



ANNEX 1

of the Commission Implementing Decision on the Annual Action Programme 2018 in favour
of the Republic of Moldova

**Action Document for "Inclusive economic empowerment of focal regions of the
Republic of Moldova"**

1. Title/basic act/ CRIS number	Inclusive economic empowerment of focal regions of the Republic of Moldova CRIS number: ENI/2018/041-300 financed under European Neighbourhood Instrument	
2. Zone benefiting from the action/location	Republic of Moldova The action shall be carried out at the following locations: Cahul raion, Ungheni raion of the Republic of Moldova ¹	
3. Programming document	Single Support Framework for EU support to Moldova (2017-2020)	
4. Sector of concentration/ thematic area	Sector 1: Economic development and market opportunities, <i>including</i> sustainable and inclusive economic growth	DEV. Aid: YES
5. Amounts concerned	Total estimated cost: EUR 23 500 000 Total amount of EU budget contribution EUR 23 000 000 This action is co-financed in joint co-financing by United Nations Development Programme for an indicative amount of EUR 500 000	
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect management with an international organisation (United Nations Development Programme) Direct management – procurement of services	

¹ Hereinafter referred to as Moldova.

7 a) DAC code(s)	Main DAC code – 43030 Urban development and management ; Sub-code 1 – 43040 Rural development; Sub-code 2 – 140 Water and Sanitation ; Sub-code 3 – 32130 Small and medium-sized enterprises (SME) development; Sub-code 4 - 15170 Women’s equality organisations and institutions			
b) Main Delivery Channel	41000 - United Nations agency, fund or commission (UN)			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	×
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	×
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input type="checkbox"/>	×
	Trade Development	×	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	×	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	×	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	×	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	×	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	×
9. Global Public Goods and Challenges (GPGC) thematic flagships	Private Sector, Trade and Regional integration			
10. SDGs	<p>Goal 5: Achieve gender equality and empower all women and girls</p> <p>Goal 6: Ensure availability and sustainable management of water and sanitation for all</p> <p>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Goal 8: Decent work and economic growth</p> <p>Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation</p> <p>Goal 11: Sustainable cities and communities</p> <p>Goal 13: Take urgent action to combat climate change and its impacts</p>			

SUMMARY

The overall objective of this action is strengthen the economic, territorial and social cohesion and to improve the standards of living of the citizens in focal regions in the Republic of Moldova.

To this end, this programme will address the urban-rural divide and regional disparities, stimulate economic growth and job creation, refurbish and upgrade some social and technical infrastructure in selected focal regions (smaller towns and villages) while taking into account a gender perspective in the activities of the programme.

The focus is upon two focal regions, defined as sub-divisions of the Development Regions identified in the Law on Regional Development in the Republic of Moldova². The intention is to create the political, economic and social conditions, which will enhance women's and men's ability to gain better living conditions and employment in the selected focal regions. In addition, such measures also may help to reduce internal and external migration. Establishing transparency, accessibility and responsiveness in the local governance system and building partnerships between local governments, civil society and community action groups will help to restore trust, promote hope amongst the local communities and empower local citizens. Refurbishing and upgrading the technical and social infrastructure will support the regions efforts to attract the foreign and local investment necessary for the creation of sustainable employment. Support will also be provided to stimulate economic activities and investments, strengthen business support services and job creation.

This programme is in line with the objectives of the 2017-2020 Single Support Framework (SSF) for Moldova³, the EU – Moldova Association Agenda for 2017-2019⁴ and the European Union – Moldova Association Agreement⁵. It will also support the implementation of the Eastern Partnership's "20 Deliverables for 2020" (the action will contribute directly or indirectly to deliverables 1, 2, 4, 6, 15, 16, 18), as they relate to economic development and relevant aspects of 'good governance' and institution building. The proposed activities will also support the implementation of the priorities identified in European Joint Development Cooperation Strategy (Joint Programming Document), the National Regional Development Strategy 2016-2020, and other relevant sector strategies and their corresponding Action Plans.

The programme objective will be achieved through measures targeted at: (i) Capacity building to support the implementation and monitoring of local economic development plans; (ii) civil society engagement in local planning, governance processes and basic social service delivery; (iii) provision of investment funding in support of the creation and/or development of social and technical infrastructure which, combined with the outcomes from interventions (i) and (ii) above, will have an immediate, visible and tangible impact on employment creation, the standard of living of the population in the focal regions.

² Law N° 438, 28th December 2006. The Law identifies six Development Regions: North, South, Centre, ATU Găgăuzi, Chişinău and Transnistria. The proposed focal regions comprise Ungheni (North) and Cahul (South), with a possible fall-back option to shift to Soroca raion.

³ Single Support Framework for EU support to Moldova (2017-2020): https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/single_support_framework_2017-2020.pdf

⁴ OJ L 215, 19.8.2017, p3

⁵ OJ L 260, 30.8.2014, p. 4.

1. CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Moldova is a lower middle-income country with a population of 3.55 million (estimated 2017)⁶. The population is distributed evenly between men (48.1 %) and women (51.9%). In 2017, the National Bureau of Statistics (NBS) estimated that 42.7% of the population were urban dwellers and 57.3 % lived in the rural areas. Moldova ranks 107th out of 188 countries on the Human Development Index (HDI-0.699). The International Monetary Fund (IMF) estimates that real GDP rose sharply in 2017 (+4.5%) and is predicted to grow by 3.7 % in 2018. Moldova remains the poorest country in Europe with a GDP per capita of USD 2,311 according to the latest census results⁷. In 2014, 56.32 % of GDP was generated in Chisinau⁸. The private sector accounts for 56.6 % of GDP.

Sustained economic growth and reforms to the social protection system have helped to reduce poverty, but in 2014⁹, approximately 11.4% of the population were estimated as living below the absolute poverty line. The average monthly wage in 2017 was estimated at EUR 228. Absolute and relative poverty is particularly acute amongst the rural population, the elderly living alone and larger (5+) households in the urban areas. While there is little appreciable difference between men and women on the majority of indicators, there is a substantial difference in share of gross national income¹⁰ (the gender pay gap is 14%). Moldova scored 1.010 on the Gender Development Index and 0.248 (rank 50th) on the Gender Inequality Index.

The economy is dominated by the service sector (63.2% of GDP end 2015) and the manufacturing sector (20.7% of GDP). Agriculture accounts for 16.1% of GDP and 27.5% of the active labour population continue to derive their living from primary agriculture¹¹ (45.3% women). There is a significant trade imbalance (-2387 million USD estimated end 2017). The IMF estimates that at the end of 2017 remittances had fallen by 22% since 2014. The fiscal deficit was 3.1% in 2017. There are concerns that external debt levels may rise to unsustainable levels. Total external debt now stands at 86% of GDP and public and publicly-guaranteed external debt is currently 40.5% of GDP. Inflation remained steady in 2012-2014 (4.6%-4.7%), rose to 9.6% in 2015, but has subsequently fallen back to 6.5% est. at the end of 2017.

6 National Bureau of Statistics of the Republic of Moldova (www.statistica.md). The figure is considered to be overestimated, the real population would be around 2.8 million

⁷World Bank, Economic update for Moldova, May, 2017 - <http://www.worldbank.org/en/country/moldova/brief/moldova-economic-update>

⁸ ENPI-funded project on regional statistics

⁹ This is the latest date for which reliable poverty data exists.

¹⁰ The number of women entrepreneurs in rural areas is significantly lower than in urban areas (14.9 % compared to 27.5%). Women in rural areas tend to have more children and due to the lack of sufficient social services have to resort to part-time work in the informal economy or unpaid care-work.

¹¹ The total number of persons in formal employment who derive their primary income from agriculture and forestry is 390,500, of which 167,400 were women at the end of 2017.

The official rate of unemployment at the end of Q4 2017 was 3.3 %¹². However, this disguises the high levels of under employment and employment in the informal economy. Moldova has one of the lowest activity rates: the NBS reports that 39 % women and 43 % men of the population are economically active (1,273,000 persons); the gender differences in activity, employment and unemployment rates are narrow. Women are most active in food processing and textiles/clothing, while men are more likely to be employed in machinery, metals and chemicals. 33.7% of the population are employed in agriculture, 49.2% in services and the remainder (17.1%) in manufacturing and construction. On average, women earn 14.5% less per month than men.

The low wages and the limited number of jobs in the small towns and rural areas have simulated internal migration from the regions to Chisinau Municipality (approximately 6.2% per annum) and external migration (approximately 2,500 persons leave Moldova permanently each year). The Development Regions¹³ are losing between 2.2% and 2.5% of their populations annually. The two focal regions presently have populations of 105,324 (Cahul) of which 27.3% live in the urban areas and 51.6% are women and 101,064 (Ungheni), 32.5% of whom live in the rural areas and 52% are women.

As recognised by the European Joint Development Cooperation Strategy¹⁴, living conditions in towns and rural areas remain a large problem and Moldova increasingly needs new engines for socio-economic development that would combine economic expansion with social inclusion and cohesion. There is a strong need to enhance job opportunities that are attractive for women and young people to find work locally. Social and economic transformation of the small towns and rural areas is also needed to enhance trust between citizens, local state officials, to revive prospects for the future and attract potential domestic and foreign investors.

The main aim of this action is therefore to support focal regions within the existing Development Regions, which have been identified as potential growth poles and which already possess local socio-economic development strategies targeted at the revitalisation of the urban centre and its surrounding areas.

1.1.1 Public Policy Assessment and EU Policy Framework

In early 2002, the Government, with financial assistance from the EU, launched its first forays into the elaboration of a Regional Development Policy. In 2006, the Law on Regional Development was adopted¹⁵, which defined the principles, priorities and implementation structures for regional policy in the Republic of Moldova. The law set as goals (i) balanced socio-economic and sustainable development throughout the country; (ii) reducing the imbalance of inter and intra-regional socio-economic development; (iii) strengthening the financial opportunities, institutional and human resources for socio-economic development of the regions; and (iv) supporting the work of local authorities and local communities for the

¹² The National Bureau of Statistics reported that the percentage of unemployed persons at the end of 2017 was 3.3% of the active labour population (4.0% of the male and 2.7% of the female active labour populations).

¹³ According to the Law on regional development, there are six development regions: North DR, Centre DR, South DR, Chisinau Municipality DR, ATU Gagauzia DR and Transnistria DR

¹⁴ https://eeas.europa.eu/delegations/moldova/40533/european-joint-development-cooperation-strategy-joint-programming-document-republic-moldova_en

https://eeas.europa.eu/sites/eeas/files/joint_analysis_0.pdf

¹⁵ Law N°438, 28th December 2006

socio-economic development of settlements and co-ordinating their interaction with national, regional and sectoral strategies and development programmes. Six development regions were identified: North, South, Centre, ATU Gagauzia, Chisinau and Transnistria.

A National Regional Development Fund was also established. It disburses approximately EUR 10 million per annum. In 2017, the Fund released funding for 62 projects¹⁶ to be implemented by the local authorities. Efforts to date have focused on a limited number of sectors, notably investments in water supply and wastewater treatment, roads and energy efficiency. Less emphasis has been placed on business development, employment creation and social inclusion. Of the 62 projects, only 17 were targeted at business and tourism development.

In April 2016, the Government adopted the National Regional Development Strategy (NRSD) 2016-2020, which is aligned with adjacent strategies, notably Water Supply and Sanitation Strategy 2014-2028, Small and Medium Enterprises' Sector Development Strategy 2012-2020, the Energy Strategy up to 2030, the Agriculture and Rural Development Strategy 2014-2020 and the draft Strategy for Research and Innovation. The overall objective of the NSRD is: balanced and sustainable development in all regions of the Republic of Moldova.

The Strategy marks an important step forward in that it underlines the importance of pursuing an integrated approach to regional development if there is to be a tangible and visible impact on the living standards of the populations in the regions, a reduction in regional disparities and ensuring social cohesion. In this respect, the Strategy is addressing the principal weaknesses in the implementation of regional policy in the period up to 2015 and is more closely aligned with EU regional and cohesion policy. The overall and specific objectives of this Programme are fully in line with the purposes of the aforementioned NSRD 2016-2020 and will contribute to its implementation.

The Government recognises the need to establish integrated planning, management, coordination and unified mechanisms if the potential of the regions is to be maximised and their contribution to the overall socio-economic development of the country enhanced. Moreover, it is acknowledged that human resource capacities to plan and manage regional development are low. The local authorities have a mix of experienced and less experienced staff. Support to capacity-building for the staff of the local public authorities (LPAs) will be essential but should be supplemented by concerted efforts to mobilise civil society organisations, social entrepreneurs, educational establishments, the wider business community and local citizens. The mobilisation of the organisations concerned is in line with the regional policy governance principle of partnership.

At the national level, the current monitoring and evaluation system applied by the Ministry of Agriculture, Regional Development and Environment (MARDE) enables the systematic monitoring of the implementation of regional development projects funded, largely, by the National Fund for Regional Development (NFRD), based on the data reported by the Regional Development Agencies (RDAs) and collected by the MARDE at national level on various sectors.

¹⁶ One road project is being implemented in Ungheni and two projects (roads and business support infrastructure) are implemented in Cahul.

Nevertheless, a results-based monitoring (RBM) and evaluation of the National Strategy for Regional Development implementation process is lacking. Given that Moldova acceded to the Paris Declaration on Aid Effectiveness (2005), where emphasis is placed on “delivering results that will have a real and measurable impact on the development”, the MARDE in close cooperation with German Corporation for International Cooperation (GIZ) is working to improve the current monitoring and evaluation system in order to ensure its results-orientation.

The proposed focal regions of Ungheni and Cahul have elaborated Local Economic Development and Urban Development strategies. Both are in line with the National Regional Development Strategy. The Ungheni Strategy for the socio-economic development of Ungheni Raion 2012-2020 was adopted in 2012 and is implemented through a series of annualised Action Plans. The Programme for socio-economic development of Cahul Raion (2017-2020) was approved on 26 January 2017. Both strategies are targeted at balanced socio-economic development of their respective raions. Both strategies are costed.

The Association Agreement includes a commitment to improve Regional Development, Cross-Border and Regional Level Cooperation (Chapter 20 of the AA). The AA encourages “*mutual understanding, and bi-lateral cooperation in the field of regional policy, including methods of formulation and implementation of regional policies, multi-level governance and partnership, with special emphasis on the development of disadvantaged areas and territorial cooperation, with the objective of establishing channels of communication and enhancing exchange of information and experience between national, regional and local authorities, socio-economic actors and civil society*”. In addition, the Agreement also emphasizes the need to make progress on gender equality in the labour market.

The Programme is aligned with deliverables 6 ("New jobs opportunities at local and regional level"), 1 ("Structured engagement with civil society"), 2 (To help Women in Business through capacity building and to gender mainstream public policies with gender disaggregated data), 4 ("Regulatory environment and small and medium enterprises (SMEs) development"), 15 ("Energy efficiency, renewable energy and reduction of Greenhouse Gas emissions") 16 ("Environment and adaptation to climate change") and 18 ("Youth, education, skills development and culture") of the Eastern Partnership 20 Deliverables for 2020. It is also consistent with specific objective 1.6 of the Single Support Framework (SSF) 2017-2020 for Moldova, which aims at addressing the need to reduce regional disparities.

A Declaration establishing a Dialogue on Regional Policy was signed by the Commission and the Republic of Moldova in 2010, providing a framework for policy advice to be given to Moldova by the Commission. Substantial financial support has been provided under previous AAPs, notably AAP 2016, *Development of Rural Areas*, and this programme will continue and extend that support. Moreover, the Programme is also complementary to the Action on Water Supply and Sanitation Investments in the Region of Cahul under the EU Annual Action Programme 2017 in favour of the Republic of Moldova.

1.1.2 Stakeholder analysis

The key national authority in the field of local autonomy, decentralisation and local development is the **State Chancellery of the Government of the Republic of Moldova**. The Government has committed to the introduction of the territorial administration reform prior to the proposed local elections of 2019.

The Ministry of Agriculture, Regional Development and Environment (MARDE) is in charge of the elaboration of effective public policies and is accountable for the following sectors: Agriculture; food production and security; rural and regional development; spatial planning; environmental protection and climate change; and natural resources. The Ministry is also the supervisory institution of four Regional Development Agencies (North, Centre South and Gagauzia).

The Ministry of Economy and Infrastructure (MoEI) is in charge of public policies in the following areas: Economy; ICT; Construction; Transport; Quality infrastructure; Market surveillance; Energy efficiency and security. The MoEI has recently been restructured to include infrastructure in its area of competence.

The Ministry of Finance (MoF) is the specialised central public administration body that develops and promotes the state's public finance policy. The Ministry defines the level of public funding to be provided to local public administrations through the State budget and applies the equalisation mechanism to ensure an equitable distribution of resources between the cities and raions. The MoF is responsible for the preparation, implementation and annual monitoring of the PFM Reform Strategy. Over last six years and also due to substantial EU support (including policy dialogue, budget support programmes, technical assistance projects, resident advisors, etc.) the Ministry embarked on an ambitious medium- to long-term reform agenda and is in the process of building up its capacities for strengthening its mandate as central fiscal authority and guardian of fiscal sustainability. The MoF has been recently appointed as National Aid Coordinator.

Cahul and Ungheni administrative-territorial units. Local governments in Moldova are organized in a two-tier system¹⁷. The first level comprises 898 local governments (primaria); the second level comprises 35 administrative-territorial units – including 32 raions, two municipalities (Chisinau and Balti) and one autonomous territorial unit Gagauzia. The focal regions, Cahul and Ungheni, are level two administrative units¹⁸. They have extensive administrative responsibilities, not only for the cities, but also for the level one units with their respective raions. Cahul raion comprises one city, 36 villages and 17 communes¹⁹, while Ungheni raion is composed of two²⁰ cities, 30 villages and 21 communes. Of particular relevance for the programme is the range of social services, which they are expected to provide and their responsibility for major infrastructure.

Cahul raion is located in the southern regional development region, on the border with Romania and 175 km away from Chisinau. Cahul is the third largest city in Moldova in terms of socio-economic development.

¹⁷ The present Government has announced its intention to reform local public administration in 2019 before the next local elections in 2019

¹⁸ As a fall-back option, Soroca could also be considered as it is also a level 2 administrative-territorial unit. In addition, 70% of economic activities are focused on agriculture, followed by textiles and construction industry. There is also a business incubator in operation in Soroca. The region possesses cultural objects of national and local importance. Most of the Roma population in Moldova is located in the Soroca raion. A local socio-economic development strategy for Soroca 2015-2020 is available.

¹⁹ According to the Moldovan law on territorial administrative organisation, two or more villages can form together a [commune](#).

²⁰ The two cities are Ungheni and Cornesti

Cahul raion is famous for its agriculture; industries based on raw materials, including its light industry (two garment factories); university and large number of VET institutions; and its potential for tourism (mineral springs water and culture). The raion also hosts a Free Economic Zone (FEZ) "Balti" – Subzone Cahul, which was established in 2010 for a period of 25 years. This FEZ represents an excellent platform for export-oriented manufacturing companies, which benefit from preferential customs and tax regimes. There is also a business incubator in the city of Cahul (set-up with EU support). A local socio-economic development strategy for Cahul was developed with the support of the United States Agency for International Development (USAID). An urban development plan is also available.

Ungheni raion is in the central part of Moldova, bordering Romania. The raion is known for the development of: agriculture and food processing; fibre preparation, spinning, carpet and rugs; production of ceramics (traditional); ICT; and the banking sector, which is represented by 11 bank branches. A FEZ, "Ungheni –Business", was established in 2010 and a business incubator was set up in 2005. A local Socio-economic Development Strategy for Ungheni has been developed as well as an Urban Development Plan for 2014-2030.

The institutional capacities of the level 1 and level 2 structures within Cahul and Ungheni raions need to be strengthened, especially in the management of public assets and finances and in terms of increased transparency and public participation. Inter-municipal cooperation and integrated strategic planning for economic development are at an initial stage. The Action will focus on the cities of Ungheni and Cahul²¹ and adjacent rural areas of their respective raions.

The Regional Development Agencies implement the Regional Development Strategies and the Regional Operating Programmes, which feed into the National Regional Development Strategy (NRDS) and applications for finance from the National Regional Development Fund. The Regional Development Agencies (RDAs) have benefited from capacity building activities and are actively acting as facilitators at local level on regional development issues.

The Small and Medium Sized Enterprise Development Organisation (ODIMM) contributes to the development of a competitive national economy by working with the SME sector, especially in rural areas and in the non-agricultural sector. ODIMM has significant technical, operational and financial capacity to deliver its mandate on promoting sustainable economic development of the Republic of Moldova and leading on the implementation of cluster policy. ODIMM also implements programmes specifically targeted at women, notably women entrepreneurs.

A Congress of Local Public Authorities from Moldova (CALM), has been set up to achieve unity between Moldovan local public authorities and to safeguard and promote the principles set out in the European Charter of Local Self-Government. It is acknowledged by all parties as the only representative structure. It represents over 500 1st level Local Public Authorities (LPAs) and also includes the National League of Mayor's Associations, Association 'Alliance of Mayors-women' and the Association of Presidents of Raions and members of raion councils. The current Programme may cooperate with CALM to help

²¹ Law 764-XV from 27 December 2011 (last amended on 13 April 2017) on administrative-territorial organization of the Republic of Moldova

involving civil society organisations (CSOs) in local planning, governance processes and basic social service delivery.

There are few **civil society organisations** in the country, especially outside the capital, that are slowly getting involved in decision making on public issues. The few existing policy centres/think-tanks are mostly concerned with national policy issues rather than regional development or local issues. That said, Cahul and Ungheni have comparatively developed civil society organisations, which have a good track record of participating in EU-funded projects, notably those financed through the cross-border cooperation (CBC) Programme. The present Programme will build on the activities foreseen under the Annual Action Programme 2017 dedicated to civil society organisations.

The interests and voices of the **groups in a vulnerable situation**, particularly elderly, unemployed youth, and households led by women are rarely represented, particularly in local decision-making processes. Social inclusion is a principal goal of the Action and rigorous efforts will be made to engage these groups as stakeholders in the Programme.

The **diaspora** is an important **target** stakeholder. They contribute, through remittances, significantly to the economy of Moldova and are increasingly active through Hometown Associations (HTAs) in local/rural development of the country.

Local social entrepreneurs²², existing and start-ups businessmen and businesswomen and educational establishments are also regarded as **target stakeholders**, whose engagement in the Programme will be essential if the goal of integrated socio-economic development is to be achieved.

1.1.3 Priority areas for support/problem analysis

The urban-rural divide and regional disparities constitute a key development challenge for Moldova. Two thirds of Moldovans and 82% of the country's poor live in rural areas, which are 4/4.5 times less developed than the capital, Chisinau. There is a widening gap in living conditions and wages, access to water, sanitation, education and health services. As noted above, employment rates and labour force participation rates are very low, the growth in employment opportunities, including for young women, is stunted and the start-up and survival rates for SMEs are rather low. Widespread poverty, lack of employment opportunities and wage discrepancies between the rural and urban areas, and between Moldova and other countries are some of the key factors that have prompted mass migration. Asymmetric access to information and capital-centred economic growth (employment rate in Chisinau reaches 50%, while in the South it is below 30%) affects investment and business development. The poor quality of the social and technical infrastructure at the local level also

²² The **social enterprise sector** in Moldova appears to have the potential for delivering positive cross-sectoral impact by: creating job opportunities at the local level and decreasing the number of migrant workers; developing the local economic environment; and increasing social responsibility among the population of the communities where social enterprises are established. Moldova recently adopted the law amending the law on entrepreneurship and enterprises to introduce the definition of social entrepreneurship. Social enterprises are at an early development stage, focusing on job creation or income-generation for women, youth, people with disabilities and rural communities. It is a very new economic sector with a majority of the social enterprises still testing their business models. However, in the focal regions there seem to be initiatives pertinent to social entrepreneurship that this Programme could build on and further develop.

imposes development constraints for business, reducing the chances of creating new jobs locally, and increasing the risk of internal and external migration.

Excessive territorial fragmentation weakens communities, while regional policy to date has limited impact due to its narrowly focused sectoral approach. The small size of localities and lack of resources negatively affect the capacity of local governments: 94% of them are unable to fulfil their functions and deliver qualitative services to citizens, such as among others health care and childcare services or education. This in turn has a direct impact on particularly women's employment since they have the main responsibility for taking care of children. Thus, local governments are unable to advance in the creation of a favourable environment for local economic growth, new jobs, and for enhancing social cohesion.

The challenges Moldova is facing will require a more integrated approach. The main structural problems are set out below:

- (i) limited capacities of local authorities to implement local environmentally compliant economic development plans;
- (ii) limited participation of citizens and CSOs in local planning, governance processes and/or basic social service delivery;
- (iii) limited transparency, integrity and accountability in local governance
- (iv) need for development of local social and technical infrastructure for socio-economic growth;
- (v) limited range and quality of the public services provided to local populations;
- (vi) lack of sustainable, well-rewarded employment opportunities;
- (vii) lack of business development, particularly innovative, higher-value added companies which can create employment opportunities;
- (viii) failure to fully integrate women and young people into the formal labour market
- (ix) lack of synergy between the labour market and the educational system
- (x) need for each focal region to identify and develop their specific economic advantages (smart specialisation), in order to stimulate innovation and boost growth

The action is designed to help address each of these issues in an integrated and sustainable manner.

The following broad indicators were used to identify the focal regions (outside Chisinau and Balti): (1) Economically active population; (2) Access infrastructure and Urban infrastructure; (3) Economic potential/Economic development potential; (4) Business support infrastructure; (5) Research capacity – university and education institutions. Following the application of these, the selection of these two cities and adjacent rural area as the focal regions became evident as they are amongst the more dynamic cities in the country and have the potential to act as growth poles.

Moreover, there are a number of other elements justifying the choice of Cahul and Ungheni:

- (i) Strategic economic and local development potential, based on their proximity to Romania and the EU. Both cities are close to border crossing points and have a history of cross-border co-operation with Romanian partners;

- (ii) Both cities already possess local economic development strategies and urban plans, which can be used to guide and prioritise Programme interventions; Local economic development plans are in process of preparation under the Mayors of Economic Growth initiative;
- (iii) Their relatively large sizes in terms of population (125,000 and 120,000 respectively) makes them viable in terms of creating sustainable enterprises and developing a vibrant local labour market;
- (iv) The city administrations have a track-record of demonstrating high commitment to local socio-economic development, possess a clear understanding of challenges facing the raion;
- (v) The city administrations have successfully implemented and ensured sustainability of EU-funded projects in the past;
- (vi) Cahul and Ungheni raions have experience of working in partnership with civil society organisations to further socio-economic development;
- (vii) Other Programmes foreseen under AAP 2017 also target the region of Cahul (water supply/sanitation/economic development). Other actions under the AAP 2018 may either target these two pilot regions or be complementary to the present programme (anti-corruption, economic governance, gender equality and fighting domestic violence).
- (viii) Strong commitment from local authorities to implement the Action
- (ix) Cahul and Ungheni were identified by MARDE as priority urban areas for development.

To conclude, Moldova’s regional policy needs success stories and Cahul and Ungheni have the potential to deliver better livelihoods for their population.

Any lessons learned may be rolled-out quickly to other focal regions with potential as the problems, that the other focal regions are facing, are no greater or lesser than those confronting Cahul and Ungheni.

2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Lack of implementing effective anti-corruption and public administration reform measures and increasing public sector transparency	H	Continuous dialogue with the Government to apply rigorously the anti-corruption legislation and rules, to monitor corruption cases and their legal consequences as well as to implement public administration reforms
Delays in approval of strategies, territorial plans, or investment projects by the local or central authorities.	M	The action will support the communities and LPAs in planning, project identification, formulation and resource mobilisation, building consensus, and assisting in the preparation of all necessary legal steps. Continuous dialogue with the Central authorities to encourage timely approval.
Delays in Programme implementation due to local elections in 2019	M	Clear commitment from all stakeholders involved from the start of the programme implementation
Assumptions		
1. Commitment from all stakeholders to work together for the implementation of the Action. 2. The beneficiary institutions make available the staff and relevant resources for the implementation of the programme. 3. Local development programmes/strategies are developed and/or refined and implemented by local public authorities in partnership with all relevant stakeholders.		

3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 LESSONS LEARNT

Drawing experience from previous and on-going area-based development programmes, funded by the EU and other donors, the main lessons learnt are:

- Involving stakeholders (local authorities, civil society organisations, community groups and CALM) at all stages of the intervention processes allows building ownership and accountability for project results and ensures that the assistance is demand-driven.
- Concrete, tangible initiatives, delivering results early in the project, can ensure positive momentum, leverage and mobilize communities for more complex initiatives later.
- It is important to build the capacities of local partners to continue and replicate similar initiatives beyond the project lifetime and without further external assistance. Coupling international expertise with local expertise would help transfer know-how and fortify local capacity.
- Infrastructure investments should be accompanied by capacity development for local governments and service operators (both institutional and individual) to manage and maintain the services and internalise participatory governance practices.
- The action should foster logical linkages between local initiatives and policy changes at the national level, both to improve national policies and to facilitate their implementation.
- Infrastructure constructed/refurbished in the scope of the projects needs to be put into use as soon as the work is completed. This entails that the future usage of the refurbished infrastructure needs to be incorporated into the design phase so that exploitation may commence immediately

3.2 Complementarity, synergy and donor coordination

There are several EU-funded interventions focused on regional and rural development in Moldova, including: a) completed projects and programmes which can be used to derive lessons learned, identify follow-up actions, and/or scale-up results through replication and outreach in extended settings; b) ongoing actions that are already in the process of implementation, which can be used as the basis for identification of additional needs, and design of follow-up actions; and c) already programmed, or planned interventions where this Action clearly complements planned support actions.

The action will further promote best practices and success of the European neighbourhood programme for agriculture and rural development (ENPARD) programme, the EU funded project "Moldova Energy and Biomass", the EU-funded Programme "Support to Agriculture and Rural Development in ATU Gagauzia and Taraclia" and the EU funded programme "Construction of Water Supply and Sanitation infrastructure as well as Energy Efficiency in Public buildings" (implemented by GIZ); the latter has developed a pipeline of water supply and services investment projects endorsed by the Ministry of Agriculture, Regional Development and Environment and local public authorities.

The action will also capitalise on and promote the activities of the EU Regional Programmes in the Eastern Neighbourhood, including EU4Business, EU4 Energy, EU4Digital, EU4Innovation, the Eastern Partnership Flagship Initiative on Sustainable Municipal Development, including the Covenant of Mayors and Mayors for Economic Growth; it will also build on the achievements of the EU funded "Modernisation of Local Public Services Project". Through the "Mayors for Economic Growth initiative", support is being provided to Edinet (North region), Cismislia (South region) and Gagauzia.

The action should be seen as complementary to other ongoing actions supported by the EU under EU4business, such as East Invest, the Small Business Support (SBS) and the Women Business Support Programmes implemented by the European Bank for Reconstruction and Development (EBRD). The proposed action will target micro and small size rural business not covered by these facilities as well as specific gender mainstreaming and women economic empowerment local initiatives such as the National Moldovan Women Platform (NMWP).

The action shall ensure consistency with the horizontal public administration reform (PAR) efforts, as planned in the National Public Administration Reform (PAR) Strategy 2016-2020.

The action will also create synergy and complementarity with the other actions foreseen in the Annual Action Programme 2018 related to anti-corruption, gender equality and fighting domestic violence, and economic governance, and with initiatives financed through the cross-border cooperation programme 2014-2020. In addition, the action will capitalise the pilot work being undertaken by the Joint Research Center (JRC) for the development of a national smart specialisation strategy, which should help for the identification of priority areas for innovation in the selected focal regions.

In addition, support to rural and regional development is provided by the World Bank, EBRD, GIZ, and various agencies and operating structures of the United Nations network, alongside bilateral assistance from EU Member States such as Germany, United Kingdom, Romania, Slovak Republic, Sweden, Czech Republic, Lithuania and from the Swiss Development Cooperation (SDC) and the United States of America. The Action will ensure consistency and complementarity with the Polish funded programme on urban revitalisation which is currently being implemented in 14 cities (among which the focal regions). The Action will reinforce the outcomes of the project "Migration and Local development", which is part of the multi-annual programme 2015-2018 "Moldova – Making the Most of Migration" funded by the Swiss Agency for Development and Cooperation.

There is also the Regional Development Fund, the Subsidy Fund for Agriculture and Rural Development, the Energy Efficiency Fund, Environmental Fund and Social Investment Fund governed by the national public structures. The present Action should be seen as complementary to these funds.

The Government is in process of re-establishing donor assistance coordination structures and processes under the auspices of the Ministry of Finance. Regular cross-sectoral meetings of all development partners take place.

The EU Delegation is engaged in a wide-ranging policy dialogue with the Government, including through the EU High Level Policy Advice Mission. EU High Level Advisors are

present in each of the key sectors: Economy, Labour, Regional Development and Agriculture and Rural Development.

3.3 Cross-cutting issues

The **Human Rights-based Approach** (HRBA) is an approach to mainstreaming the content of the international human rights treaties in development work. By focusing on four key principles - Participation, Non-discrimination, Transparency and Accountability - HRBA will promote social transformation by empowering people to exercise their “voice” to influence the processes of change.

Transparency and accountability are key principles of a human rights-based approach to development that are also integral to successful **anti-corruption** strategies. The initiatives planned under the Action will strengthen the capacities of citizens to identify, report, and mitigate corrupt practices within LPAs and agencies responsible for the delivery of public services and the rollout of preventive anti-corruption measures as prescribed in the local anti-corruption strategies.

The principles of **gender equality and women empowerment** are important to this Action, as women in Moldova continue to face disadvantages when it comes to labour market, wages, age-based discrimination, involvement in public/political life, which are aggravated by gender stereotypes, which leave them to do the unpaid care work. The implementation of this Programme will be guided by the principles and objectives of the EU Gender Action Plan. The outputs and outcomes of the action will be disaggregated along gender lines.

The **environment, natural disasters and climate change** influence the living conditions and health of people, as well as the economic development. Moldova is confronted with high water pollution, natural resource degradation (including soil and forests) and hazards. Both focal regions are vulnerable in this regard and therefore the works planned within the frame of this action will need to be sensitive to environmental impact and exposure to natural disasters as they are in earthquake zones.

Innovation and thinking out of the box will be encouraged, in local governance and in supporting economic development. In local governance it is important to creatively adapt good practices to local conditions, produce innovative and cost saving urban designs by involving communities in planning, using the appropriate “smart city²³” applications and implementing environmentally-friendly solutions (like solar cells, LED lamps, energy saving technologies, etc.) to urban problems, etc.

²³ A smart city is an urban area that uses different types of electronic data collection sensors to supply information which is used to manage assets and resources efficiently. This includes data collected from citizens, devices, and assets.

4. DESCRIPTION OF THE ACTION

4.1 Objectives/results

The **overall objective** is to strengthen the economic, territorial and social cohesion in the Republic of Moldova through facilitating inclusive, sustainable and integrated local socio-economic growth and improving the standards of living of the citizens in the focal regions²⁴.

The **specific objectives** (SO) of the action are:

1. To strengthen transparency, accountability of local public authorities and citizen participation in local governance processes in the focal regions,
2. To improve citizens' access to quality public services and utilities in the focal regions,
3. To create employment opportunities for men and women in the focal regions and improve the attractiveness of the pilot regions for investors and entrepreneurs,
4. To promote the smart specialisation of the economy of the focal regions through the development of the clustering and value chain approach in key economic sectors.

The Action aims to achieve the following **results** in the focal regions:

Result 1.1) Increased institutional capacity of LPAs for the implementation of locally-driven, environmentally compliant, socio-economic development strategy for integrated local growth and development,

Result 1.2) Improved and broader stakeholder (e.g. CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy,

Result 2) Increased quality and availability of public services delivery, including in particular those targeting women; and increased performance of local public utilities,

Result 3) Conditions are more favourable for the attraction of investments, job creation and women and men's entrepreneurship, including social entrepreneurship,

Result 4) Development and functioning of clusters in line with the smart specialisation approach.

A transversal dimension to all the above listed results will be a better cohesion and linkage between the main city of each pilot-region and the rest of the pilot region, including in particular the less favoured areas.

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goals:

- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for women and men, including for young people and promote development-oriented entrepreneurship, and encourage the formalization and growth of micro-, small- and medium-sized enterprise.
- Goal 11: Sustainable cities and communities

It also promotes progress towards Goals:

- Goal 1: Promoting women's economic empowerment and ensuring women's economic rights will support efforts on poverty eradication
- Goal 5: Achieve gender equality and empower all women and girls

²⁴ Selected city and adjacent rural areas (Ungehni and Cahul focal regions, with potential fall-back option of, Soroca), for simplicity hereinafter referred to as 'focal regions'.

- Goal 6: Ensure availability and sustainable management of water and sanitation for all
- Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all
- Goal 9: Build resilient infrastructure, promote sustainable industrialisation and foster innovation and increase the access to financial services, including affordable credit, and their integration into value chains and markets
- Goal 13: Take urgent action to combat climate change and its impacts

4.2 Main activities

Under result 1 (1.1 and 1.2)

- Implementing capacity building and mentoring programmes to strengthen the capacities of the local authorities in planning management, implementation, monitoring and evaluation of the local strategies.
- Supporting the development and upgrading (where appropriate) and the implementation of Local Socio-Economic Development Strategy (LSEDS) and Local Economic Development Plans (LEDP)²⁵ as well as anti-corruption plans, by using EU, international and local best practices. A strong focus will be placed on gender mainstreaming.
- Implementing capacity building and mentoring programmes to strengthen the capacities of civil society organisations, including women's organisations, grassroots organisations and social entrepreneurs: for improved engagement in local planning, and community-led development and for monitoring local authorities' decision-taking processes (e.g. anti-corruption, public finance management, public procurement, etc.).
- Provision of grants to community-led local initiatives.
- Implementing capacity building and mentoring programmes to strengthen the capacities of the local authorities in providing public services, including in particular those targeting women (such as child care services), and the capacities of specialised facilities in managing services and infrastructures.

Under Result 2

- Building and/or upgrading social, economic and technical infrastructure targeting urban and rural revitalization of the focal regions and linkages of the urban centre with the rural areas.
- Provision of grants to legal entities for the implementation of projects for:
 - Small scale rural development projects,
 - Joint CSOs and LPA's, social entrepreneurs and grassroots organisations' initiatives in the delivery of high-quality, cost-effective social services targeted principally at children, youth, elderly persons and the socially disadvantaged.

Under result 3

- Providing support to strengthen business development services, platforms for business cooperation, marketing, export and brand promotion,

²⁵ Being updated by the EU initiative Mayors for Economic Growth

- Grants (e.g. co-financing; reimbursable grants) will be provided to legal entities for the implementation of projects for:
 - providing support to women and men entrepreneurs, including those involved in social entrepreneurship for improving entrepreneurship knowledge and skills ranging from branding and marketing, ICT skills, market information to innovation and financial management,
 - development of economic activity connected to the rehabilitated social, economic and technical infrastructure. Priority will be given to green and/or innovative local businesses led by women,
 - pilot initiatives in the area of social entrepreneurship for the delivery of social services,
 - architectural designs and beautification projects, providing eco-innovative and attractive solutions for re-shaping urban centres,
 - implementing joint initiatives with the diaspora to address needs prioritised by the community.

Under result 4

- Providing support to the creation and functioning of business linkages, such as clusters and/or value chain development (I.e. smart specialisation).

4.3 Intervention logic

In order to create synergies between regional and rural development to achieve long lasting environmentally sustainable socio-economic development and in view of improving the quality of life in the selected focal regions, this Action will intervene in the following way:

Firstly, the emphasis will be placed on development of capacities of local communities (i.e. public authorities, CSO, businesses, etc.) to properly implement local socio-economic development strategies and local economic development plans in a participative manner (including all relevant stakeholders), according to an inclusive and evidence-based approach, with a strong focus on smart use of local resource and integrated approach towards sustainability as well as an enhanced added value for citizens and economic operators.

The second stream of activities will target the promotion of economic development by providing specific support to the development of SMEs and of social entrepreneurship, identification and development of the economic advantages of the focal regions, encouragement of innovation, technology transfer and high-value added economic activities.

Thirdly, the focus will be on creation and modernisation of public infrastructure that, combined with the above-mentioned points, will increase the overall potential of this Action to achieve concrete and sustainable outcomes in view of improving the standards of living in the targeted area.

5. IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.2. will be carried out and the corresponding contracts and agreements implemented, is 72 months from the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

5.3 Implementation modalities

The envisaged assistance to the Republic of Moldova is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU²⁶.

5.3.1. Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation, Audit	Services	2	Q4 2025

5.3.2. Indirect management with an international organisation (UNDP)

This action may be implemented in indirect management with the United Nations Development Programme (UNDP). This implementation entails provision of capacity building and coaching activities to local public authorities, CSOs, entrepreneurs, community groups, design and implementation of hard investments in local focal region infrastructure, small scale socio-economic rural infrastructure, as well as grant support to economic regeneration and implementation of CSOs initiatives and all activities will be covered under one delegation agreement which will entail co-delegation. UNDP will be responsible for the implementation of all activities described under Section 4.2.

Specific implementation activities under 4.2 of this Action targeting youth, children, culture and sports will be co-delegated to UNICEF Moldova (Specialised UN Agency in this field).

²⁶ https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en

Implementation through UNDP is justified as the proposed action: 1) will use existing successful cooperation and implementation arrangements with UNDP, which will secure timely and qualitative implementation of the Action to the benefits of the focal regions; 2) in the past few years UNDP has developed in Moldova extensive competences and have worked in almost 2/3 of all rural communities in the country; 3) UNDP has recognised competencies in the areas of local governance, community-led development and rural development.

The entrusted entity will carry out the following budget-implementation tasks: running the public procurement, grant award procedures; concluding and managing the resulting contracts, including making of the related payments, monitoring and evaluation.

5.4 Scope of geographical eligibility for procurement and grants

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

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

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third-party contribution, in currency identified
Objective/Results 1,2,3,4 <Inclusive economic empowerment of focal regions of the Republic of Moldova > composed of	23,000,000	500,000
5.3.2. – Indirect management with UNDP	22,800,000	
5.8 - Evaluation, 5.9 - Audit	200,000	
Total	23, 000,000	500,000

5.6 Organisational set-up and responsibilities

For the activities of the Action, a multi-stakeholder approach will be followed to ensure wide participation and consensus.

The main counterparts of this action will be local stakeholders including representatives of the local public authorities, civil society organisations and the private sector, Regional Development Agencies, ODIMM the Ministry of Agriculture, Regional Development and

Environment, the State Chancellery, the Ministry of Finance and the Ministry of Economy and Infrastructure.

A Steering Committee (SC) for the action will be created at national level. The SC will review and advice on its overall implementation. The Steering Committee shall meet at least once a year or more frequently if needed. The Delegation of the European Union to Moldova will co-chair the Project Steering Committee together with the Minister of MARDE. The SC will include the main counterparts described above, the Delegation of the European Union to Moldova, the Implementing partner, CALM and the Regional Development Agencies in whose regions the focal regions are located. Other relevant EU or other donor funded project representatives will be invited as observers. UNDP will play the role of Secretariat of the National Steering Committee.

Local Steering Committees will be established in each of the focal regions. The Steering Committee shall review and guide the work of the action and shall supervise its overall implementation at the level of the focal region. The Delegation of the European Union to Moldova will co-chair the respective Local Steering Committees together with the Mayors of Ungheni and Cahul. The Local Steering Committees will include the Delegation of the European Union to Moldova, the Implementing partner, the local public authorities within the focal regions, together with representatives from civil society, business community, other relevant stakeholders (e.g. academic institutions) and the Regional Development Agencies in whose regions the focal regions are located. The Local Steering Committees will be responsible for coordination and monitoring implementation of the Action in their respective focal regions. The Local Steering Committees will meet every three months. UNDP will play the role of Secretariat of the Local Steering Committees.

The line ministries, which act as partners in the action's implementation process, and their decentralized institutions at local level, as well as the RDAs will be responsible for providing information and data, for the purpose of assessing the Action's implementation progress at local level. The RDAs and local public authorities will be the main responsible bodies, involved with the implementing partner, in the monitoring and evaluation of the local development projects' implementation. The Local Public Authorities in the focal regions (LPAs) will provide the EU Delegation, Implementing partner and the RDAs with the necessary information regarding the progress achieved in the implementation of the local projects in question.

5.7 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference, the logframe matrix (for project modality). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, an ex-post evaluation will be carried out for this action via independent consultants contracted by the Commission.

The Commission shall inform the implementing partner at least 3 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in Q4 2025.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Indicatively, one contract for audit services shall be concluded under a framework contract following the end of activities of the relevant actions, indicatively Q4 2025.

5.10 Communication and visibility

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

This action shall contain communication and visibility measures, which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

The Communication and Visibility Requirements for European Union External Action (2018)²⁷ and any updated versions shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

²⁷ https://ec.europa.eu/europeaid/sites/devco/files/communication-visibility-requirements-2018_en.pdf

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives. Actions shall be aimed at strengthening general public awareness of interventions financed by EU and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions. Visibility actions should also promote transparency and accountability on the use of funds.

Communication and visibility measures for the project activities under this Action Document will be reinforced, coordinated and implemented through the Action Document for Strategic communication and media support, which is part of the Annual Action Programme 2017 for the benefit of the Republic of Moldova.

With regards to the Neighbourhood East, all EU-supported actions shall be aimed at increasing the awareness level of the target audiences on the connections, the outcome, and the final practical benefits for citizens of EU assistance provided in the framework of this action. Visibility actions should also promote transparency and accountability on the use of funds.

All necessary measures will be taken to publicise the fact that the action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the Commission (European Neighbourhood Policy and Enlargement Negotiations) will be strictly adhered to.

Where relevant, the provisions of the Financial and Administrative Framework Agreement concluded between the European Union and the selected international organisations shall apply.

It is the responsibility of the implementing organisation to keep the EU Delegations and, where relevant, Directorate General for Neighbourhood and Enlargement Negotiations, fully informed of the planning and implementation of the appropriate milestones specific visibility and communication activities.

The implementing organisation shall report on its visibility and communication actions, as well as the results of the overall action to the relevant monitoring committees.

This action will be communicated externally as part of a wider context of EU support to the country, and where relevant to the Eastern Partnership region in order to enhance the effectiveness of communication activities and to reduce fragmentation in the area of EU communication.

6. PRE-CONDITIONS

The following pre-condition needs to be fulfilled before the signature of the Financing Agreement:

- Local partners in the focal regions need to commit in public to working with the EU and to abiding by good governance, rule of law and democratic standards and best practices.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY) ²⁸

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	To strengthen the economic, territorial and social cohesion in the Republic of Moldova through facilitating inclusive, sustainable and integrated local socio-economic growth and improving the standards of living of the citizens in the focal regions	Level of regional GDP (average for both focal regions)	17% (2017)	19% (2023)	- National Bureau of Statistics	
Specific objective(s): Outcome(s):	Specific objective (SO) 1 To strengthen transparency, accountability and citizen participation in local governance processes in the focal regions.	Degree of engagement of CSOs in local planning, governance process and in public service delivery	Baseline to be established at the beginning of the project through an analysis by the project implementer	Improvement in terms of number of CSOs involved and in terms of quality	- Minutes of local council meetings - Minutes of CSOs/LPAs joint meetings/seminars/workshops Progress reports of jointly implemented projects	
	Specific objective (SO) 2: To improve citizens' access to quality public services and utilities in the focal regions,	People's level of satisfaction with the improved or new services/utilities, disaggregated by the type	0 (2018)	At least 70% satisfied with the improved services (35% men and 35%	- Satisfaction survey - Ministry of Agriculture, Regional	

²⁸ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

		of services		women).	development and Environment report	
		Population connection rate (%) to improved services, disaggregated by the type of services in target focal regions	20% 2018	35% (2023)	- Water supply, solid waste and waste water treatment utilities reports - MARDE reports - Local authorities reports	
Specific objective (SO) 3: To create employment opportunities for men and women in the focal regions and improve the attractiveness of the focal regions for investors and entrepreneurs,		Number of people benefitting from innovative socio-economic development opportunities in the focal regions	0 (2018)	200,000 people (2023)	- National Bureau of Statistics - Local public authorities reports	
		Employment levels of residents in target focal regions, disaggregated by sex	32,5 % (2016)	34 % (2023)	- Progress reports	
		Number of jobs created, disaggregated by sex	Number of jobs created – 1, 146 (2015)	Number of jobs created by 20% increase (2023)	- National Bureau of Statistics - Ministry of Economy reports on implementation of the SME strategy	
		Number of SMEs created	(0) 2018	At least 500 jobs (of which 30% taken by women) are created (2023)	- ODIMM reports on action plan implementation	

					- Eurostat / National Bureau of Statistics data	
	Specific objective (SO) 4: To promote the smart specialization of the economy of the focal regions through the development of the clustering approach in key economic sectors.	Number of clusters in each pilot region Number of companies connected to a cluster Cluster performance, and profiling on the European Cluster Collaboration Platform	2018: 0 N-A N-A	2023: 3 per pilot region Increase Increased cluster performance	- Progress reports, TAIEX mission Progress reports Qualitative assessment performed by the project implementer or by TAIEX	

Outputs:	Result 1.1) Increased institutional capacity of LPAs for the implementation of locally-driven environmentally compliant socio-economic development strategy for integrated local growth and development.	No of CSOs involved in joint actions with LPAs in the target regions	3 CSOs involved in joint actions with LPAs (2018)	10 CSOs involved in joint actions with LPAs (2023)	- Minutes of Local council sessions - CSOs reports - ODIMM reports	Local public authorities (LPAs) develop and maintain a constructive and transparent cooperation with key stakeholders, civil society organizations, existing private actors and business associations
	Result 1.1) Improved and broader stakeholder (e.g. CSO, private sector) engagement in the planning and monitoring of the socio-economic development strategy,	No of CSOs proposed suggestions (proposals) to local plans and budgets adopted by local authorities in the two pilot regions	0 (2018)	10 suggestions (proposals) to local plans and budgets adopted by LPAs	- Progress reports - Ministry of Agriculture, Regional development and Environment reports	
		No. of social entrepreneurship initiatives	(0) 2018	5 social entrepreneurship initiatives (2023)	- Local authorities annual reports	
		No. of priority local development projects implemented	0 (2018)	10 priority local development projects implemented (2023)	- LPA's HR reports	
		% of staff from local public authorities trained	40% of staff from local public authorities are trained (2018)	80% of staff from local public authorities are trained (2023)		

	<p>Result 2) Increased quality and availability of public services delivery and local public utilities performance,</p>	<p>Number of people benefitting from improved local public services and renovated infrastructure</p> <p>Number of inter-municipal cooperation established for the management of the public service</p>	<p>(0) 2018</p>	<p>At least 200,000 people benefitting from improved public services and renovated infrastructure (2023)</p>	<p>- Reports on implementation of national regional development strategy</p> <p>- WHO/UNICEF / Eurostat / National Bureau of Statistics data</p>	
	<p>Result 3) More favourable conditions for the attraction of investments and for women and men's entrepreneurship, including social entrepreneurship; job creation is stimulated, especially in less favoured areas.</p>	<p>Number of business development services developed</p> <p>Number and quality of brand promotion activities supported</p> <p>Number of business supported, including women</p> <p>Number of social entrepreneurs supported, including women</p>	<p>N.A</p>	<p>Increase/improvement</p>	<p>- Progress Reports on implementation</p> <p>- National Bureau of Statistics data</p>	

	<p>Result 4) Development and functioning of clusters in line with the smart specialisation approach.</p>	<p>Number of cluster development workshops</p> <p>Number of clusters supported in each focal region</p> <p>Clusters registered and profiled on the European Cluster Collaboration Platform</p>	<p>N-A</p> <p>0</p>	<p>3 per focal region</p>	<p>- Progress Reports on implementation</p>	
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