s ability to record comprehensively the disbursements scheduled by donors for the government sector. The government recorded 77% of aid scheduled for disbursement in its accounts as disbursed within 2007. This is an increase from 67% in 2005, and within reach of the 2010 target of 83%. However, this apparent progress conceals an unimpressive and actually deteriorating combination of over- and under-recording of scheduled aid, donor by donor. Challenges in narrowing the gap between scheduled and recorded disbursements are, thus, mainly associated with the flawed coverage of donor disbursements in national records.

Disbursements were not recorded particularly in project funds as they tend to have their own financial systems that remain outside of Moldova’s financial management systems. Donors may not notify the central authorities of these funds. Differing financial management practices and budget cycles between donors and government also create difficulties for recording all aid on budget. To address these issues, the government is increasing accountability for external development sources management by creating the National Committee for Foreign Assistance, under the leadership of the Prime Minister. The government is also encouraging donors to increase the volumes of ODA granted in the form of general budget support.

TABLE 34.5:
Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005 (for reference)	2007* c = a / b c = b / a
Austria	0	0	0	--	
Czech Republic	0	2	3	--	0%
Estonia	0	0	0	--	0%
European Commission	39	37	37	98%	96%
France	0	0	1	--	--
GAVI Alliance	0	0	0	--	0%
Germany	2	2	2	--	87%
Global Fund	9	9	9	85%	100%
Hungary	0	0	0	--	0%
IFAD	6	1	2	--	13%
IMF	0	--	--	--	--
Japan	3	5	5	--	48%
Latvia	0	0	0	--	0%
Lithuania	0	0	0	--	0%
Netherlands	0	--	--	--	--
Sweden	2	12	14	--	15%
Switzerland	0	7	5	--	0%
Turkey	0	2	2	--	0%
United Kingdom	0	2	2	7%	0%
United Nations	0	10	10	--	3%
United States	0	0	1	--	--
World Bank	62	70	61	87%	87%
Average donor ratio				69%	25%
Total	122	159	156	67%	77%

* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Indicator 7 seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Moldova, this combined predictability gap amounts to USD 37 million (23% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to collaborate on various fronts at the same time. As mentioned in the 2006 Baseline Survey, they might work at improving: a) the realism of predictions on volume and timing of expected disbursements; b) the way donors notify their disbursements to government; and c) the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country's capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

According to OECD data covering 60% of aid to Moldova, 98% of aid is untied in 2006. Moldova has made progress on Indicator 8, exceeding the baseline amount of 81% and meeting its 2010 target of continued progress over time. This is a result of increasing ODA through general budget support. ■

INDICATOR 8

How much aid is untied?

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

In Moldova, donors have used a variety of mechanisms to co-ordinate their activities such as the donor roundtables and sector working groups, the IPS Support Group, and Development Counsellors (including EC Member State Development Counsellors). The Donor Technical Secretariat (DTS) is a mechanism created by donors in order to facilitate the co-ordination process. The DTS has been responsible for logistical and advisory support of many of these co-ordination efforts and events. On harmonisation, donors now need to make substantially more use of programme-based approaches (PBAs).

USING COMMON ARRANGEMENTS

INDICATOR 9

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

The proportion of aid to Moldova using PBAs, and thus common procedures, rose from 16% in 2005 to 30% in 2007—still below the 2010 target level of 66%. The majority of PBA is made up of direct budget support, with a small amount as sector support. The low level of common arrangements and PBAs used by donors can be explained partially by the limited capacities of line ministries to define their sectoral priorities, lack of co-ordination and leadership by the government, and the diversity of donor rules and procedures. Full implementation of the NDS to develop sector strategies may allow Moldova to make substantial progress on this target and to reach the 2010 target.

TABLE 34.6:
How much aid is
programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007 e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
Austria	0	1	1	1	0%	50%
Czech Republic	0	0	0	3	--	0%
Estonia	0	0	0	0	--	0%
European Commission	38	0	38	60	59%	64%
France	0	0	0	1	--	0%
GAVI Alliance	0	0	0	0	40%	60%
Germany	0	2	2	4	--	49%
Global Fund	0	0	0	9	0%	0%
Hungary	0	0	0	0	--	0%
IFAD	0	0	0	7	--	0%
IMF	--	--	--	--	--	--
Japan	0	3	3	5	0%	47%
Latvia	0	0	0	0	--	0%
Lithuania	0	0	0	0	--	0%
Netherlands	--	--	--	--	0%	--
Sweden	0	6	6	17	0%	36%
Switzerland	0	0	0	7	0%	0%
Turkey	0	0	0	3	0%	0%
United Kingdom	0	0	0	3	10%	0%
United Nations	0	0	0	17	0%	0%
United States	0	0	0	25	0%	0%
World Bank	18	1	18	61	0%	30%
Total	56	11	67	221	16%	30%

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

Despite efforts to rationalise and improve how missions are carried out in Moldova, the number of missions is still very high at 229, with a small proportion considered as co-ordinated missions. In 2005 only 20% of donor missions were conducted jointly. The 2008 Survey shows a reduction in Indicator 10a with 14% of donor missions conducted jointly in 2007 – still far below the 2010 target of 40%. The government established a website for the National Coordinating Unit through which donors can share information on missions. To date, use of this web portal remains limited.

INDICATOR 10a

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005 (for reference)	2007 c = a / b
Austria	0	2	100%	0%
Czech Republic	0	7	--	0%
Estonia	10	10	--	100%
European Commission	--	14	5%	--
France	0	23	58%	0%
GAVI Alliance	0	0	--	--
Germany	3	5	--	60%
Global Fund	0	1	0%	0%
Hungary	0	7	--	0%
IFAD	0	0	--	--
IMF	--	--	--	--
Japan	0	4	0%	0%
Latvia	1	1	--	100%
Lithuania	1	1	--	100%
Netherlands	--	--	--	--
Sweden	1	17	100%	6%
Switzerland	0	10	50%	0%
Turkey	0	5	0%	0%
United Kingdom	5	10	25%	50%
United Nations	7	19	19%	37%
United States	0	16	--	0%
World Bank	23	77	26%	30%
Total	33	229	20%	14%

TABLE 34.7:
How many donor missions
are co-ordinated?

* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

INDICATOR 10b

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

TABLE 34.8:
How much country analysis is co-ordinated?

	Co-ordinated donor analytical work* (analyses)	Total donor analytical work (analyses)	2005 (for reference)	2007
	a	b		c = a / b
Austria	1	3	--	33%
Czech Republic	1	6	--	17%
Estonia	0	0	--	--
European Commission	2	2	--	100%
France	0	0	--	--
GAVI Alliance	0	0	--	--
Germany	--	--	--	--
Global Fund	0	3	--	0%
Hungary	0	0	--	--
IFAD	0	1	--	0%
IMF	--	--	--	--
Japan	0	0	--	--
Latvia	0	0	--	--
Lithuania	0	0	--	--
Netherlands	--	--	--	--
Sweden	0	1	100%	0%
Switzerland	0	3	0%	0%
Turkey	0	0	--	--
United Kingdom	2	2	50%	100%
United Nations	43	55	75%	78%
United States	2	7	33%	29%
World Bank	2	4	20%	50%
Total	40	87	50%	46%

* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

Moldova improved substantially the extent to which elements of analytical work are co-ordinated, increasing from 50% in 2005 to 61% in 2007, within reach of the 2010 target of 66%. A good example of co-ordinated analytical work is the Road Infrastructure Rehabilitation Strategy, which was developed jointly by the government and donors, and included an action plan. Better communication between donors could ensure that more missions and analytical work are conducted jointly in the future. ■

MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

Moldova received a D rating in the 2006 Baseline Survey because several challenges were identified. First, the quality and availability of poverty-related data, which are the key building blocks for a transparent performance assessment framework, were weak. Further, the establishment of an integrated country-level monitoring and evaluation system was reported by the World Bank to be “at an early stage”.

For the 2008 Survey, Moldova received an improved C rating in the World Bank’s 2007 Aid Effectiveness Review. This indicates that progress is being made, although not yet enough, and the basis exists for even more substantive progress in order to meet the 2010 target rating of B. Since 2004, Moldova has been implementing a statistical development strategy to improve the quality of statistical activities of all government institutions. To make development information more accessible, the government has put in place a communication strategy to facilitate dissemination of information on the medium-term strategy and government policies. Moreover, extensive consultations have informed the preparation of the NDS. Most importantly, the new NDS includes clear high-level indicators for sectors and a national level performance monitoring and evaluation system. As the NDS framework is fully realised, this puts Moldova within reach of the target of achieving a B rating by 2010. ■

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

INDICATOR 11

Do countries have results-based monitoring frameworks?

INDICATOR 12

Do countries have reviews of mutual accountability?

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

Moldova has a system of mutual accountability based on the work of the Development Partnership Framework (DPF), which was created specifically to monitor progress towards The Paris Declaration targets. To date, action items set forth in the agreement have not been fully implemented; however, completion of a document to facilitate this process is planned for 2008. The Harmonisation Group also brings together government and donor representatives; they monitor progress on aid effectiveness commitments, including those of the Paris Declaration. Evaluations of individual programmes with donors take place on an ad-hoc basis. The donors and central public authorities involved in policy implementation take part in these evaluations. Inter-ministerial commissions are engaged in monitoring and evaluating implementation of the national strategy; mixed groups (consisting of donors, government and civil society) contribute to monitoring sector performance. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

MOLDOVA HAS MET A TARGET FOR ONLY TWO INDICATORS: Indicator 8 on untied aid and Indicator 12 on mutual accountability. For the remaining indicators, the results are mixed showing that some progress has been made but significant gaps need to be filled to attain the 2010 targets. In particular, substantial efforts are required by the government and donors to improve alignment of aid flows with national priorities, co-ordination of technical co-operation, use of PIUs, use of PBAs and joint missions. Moldova should continue its reforms for institutional development and improving capacity. Donors must engage in increased alignment and harmonisation activities to reach the 2010 targets. ■

SUMMARY

TABLE 34.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	D	C	B or A
2a	Reliable public financial management (PFM) systems	3,5	4,0	4,0
2b	Reliable procurement systems	Not available	Not available	Not applicable
3	Aid flows are aligned on national priorities	70%	57%	85%
4	Strengthen capacity by co-ordinated support	26%	29%	50%
5a	Use of country PFM systems	25%	41%	50%
5b	Use of country procurement systems	25%	39%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	43	59	14
7	Aid is more predictable	67%	77%	83%
8	Aid is untied	81%	98%	More than 81%
9	Use of common arrangements or procedures	16%	30%	66%
10a	Joint missions	20%	14%	40%
10b	Joint country analytic work	50%	46%	66%
11	Results-based monitoring frameworks	D	C	B or A
12	Mutual accountability	Yes	Yes	Yes

CONTRIBUTORS

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Donor Focal Point: UN Coordination Officer (United Nations)

ACRONYMS

EU	European Union
GNI	gross national income
MTEF	medium-term expenditure framework
NDS	National Development Strategy
ODA	official development assistance
PBA	programme-based approaches
PFM	public financial management
PIU	project implementation units

