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Republic of Moldova

Programme implementation plan – Capacity building for performance based budgeting in the government of Moldova – phase 2

under the Programme: “Public Finance for Development - Strengthening Public Finance Capacities in Western Balkans and Commonwealth of Independent States”

(Implementation period: April 2012 – June 2014)

A. Description of country specific Programme interventions

The project aims to provide assistance to the **Ministry of Finance (MF) of the Republic of Moldova** in **implementing the performance-based budgeting (PBB) in the government of Moldova**. The area of assistance has been selected in a participatory manner with MF Moldova and is aligned with priorities of the Government of Moldova defined in the **Activity Program of the Government of the Republic of Moldova** “European Integration: Freedom, Democracy, Welfare” 2009-2013 (“Activity Programme”). Different measures, among which introduction of program budgeting (or performance based budgeting¹) and increasing flexibility of budgetary expenditures in the context of the medium-term expenditure framework at central and local government levels², are planned to be adopted by the Government. The objective of the budget reform is to improve public financial management (PFM) and budgetary and fiscal policy in Moldova and to achieve efficiency, transparency and accountability in the use of public financial resources. According to the **National Decentralisation Strategy**, the objective of the fiscal decentralisation is to improve the current system of local public finances, so as to ensure the financial autonomy of local public administration, while maintaining financial discipline, maximizing efficiency and ensuring equity in resource allocation. This objective shall be achieved, among others, through strengthening financial management in local public authorities, including the introduction of program budgeting and multi-year budgeting, increasing transparency and public participation. The institutional capacity of local governments will be strengthened in a coordinated manner with the central government level, also via sustainable training system offering specialised training courses.

In line with the articulated priorities of the Moldovan government, **the first phase of the SlovakAid PBB project³ was implemented from April 2011 to December 2011**. It was focused on the analysis of legislative framework and current methodology for PBB and on capacity assessment for PBB implementation with the aim to design a comprehensive capacity development plan for the Government of Moldova to introduce performance based budgeting nationwide. The Analysis of performance based budgeting concept and methodology was prepared by Slovak consultants and delivered to MF Moldova in August 2011. The MF Moldova designed and adopted a PBB concept that has progressed too far to be significantly modified. Therefore the analysis concentrated on improvement and completion of the methodology supporting the already adopted

¹ Terms programme budgeting and performance based budgeting are used interchangeably in this plan

² Terms central and local government level are used interchangeably with central and local public administration. Local government level includes Level II (districts/rayon) and Level I (municipalities).

³ (SlovakAid) Project refers to individual PFM areas of assistance implemented in beneficiary countries; (SlovakAid) Programme refers to the Public Finance for Development Programme.

concept. The analysis was used by MF Moldova to amend the existing PBB methodology. The amended PBB methodology, unified for all levels of government in Moldova will be endorsed as part of the Unified Set of Methodologies⁴ after the enactment of the Public Finance Law by the Parliament.

The capacity assessment was completed by a team of UNDP BRC capacity development specialists and Slovak consultants, as part of the PBB project in 2011. It was conducted in line with the UNDP methodology, using desk reviews, focus group discussions, interviews and online self-assessment survey (a response rate of 83.7 % from approached government officials); to identify capacity needs to implement PBB on national and local levels. Capacity assessment focused on organizational level (policies, systems, strategies, rules and procedures), individual level (experience, knowledge and technical skills) and enabling environment (institutional framework, power structure and influence).

Capacity development (CD) recommendations in the capacity assessment report were divided into short-term (up to 6 months), medium-term (1 year) and long-term (more than 1 year, up to 2016 for Moldova) actions and included the following key actions to be implemented by MF Moldova:

- Engage high level government officials in PBB discussion and set-up an inter-ministerial coordination mechanism for PBB implementation;
- Approve the revised PBB methodology;
- Design a comprehensive training system for PBB (training of trainers, curricula, trainings);
- Finalize the PBB module in financial management information system (FMIS);
- Finalize the legislative framework for budgeting;
- Develop supporting documents to PBB methodology (practical papers, guidelines);
- Develop monitoring and evaluation system (methodology, IT support, trainings);
- Improve planning and updating of local development strategies.

Capacity development action plan became a basis for discussions with MF Moldova representatives on the follow up phase of the PBB project in Moldova with support of the Public Finance for Development Programme and in line with relevant projects implemented on central and local levels, primarily the UNDP Moldova Joint Integrated Local Development (JILD) project and the WB funded PFM project at MF Moldova.

The implementation plan sets the framework for assistance under the Public Finance for Development Programme in the second phase of the performance based budgeting project covering the period from April 2012 to June 2014. It contains some of the recommended actions from the capacity development action plan for which external technical assistance was recommended by consultants and demanded by MF Moldova. Compared to the implementation plan in the 1st phase, in order to reflect MF Moldova needs, in phase 2 the assistance is extended to central government level as well. Capacity development activities are defined in the plan by substance, divided by beneficiaries, and split into sub-actions with timelines and estimated inputs needed for their implementation. For specific activities and implementation timelines, please refer to Section G below.

The objective of the assistance in phase 2 is to assist MF Moldova with fulfillment of its **PBB expansion strategy** according to which, central public authorities should implement PBB by 2014, while local public authorities- Level II should adopt it by 2015 and local public authorities - Level I by 2016 according to the following schedule:

⁴ Unified Set of Methodologies concerning budget formulation completed in June 2010 as part of the WB funded PFM project.

✓ at central level:

2012	60 %
2013	70 %
2014	100 %

✓ at local level:

2015	100 %
2016	100 %

Considering the timeline and planned decentralization reform⁵, with which PBB implementation on local government level needs to be aligned, priority in providing assistance from the Programme is given to the central public authorities (CPAs).

The assistance in the 2nd phase of the PBB project covers the following types of **capacity development activities**:

- 1) Comprehensive PBB training system – training system design, training materials for central and local public authorities (CPAs and LPAs)
- 2) Training of trainers for PBB concept and methodology, including for performance monitoring
- 3) Capacity development for PBB concept for CPAs – high level workshops for policy makers, high state officials (ministers, deputy ministers, parliamentarians), and representatives from LPA level II. (presidents of districts)
- 4) Coaching of Moldovan trainers to deliver in-depth trainings on PBB concept and methodology to trainees from central public authorities of Moldova
- 5) On the job training of budget and policy specialists in selected CPAs and at MF Moldova;
- 6) Supplementary materials to PBB methodology – practical guide for local public authorities on PBB methodology
- 7) Capacity development for evaluation – evaluation methodology, training package for evaluation
- 8) Sharing knowledge and experience – study visits and contributions to participation in relevant conferences/seminars.

The training system designed within the SlovakAid project will contain a complete set of trainings and education activities, including curricula and training materials, that will be needed to implement the PBB system. It will also be used for continuing training of civil servants in the future to support effective PBB application in the government policy planning and budgeting cycles.

The training on PBB concept will be aimed to target policy makers on central government level (ministers, deputy ministers, parliamentarians, state chancellery) and middle and top managers in central and local public authorities. Trainings on PBB concept will contribute to increased engagement of policy makers, high level officials as well as policy departments' staff to support understanding of the PBB system, not only as a budgeting tool but a policy and planning instrument and a decision making tool for efficient allocation of public resources. High-level engagement, with a leading role of MF Moldova, will be crucial for PBB advocacy and driving implementation across agencies. Implementation on operational levels (by specialized staff) will be supported by trainings of PBB methodology (in-depth training) conducted by trained Moldovan trainers.⁶ Initial trainings will be facilitated by international consultants providing coaching to newly trained trainers.

⁵ The National Decentralization Strategy was adopted by the Parliament of the Republic of Moldova in April 2012.

⁶ At the time of signing the plan some of the activities as indicated in section G were already completed, specifically a training system design, development of training materials, training of trainers from MF Moldova and CPAs and high level workshops for policy makers. Finalization of the implementation plan along with implementation of the initial activities and

The MF Moldova will play an important role in promoting, advocating, providing guidance and monitoring PBB implementation both at central and local levels. In order for the Ministry to perform these responsibilities effectively, it has to have extensive technical knowledge on the entire PBB cycle, as well as the leadership and efficient institutional arrangement.

It is expected that through the project interventions, human and institutional capacities will be developed within the Ministry of Finance of Moldova specialized units as well as in central and local public authorities to plan, budget, implement, monitor and evaluate development activities in a participatory manner. The PBB expansion strategy will be implemented in the context of ongoing administrative and fiscal decentralisation reform in Moldova and reform initiatives implemented by UNDP Moldova JILD project. On local government level it is expected to contribute to increased capacity of local governments to plan and budget for better service delivery and to promote transparency and mechanism for citizen's participation in the budget process.

B. Objective and expected results

The primary objective of the project is **to support the Ministry of Finance of the Republic of Moldova in implementation of performance-based budgeting in the government of Moldova**. The secondary objective is to create conditions for **sustainable capacity development for PBB system in central and local public administration of Moldova**, primarily via training of local trainers.

Expected Results:

- Increased capacity of the Ministry of Finance representatives to promote, implement and monitor the PBB concept and system at central and local government levels;
- Strengthened role of MF Moldova in leading the PBB implementation process across the government and providing adequate methodological support;
- Comprehensive training system for PBB designed;
- Increased understanding of PBB concept by policy makers and managers to promote and implement PBB system at central and local government levels;
- Conditions created for sustainable capacity development for PBB in central and local public administration via training of local trainers;
- Group of trained trainers for training on PBB concept and system;
- Improved capacities for PBB in Moldova to ensure its effective application in the budget preparation process.

C. Total budget allocation

The total allocation to Moldova for activities under Programme Component 1⁷ is **540,000 USD**. Funds available for phase 2 of the project are **460,587.66 USD**⁸ to fund activities included in this plan.

getting feedback on them facilitated specification of further scope of cooperation and activities to be supported by the Programme.

⁷ Programme Component 1 - Developing analytical capacities and building skills in the area of public finance reform for poverty reduction, local development, job creation and social inclusion – is focused on providing technical assistance to government authorities, primarily finance ministries and local governments.

⁸ Total spending in phase 1 from April 2011 to 31 Dec. 2011 was 79,412.34 USD. After increasing a total allocation to Moldova to 540,000 USD by the Board decision in March 2013, total funds available for phase 2 (2012-2014) covered by this plan amounts to 460,580.66 USD. Spending in phase 2 in 2012 was 109,355.19 USD; thus funds available for activities in 2013-2014 amount to 351,232.47 USD.

60,000 USD is allocated to **Programme Component 2⁹** with the aim to improve understanding of public finance concepts and reform initiatives by other stakeholders external to the Ministry of Finance and government of Moldova.

D. Training programme implementation approach

The 2nd phase of the PBB project supported by the SlovakAid Programme will be primarily focused on supporting capacities of the Ministry of Finance for PBB implementation and creating conditions for capacity development of civil servants in central and local public authorities via establishing a sustainable training system. In order to achieve these objectives, while using Programme resources most efficiently, the PBB project will cover two types of trainings from the proposed comprehensive training system:

1. **Training on PBB concept for policy makers and high level officials from central and local public authorities** to support their engagement in PBB implementation as well as to increase their understanding of PBB as a policy planning, budgeting and decision making tool.
2. **Training of trainers for PBB, including monitoring** to create conditions for continuing education and training of civil servants in central and local public authorities, thus creating conditions for sustainable training system and capacity development.

In order to ensure alignment of available project resources with the expected scope of the project, it is important that the MF Moldova will closely cooperate with UNDP Moldova and UNDP BRC on planning the activities, coordinating with other relevant projects implemented in Moldova as well as on providing administrative support to the project.

Training programme (training of trainers by the SlovakAid PBB project and training of trainees by Moldovan trainers in the future) will need continuous administrative support to be provided by locally based staff (appointed by MF Moldova). Support to the training programme will include but is not limited to planning of trainings, invitations to participants, changes in timing and groups' composition, tracking trainee's attendance, organising a training venue, training equipment, arranging translations and interpreters, copying, printing, distributing training materials, experts' evaluation, feedback from participants and others.

E. Programme beneficiary institution (s) and other stakeholders involved

Ministry of Finance of the Republic of Moldova
State Chancellery of Moldova
Parliamentary Commission on the Budget
Central public authorities (see Annex I)
Local public authorities on Level I and Level II (see Annex 1)

Key contact person from the MF Moldova:

Diana Razlog, Senior Consultant of Administrative-Territorial Units Budget Directorate, General Budget Department.

F. UNDP CO Focal point

Valeria Ieseanu

Programme Analyst, UNDP Moldova

⁹ Programme Component 2 – Increasing understanding and awareness of public finance concepts for poverty reduction, human development and social inclusion – is dedicated to provide support to organizations and stakeholders outside of governments.

G. Description of specific Project activities – Programme Component 1

Activities	Beneficiary institution	Sub-activities/actions	Timeline	Expected outputs	Estimated inputs
1. Comprehensive PBB training system	Ministry of Finance (MF) Local Budgets Division, Trainers from MF, Central public authorities (CPAs), local public authorities (LPAs), non-governmental organisations	1.1 Design of a comprehensive PBB training system for central and local administration	April - May 2012	Training system design	Consultant, travel cost, interpreting, translation Activity completed in May 2012
		1.2 Preparation of training materials for Module 1.1 PBB in practice, Course 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and Course 1.1.2 Budget performance, measurement and monitoring.	July 2012 – October 2012	Separate training packages for CPAs and LPAs	5 consultants, travel cost, translation and interpreting cost Activity completed in November 2012, LPA package in December 2012. LPA package to be translated.
		1.3 Paper on Examples of good and bad practices in setting up goals, objectives and performance indicators in programme budgeting (CPAs and LPAs)	November 2012 – March 2013; fine-tuning in November 2013	Paper with examples	3 consultants, (desk work, no travel), translation and interpreting cost
2. Training of trainers on PBB concept and methodology	Selected trainers from CPAs	2.1 Training of trainers (ToT) for Module 1.1 PBB in practice, Course 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and Course 1.1.2 Budget performance, measurement and monitoring; and update of PBB training package after ToT	November 2012	40 trainers ¹⁰ trained – MoF, CPAs	4-day training, 2 groups, 4 consultants, interpreting, translation, logistics Activity completed in November 2012
	Selected trainers from LPAs	2.2 Module 1.1 PBB in practice, Course 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and Course 1.1.2 Budget performance, measurement and monitoring; and update of PBB training package after ToT	October 2013	70 trainers trained	4-day training, 4 groups, 4 consultants, interpreting, translation, logistics Activity completed in November 2012
3. Capacity development in PBB concept for	CPA – policy makers, managers (80 participants)	3.1 High level workshop for ministers, deputy ministers, parliamentary commission, state chancellery on PBB concept	November 2012	50 participants	1-day training, 2 groups; 2 consultants, interpreting, translation, logistics

¹⁰ Two trainers are expected to be selected from each group of trainers (8 in total). Selected 8 trainers will participate in the study visit to Slovakia. They will provide coaching to the remaining trainers (32 from CPAs) and 70 trainers from LPAs) in delivering their training sessions for trainees.

Activities	Beneficiary institution	Sub-activities/actions	Timeline	Expected outputs	Estimated inputs
central public administrations					Activity completed in November 2012
		3.2 High level workshop for representatives of LPA Level II – presidents of districts	November 2012	35 participants	1-day training, 1 group, 2 consultants, interpreting, translation, logistics Activity completed in November 2012
4. Coaching of Moldovan trainers <i>(support to roll out of trainings)</i>	CPAs in the sectors: general public administration; justice, public order; social sector (education, culture, health, social protection); infrastructure and economy.	4. Coaching of trainers for initial PBB in-depth trainings for CPAs – 4 groups of trainees split by sectors	29 April – 30 May 2013	Up to 25 trainers coached	3 -day training, 1 coach-international consultant per group, travel cost, interpreting, translation, logistics
5. On- the- job - training	Ministry of Labour and Social Protection; Ministry of Education; Ministry of Justice; Parliament Secretariat	5.1 Assisting with fine-tuning of program budget structures at selected CPAs and with institutionalization of PBB process within CPA (assessment of the current organizational structure related to PBB process and recommendations on internal re-organization of the PBB process as appropriate).	June 2013	Recommendations for improving programme budget structures of CPAs; PBB process organizational assessment	Consultants, travel cost, translation and interpreting cost
	MF budget specialists, trained trainers	5.2 Assisting in examining the quality of programme budget submissions and in preparation for consultations with public authorities (focus on compliance with PBB methodology and the use of performance information)	July – August 2013	Recommendations to improve and standardize programme budget examinations	Consultants, travel cost, translation and interpreting cost
		5.3 Advising MF Moldova on effective use of performance information in the budget documentation prepared by MF Moldova	July – August 2013	Recommendations to MF Moldova for improving the structure of budget documentation	Consultants, travel cost, translation and interpreting cost

Activities	Beneficiary institution	Sub-activities/actions	Timeline	Expected outputs	Estimated inputs
				focusing on performance information	
6. Supplementary materials to PBB methodology	MF, Local Budgets Division, LPAs	6. Practical guide for LPA on PBB implementation	June 2013 – August 2013	Practical guide developed	Consultants fees, travel, translation and interpreting cost, printing cost
7. Capacity development for evaluation	MF Moldova	7.1 Development of evaluation methodology	December 2013 – April 2014	Evaluation methodology developed	Consultants fees, travel,, travel, Translation and interpreting cost
		7.2 Training package for evaluation	April 2014 – May 2014	Training package for evaluation prepared	Consultants fees, travel, translation and interpreting cost
8. Sharing knowledge and experience	MF, CPAs, LPAs	8.1 Study visits of selected trainers and high officials/policy makers to Slovakia	April 2013 – CPAs; February 2014 - LPAs	Exchange of knowledge and experience, lessons learned, improved human resources capacity.	Travel costs, interpreting, translations
		8.2 Contributions to the costs of participation in seminars, conferences	December 2010-June 2014		Travel cost, registration fees
				Total estimated cost	460,000 USD

TIMELINE OF ACTIVITIES

Activities	Sub-activities/actions	2012						2013						2014													
		4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5
1. Comprehensive PBB training system	1.1 Design of a comprehensive PBB training system for central and local administration																										
	1.2 Preparation of training materials for training for Module 1.1 PBB in practice, Module 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and module 1.1.2 Budget performance, measurement and monitoring																										
	1.3 Paper on Examples of good and bad practices in setting up goals, objectives and performance indicators in programme budgeting (CPA and LPAs)																										
2. Training of trainers on PBB concept and methodology	2.1 Training of trainers for Module 1.1 PBB in practice, Module 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and module 1.1.2 Budget performance, measurement and monitoring – MF and CPAs																										
	2.2 Training of trainers for Module 1.1 PBB in practice, Module 1.1.1 Part B – Programme budget development – PBB concept and in-depth training and module 1.1.2 Budget performance, measurement and monitoring - LPAs																										
3. Capacity development in PBB concept for central public authorities and local public authorities - Level II	3.1 High level workshops for ministers, deputy ministers, parliamentary commission, state chancellery on PBB concept																										
	3.2 High level workshops for representatives of LPA Level II – presidents of districts																										
4. Coaching of Moldovan trainers	4. Coaching of trainers for PBB in-depth trainings for CPAs – 4 groups																										
5. On the job training	5.1 Fine-tuning of program structures at selected CPAs, institutionalisation of PBB process																										
	5.2 Examining budget submissions – MF Moldova																										
	5.3 Improving the structure of budget documentation – MF Moldova																										
6. Supplementary materials to PBB methodology	6. Practical guide for LPA on PBB implementation																										
7. Capacity development for monitoring and evaluation	7.1 Development of evaluation methodology																										
	7.2 Training package for evaluation																										
8. Sharing knowledge and experience	8.1 Study visits of selected officials to Slovakia																										
	8.2 Contributing to the costs of participation in seminars, conferences																										

H. Description of specific Project activities – Programme Component 2

Activities under Component 2 will be subject to further planning with the aim to improve understanding of public finance concepts and reform initiatives by other stakeholders external to the Ministry of Finance, central and local public administrations of Moldova.

Additional information:

Programme and Project Management

Memorandum of Cooperation was signed by the Slovak and Moldovan finance ministries in October 2010. The Ministries have agreed that the Programme Public Finance for Development provides appropriate tools and resources for the implementation of activities to be agreed upon by both Ministries. The Programme Public finance for Development is financed by the Ministry of Finance of the Slovak Republic (MF SR) and implemented by the UNDP Bratislava Regional Centre (UNDP BRC) in close partnership with MF SR. Project implementation of performance based budgeting system in the government of Moldova – phase 2 will be implemented within this Programme. UNPD BRC will be responsible for overall Programme and project management and financial management of the Programme resources allocated to activities in Moldova. Terms of Reference (TOR) for specific assignments will be prepared by UNDP BRC and reviewed by the MF Moldova and focal point in UNDP Country Office (CO) in Moldova.

UNDP BRC will perform monitoring of project activities during the plan's implementation. Programme monitoring missions will be organized for on-site monitoring of the project results.

All activities agreed to in the plan will be carried out in accordance with UNDP regulations, rules and directives.

State Authorities in Moldova

CENTRAL PUBLIC AUTHORITIES OF MOLDOVA¹¹

State Chancellery of Moldova

16 Ministries:

- Ministry of Finance
- Ministry of Economy
- Ministry of Justice
- Ministry of Internal Affairs
- Ministry of Foreign Affairs and European Integration
- Ministry of Defence
- Ministry of Regional Development and Constructions
- Ministry of Agriculture and Food Industry
- Ministry of Transport and Road Infrastructure
- Ministry of Environment
- Ministry of Education
- Ministry of Culture
- Ministry of Labour, Social Protection and Family
- Ministry of Health
- Ministry of Technologies and Communications
- Ministry of Youth and Sports

8 Central public authorities

- National Statistics Bureau
- Cadastre and Land Relations Agency
- Interethnic Relations Bureau
- Border Service
- Agency "Moldsilva"
- Material Reserves Agency
- Tourism Agency
- Center for Combating Economic Crime and Corruption

LOCAL PUBLIC AUTHORITIES OF MOLDOVA¹²

Moldova is divided into 37 first-tier units (Level II), including 32 districts/rayons, 3 municipalities (Chisinau, Balti, Bender), 1 autonomous territorial unit of Gagauzia and 1 territorial unit of Transnistria.

¹¹ Source: <http://www.moldova.md/en/start/>

¹² Source: http://en.wikipedia.org/wiki/Subdivisions_of_Moldova

MAP OF MOLDOVA

