

Republic of Moldova

Capacity development for program budgeting in Moldova

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

Implementation period: August 2014 – December 2016

A. Description of country specific Programme interventions

In September 2009, the UNDP Regional Centre for Europe and the CIS (RC) and the Ministry of Finance of the Slovak Republic (MF SR) launched the implementation of the regional Programme: **Public Finance for Development: Strengthening Public Finance Capacities in Western Balkans and the Commonwealth of Independent States (“programme”)**. The programme objective is to **enhance national public finance capacities** by raising awareness, developing analytical capacities and sharing good practice with regard to reforms implemented in Slovakia and elsewhere. **Since 1 July 2014 the programme has been implemented within the framework of the project ‘The Slovak Republic – UNDP Partnership for Results in the International Development Cooperation’** (‘Partnership project’) with planned duration until December 2016.¹

Moldova became one of the beneficiary countries in February 2010. The project aims to provide assistance to the **Ministry of Finance (MF) of the Republic of Moldova in implementing program budgeting (PBB) in the government of Moldova**. The area of assistance has been selected in a participatory manner with MF Moldova. It was aligned with national strategies and reform objectives of the Government of Moldova then articulated in the Activity Program of the Government of the Republic of Moldova “European Integration: Freedom, Democracy, Welfare” 2009-2013, according to which a priority action in the area of budgetary and fiscal policy and public financial management was the ‘introduction of program budgeting² and increasing the flexibility of budget expenditure in the context of the medium-term expenditure framework (3 years) at central and local levels³. 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. PFM reform has been also guided by the Strategy for Development of Public Financial Management for 2013-2020 approved by the Government of Moldova in August 2013. In addition, the National Decentralisation Strategy was adopted by the Parliament and the corresponding changes to the Local Public Finance Law came totally into force on 1 January 2015 providing legislative framework for a decentralised fiscal relations and financial autonomy of local public authorities. Program budgeting is planned to be implemented on the level of municipalities in 2015 and is expected to become one of the instruments for more transparent and efficient resource allocation. The **Activity Program of the**

¹ To maintain the clarity and continuity for external stakeholders that were previously engaged in the implementation of the Public Finance for Development (PFD) programme, its official title will continue to be used. The term ‘programme’ used in the plan refers to PFD programme and the term ‘project’ refers to country specific activities guided by the implementation plan.

² Terms program budgeting and performance based budgeting are used interchangeably in this plan

³ Local government level includes local public authorities on Level II (districts/rayon) and Level I (municipalities). Level II includes 32 districts/rayons, 2 municipalities (Chisinau, Balti), 1 autonomous unit of Gagauzia. Level I includes 896 local communities.

Government of the Republic of Moldova for 2015-2018 accepted by the Parliament of the Republic of Moldova in 18 February 2015 continues to include within the set of priorities in the area of public finance the full implementation and improvement of performance-based program budgeting.

Project implementation results

The **first phase of the SlovakAid PBB project** was implemented from **April 2011 to December 2011**. The analysis of the legislative framework for PBB and resulting recommendations for PBB methodology improvements prepared by Slovak experts were used to amend the PBB methodology developed by MF Moldova. The PBB methodology, unified for all levels of government in Moldova was approved as the Regulation on program budget developing, monitoring and reporting by Ordinance of the Ministry of Finance of the Republic of Moldova No. 187 of 24 December 2013. Capacity development plan prepared in phase 1 became a basis for planning the follow up phase of the PBB project.

The **project phase 2** was designed and planned with close participation of MF Moldova and it was implemented from **April 2012 to July 2014**. The objective of the assistance in phase 2 was to assist MF Moldova with fulfillment of its PBB implementation strategy according to which, all **central public authorities should implement program budgeting by 2014, while local public authorities (LPAs) Level II should implement it starting with the budget for 2015 and local public authorities Level I - starting with the budget for 2016**. Project phase 2 supported multiple capacity development activities that were closely linked to PBB implementation strategy of MF Moldova and to the budget preparation process. Comprehensive training system was designed with PBB training curricula that guided preparation of training materials for central and local public authorities. These were used to train 40 trainers from MF Moldova and CPAs in November 2012 and 79 trainers from LPAs and CALM in March 2014. Around 95 policy makers, high state officials and presidents of districts learned about the PBB concept and its introduction in Slovakia at the workshop organized in November 2012 with the objective to increase their engagement and political support for budget reform in Moldova. Roll-out of PBB trainings in April 2013 on the central government level, with Moldovan trainers, was facilitated through coaching provided by Slovak consultants. Reviews of program budgets of 3 CPAs⁴ was provided in May 2014. Application of theoretical concepts learned during trainings was supported through on-the-job training in June 2013 for 5 CPAs⁵ and June 2014 for 3 LPAs⁶ to develop and improve the quality of program budgets during program budget preparation. In August 2013, consultants worked closely with MF Moldova budget specialists on reviewing CPAs program budget submissions, helped them prepare for budget consultations and improved budget documentation to better integrate performance information. A study visit was organized in March 2013 to learn about PBB implementation and existing challenges in Slovakia. Monitoring and evaluation methodology was finalized for MF Moldova in August 2014, which created conditions for further capacity building in this area.

As a **result of implemented activities**, budget and policy specialists at MF Moldova, CPAs and LPAs are able to more effectively apply PBB methodology in the budget preparation process. The quality of program budgets and their compliance with PBB methodology was significantly improved and roles and responsibilities of different actors in the PBB process was clarified. MF Moldova specialists increased their capacity to examine program budget submissions and integrate performance information into budget consultations. A need for cooperation between budget and policy unit was recognized and led to better and more effective inter- and intra-institutional collaboration in program budget development. Strong commitment and leadership of MF Moldova in PBB implementation is a key success factor of the project. One of the objectives of MF Moldova is to build sustainable capacities in the area of program budgeting, including monitoring and evaluation of program budgets. With support of the PBB project conditions were created for sustainable capacity development via designing of the comprehensive training system, training

⁴ Ministry of Environment, Ministry of Transportation and Road Infrastructure, Academy of Sciences of Moldova.

⁵ Ministry of Finance, Ministry of Labour, Social Protection and Family, Ministry of Education, Ministry of Justice and the Parliament Secretariat.

⁶ Municipality of Chisinau, Municipality of Balti, Autonomous Territory of Gagauzia.

of trainers, their coaching and support provided through on-the-job training and via knowledge dissemination (guidelines, methodologies) to central and local public authorities. Local trainers trained by the project continued to deliver trainings to other civil servants using training materials developed by the project experts. Their excellent performance and ability to utilize new knowledge and its ongoing use not only proved the effectiveness of training activities and high quality of work delivered so far by Slovak experts but more importantly, it provides assurance of high potential for long-term sustainability of developed capacities. It is important, however, that capacity development and awareness raising on PBB and M&E will continue to sustain results and achieve longer term impact.

Capacity development continues with focus on sustainability

Developing capacity in the area of public financial management is not an end itself, but an essential pre-condition of economic growth and development. Capacity development is a complex change process in which country leadership and ownership is central. It is an ongoing process that occurs at all levels, the individual, the organisation and the society and it is usually accompanied by institutional and organisational changes that can take long time to complete. Though, sustainability and long-term impact of interventions depend largely on factors outside of the project control, sustainability issues of capacity development continue to be addressed in the project design in phase 3. In addition to continuing transfer of knowledge and skills, the project will address the organisational (systems, procedures, institutional framework) and enabling environment issues (policies, legislation) for capacity development to facilitate move from individual to institutional learning. Repeated capacity assessment that is planned in phase 3 can provide an assessment of real progress and improvements since 2011 and to ensure that further capacity development will take the right path. It should result in updated long-term capacity development plan and updated training curricula based on the training needs analysis conducted by MF Moldova. This will feed into the advisory services on training system institutionalisation and sustainability that will address institutional aspects and organisational issues of the training system establishment and should prepare the training system for its future operation.

Capacity development activities in phase 3 will be extended to cover, in addition to **program budgeting**, also **monitoring and evaluation of program budgets**. The project **will target all levels of government – MF Moldova, central public authorities, local public authorities Level II (rayons), local public authorities Level I (municipalities)** and will include the following **areas of support and activities**:

- 1. Capacity development for program budgeting**
 - a. Quality reviews of proposed program budgets of selected central public authorities and local public authorities - level I (municipalities)
 - b. On-the job training on PBB methodology of selected local public authorities - level II (rayons)
- 2. Capacity development for monitoring and evaluation**
 - a. Development of training package for monitoring and evaluation for CPAs and LPAs
 - b. PBB and M&E workshop for high level officials from
 - c. Training of trainers on M&E methodology for CPAs and LPAs
 - d. Coaching for pilot evaluations of two sub-programs
- 3. Capacity assessment for PBB implementation**, including an update of the capacity development plan
- 4. Training system institutionalization** – updating training curricula, advisory services for training system institutionalization and sustainability
- 5. Methodological support for local public finance legislation** – development of subnational fiscal rules incl. recommendations for legal amendments
- 6. Support to PBB awareness on local level**– printed publications – PBB guide for local public authorities and paper on examples of goals, objectives and indicators
- 7. Sharing knowledge and experience** – study visits and contributions to participation in relevant conferences/seminars.

B. Objective and expected results

The objective of the project is to support the Ministry of Finance of the Republic of Moldova in **implementation of program budgeting in the government of Moldova** and to create conditions for **sustainable capacity development for PBB**, including for **monitoring and evaluation** in central and local public administration of Moldova.

Expected Results:

- Capacities of central and local public authorities are strengthened to effectively apply program budget methodology in the budget preparation process (*program budget reviews, on-the-job trainings*)
- Quality of program budgets of CPAs and LPAs and their compliance with PBB methodology improved (*program budget reviews, on-the-job trainings*)
- Awareness and support for program budgeting, M&E from policy makers and managers increased (*high level workshop, on-the-job trainings*)
- Conditions created for sustainable capacity development for monitoring and evaluation in central and local public administration (*training materials, training of local trainers*)
- Capacity of MF Moldova, CPAs and LPAs strengthened to effectively apply monitoring and evaluation methodology for program budget evaluation (*pilot evaluations*)
- MF Moldova provides adequate methodological support for PBB implementation (*subnational fiscal rules for local budget management, dissemination of methodologies, guidelines for local public authorities*)
- Long-term plan for sustainable capacity development in program budgeting, monitoring and evaluation developed
- Conditions created for institutionalisation of the training system in the area of program budgeting, program budget monitoring and evaluation (*training needs analysis, update of the training curricula, institutional set-up*)
- Relevant knowledge and experience of Slovakia shared and disseminated (*study visits, training events, workshops, written reports*).

Project results are expected to be achieved through implementation of activities (as indicated above in italics) and delivery of outputs presented in part G below (table of specific project activities).

C. Total budget allocation

The total allocation for activities specified in this plan to be implemented by UNDP Regional Centre for Europe and the CIS, Istanbul Regional Hub under Activity result 2 of the Public Finance for Development programme is **500,000 USD**.

D. Project implementation approach

The Ministry of Finance of Moldova will closely cooperate with UNDP RC and UNDP Moldova on planning the activities and coordinating with other relevant projects implemented in Moldova. A locally hired project coordinator will provide support to planning, coordination, administration of project activities and will liaise with project beneficiaries and UNDP RC Programme manager on regular basis.

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

Ministry of Finance of the Republic of Moldova
State Chancellery of Moldova
Central public authorities (see Annex 1)

Local public authorities on Level II and Level I (see Annex 1)

Key contact person from the MF Moldova:

Ms Viorica Neclea, Lead consultant, Budgetary and Fiscal policies coordination and generalisation Division, Budget Synthesis General Division of the Ministry of Finance of Moldova.

F. UNDP CO Focal point

Ms Valeria Ieseanu

Programme Analyst, UNDP Moldova

G. Description of specific Project activities – Capacity development for program budgeting

Areas of support	Beneficiary institution	No.	Activities	Indicative Timeline	Expected outputs	Estimated inputs
Capacity development for PBB for central public authorities	MF Moldova, 4 CPAs each year	1.	Quality review of proposed program budgets of 4 selected CPAs (home based desk review) Ministry of Culture, Ministry of Defense, Ministry of Agriculture and Food Industry, Ministry of Economy	May-June 2015	Quality review of program budgets and recommendations for improvements	Consultants, Translation
		2.	Quality review of proposed program budgets of 4 selected CPAs (home based desk review) Ministry of Internal Affairs, Ministry of Foreign Affairs and European Integration, Ministry of Regional Development and Construction, Ministry of Health, Ministry of Youth and Sports	May-June 2016	Quality review of program budgets and recommendations for improvements	Consultants, Translation
Capacity development for PBB for local public authorities level II	LPA level II (rayons)	3.	Review of the current methodological framework for PBB process organization in LPAs	June-September 2015	Key recommendation for PBB process organization in LPAs	Consultants, Translation
	4 LPAs level II (rayons) each year	4.	On the job training for 4 LPAs on the application of PBB methodology in the budget preparation process (Drochia, Ocnita, Singerei,, Leova)	29 June – 10 July 2015	4 LPAs increased their capacity to apply PBB methodology in the program budget preparation	Consultants, travel (2 weeks) Translation and interpreting
		5.	On the job training for 4 LPAs on the application of PBB methodology in the budget preparation process	2 nd half of June 2016	4 LPAs increased their capacity to apply PBB methodology in the program budget preparation	Consultants, travel (2 weeks) Translation and interpreting
Capacity development for PBB for local public authorities level I	5 LPAs level I (municipalities) - each year	6.	Quality review of proposed program budgets of 5 selected LPAs - level I, assessment of compliance with PBB methodology and recommendations for improvement (home based work) Edinet, Ungheni, Calarasi, Orhei, Cahul	July – September 2015	Quality review of program budgets and recommendations for improvements	Consultants, translation

Areas of support	Beneficiary institution	No.	Activities	Indicative Timeline	Expected outputs	Estimated inputs
		7.	Quality review of proposed program budgets of 5 selected LPAs level I, assessment of compliance with PBB methodology and recommendations for improvement (home based work)	April – May 2016	Quality review of program budgets and recommendations for improvements	Consultants, translation
PBB awareness	MF Moldova, CPAs, LPAs	8.	PBB awareness workshops for policy makers and managers – linking the use of PBB with evaluation (tentative) Policy makers and managers review the PBB implementation progress, challenges, obstacles and discuss the way forward	January/February 2016	Policy makers and managers engaged in PBB discussion PBB and evaluation awareness and support increased	Consultants, Translation and interpreting, organizational expense
Capacity development for monitoring and evaluation	MF Moldova, CPAs, LPAs State Chancellery	9.	Development of training materials for monitoring and evaluation for CPAs	October– December 2015	Training materials for monitoring and evaluation developed (CPAs)	Consultants, Translation and interpreting, organizational expense
		10.	Training of trainers on M&E methodology - CPAs	February – March 2016	Up to 50 trainers trained to apply M&E methodology	
		11.	Development of training materials for monitoring and evaluation for LPAs (based on updating CPA training package)	April – July 2016	Training materials for monitoring and evaluation developed (LPAs)	
		12.	Training of trainers on M&E methodology– LPAs	August – September 2016	Up to 70 trainers trained to apply M&E methodology	
		13.	Coaching for pilot evaluations of two sub-programs (1 for CPA, 1 for LPA)	July – October 2016	Pilot evaluation of 2 sub-programs completed	
Capacity assessment for PBB	MF Moldova	14.	Capacity assessment for PBB implementation in Moldova	September - November 2015	Capacity assessment report	Consultants, Translation and interpreting
		15.	Update of the capacity development plan for PBB implementation in Moldova (focus on sustainability)	November- December 2015	Updated capacity development plan	Consultants, Translation and interpreting
Training system institutionalization	MF Moldova	16.	Assistance with preparation of training needs analysis (TNA) to be conducted by MF Moldova	October 2015	Training needs analysis launched	Consultants, Translation and interpreting

Areas of support	Beneficiary institution	No.	Activities	Indicative Timeline	Expected outputs	Estimated inputs
		17.	Update of the training system design for PBB (curricula) based on the TNA assessment and capacity assessment	November 2015	Training system design updated	Consultants, Translation and interpreting
		18.	Advisory services on training system institutionalization and sustainability (community of trainers, incentive schemes, guidelines, system of continuous learning, etc)	November 2015 – June 2016	Training system fully prepared for operation	Consultants, Translation and interpreting
Methodological support for local public finance legislation	MF Moldova	19.	Development of subnational fiscal rules for Moldova	July 2015 – October 2015	Proposal for subnational fiscal rules	Consultants, Translation and interpreting
Support to PBB awareness on local government level	LPAs	20.	Program budgeting guide for LPAs and Paper on examples of goals, objectives and indicators printed as brochures and disseminated	August 2015 - October 2015	Publications printed and disseminated	Printing cost
Sharing knowledge and experience	MF, CPAs, LPAs	21.	Study visits of MF Moldova and LPA representatives (PBB trainers) to Slovakia	November 2014	Exchange of knowledge and experience, lessons learned, improved human resources capacity	Travel costs, interpreting, and translations.
		22.	Study visit of LPA I representatives to Slovakia	April 2016		
		23.	Contributions to the costs of participation in seminars, conferences, PEMPAL events	August 2014 – November 2016		
Total project budget – phase 3						500,000 USD

TIMELINE OF ACTIVITIES

Activities	Beneficiary institution		Sub-activities/actions	Indicative Timeline	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	
Capacity development for PBB for central public authorities	MF Moldova, 4 CPAs each year	1	Quality review of proposed program budgets of 4 selected CPAs (home based desk review)	May - June 2015																									
		2	Quality review of proposed program budgets of 4 selected CPAs (home based desk review)	May - June 2016																									
Capacity development for PBB for local public authorities level II	LPAs level II (rayons) 4 LPAs Level II (rayons) each year	3	Review of the current methodological framework for PBB process organisation in LPAs	June - September 2015																									
		4	On the job training for 4 LPAs on the application of PBB methodology in the budget preparation process	29 June – 10 July 2015																									
		5	On the job training for 4 LPAs on the application of PBB methodology in the budget preparation process	2nd half of June 2016																									
Capacity development in PBB for local public authorities level I	5 LPAs level I (municipalities) - yeach year	6	Desk review of proposed program structures of 5 selected LPAs - level I, assessment of compliance with PBB methodology and recommendations for improvement (home based work)	July – September 2015																									
		7	Desk review of proposed program structures of 5 selected LPAs level I, assessment of compliance with PBB methodology and recommendations for improvement (home based work)	April – May 2016																									
PBB awareness	MF Moldova, CPAs, LPAs	8	PBB awareness workshops for policy makers and managers – linking the use of PBB with evaluation (tentative) Policy makers and managers review the PBB implementation progress, challenges, obstacles and discuss the way forward	January - February 2016																									
Capacity development for monitoring and evaluation	MF Moldova, CPAs, LPAs, State Chancellery	9	Development of training package for monitoring and evaluation for CPAs	October-December 2015																									
		10	Training of trainers on M&E methodology - CPAs	February – March 2016																									
		11	Development of training materials for monitoring and evaluation for LPAs (based on updating CPA training package)	April – July 2016																									
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Activities	Beneficiary institution		Sub-activities/actions	Indicative Timeline	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	
		17	Update of the training system design for PBB (curricula) based on the TNA assessment and capacity assessment	November 2015																									
		18	Advisory services on training system institutionalization and sustainability (community of trainers, incentive schemes, guidelines, system of continuous learning, etc)	November 2015 – June 2016																									
Methodological support for local public finance legislation	MF Moldova	19	Development of Fiscal rules for managing local budgets	July – October 2015																									
Support to PBB awareness on local government level	LPAs	20	Program budgeting guide for LPAs and Paper on examples of goals, objectives and indicators printed as brochures and disseminated	August - October 2015																									
Sharing knowledge and experience	MF, CPAs, LPAs	21	Study visits of MF Moldova and LPA representatives (PBB trainers) to Slovakia	November 2014																									
		22	Study visit of LPA I representatives to Slovakia	April 2016																									
		23	Contributions to the costs of participation in seminars, conferences, PEMPAL events	August 2014 – November 2016																									
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