



Report No: AUS0002980

## REPUBLIC OF MOLDOVA



# PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) PERFORMANCE ASSESSMENT REPORT *including* GENDER RESPONSIVE PUBLIC FINANCIAL MANAGEMENT ASSESSMENT

July 2022

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## **Public Expenditure and Financial Accountability (PEFA)**

### **Assessment of the Republic of Moldova**

June 2022

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat  
June 6, 2022

## **Moldova's currency and indicative exchange rates**

**Local Currency Unit: Moldovan Lei (MDL)**

**1 US\$ = 17.7452 MDL**

**1 EUR = 20.0938 MDL**

**(Official exchange rates of the National Bank of Moldova as of  
January 1, 2022)**

**Fiscal year  
January 1 – December 31**

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## Abbreviations and acronyms

AEO	Authorized Economic Operator
ANSC	National Agency for Solving Complaints
ATU	Autonomous Territorial Unit
BCG	Budgetary Central Government
BI	Business Intelligence
BSL	Budget System Law
CA	Contracting Authority
CBA	Cost Benefit Analysis
CCPF	Committee for Control of Public Finance
CDRF	Concept of Differentiated Risk Framework
CG	Central Government
CHIF	Compulsory Health Insurance Funds
CIT	Corporate Income Tax
CoA	Court of Accounts of the Republic of Moldova
COVID-19	Coronavirus Disease
COFOG	Classifications of Functions of Government
COSO	Committee of the Sponsoring Organizations of the Treadway Commission
CPA	Central Public Administration
CPI	Consumer Price Index
CPIA	Country Policy and Institutional Assessment
CRM	Compliance Risk Management
CS	Customs Service
CTIF	Centre for Technology in Finance
DEU	Delegation of the European Union
DG NEAR	Directorate-General for Neighborhood and Enlargement Negotiations
DMFAS	Debt Management Financial Analysis System
DMS	Debt Management Strategy
EA	Economic Analysis
EBRD	European Bank for Reconstruction and Development
EBU	Extra-budgetary Unit
EC	European Commission
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EU	European Union
FDI	Foreign Direct Investment
FMIS	Financial Management Information System
FY	Fiscal Year
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GRB	Gender Responsive Budget
GRPFM	Gender Responsive Public Financial Management

HPB	Health Barometer of the Population
HRM	Human Resource Management
IAS	Internal Audit Standards
IAU	Internal Audit Unit
IBAN	International Bank Account Number
IFAC	International Federations of Accountants
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPPF	International Professional Practices Framework
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
JSC	Joint Stock Company
KPI	Key Performance Indicator
LPA	Local Public Authority
M1(WL)	PEFA Weakest Link Scoring Methodology
M2(AV)	PEFA Average of Dimensions Scoring Methodology
MAPS	Methodology for Assessing Procurement Systems
MDL	Moldovan Lei
MoF	Ministry of Finance
MTBF	Medium Term Budget Framework
MTDMS	Medium Term Debt Management Strategy
NA	Not applicable
NBM	National Bank of Moldova
NHIC	National Health Insurance Company
NPB	National Public Budget
NPSAS	National Public Sector Accounting Standards
NSIC	National Standards for Internal Control
NSIH	National Social Insurance House
OMF	Ordinance of the Ministry of Finance
PAR	Public Administration Reform
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PI	Performance Indicator
PIM	Public Investment Management
PIT	Personal Income Tax
PIFC	Public Internal Financial Control
PPA	Public Procurement Agency
PPL	Public Procurement Law
PPP	Public-Private Partnership
QAIP	Quality Assurance and Improvement Program
SAD	Single Administrative Document
SAI	Supreme Audit Institution
SB	State Budget

SDDS	Special Data Dissemination Standard
SDGs	Sustainable Development Goals
SE	State Enterprise
SIGMA	Support for Improvement in Government and Management
SNG	Subnational Government
STS	State Tax Service
SSIB	State Social Insurance Budget
SSIF	State Social Insurance Funds
TCC	Tax Compliance Certificate
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
UN	United Nations
USD	United State Dollar
VAT	Value Added Tax
WBG	World Bank Group

# Executive Summary

The main purpose of the 2021 PEFA assessment is to provide the government of Moldova with an objective, up-to-date diagnostic of the national-level public financial management performance based on the latest internationally recognized PEFA methodology. It assesses the quality of the Moldova public financial management (PFM) system and provides information as to the results achieved through PFM reforms undertaken since the 2015 PEFA assessment. More specifically, the assessment measures which processes and institutions contribute to the achievement of desirable budget outcomes, aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery.

A Gender Responsive Public Financial Management (GRPFM) supplementary assessment was conducted concurrently with the national assessment. Its purpose was to collect information on the degree to which the country's public financial management system addresses the government's goals of acknowledging the different needs of men and women (and different subgroups of these categories) and promoting gender equality. The GRPFM report is included as Annex 7.

This assessment covers the central government. It includes the state budget (with foreign-financed projects), the state social insurance budget, and the compulsory health insurance budget (referred together by the government as Consolidated Central Budget). It also covers the Court of Accounts of Moldova (Supreme Audit Institution), the Parliamentary Standing Committee for Control of Public Finance, and the Standing Committee for Economy, Budget and Finance. It assesses the units which have revenues and expenditures outside the government reports and state enterprises in terms of relevant indicators.

Under the MoF's coordination, the 2021 PEFA assessment was led by the World Bank with financing provided by the European Union, and in partnership with UN Women with financing from Sweden. The assessment covers the last three completed government fiscal years (equal to calendar years) of 2018, 2019 and 2020, and was performed from July 2021 – November 2021. With regard to the critical date for consideration of circumstances applying at the time of the assessment, which is relevant to other dimensions, the cut-off date in such cases was September 30, 2021. Because of the COVID-19 pandemic and the associated restrictions, the assessment was conducted virtually with online collection of the evidence rather than through in-country interviews; this fact affected the timeline and progress of the assessment.

The Ministry of Finance is leading implementation of PFM reforms based on the PFM Strategy. The current government's Strategy for Development of Public Finance Management 2013-2022 (PFM Strategy 2013-2022) has formalized the government's commitment to improve in a sustainable way the accountability and performance of public financial management systems. The adoption and enforcement of the law on Public Finance and Budgetary-Fiscal Accountability no. 181 of July 25, 2014, marked an important milestone in the promotion, modernization, and consolidation of the national public finance management system. The 2021 PEFA findings are expected to assist the government in assessing the outcomes and results of the implementation of the current strategy, and to inform the preparation of the new strategy and identify further reform areas. This assessment is also important in the context of the budget support operations financed by the development partners that use the country's own systems to channel their resources and want to be cognizant of the country's PFM performance.

The PFM system in Moldova has been gradually strengthened as a result of the reforms implemented by the government in its current PFM Strategy. Since the last PEFA assessment the government has

demonstrated progress in ensuring budget transparency, expansion and strengthening fiscal discipline, as well as enhancement of annual and multiannual budgeting and budget classification thanks to introduction of a new GFS 2001 compliant Chart of Accounts. The Ministry of Finance has considerably improved revenue projections. Improvements were also noted in the internal audit function following adoption of an improved methodology and standards, and certification of internal auditors. The Ministry of Finance initiated the development of the national public sector accounting standards aligned with IPSAS and took steps to improve the legislative framework in the area of public procurement and e-procurement. In late 2017 the new law on the Court of Accounts was adopted in line with the best international practices that support the continuous consolidation of the Supreme Audit Institution. To enhance the parliamentary oversight and accountability of executive authorities in relation to the implementation of the audit recommendations issued by the Court of Accounts, a Standing Public Accounts Committee (Parliamentary Committee for Control of Public Finance) started its activity in 2019 also introducing public hearings of the reports of the Court of Accounts. Yet, the country's fragile political situation with frequent changes in the government and the COVID-19 pandemic affected the PFM performance and the pace of PFM reforms in recent years.

An assessment by the IMF in public investment management and an assessment by the WB in public procurement, carried out in 2019 and 2020, identified main strengths and weaknesses of the current legal framework and practices in these two areas of PFM. The assessments provided recommendations to the government and paved the way for further relevant reforms. The Court of Accounts has been undergoing peer review supported by the State Audit Office of Latvia and Turkish Court of Accounts. Lately, the MoF has commenced the ex-post and ex-ante analysis of the current PFM strategy

The following were assessed as areas for continued reforms and further improvements:

***Management of public investments, public assets, and fiscal risks.*** While the current legislation requires mandatory audit of the state enterprises, it is not properly enforced. Public investment planning and execution is weak. The application of the PIM framework is limited to certain investments therefore coverage is insufficient.

***Performance information and management.*** While performance plans are prepared and published together with actual performance, the use of performance information is merely a bureaucratic process since this information is not regularly reviewed and acted on.

***Control in budget execution.*** The internal audit function requires consolidation by high-level authorities to rationalize the sizing of the internal audit units and to ensure effective implementation of quality assurance mechanisms. Transparency in contract implementation should be enhanced to allow central tracking of the status of public procurement contracts.

***Accounting and reporting.*** Introduction of public sector accounting standards needs to be accelerated.

#### Impact of PFM on budgetary and fiscal outcomes

***Aggregate Fiscal Discipline.*** In the last several years the development partners supported the country in maintaining a sufficient degree of aggregate financial discipline and debt sustainability. However, the unstable political situation, frequent cabinet reshuffles, and the COVID-19 pandemic crisis affected the execution of externally funded projects, which resulted in significant deviations from initial projections.

Budget documentation is comprehensive and transparent. While revenues are efficiently collected by the respective bodies, weaknesses in applying the risk-based approaches to enforcement undermine the fiscal discipline along with a large amount of unreported operations of self-governed units within the central government. The level of tax arrears is moderate, and this contributes to achievement of the planned levels of revenue. Control over commitments is effective and this prevents the budgetary units from entering into new commitments beyond the approved budget. The level of expenditure arrears is very low. Strong treasury controls ensure that the expenditures are incurred within the available budget allocations. Regular external public audits over three main budgets enhance fiscal discipline.

There are shortcomings in asset management, which prevent the government from having a complete picture of its assets and maximizing their value. While fiscal monitoring of state-owned enterprises is regularly performed, it is based on the unaudited information that is unreliable and, when coupled with poor governance, may hide some potential risks and result in an unexpected fiscal burden for the government. Debt and guarantee obligations are well managed and macroeconomic and fiscal forecasts are duly developed, of which supports fiscal discipline. The overall fiscal framework could be improved with more comprehensive analysis of the implications of policy changes.

**Strategic Allocation of Resources.** Budget documentation is transparent and comprehensive, and includes the performance information of the service delivery units. This fact facilitates the monitoring of the budgeted and executed strategic allocations and strengthens the government's accountability for decisions taken. The medium strategic plans are costed for all line ministries and the budget estimates are linked with the plans that enables efficient allocation of resources. The management of public investments needs to be strengthened and life-cycle cost of public investment projects better factored in the budget documentation. The investments should also be subject to rigorous economic analysis to generate the best return. Although a clear budget calendar exists, the time allowed for the budgetary units to complete their detailed estimates and for the legislative branch to scrutinize the proposed budget could be not sufficient to meaningfully complete their inputs. A predictable revenue collection and flow of funds to the budgetary units ensures the implementation of strategic budget priorities.

**Efficient service delivery.** An overall reliable budget with moderate deviations in the aggregate expenditure and revenue outturn has been achieved during the assessment period and this reduces the risk of reallocation of service delivery programs to other expenditures, however attention should be paid to deviations in the composition of expenditures by economic classification with systematic underperformance in capital investments. Transparent and comprehensive budget adopted by the legislature and reliable budget execution facilitated appropriate monitoring of the expenditures for service delivery programs. The revenue administration bodies ensured collection of the revenues as planned and their timely availability for service delivery units. Predictability in resource allocation and cash management practices promoted by the Treasury made the resources available in a timely manner according to the established plans of the service delivery units.

The procurement process is generally well functioning, though the procurement information captured by the databases and the partial public access could be improved. The high level of contracts based on competitive bidding affects the efficiency in service delivery positively.

There is a strong legislative framework for enabling internal audit, but half of the internal audit units in the central government are not operational, mostly because of the lack of qualified personnel. There was weak parliamentary scrutiny of the audit reports produced by the Court of Accounts and their recommendations, however this has been improved with the establishment of a specialized Standing Committee for Control of

Public Finance. While the performance plans and the performance achieved of the budgetary units is published, external evaluation of the performance information is almost missing. If done regularly and in an unbiased way, such analysis helps to measure whether the actual performance is as expected, to determine if any corrective measures are to be taken, to identify any alternative ways of service delivery to reduce the costs and ultimately to improve the quality of public services. The Court of Accounts has a mandate to carry out independent performance evaluations but due to its human capacity constraints the number of performance audits is limited. The CoA has an insufficient number of staff to perform all responsibilities and duties prescribed by new law no. 260/2017. Also, there are concerns about poor definition and inconsistency in budget programme/ sub-programmes structure and classification.

### Performance changes since previous assessment

Previous PEFA assessments were carried out using the 2011 PEFA methodology, while this 2021 PEFA assessment was guided by the 2016 PEFA methodology. Annex 4 provides a detailed comparison and explanations of changes since the previous assessment. It shows that the main performance improvements achieved under three main fiscal and budgetary outcomes are as follows.

**Fiscal Discipline.** Budget approval is done before the beginning of the next year. In-year budget reports are comprehensive and are regularly produced and published. Despite political disruptions and the impact of the pandemic the government managed overall to keep effective control of the budget, reduce tax arrears, regularly assess the fiscal risks, and preserve public debt sustainability.

**Strategic Allocation of Resources.** The public has access to comprehensive budget information produced by the government. The reliability of information on expenditure ceilings has increased. Integration of payroll and personnel information is ensured through a more comprehensive IT system that provides a complete audit trail. Timely budget approval by the legislature is ensured. All key fiscal information is published. The effectiveness of tax appeals and effectiveness of compliance measures in tax collection has increased.

**Efficient use of resources for service delivery.** Payroll controls have been enhanced through comprehensive and regular payroll audits conducted by the Financial Inspection and Court of Accounts. Internal controls on non-salary expenditures have been strengthened by the Treasury through its new IT budget execution systems. An independent procurement complaints agency has been created and it is fully functional. Management's response to internal audit recommendations has become more effective.

### PFM reform agenda

The Ministry of Finance, together with the EU Delegation, is working on further development of the e-procurement system in the country to ensure that it becomes fully aligned with the Public Procurement Law and, by extension, with the applicable EU Directives. The Public Property Agency is working on developing a comprehensive and reliable asset register that is very important in the context of the national public sector accounting standards being devised by the Ministry of Finance in part related to recognition and accounting of public assets. The Ministry of Finance continues to strengthen the capacity of the public internal auditors through on-job and formal training activities, external evaluation of internal audit activity, and implementation of information systems in order to automate some PIFC processes. The Ministry of Finance also intends to implement in all budgetary authorities and institutions a unified budgetary accounting

system for better integration with FMIS, enhanced controls and data integrity, and reduction of IT costs for the budget. Starting with the FY2022 budget, the Ministry of Finance integrated a gender perspective into the Budget Call Circulars and MoF order no. 209 on the approval of the “Methodological set on elaboration, approval, and modification of the budget.” The line ministries and agencies for the first time prepared annual monitoring reports of public investments (for FY2020) in 2021. Based on those reports, the MoF is going to develop a consolidated report for 2020 and submit it to the Court of Accounts.

**Table 1: Overview of the scores of the PEFA indicators**

PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
<b>Pillar I. Budget reliability</b>							
PI-1	Aggregate expenditure outturn	M1	B				B
PI-2	Expenditure composition outturn	M1	B	D	A		D+
PI-3	Revenue outturn	M1	B	B			B
<b>II. Transparency of public finances</b>							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	A				A
PI-6	Central government operations outside financial reports	M2	C	C	B		C+
PI-7	Transfers to subnational governments	M2	A	C			B
PI-8	Performance information for service delivery	M2	A	A	A	C	B+
PI-9	Public access to fiscal information	M1	A				A
<b>III. Management of assets and liabilities</b>							
PI-10	Fiscal risk reporting	M2	C	C	A		B
PI-11	Public investment management	M2	C	D	C	D	D+
PI-12	Public asset management	M2	B	B	A		B+
PI-13	Debt management	M2	A	A	A		A
<b>IV. Policy-based fiscal strategy and budgeting</b>							
PI-14	Macroeconomic and fiscal forecasting	M2	A	A	C		B+
PI-15	Fiscal strategy	M2	D	A	A		B
PI-16	Medium-term perspective in expenditure budgeting	M2	A	D	A	A	B+
PI-17	Budget preparation process	M2	C	B	C		C+
PI-18	Legislative scrutiny of budgets	M1	A	B	A	A	B+
<b>V. Predictability and control in budget execution</b>							
PI-19	Revenue administration	M2	A	C	C	B	B
PI-20	Accounting for revenue	M1	A	A	A		A
PI-21	Predictability of in-year resource allocation	M2	A	A	A	C	B+
PI-22	Expenditure arrears	M1	A	A			A
PI-23	Payroll controls	M1	A	A	A	A	A
PI-24	Procurement management	M2	D	A	D	A	C+
PI-25	Internal controls on non-salary expenditure	M2	A	A	A		A
PI-26	Internal audit	M1	C	C	B	A	C+



PFM performance indicator		Scoring method	Dimension score				Overall score
			i.	ii.	iii.	iv.	
<b>VI. Accounting and reporting</b>							
PI-27	Financial data integrity	M2	A	A	A	A	A
PI-28	In-year budget reports	M1	A	B	B		B+
PI-29	Annual financial reports	M1	A	B	D		D+
<b>VII. External scrutiny and audit</b>							
PI-30	External audit	M1	A	A	A	C	C+
PI-31	Legislative scrutiny of audit reports	M1	B	C	C	C	C+

# 1.0 Introduction

## 1.1 Rationale and purpose

The main purpose of the 2021 PEFA assessment is to provide the government of Moldova with an objective and up-to-date diagnostic of the national-level public financial management performance, including gender-responsive public financial management, based on the latest internationally recognized PEFA methodology. The 2021 PEFA is an assessment of the quality of the Moldovan PFM system and monitors the results achieved through PFM reforms undertaken since the 2015 PEFA assessment and thus, to a certain extent, supports the Ministry of Finance in assessing the implementation results of the current PFM Strategy for 2013 -2022. The PEFA assessment measures which processes and institutions contribute to the achievement of desirable budget outcomes, aggregate fiscal discipline, strategic allocation of resources, and efficient service delivery. The PEFA findings will inform the preparation of a new PFM strategy to be developed by the Ministry of Finance by identifying further areas for reforms.

## 1.2 Assessment management and quality assurance

The PEFA assessment was initiated at the request of the Ministry of Finance. The Delegation of the European Union to the Republic of Moldova commissioned the World Bank to undertake and lead the assessment financed by the EU. In turn, the World Bank partnered with UN Women which mobilized a team of experts for assessing gender specific indicators.

The Ministry of Finance (MoF) coordinated the PEFA assessment for the government. It nominated a team which acted as a focal point for the assessment which was led by the State Secretary. The team facilitated the organization of the PEFA methodology training and data collection before and after the virtual mission, advised on key counterparts for individual indicators, and helped to arrange the meetings between the PEFA assessment team and government counterparts. The MoF coordinated the government's review of the concept note and draft assessment report. A MoF representative was sitting in the PEFA Oversight Team. All findings and ratings of the PEFA assessment were discussed with the government in order to confirm joint understanding of the performance of the PFM system. The Court of Accounts provided valuable insights over various elements of the public financial management through its contribution to the majority of the assessed indicators.

The quality assurance process, in addition to the regular internal review procedures within the World Bank, included a formal review of the concept note and the final draft report through a peer review which involved experts from several PFM institutions: the Government of the Republic of Moldova (Ministry of Finance), the PEFA Secretariat, the World Bank, European Union, UN Women, and the International Monetary Fund (IMF). The assessment management and quality assurance arrangements are provided in Box 1.1 below.

### **BOX 1.1: Assessment management and quality assurance arrangements**

#### **PEFA assessment management organization**

- Oversight Team — Ms. Natalia Scleruc, Head of Budgetary Policy and Synthesis Division, Ministry of Finance – Oversight Team Chair; Mr. Gintautas Baranauskas, Deputy Head of Operations, Delegation of the European Union to the Republic of Moldova; Mr. Luca Oriani-Vieyra, Economic Governance, Public Finance and Macroeconomic Policy, DG-NEAR; Mr. Boris Filipov, Programme officer, Economic Development and Market Opportunities, European Union, Mr. Josip Juric, Programme Manager, Delegation of the European Union to the Republic of Moldova; Ms. Lucretia Ciurea, Monitoring and Reporting Analyst, UN Women; Ms. Maia Savva, Court of Accounts of the Republic of Moldova; and Ms. Marianna Spoialo, Principal Consultant, Parliamentary Committee for Control of Public Finance. Mr. Daniel Boyce, Practice Manager, World Bank, provided overall oversight of the assessment.
- Assessment Team Leader and Team Members:
  - **The World Bank:** Oxana Druta (Team Leader), Marcel Chistruga, Iryna Shcherbyna, Tural Jamalov, Elena Corman, Ana Maria Luchian, John Short, Eugenia Veverita, Iuliana Stratan (logistics and administrative support)
  - **UN Women:** Dominika Stojanoska, Ermira Lubani, Lucretia Ciurea, Johann Seiwald, Petra Gschiel, Tatiana Savva
  - **PEFA Secretariat:** Julia Dhimitri

#### **Review of concept note and/or terms of reference**

- Draft concept note was circulated to the Ministry of Finance and peer reviewers on December 14, 2020
- Invited reviewers:
  - **PEFA Secretariat**
  - **World Bank:** Patrick Piker Umah Tete, Senior Public Sector Specialist, Governance Practice
  - **Ministry of Finance:** Natalia Scleruc, Head of Policies and Budget Synthesis Division
  - **The Delegation of the European Union to the Republic of Moldova:** Boris Filipov, Programme officer, Economic Development and Market Opportunities
  - **International Monetary Fund:** Amgad Hegazy, Economist, and Arturo Navarro, Senior Economist
  - **UN Women:** Lucretia Ciurea, Monitoring and Reporting Analyst
  - **Oversight Team**
- Reviewers who provided comments: Guillaume Brule, PEFA Secretariat (December 19, 2020), Boris Filipov (December 23, 2020), Natalia Scleruc (December 23, 2020), Arturo Navarro and Amgad Hegazy, IMF (December 23, 2020), Lucretia Ciurea (December 23, 2020), Patrick Umah Tete (December 25, 2020), Tatiana Ivanicichina, MoF (January 15, 2021)
- Final concept note sent to the PEFA Secretariat and peer reviewers: February 18, 2021

#### **Review of the assessment report**

- Dates of reviewed draft report: April 8 – 30, 2022.
- Invited reviewers: PEFA Secretariat, Mr. Patrick Piker Umah Tete (Senior Public Sector Specialist, Governance Practice, World Bank), Ms. Natalia Scleruc (Head of Policies and Budget Synthesis Division, Ministry of Finance), Mr. Josip Juric (Programme Manager, EU Delegation), Ms. Marina Marinkov (Senior Economist in the European Department, International Monetary Fund), and Ms. Lucretia Ciurea (Monitoring and Reporting Analyst, UN Women).
- Reviewers who provided comments: Mr. Josip Juric, EU (April 28, 2022), Ms. Helene Magnier, PEFA Secretariat (April 30, 2022), Ms. Marina Marinkov, IMF (May 2, 2022), Ms. Natalia Scleruc, MoF (May 3, 2022), Lucretia Ciurea, UN Women (May 5, 2022).

## 1.3 Assessment methodology

The assessment is the fifth successive national PEFA assessment in Moldova, with four previous PEFA assessments conducted in 2006, 2008, 2011 and 2015. Previous assessments used the 2005 and 2011 versions of the PEFA framework, as applicable. The assessment covers the central government. The central government comprises the state budget (SB), including foreign financed projects, State Social Insurance Budget (SSIB) and Compulsory Health Insurance Budget (CHIB) (which are treated as extra budgetary funds in relation to the budgetary central government). The scope therefore includes all central public authorities defined as having general competencies (government) and special competencies (Ministries and the public authorities subordinated to the government). The national PFM regulations define budgetary institutions as entities that are financed by components of the National Public Budget. The state also exercises its functions through the self-management public institutions that are part of the public sector and can have various sources of financing. The assessment also includes extrabudgetary operations performed by certain units of the central government, but which are not reported as part of the budget execution reports. The general government includes central government and local governments.

The country's law on the public finances and budgetary-fiscal responsibility defines state budget (referred in PEFA as Budgetary Central Government - BCG) as all revenues, expenditures and sources of financing designated to perform the functions of central public authorities with exception of functions attributed to the public system of social insurance and system of compulsory health insurance. The law also defines the National Public Budget as a synthesis of budgets established within the budgetary system, excluding the inter-budgetary transfers which consists of four components: SB, SSIB, CHIB and administrative territorial unit (ATU) budgets (subnational governments).

This assessment does not cover the sub-national government level and public corporations, apart from the elements required under the PEFA 2016 Framework, such as assessing fiscal risks arising from operations of sub-national governments and state enterprises, or transfers to the sub-national level. Public corporations are state owned enterprises which operate in the area of public interest. In Moldova they have different legal form as explained under respective dimension.

**Coverage of the assessment.** The assessment team defined fiscal years 2018 to 2020 as the time period covered by the assessment. The assessment was conducted from July - November 2021. The cut-off date was September 30, 2021. The COVID-19 pandemic imposed limitations on the assessment timeline and procedures. Since physical meetings could not be carried out, the data collection was done remotely, and interviews were conducted in virtual format.

**Sources of information.** The primary sources of data for the assessment were: (i) interviews with relevant government officials, and (ii) review and analysis of relevant documentation, such as government reports and publications, analytical data and any other documents prepared by the government which are relevant to assessing PEFA indicators. The assessment team corroborated the evidence provided by the government units with relevant diagnostic and analytical reports produced by non-government stakeholders, including international organizations, development partners, civil society organizations and business associations, and through interviews with some of them. The full list of institutions and people met, as well as documents, materials and reports used, is presented in Annex 3. The main government counterparts during the assessment included the Ministry of Finance and its various departments and divisions (budget policy, public debt, state asset monitoring, public investment, macro-fiscal analysis, public internal financial control,

public procurement), State Treasury Division, State Tax Service (STS), Customs Service (CS), Public Procurement Agency (PPA), Public Property Agency, Court of Accounts (CoA), Parliamentary Committee for Control of Public Finance, selected large budget users such as the Ministry of Education, Youth and Culture, Ministry of Health, Labour and Social Protection, National Health Insurance Company (NHIC), National Social Insurance House (NSIH), etc. The assessment team also met the representatives of the civil society organizations, business association, and subnational governments.

### **Other methodological issues for the preparation of the report**

The assessment was carried out as a stand-alone assessment using the 2016 PEFA Framework and Supplementary Framework for Assessing Gender Responsive Public Financial Management. All 31 indicators (and their 94 dimensions) under General Framework and 9 indicators under GRPFM were assessed and followed the methodology precisely without any deviation in coverage and application. The GRPFM assessment is included as Annex 7 and presents an overview of current status of integrating gender considerations in public financial management in Moldova, overview of assessment findings and detailed assessment of GRPFM.

In order to provide a comparison with the results of the 2015 PEFA assessment, the recent PFM assessment has been assessed using the criteria of the 2011 PEFA Framework (28 government performance indicators with 71 dimensions), and the results are shown in Annex 4. The comparison did not include the three former donor practice indicators as no equivalent is retained in the 2016 PEFA Framework and the limited time allocated to the assessment was more usefully allocated to assessing the relevant indicators.

Each dimension of the indicators measures performance against a four-point ordinal scale from A (the highest) to D (the lowest), according to precise criteria established for each dimension. In order to justify a particular score for a dimension, every aspect specified in the scoring requirements must be fulfilled. If the requirements are only partly met, the criteria are not satisfied, and a lower score should be given that coincides with achievement of all requirements for the lower performance rating. A score of C reflects the basic level of performance for each indicator and dimension, consistent with good international practices. A score of D means that the feature being measured is present at less than the basic level of performance or is absent altogether, or that there is insufficient information to score the dimension. Two scoring methods are used: (i) Method M1 “weakest link among the dimensions” (WL), and (ii) Method M2 “average of dimensions” (AV). M1 is used for multidimensional indicators where poor performance on one dimension is likely to undermine the impact of good performance on other dimensions of the same indicator. The use of M2 is prescribed for selected multidimensional indicators where lower score on one dimension of the indicator does not necessarily undermine the impact of a high score on another dimension of the same indicator. A conversion table from PEFA Framework is applied for calculating the average score under M2. The method to be used is specified in the narrative for each indicator.

## 2.0 Country background information

### 2.1 Country economic situation

Despite a solid economic performance in the past two decades, Moldova has fallen short of its aspiration to achieve faster convergence with EU income levels. With a population of 2.7 million, Moldova continues to rely on remittances-induced consumption, with an associated low productivity growth from the persistence of deep structural and governance weaknesses, a significant state enterprises footprint, low competition, an uneven playing field, and tax distortions.

Persistent inequality of opportunity continues to limit the ability of low-income households to access public services, reducing their resilience to shocks and cementing low intergenerational mobility. The contraction in 2020 resulted in an increase in poverty from 25.2% in 2019 to 26.8% in 2020 (based on the national poverty line). Though poverty rates increased more in urban than in rural areas, rural areas remain much poorer with a poverty rate of 35.3% in 2020 (vs 14% in urban areas).

After experiencing a deep contraction after the banking fraud<sup>1</sup>, (2014-2015), growth was strong before the pandemic downturn. The economy increased by 4.3 percent in 2018 and 3.7 percent in 2019. In 2020, Moldova was impacted by the global coronavirus pandemic and experienced one of the most severe droughts in the past two decades, both of which exacerbated the economic downturn. The main drivers of Gross Domestic Product (GDP) decline were household consumption, which also declined by 7.2 percent, followed by investment and inventories. On the supply side, the lockdown measures have halted trade and industrial production while a severe drought has resulted in a decline in agriculture production by over 27.2 percent. On the back of falling import prices and domestic demand, inflation decelerated markedly in 2020 (3.8 percent on average), fluctuating below the lower band of the corridor of 5 percent (+/- 1.5 percent) most of the second half of 2020. In response, the National Bank of Moldova (NBM) cut the prime rate 4 times to a record low of 2.65 percent. A large import compression, together with relatively stable remittances, has led to an improvement of the current account deficit. In 2020, lower energy prices and weak domestic demand have resulted in a contraction in imports of 10.5 percent, which has compensated for the decline in the volume of exports (-11.5 percent) and in remittances (-0.4 percent). The current account deficit registered 7.9 percent of GDP in 2020, as compared to 9.3 percent of GDP in 2019 and 10.4 percent in 2018. In 2020, on the back of COVID-19 restrictions, the FDI contracted sharply to 1.3 percent of GDP, as opposed to 3.9 percent of GDP in 2019 and 2.5 percent of GDP in 2018. On this background, the fiscal stance substantially deteriorated. From the pre-COVID-19 level, tax revenue increased by about 1.5 percent of GDP, while spending increased by 5.3 percent of GDP. As a result, the fiscal deficit reached a ten-year record of 5.1 percent of GDP in 2020 (including a 1 percent increase in the cash balance).

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<sup>1</sup> In late 2014 Moldova was hit by the massive and well-orchestrated fraud in the banking system, stemming from opaque shareholder structures, bank governance failures, and weak supervision. In its aftermath, three banks have been resolved at a public cost of 10 percent of GDP, external concessional financing has been largely frozen, international reserves fell by one-third, and monetary conditions had to be tightened significantly. Domestic political turmoil, marked by three changes in government, as well as the sudden resignation of the Governor of the National Bank of Moldova in September 2015, constrained solutions and delayed the dialogue with the international community.

The economic recovery from the pandemic not only hinges on its containment and on a more favorable external environment, but also on effective fiscal support to the private sector and households. Moldova is confronted with the challenges of shrinking fiscal space, mounting contingent liabilities, and increasing social pressures, while it also seeks the resources necessary to support the recovery and steer the economy toward a different growth path. This will require to boost the capacity of increasing revenue and re-orienting spending, and also a more efficient use of public resources and a reduction in the distortions created by public interventions. The government faces considerable financing needs, which will be difficult to be fully achieved through domestic financing and thus will critically depend upon the ability to access external public financing.

The newly invested government in 2021 announced an ambitious reform program that will have a phased approach. In the first phase, the government will prioritize four directions of activity: (i) Managing the health crisis caused by the COVID-19 pandemic; (ii) Launching the justice reform and anti-corruption package; (iii) Increasing population incomes and social protection of vulnerable groups; (iv) Restoring external financing. After the first phase, the government will focus its efforts on medium to long term structural issues that cover almost all sectors. These issues are: (i) Low quality of governance, corruption, conflicts of interest, rule of law, and the administration of SOEs; (ii) Poverty, inequality and socio-economic vulnerability; (iii) The small number of well-paid jobs; (iv) Underdeveloped infrastructure; (v) Vulnerability to climate change; (vi) Environmental degradation, pollution of water resources, management of the forests; (vii) An educational system insufficiently adapted to the needs of society; (viii) Poor health of the population; (ix) The high rate of accidents and crime; and (x) Vulnerability to state security threats and risks.

**TABLE 2.1: Selected economic indicators**

	2018	2019	2020
GDP (MDL, billion)	192.5	210.4	206.4
GDP per capita (MDL)	71,083	78,932	77,689
Real GDP growth (%)	4.3	3.7	-7.0
CPI (annual average change) (%)	3.0	4.7	3.8
Gross government debt (% of GDP)	30.1	27.4	35.2
External terms of trade (annual percentage change)	-4.1	-0.5	14.6
Current account balance (% of GDP)	-10.4	-9.3	-6.7
Total external debt (% of GDP)	63.9	62.0	70.1

Source: Moldovan authorities

## 2.1 Fiscal and budgetary trends

Moldova collects revenues similarly to its regional peer countries<sup>2</sup>, however its collection is on a mildly declining path. The tax revenues show a similar trend. Tax revenues from social contribution represents the bulk of the revenue collections: about 9 percent of GDP. As in most peer countries, the revenue structure is skewed toward taxes on goods and services (around 14-15% of GDP) with Value Added Tax (VAT) on imports the largest component (around 80 percent of total VAT collections). Social and health contributions

<sup>2</sup> Moldova Country Economic Memorandum, Chapter 4 (page 107), World Bank: <https://documents1.worldbank.org/curated/en/679951561566645653/pdf/Moldova-Rekindling-Economic-Dynamism.pdf>.

represent around 28% of all revenues and were on upward trend. Excise taxes constitute around 9.5% of all revenues. Collection from corporate income tax (CIT) was on an upward trend, reaching around 9% in 2019. The personal income tax (PIT) collections stalled and account for around 6.3% of total collections. The share of international trade taxes is on a mildly declining path accounting for around 2.9 percent (2019). Total external grants peaked at 9.7% of all revenues in 2014; however, due to political turmoil declined to less than 1% in recent years.

The COVID-19 crisis has strained public finances and resulted in the deterioration of Moldova's fiscal position. In 2018-2020, the general budget public revenues averaged 30.1 percent of GDP, while expenditures increased from 27.5 percent of GDP in 2018 to 31.9 percent of GDP in 2020. Changes to the pension law invoked in 2018 further constrained publicly financed construction. In addition, the COVID-19 crisis resulted in a ten-year record deficit of 5.1 percent of GDP, thus triggering the escape clause fiscal rule<sup>3</sup> (2.5 percent of GDP, excepting externally financed investment projects).

**TABLE 2.2: Aggregate fiscal data, %**

Central government actuals (in percent of GDP)			
	2018	2019	2020
Total revenue	27.9	27.8	28.1
—Own revenue	27.7	27.1	27.8
—Grants	0.2	0.7	0.3
Total expenditure	28.8	29.2	33.4
—Noninterest expenditure	28.0	28.4	32.6
—Interest expenditure	0.8	0.8	0.8
Aggregate deficit (incl. grants)	-0.9	-1.3	-5.3
Primary deficit	-0.1	-0.5	-4.5
Net financing	0.9	1.3	5.3
—External	0.3	0.2	3.6
—Domestic	0.6	1.1	1.7

Source: MoF

Social spending was the key driver of overall spending, crowding out other priority spending. Moldova spends almost 70 percent of its total general government spending on social sectors (social protection 35%, education 18%, and health 13%). Spending on social protection remained somewhat stable for the last years, slightly increasing due to the COVID-19 pandemic in 2020. Spending on education accounted for almost 6 percent of GDP in 2019, and it is higher than its peer's average. Public order and safety and economic affairs accounted for 16 percent of general government spending at around 5.8 percent of GDP and remained stable for the last years, except for 2020 when the economy needed immediate support.

**Table 2.3: Budget allocations by function, %**

Actual budgetary allocations by sectors (as a percentage of total expenditures)			
	2018	2019	2020
General public services	9.9	10.8	10.4
Defense	1.1	0.9	0.9

<sup>3</sup> The escape clause when activated allows for temporary deviation from the budgetary requirements in a situation of generalized crisis caused by a severe economic downturn.



Public order and safety	7.3	6.5	6.5
Economic affairs	9.7	9.4	10.7
Environmental protection	0.2	0.2	0.3
Housing and community amenities	0.6	0.4	0.5
Health	13.1	13.1	13.1
Recreation, culture and religion	2.5	2.8	2.9
Education	17.6	18.4	17.2
Social protection	35.2	35.4	33.3

Source: MoF <https://mf.gov.md/ro/content/catalogul-de-date-deschise-al-mf-pentru-anul-2021>

Based on the economic classification, spending on social benefits, wages and goods and services accounts for 78 percent of total general government spending but has been declining for the last 5 years. Moldova spends 10.6 percent of GDP on social benefits, 34 percent of total spending, below its peers' average (13.3 percent of GDP). Compensation of employees is the second biggest item, averaging 24 of total spending, though for the past three years spending on wages has declined (-0.5 percent of GDP). Spending on goods and services accounts for 21 percent of GDP, although this amount was on a declining path. The same pattern could be observed in Table 2.4 looking at the central budget executions.

**TABLE 2.4: Budget allocations by economic classification, %**

Actual budgetary allocations by economic classification (as a percentage of total expenditures)			
	2018	2019	2020
Compensation of employees	11.4	10.1	9.9
Use of goods and services	14.3	14.1	13.9
Transfers within public budget	17.4	18.7	18.6
Interest	2.5	2.5	2.3
Subsidies	6.8	5.9	7.0
Grants	0.0	0.0	0.3
Social benefits	33.5	33.8	31.7
Other expenses	3.1	4.3	4.0

Source: MoF

## 2.2 Legal and regulatory arrangements for PFM

### Constitution and judicial system

The Republic of Moldova declared its independence on August 27, 1991. On July 29, 1994, the first Constitution of the Republic of Moldova<sup>4</sup> was adopted. The Constitution is fundamental law that defines attributes of state, its principles of operation, and main objectives. It is a document with highest authority in public, political and social life of the country.

<sup>4</sup> Link for Constitution of the Republic of Moldova [https://www.legis.md/cautare/getResults?doc\\_id=128016&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=128016&lang=ro#)

The Republic of Moldova is a parliamentary republic with a president as head of state and a prime minister as head of the government. The Parliament is the supreme representative institution of the people of the Republic of Moldova and the sole legislative authority of the state. The Parliament is unicameral and has 101 seats (the simple majority, according to the Constitutional Court, being 52 votes), and its members are elected by population vote every 4 years. The president is elected through the direct vote to a 4-year term.

The President is head of state and is the guarantor of the country's sovereignty, national independence, unity, and territorial integrity.

The Governor of the National Bank is appointed by the Parliament on the proposal of the Chairman of the Parliament.

The President nominates the Prime Minister and the government after consultation with the parliamentary majority. The nomination of the government requires the Parliament's approval. The government ensures the accomplishment of the internal and foreign policy of the state and exercises the general management of the public administration. The Prime Minister, the Deputy Prime Ministers and the ministers (currently there are 16 members of government<sup>5</sup>), form the government.

The government adopts decisions, ordinances and dispositions. Decisions are adopted to organize the execution of laws. The ordinances are issued under the conditions of legislative delegation. Government decisions and ordinances adopted by the government are signed by the Prime Minister, countersigned by the ministers who have the obligation to implement them and are published in the Official Gazette of the Republic of Moldova. Non-publication entails the non-existence of the decision or ordinance. The dispositions are issued by the Prime Minister for the organization of the internal activity of the government.

The judicial system includes district courts, regional Courts of Appeal and a Supreme Court of Justice. There is a Constitutional Court that enjoys sole authority over constitutional issues, including referendums and the legitimacy of laws and secondary legislation. Administrative courts adjudicate on issues of human rights.

The Court of Accounts is the Supreme Audit Institution of the state, which contributes to the good governance by carrying out independent, credible, transparent and high-quality audit missions. Article 133 of the Constitution substantiates the Court of Accounts (CoA) in its capacity as an audit institution with a sufficiently broad mandate, which exercises control over the formation, administration and use of public financial resources, the results of the activity being reported annually to Parliament. Its mandate, organizational aspects, independence guarantees, and activity are regulated by the law no. 260 dated December 7, 2017.

The activities carried out within the budgetary process and the operations related to the management of public finances by the budgetary authorities/institutions are subject to public internal financial control. The principles and the way of organizing the internal managerial control system, the internal audit activity, as well as the centralized coordination and harmonization function in the field of internal public financial control, are regulated by the legislation on internal public financial control:

- Law on public finance and budgetary-fiscal accountability no. 181 of July 25, 2014;
- Law on public internal financial control no. 229 of September 23, 2010;

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<sup>5</sup> On August 6, 2021, the Parliament adopted new list of the Ministries, from 9 to 13. The changes affected: (i) the Ministry of Economy and Infrastructure which was renamed in the Ministry of Infrastructure and Regional Development and reorganized through separation and creation of the Ministry of Economy, (ii) Ministry of Education, Culture and Research which was separated into the Ministry of Education and Research, and Ministry of Culture, (iii) Ministry of Health, Labour and Social Protection which was separated into the Ministry of Health, and Ministry of Labour and Social Protection, and (iv) Ministry of Agriculture, Regional Development and Environment which was separated into the Ministry of Agriculture and Food Industry, and Ministry of Environment.

- Order of the Minister of Finance no. 113 of October 12, 2012 on the approval of the National Internal Auditing Standards;
- Order of the Minister of Finance no. 105 of July 15, 2013 on the approval of the Methodological Norms for internal audit in the public sector;
- Order of the Minister of Finance no. 74 of June 10, 2014 on the approval of the Code of Ethics of the internal auditor and the Internal Audit Charter (Regulation - operating model of the internal audit unit);
- Order of the Minister of Finance no. 113 of September 15, 2011, on the approval of the regulation on the reporting of internal audit activities in the public sector;
- Order of the Minister of Finance no. 100 of August 29, 2012, on the approval of the regulation on the certification of internal auditors in the public sector.

The law on public finances and budget-fiscal accountability (Chapter VI) specifies the key principles and processes of public internal financial control and external public audit, while the law on public internal financial control establishes general principles and rules on organizing the public internal financial control, defines managerial internal control and internal audit, responsibilities of the public authorities, and coordination of public internal financial control.

The law on public finances and budget-fiscal accountability with its subsequent amendments is a fundamental law that states budgetary and fiscal principles and rules, determines the components of the National Public Budget and regulates inter-budgetary relationships, regulates the budgetary calendar and general budgetary procedures, delimits competencies and responsibilities in the area of public finance.

The Tax Code no. 1163 dated April 24, 1997, with its subsequent amendments establishes general tax principles and regulates execution of tax obligations.

The Customs Code no. 1149 dated July 20, 2000, with its subsequent amendments provides legal, economic and organizational principles of the customs activities.

The additional laws and normative acts relating to public financial management are specified in the narrative of the relevant PEFA indicators in section 3.0. Annex 3c lists a full set of normative acts used for carrying out the PEFA assessment.

## **2.3 Institutional arrangements for PFM**

The law on public finances and budget-fiscal responsibility defines the composition of the public sector and the components of the National Public Budget. The central level includes the entities and authorities covered by the State budget, and social security funds (SSIB and CHIF). The general government includes the central government and local governments.

Competences and responsibilities in relation to public finances are established and described in Chapter III of the law on public finances and budgetary-fiscal accountability no. 181 of July 25, 2014. The implication of the public authorities in budget process is in line with internationally accepted practice.

The budget process in Moldova is distributed between the executive and legislative powers. The Executive prepares and executes the State Budget, State Social Insurance Budget and Compulsory Health Insurance Funds Budget, and the Legislative is responsible for budget adoption and its amendments, while control

over execution is done through the Court of Accounts. The list of key budget process participants and their major functions are summarized in Table 2.5.

**Table 2.5. PFM responsible institutions**

Institutions	Major functions
Ministry of Finance	Budget preparation, execution and reporting Debt management Tax and customs revenue policies
Financial Inspection	Government’s financial control
Treasury	Treasury Services for public administration authorities
State Fiscal Service	Collection of taxes
Customs Service	Collection of customs duties, VAT and excise duties at import
Court of Accounts	External Public Audit

The Parliament, the government, the Ministry of Finance, and the Court of Accounts exercise their respective functions at different stages of the budget process. The Ministry of Finance and the government have been implementing public financial management reforms which envisage strengthening of the capacity of all budgetary and public institutions.

The main responsibilities of the key players in the area of public finances are described below.

**The Parliament of the Republic of Moldova and its Standing Committees**

The Standing Committee for Economy, Budget, and Finance of the Parliament has core responsibility for budgetary, fiscal and customs policies. It scrutinizes annual budget laws which are then debated and adopted in the Plenum of the Parliament. The Standing Committee for Control of Public Finance examines annual reports of the government on the execution of the state budget, state social insurance budget and mandatory medical insurance funds budget. It also examines and conducts hearings of the audit reports produced by the Court of Accounts.

**The Government of the Republic of Moldova**

In the field of public finances, the Government’s basic competencies and responsibilities are:

- a) Ensures the sustainability of the government program and other policy documents from a budgetary-fiscal point of view;
- b) Approves the medium-term budgetary framework;
- c) Approves and presents to the Parliament the draft annual budget laws, as well as the draft laws on budget amendments;
- d) Presents to the Parliament reports on the execution of the national public budget and its components.

**The Ministry of Finance**

The Ministry of Finance is the central public authority in the field of public finance and has the following competencies and responsibilities:

- a) Establishes the intermediate activities of the budget calendar and monitors its implementation, as well as ensures the general coordination of the budgetary process;
- b) Elaborates and ensures the implementation of the budgetary-fiscal policy in accordance with the established principles and budgetary-fiscal rules;

- c) Prepares and presents to the Government for approval the medium-term budgetary framework;
- d) Analyses the budget proposals of the central public authorities, elaborates and presents to the Government the draft annual law on the state budget and, if necessary, the draft laws on its amendments;
- e) Examines the drafts of the annual laws of the state social insurance budget, the compulsory health insurance funds and the consolidated summaries of the first and second level local budget projects, as well as determines the inter-budgetary transfers in accordance with the legislation;
- f) Ensures the management of the public resources of the NPB components through the Single Treasury Account and other accounts opened in the National Bank of Moldova and in the financial institutions, administers the state budget and monitors the execution of the other component budgets of the national public budget;
- g) Manages the Treasury system;
- h) Participates in the Automated Interbank Payment System;
- i) Draws up and publishes periodic and annual reports on the execution of the state budget, as well as on the execution of the national public budget;
- j) Administers state debt and state guarantees, as well as monitors public sector debt;
- k) Performs the financial monitoring of the public authorities for self-management, of the state enterprises and of the commercial companies with integral or majority state capital;
- l) Elaborates and approves the methodological framework necessary for the implementation of this law and other normative acts in the field of public finances, as well as provides methodological assistance to the central and local public authorities in the budgetary process;
- m) Approves the drafts of normative acts with financial implications on the budgets, as well as the drafts of agreements, memoranda, protocols or other documents of financial character, concluded with other states or with international organizations.

Ministry of Finance functions are structurally distributed to the relevant divisions and subordinated institutions. The organization chart is included in Annex 6.

#### **Key PFM functions of MOF internal divisions**

- ✓ **Policies and Budget Synthesis Division and Sectoral Budget Policies Division** prepares proposals and analytical materials for determining medium-term policy. Prepares annual draft budget and drafts of required legislative and normative acts. Coordinates the process of budget performance and prepares budget execution reports;
- ✓ **Policy Analysis, Monitoring and Evaluation Division** coordinates and improves the process of planning, preparation, analysis, monitoring, evaluation and reporting of public policies and planning documents at the level of the Ministry of Finance and its subordinated agencies;
- ✓ **Public Debt Division** develops policies on state debt, state guarantees and recreditiation, monitors the public sector debt, and maintains a database on the total government debt and all State guarantees;
- ✓ **Wage Policies Division** is responsible for developing and promoting staff compensation policies in the budgetary sector as well as for monitoring staff costs and number of personnel in the budgetary sector;
- ✓ **Public Investment Division** is in charge of developing and promoting budgetary policies in the field of public capital investment and public finances per sectors of national economy;

- ✓ **Internal Public Financial Control Policy Division** ensures the development, promotion and monitoring of internal public financial control policies, including their harmonization with the standards and best international practices, and conducts professional certification of internal auditors in the public sector;
- ✓ **State Asset Monitoring Division** develops and coordinates policies related to: (i) monitoring of economic and financial activity of state enterprises, joint stock companies with fully or majority state capital and of self-management entities created as result of reorganization of state-owned enterprises, and (ii) analysis and financial monitoring of those entities in order to identify fiscal risks.
- ✓ **State Treasury Service and its regional offices** ensure the cash execution of the national public budget and its components through the Treasury Single Account, forecasting and managing the liquidity flows, and coordinates the budget reporting process.

#### **Key PFM functions of the institutions subordinated to the Ministry of Finance**

- ✓ **Custom Service** ensures the economic security of the country by providing administrative public services to customs payees, exercising customs control, collecting import and export duties, combating customs fraud, facilitating international trade and protecting society, applying uniform and impartial customs legislation;
- ✓ **Public Procurement Agency** is responsible for strengthening the capacity of contracting authorities and developing the skills of the business environment in the field of public procurement, in order to monitor the compliance of public procurement procedures, as well as to perform the analysis of the public procurement system;
- ✓ **State Fiscal Service** administers central and local budget revenues from taxes, fees and other payments in the interest of the state.

The **Ministry of Economy and Infrastructure** has PFM related competences in development of economic policies, investments as well as administration and privatization of public property.

**State Chancellery** organizes the activity of the government in order to accomplish the state internal and external policy, creates the general framework for defining the government's priorities, offers methodological and organizational support for the planning, elaboration and implementation of governmental policies. It also ensures: (i) the coordination of the public policy planning and policy-making process in accordance with the priorities of the governance program and development strategies and monitors their implementation by government authorities, and (ii) realization of the state policy in the field of public service, especially human resources management.

**Public Property Agency** ensures the implementation of the state policy in the field of administration and privatization of the public property as well as public private partnership, exercising on behalf of the government the function of the founder of state enterprises and shareholder in joint stock companies with full or majority state capital. It also maintains the Public Property Register.

**Central public authorities** (Line Ministries and governmental agencies and institutions subordinated to the government or Parliament) have primary responsibilities for budget planning, execution, accounting and reporting, implementation of the sectoral expenditure strategies within MTBF; and establishment of the sectoral policy priorities.

**Budgetary authorities / institutions** have the following responsibilities:

- Develop budgets in accordance with their needs and approved rules;

- Execute budgets based on budget classification and within approved budget limits;
- Implement and report on the program-based budgets;
- Ensure the management of budget allocations and the administration of public patrimony, in accordance with the principles of good governance;
- Publish approved budgets and reports on their implementation, including program performance budgets.

### **National Bureau of Statistics**

The goal of the National Bureau of Statistic is to provide official statistics. These are to reflect the state of the social, demographic, economic and natural environment of the country based on internationally recognized principles of statistics. The macroeconomic and fiscal parameters are agreed with the International Monetary Fund.

### **National Bank of Moldova**

NBM is independent in establishing and implementation the state monetary and foreign exchange policy. This is important for the stable development of the country and fiscal policy. The primary objective of the National Bank is to ensure and maintain the price stability and viability of the banking system and shall support the general economic policy of the state. It ensures stability and transparency of the financial system and promotes sustainable economic growth in the country. The National Bank shall cooperate with the government in pursuing its objectives. The National Bank provides to the economic and financial bodies of the government, upon their request, information on monetary and financial matters. Their cooperation is mutual concerning macroeconomic indicators. The National Bank is independent from government in its activities.

**Local public authorities** have the following responsibilities:

- Prepare, approve and administer the local budgets in compliance with the principles and rules established by the law and in accordance with the legislation on local public finances;
- Prepare and approve, within the limits of its competences, measures for the increase of the fiscal base and the assurance of the sustainability of the local budgets on medium and long term;
- Submit, through the representative associations of the local public administration authorities, proposals for the elaboration of the budgetary-fiscal policy and of the sectorial policies, as well as participates in the consultations regarding the inter-budgetary relations;
- Cooperate with the central public authorities and implements at local level the programs and policies included in the national strategic documents;
- Publish local budgets and reports on their implementation, including performance in local programs;
- Ensure the management of budgetary resources and the administration of the public patrimony, in accordance with the principles of good governance.

The territory of the Republic of Moldova is organized, from an administrative point of view, in villages, towns, districts, and the autonomous territorial unit of Gagauzia. In the territory of the Gagauzia Autonomous Territorial Unit (ATU), all the rights and freedoms provided by the Constitution and the legislation of the Republic of Moldova are guaranteed. The localities on the left bank of the Dniester are not part of the budgetary system of the Republic of Moldova.

In Republic of Moldova there are two tiers of subnational governments. Local autonomy in villages and towns is exercised by public administration authorities. These are the elected local councils and the elected

mayors. Local councils and mayors act, in accordance with the law, as autonomous administrative authorities and solve public affairs in villages and towns. The first level of public administration consists of 896 mayor's offices and the second level consists of 32 rayons, 2 municipalities and ATU Gagauzia.

The tables below show the structure of government in units of general government and expenditures. The column on extrabudgetary units refers only to the operations outside the government's reports which are carried out by the central government units.

**TABLE 2.6: Structure of the public sector (number of entities and financial turnover) 2020**

Year	Public sector				
	Government subsector		Social security funds	Public corporation subsector	
	Budgetary unit	Extrabudgetary units		Nonfinancial public corporations	Financial public corporations
Central	558 (MDL 49,635.4 million)	160 units of the central government have extrabudgetary operations	SSIB (MDL 24,244.4 million) CHIF – MDL 8,405.5 million)	264 (value of the state shareholding is MDL 29,747.07 million)	n/a
2 <sup>nd</sup> tier of subnational government (rayon level)	1,278 (MDL 11,746.4 million)	n/a		592 (total municipal enterprises at tier 1st and 2nd with public shareholding of MDL 4,471.6 million)	n/a
1 <sup>st</sup> tier subnational government (town and villages)	896 (MDL 6,181 million)	n/a			n/a

Source: MoF

**TABLE 2.7: Financial structure of central government—budget estimates (MDL, million) 2020**

Year	Central government			
	Budgetary unit	Extrabudgetary units <sup>6</sup>	Funds (SSIB and CHIF)	Total aggregated
Total Revenue, including -Transfers to (-) and from (+) other units of general government's	44,136.6	n/a	31,874.4 -11,566.2	64,444.8
Total Expenditure, including -Transfers to (-) and from (+) other units of general government's	51,551.8	n/a	31,874.4 +11,566.2	71,860.2
-Nonfinancial assets	6,620.4	0	41.7	6,662.1
Budgetary balance (Deficit)	-7,415.3	0	0	-7,415.3
Liabilities	7,984.5	0	0	7,984.5
Financial assets	-1,455.3	0	0	-1,455.3
Other internal sources	886.1	0	0	886.1

<sup>6</sup> No budget estimations of the extrabudgetary operations of the central government units are available.



Source: 2020 State Budget Execution Report and 2020 Consolidated Central Budget Report

**TABLE 2.8: Financial structure of central government – actual expenditure (MDL, million), 2020**

Year	Central government			
	Budgetary unit	Extrabudgetary units	Funds (SSIB and CHIF)	Total aggregated
Total Revenue, including:	38,500.5	2,396.1	32,828.1	60,421.6
-Transfers to (-) and from (+) other units of general government'			-13,303.1	
Total Expenditure, including:	49,635.4	2,672.4	32,649.9	71,654.7
-Transfers to (-) and from (+) other units of general government'		0	-13,303.1	
-Nonfinancial assets	3,557.8	0	67.3	3,625.1
Budgetary balance (deficit)	-11,134.9	0	178.2	-10,956.7
Liabilities	12,980.1	0	0	12,980.1
Financial assets	-288.5		-163.0	-451.5
Other internal sources	-1,556.7		-15.2	-1,571.9

Source: 2020 State Budget Execution Report and 2020 Consolidated Central Budget Report

## 2.4 Other key features of PFM and its operating environment

The law on public finance and budgetary-fiscal accountability provides for a centralized PFM system predicated on the TSA (Treasury Single Account) and FMIS (Financial Management Information System) ensures the processes of development, approval, execution, and reporting of the budget components of the National Public Budget. There are no earmarked funds or extrabudgetary units in Moldova. The State Social Insurance Budget and Compulsory Health Insurance Funds, which in other countries are considered extra budgetary funds, are reported in Moldova as separate budgets but are submitted together with the state budget and are subject to the same scrutiny process.

Key external oversight bodies include Financial Inspection under the Ministry of Finance, Court of Accounts, and the Parliament. Financial Inspection exercises financial control over the spending of the budgetary funds. The Court of Accounts is mandated with the external public audit function over the use of public funds by the Constitution and the law on the Court of Accounts. It performs financial, performance and compliance audits. Its audit reports are scrutinized by and debated in the Parliamentary Standing Committee for Control of Public Finance.

Article 12 of chapter II of the law on public finance and budgetary responsibility states that draft budget laws shall be subject to public consultations. Law no 239 dated November 13, 2008, states legal provisions for transparency in the decision-making process for all central and local public administration authorities. Government's Decision no 967 dated August 9, 2016, regulates the mechanism of public consultation with the civil society in the decision making process.

The Ministry of Finance prepares the Citizens' Budget<sup>7</sup> in order to improve public access to budget information and promote accountability and transparency in Public Finance Management. The citizens'

<sup>7</sup> <https://www.mf.gov.md/ro/categoria-documentului/citizens-budget>

budget presents the budget in simple language, highlighting its important features, thus facilitating ordinary citizens' understanding of the budget and its basic information.

The controls are ensured by the Financial Management Information System (FMIS) operated by MoF, in which interfaces with other systems (STS, Customs Service, SSIB and CHIF, NBM and National Bureau of Statistics) are automated, with the exception of interfaces with the procurement system and budget entities' financial management systems. The SIMF has modules and functionality for (i) budget preparation, (ii) registration of contracts, (iii) authorization of payment orders, (iv) issuance of bank instructions, and (v) preparation of cash-based budget execution reports. Currently, there are around 2,600 budget entities both at the central and local levels, all of which have access to the FMIS.

## 3.0 Assessment of PFM performance

### PILLAR ONE: Budget reliability

#### PI-1. Aggregate expenditure outturn

##### *General description of the characteristics of the indicator within the scope covered*

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. The assessment is based on the budget and actual expenditure for the last three completed fiscal years (2018, 2019 and 2020). The coverage is BCG.

##### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-1. Aggregate expenditure outturn	B	
1.1. Aggregate expenditure outturn	B	Aggregate expenditure outturn was between 90.4% and 96% in all three years, the average outturn constituting 93.6%.

#### 1.1 Aggregate expenditure outturn

##### Performance level and evidence for scoring of the dimension

The aggregate expenditure outturn was between 90.4% and 96.3% of the approved aggregate budgeted expenditure in all three years. The larger aggregate outturn deviation from the planned budget was in 2019. Underspending was noted across all components of the state budget with major underperformance registered in the execution of capital investments whose initial costs were highly overestimated. The budget planning and fiscal consolidation improved, however, for the 2020 budget. Calculations and data for this indicator are included in Annex 5.

**Table 1.1: Total budget and actual expenditure (MDL, million)**

	2018	2019	2020
Budget	41,332.4	47,664.1	51,551.8
Actual	38,708.3	43,073.9	49,635.4
% Deviation	93.7	90.4	96.3

Source: MoF state budget execution reports

**The score for this dimension is B.**

**Performance change since the previous assessment**

The score indicator for this indicator worsened from the previous assessment in 2015 since the years included under the current assessment have been marked by political turmoil, a changed stance in donors’ assistance to the country, and impact of the pandemic. A comparison of scores and an explanation of the change is included for this and all dimensions in Annex 4.

**PI-2. Expenditure composition outturn**

**General description of the characteristics of the indicator within the scope covered**

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. For calculating the indicator, the functional budget classification was aggregated in 10 main groups to preserve consistency with the publicly available data on the approved budget of BCG. The assessment period related to the last three completed fiscal years (2018, 2019 and 2020).

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-2. Expenditure composition outturn	D+	
2.1 Expenditure composition outturn by function	B	Variance was below 10 percent in each of the last three completed fiscal years.
2.2 Expenditure composition outturn by economic type	D	Variance was greater than 15 percent in two of the last three completed fiscal years.
2.3 Expenditure from contingency reserves	A	The actual expenditure charged to the contingency fund did not exceed 3 percent of the original budget in the last three completed fiscal years.

**2.1. Expenditure composition outturn by function**

**Performance level and evidence for scoring of the dimension**

The largest variance of expenditure composition outturn by function that is COFOG compliant as compared to the original budget occurred in 2019 and 2020. The primary cause was underspending within externally funded projects. In 2020 this happened due to delays in fulfilling disbursement conditions, in implementing the planned activities, limited implementation capacities and prolonged procurement procedures because

of COVID-19 pandemic effects. In 2020 the major increases were registered under social protection and health, and significant decreases under services in the economic area.

**Table 2.1: Expenditure Composition Variance by Functional Classification, 2018 -2020**

Year	Composition variance
2018	5.8%
2019	7.8%
2020	8.3%

Source: Annual Budget Execution Reports, PEFA team calculations (Annex 5)

**The score for the dimension is B.**

## 2.2. Expenditure composition outturn by economic type

### Performance level and evidence for scoring of the dimension

Expenditure composition outturn by economic classification as compared to the original budget has been above 15% in two of the last three years. Largely, this variance was a result of under-spending of the planned expenditures within externally financed projects. The major variances were observed in 2020, mostly for all categories of the economic classification. Subsidy related expenditures have registered in 2020 significant increases for road development, subsidizing interest rates for the bank loans for the businesses and subsidizing the enterprises and non-commercial organizations that instituted technical and / or stationery unemployment throughout the emergency state. Capital investment allocations remarkably diminished due to restrictions imposed by COVID-19 pandemic that led to temporary suspension of the process of performing the constructions works. Yet, the unsatisfactory level of the capital expenditure execution in the last three years was also affected by the reduced capacities of the central public administration authorities in terms of planning and absorption of the allocations envisaged for the capital expenditures. In 2020 the transfers to the local budgets were increased, in particular for the implementation of provisions of the law no. 270/2018 on the unitary compensation system in the budgetary sector.

**Table 2.2: Expenditure Composition Variance by Economic Classification, 2018 -2020**

Year	Composition variance
2018	16.7%
2019	13.6%
2020	20.4%

Source: Annual Budget Execution Reports, PEFA team calculations (Annex 5)

**The score for the dimension is D.**

## 2.3. Expenditure from contingency reserves

## Performance level and evidence for scoring of the dimension

The average spending within the contingency reserves did not exceed in average 0.3 per cent over the last three years. Article 36 of law no. 181 / 2014 defines the emergency funds, Reserve Fund and Intervention Fund, and how they can be used. The value of the funds is established through annual budget law and administered in compliance with the government's regulation.<sup>8</sup>

Allocations from these funds are based on special decisions of the Cabinet of Ministers approved during the respective budget year. The funds could be supplemented by donations from individuals and legal persons. For 2020 the execution of the Reserve Fund almost doubled and was directed towards procurement of protective equipment and allocation of compensation for COVID-19 infected employees of central and local public authorities. The Intervention Fund was increased and supplemented by the private donations to fight COVID-19 pandemic and financial support from Russian Federation for partial compensation of farmers as a result of 2020 drought.

**Table 2.3: Expenditure under contingency reserves in 2018 – 2020 (MDL, thousand)**

Financial Year	2018		2019		2020	
	Planned	Executed	Planned	Executed	Planned	Executed
Reserve Fund	50,000.0	72,744.5	50,000.0	22,674.0	50,000.0	100,817.5
Intervention Fund	20,000.0	14,356.8	20,000.0	19,808.8	38,000.0	277,836.4
<b>Total contingency reserves</b>	<b>70,000.0</b>	<b>87,101.3</b>	<b>70,000.0</b>	<b>42,482.8</b>	<b>88,000.0</b>	<b>378,653.9</b>
<b>Percentage</b>		<b>0.2%</b>		<b>0.1%</b>		<b>0.7%</b>

Source: Budget Law and Annual State Budget Execution Reports

The score for the dimension is A.

## PI-3. Revenue outturn

### General description of the characteristics of the indicator within the scope covered

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. Coverage is BCG. It contains two dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment period related to the last three completed fiscal years (2018, 2019 and 2020).

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-3. Revenue outturn	<b>B</b>	

<sup>8</sup> [https://www.legis.md/cautare/getResults?doc\\_id=90061&lang=ro](https://www.legis.md/cautare/getResults?doc_id=90061&lang=ro)

3.1 Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in 2018 and 2019.
3.2 Revenue composition outturn	B	Variance in revenue composition was less than 10% in 2019 and 2020.

The revenue forecasting is performed by the MoF, and it is based on analysis of the recent trends and budget performance as a result of the implementation of the tax and customs policy as well as of the tax and customs administration policies, over the last two years. It takes account of the objectives of those policies for the medium term, the expected changes in the tax and fee rates, state social insurance contributions and mandatory health insurance contributions, and their budgetary, economic and social impact. The policies are subject to the consultations within the working group responsible for macroeconomic framework, tax and customs policy, and resource framework, comprising MoF, Ministry of Economy, STS, CS, NBM, National Bureau of Statistics, NSIH, NHIC, national confederation of syndicate and national confederation of employers. The revenue collecting entities are State Tax Service and the Custom Services that together administer more than 100 percent of the total central government revenues. More details about these entities are provided under PI-19 and PI-20.

### 3.1. Aggregate revenue outturn

#### Performance level and evidence for scoring the dimension

In 2018 and 2019, actual revenues were broadly as planned, while in 2020 along with the introduction of restrictive measures over the economic activities on the back of the COVID-19 pandemic, revenue collection underperformed. Grants / disbursement for budget support in 2018 were temporarily stopped, while in 2019 and 2020 were resumed following the evaluation of results of implementation of measures included in the EU-Moldova Action Plan. Calculations for the indicator are included in Annex 5.

**Table 3.1. Revenue Deviation from Annual Budget, 2018 -2020**

Year	Total Revenue Deviation
2018	99.5%
2019	94.9%
2020	87.2%

Source: Assessment team calculations (Annex 5)

**The score for the dimension is B.**

### 3.2. Revenue composition outturn

#### Performance level and evidence for scoring the dimension

In 2018 the variance in revenue composition was 14 percent because of lower grants received from international organizations. This reduction happened on the back of temporary suspension by the EU of budget support grants. Nevertheless, the yearly variance in revenue composition improved afterwards as the authorities were more prudent in expectations of revenue to be received in the budget.

**Table 3.2: Total Revenue Outturn**

<b>Year</b>	<b>Composition Variance</b>
2018	14.0%
2019	6.2%
2020	5.4%

*Source: Assessment team calculations (Annex 5)*

**The score for the dimension is B.**



# PILLAR TWO: Transparency of public finances

## PI-4. Budget classification

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. There is one dimension for this indicator. The assessment covers the central budgetary units. Time period is FY 2020.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-4. Budget classification	A	
4.1 Budget classification	A	Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards. The program classification is also applied.  Link for the chart of accounts used for the last completed fiscal year (2020):  <a href="https://www.legis.md/cautare/getResults?doc_id=116724&amp;lang=ro">https://www.legis.md/cautare/getResults?doc_id=116724&amp;lang=ro</a>

### 4.1. Budget classification

#### Performance level and evidence for scoring the dimension

Budget classifications are generally regulated by Article 27 of the law on public finances and budgetary-fiscal accountability. It establishes the following components of the budget classification system:

- Organizational classification;
- Functional classification;
- Program classification;
- Economic classification; and
- Classification by source of financing.

The structure of the budget classification and applicable methodology for each classification type is defined in the MoF Order no. 208 of December 24, 2015.<sup>9</sup>

<sup>9</sup> [https://www.legis.md/cautare/getResults?doc\\_id=125083&lang=ro](https://www.legis.md/cautare/getResults?doc_id=125083&lang=ro)

The classification system allows the tracking of transactions during all the-public finance management processes: budget formulation, execution and reporting for each administrative unit (at central and local levels), economic category within the function and sub-function. Each program and sub-program have a link to the functional classification. The approved budget reflects the organizational, functional, budget programs and economic classifications.

There is a sufficient level of interconnections between budget planning, budget execution, payment operations using accounting and reporting modules within the financial management information system (FMIS) managed by the line divisions of the Ministry of Finance and State Treasury. Recurrent and capital investments' budget preparation, execution and reporting procedures are fully integrated and covered by the budget classification structure.

**Table PI-4: Budget Classification Structure in Moldova**

Budget classification elements	Abbreviation	Name	Number of digits
Organizational classification	Org1	Public authority	4 digits
	Org1i	Intermediate budget institution	4 digits
	Org2	Budget institution	5 digits
Functional classification	F1	Main group	2 digits
	F2	Group	1 digit
	F3	Sub-group	1 digit
Program classification	P1	Program	2 digits
	P2	Sub-program	2 digits
	P3	Activity	5 digits
Economic classification	K1	Type	1 digit
	K2	Category	1 digit
	K3	Chapter	1 digit
	K4	Article	1 digit
	K5	Paragraph	1 digit
	K6	Element	1 digit
Source classification	S1	Budget level	1 digit
	S2	Sub- budget level	1 digit
	S3	Component	1 digit
	S4	Sub-component	2 digits
	S5	Origin of source	1 digit
	S6	Donor	3 digits

The organizational classification covers all public administration and institutions at the national (central) level and at the local levels. Subjects of the organizational classification can be only public authorities and institutions that keep their accounting and financial reporting according to the accounting norms for the public sector, as well as the authorities and institutions with functions of administration and management of the state social insurance budget and compulsory health insurance funds. The subjects of the Organizational Classification are in a relationship of subordination by levels, which is established by the hierarchically superior authority. New public institutions are communicated to the Ministry of Finance to be included in the organizational classification simultaneously with the proposal to introduce in the list of codes.

The functional classification is compliant with the COFOG Classification of the Functions of Government. The first level represents 10 main groups. Each main group can be broken down in maximum 9 groups, and each group can again be broken down into maximum 9 sub-groups. Each main group under applicable functional classifications has subfunctions.

The economic classification has been developed and broadly aligns with classifications of the Government Finance Statistics (GFS) 2001<sup>10</sup> and it is integrated with the Chart of Accounts for the whole public sector. Chart of Accounts and methodology was approved by the Ministry of Finance Order no. 216 on December 28, 2015.<sup>11</sup> The methodology explains the classification of both revenues and expenditures. The classification of budget revenues represents grouping all sources of revenues of all budget levels within the Moldova’s budgetary system. The revenues are classified in five main categories (taxes and fees, mandatory insurance contributions, grants received, other revenues, and transfers received within the NPB) at the level of 6 digits. The methodology provides breakdown of each category into further elements. Similarly, the budget expenditures are classified in eight categories (compensation of employees, goods and services, interest, subsidies, grants provided, social benefits, other expenses, and transfers provided within the NPB) with breakdown of each category in further elements.

The programme classification consists of two levels: “Programs” (P1) and “Sub-programs” (P2), which are hierarchically subordinated, as well as a third level – Activities (P3) – that is independent from P1 and P2. Thus, the sub-program code can only be used together with the higher-level program code; a list of activities can be established under any program–sub-program combination.

**The score for the dimension is A.**

## PI-5. Budget documentation

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of the information provided in the annual budget documentation, as measured against a specified list of basic and additional elements. There is one dimension for this indicator and the coverage is BCG. Assessment time period is the last budget submitted to the Legislature (state budget law for 2021).

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-5. Budget documentation	A	
5.1 Budget documentation	A	The 2021 state budget documentation fulfills 11 elements, including every basic element (1–4).

Annual budget documentation refers to the Medium-Term Budget Framework (MTBF) and to the Annual State Budget Law. Budget proposals for the next fiscal year includes supporting documents that allow a

<sup>10</sup> Per p.3.1.2 from IMF SDDS report as updated in 2022: <https://dsbb.imf.org/sdds/dqaf-base/country/MDA/category/GG000>

<sup>11</sup> [https://www.legis.md/cautare/getResults?doc\\_id=121615&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121615&lang=ro)

complete picture of central government fiscal forecasts, budget proposals, and outturn of the current and two previous fiscal years.

The MTBF is the initial stage in the drafting and implementation of the budgetary-fiscal policy for three years. Content and approval process of the MTBF is described under PI-16. The MTBF incorporates:

- Macroeconomic forecast;
- Budgetary-fiscal policy;
- Revenue and expenditure forecasts (by sectors and budgets), resulted from the trends of the social and economic development of the country.

Articles 48-53 of the law no.181/2014 on public finances and budgetary-fiscal accountability regulate the purpose, process and content of the annual budget and of the MTBF. According to Article 53, the draft budget contains the following main annexes:

- A summary of the State Budget
- Expenditure limits for the public authorities funded from the State Budget
- The draft budget is accompanied by an explanatory note containing the following elements:
  - Revenue and expenditure forecasts based on strategies and policy papers in place, agreements signed/ratified with development partners
  - The State debt policy
  - The interrelation between the State Budget and the budgets of the ATUs (transfers).

The package for the 2021 state budget included:

- The draft state budget law for 2021;
- 9 annexes to the draft law;
- An explanatory note with comprehensive description of the macro-fiscal developments, policies underlining the NPB, state budget, relationship between different budgets, including:
  - 15 tables with additional details on budget evolution for five years for NPB, state budget per different type of classifications, for capital investments, budget proposals for 2021 for independent public institutions;
- Note on financial monitoring results of the economic activity of the state enterprises and commercial organizations with full or majority state capital;
  - Note on budget-fiscal risks;
  - 228 program performance budgets.

**5.1. Budget documentation**

**Performance level and evidence for scoring the dimension**

The draft law on the state budget for 2021 with related documents are to be found at <https://mf.gov.md/ro/content/bugetul-de-stat-2021> and for MTBF 2021-2023 at <https://mf.gov.md/sites/default/files/documente%20relevante/CBTM%202021-2023%20romana%20Aprobat.pdf>.

**Table 5.1: Information in budget documentation for 2021**

Element/ Requirements	Met (Y/N)	Evidence used/Comments
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<b>Basic elements</b>		
1. Forecast of the fiscal deficit or surplus or accrual operating result	Y	The forecast of the fiscal deficit is provided in the annex 1 to the annual state budget law.
2. Previous year's budget outturn, presented in the same format as the budget proposal	Y	The Article 73 paragraph (4) from the law no.181/2014 on public finances and budgetary-fiscal accountability foresee that the annual state budget report must be presented in the format comparable with the approved state budget.
3. Current fiscal year's budget presented in the same format as the budget proposal	Y	The budget format presentation remained the same during five budget years since 2016.
4. Aggregated budget data for both revenue and expenditure	Y	Aggregated budget revenues are presented in Annex 2 and expenditures in Annexes 3-5 as per organizational, functional, program and source of financing classifications. Link is for 2021 state budget law no.258 from December 16, 2020 <a href="https://mf.gov.md/ro/content/bugetul-de-stat-2021">https://mf.gov.md/ro/content/bugetul-de-stat-2021</a> .
<b>Additional elements</b>	<b>Additional elements</b>	
5. Deficit financing, describing its anticipated composition	Y	Para 6.3. of the Explanatory Note to the Annual Budget Law provides estimated amount of the fiscal deficit and its composition as well as the sources of its financing (associated outflows).
6. Macroeconomic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate	Y	Table 1 to the Explanatory Note to the draft annual budget law presents all macroeconomic assumptions for three years, including GDP changes, inflation, the exchange rate, imports and exports, average wage, etc.
7. Debt stock, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standard	Y	The Article 8 of the draft annual budget law includes the data on the estimated debt stock for the end the coming year. Chapter 2.4 of the Explanatory Note to the draft state budget law gives details on debt stock at the end of the previous year and chapter 4.1 describes the debt policy for the next three years, details on the structure of the state debt and debt service approach.
8. Financial assets, including details at least for the beginning of the current fiscal year presented in accordance with GFS or other comparable standards	No	Financial assets are shown within the balance sheet, which is part of the Final Accounts. They are not included in the Budget proposal but are made available to the Parliament within the annual budget execution report.
9. Summary information of fiscal risks	Y	Fiscal risks summary information is presented in the MTBF document, in the chapter 2 "Economic perspectives". A separate Note on budgetary and fiscal risks is included in the Explanatory Note to the Annual Budget Proposal.
10. Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of <b>all</b> major revenue policy changes and/or changes to expenditure programs	Y	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of <b>all</b> major revenue policy changes and/or changes to expenditure programs are given in the MTBF document chapter 3 Macro - fiscal framework for the years 2021-2023. Detailed explanations are also provided in the Explanatory Note to the Budget Proposal.

11. Documentation on the medium-term fiscal forecasts	Y	The budget proposal is forecasted for 3 years for revenues and for expenditures, budget deficit and sources of its financing.
12. Quantification of tax expenditures	Y	The tax expenditure costs are quantified in the budget documentation when the tax policy is changed. The impact of the changes is presented in the Explanatory Note to the law on state budget and to the law on tax policy.

The requirements are met for 4 basic elements out of 4 and 7 additional elements out of 8.

**The score for this dimension is A.**

## PI-6. Central government operations outside financial reports

### General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which government revenue and expenditure are reported outside central government financial reports in 2020. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The coverage is BCG for PI-6.1 and PI-6.2, and CG for PI-6.3.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-6. Central government operations outside financial reports	C+	
6.1 Expenditure outside financial reports	C	The estimated expenditure outside of government financial reports is greater than 5% of total BCG expenditure and less than 10%.
6.2 Revenue outside financial reports	C	The estimated revenue outside of government financial reports is just less than 5% of total BCG revenue and less than 10%.
6.3 Financial reports of extrabudgetary units	B	Each ministry receives a report from its subordinate institutions annually detailing all its expenditures and source of funds accounted. The addition of the National Social Insurance Fund and Medical Insurance Fund ensures the coverage of non-budgetary central government revenues and expenditure included in detailed financial reports is at least 88% and is submitted within 6 months of the end of the year.

The major EBUs that are to be found in most countries cover social security and health care. The funds in Moldova that are responsible for these activities – State Social Insurance Fund and Compulsory Health Insurance Fund - which are responsible for 21.4 per cent and 7.7 per cent of total national revenues,

respectively, are included in the National Public Budget.<sup>12</sup> The accounts of these funds are part of the TSA, their budgets are approved by the Parliament separately from the state budget law (BCG). Their financial reports are comprehensive, annually audited and are publicly available. There are no revenues or expenditures under these funds that would not be reported.

All publicly owned organizations, in Moldova those that are founded by a ministry (such as a hospital or university), State Chancellery or the central authorities reporting directly to government are included in the budget and the TSA. However, in certain cases, the funds from fees and charges and the resultant expenditure outside of the public sector are accounted separately though accounts held in commercial banks. Such revenues and expenditure are assessed in this indicator in terms of the materiality relative to the state budget.

Annex 8 of the annual state budget for 2020<sup>13</sup> lists the public authorities and institutions for self-management, and state-owned enterprises and joint stock companies receiving financial means from the National Public Budget but having also their own sources of revenues. This list has been used to identify the units which may have extra budgetary revenues and expenditure and covered in this indicator. State-owned enterprises and joint stock companies are not covered by this indicator.

## 6.1. Expenditure outside financial reports

### Performance level and evidence for scoring the dimension

Information on expenditure out with the state budget has been supplied by the relevant founding ministries / central public authorities that have in their subordination self-management institutions, and directly by self-management entities excluding state owned enterprises and joint stock companies with state shareholding. In terms of materiality this represents over MDL 2.672.5 million on a basis of total state budget expenditure of MDL 49,635.3, i.e., 5.38%.

**Table 6.1: Actual expenditures outside the government's financial reports and their share in the state budget for the year ended December 31, 2020.**

Institution	Expenditures from own sources (MDL, thousand)
State Chancellery	929,556.30
Ministry of Economy and Infrastructure	8,120.23
Food Safety Agency	74,338.20
Radio Moldova	7,549.50
Ministry of Health, Labour, and Social Protection	714,694.60
Ministry of Education and Research	719,778.3
Ministry of Agriculture, Regional Development and Environment	218,432.62
<b>Total</b>	<b>2,672,469.75</b>
Total state budget actual expenditure	49,635,300.00
<b>Total Expenditure from own source as % of total expenditure</b>	<b>5.38%</b>

<sup>12</sup> National Health Insurance Company and National Social Insurance House:

Budget M lei 2020	Planned	Revised	Executed
Social Security	14,930.5	14,248.2	14,516.2
Health Insurance	5,377.7	4,967.1	5,008.8

<sup>13</sup> <https://mf.gov.md/ro/categoria-documentului/bugetul-de-stat-pe-ani>

Source: Letters received from the central authorities listed in the table upon the official request from the assessment team.

Note: Food Safety Agency and Ministry of Health, Labour, and Social Protection own sources expenditure estimated as difference between Total expenditures (from state allocations + own resources) less allocations from state budget

The estimated expenditure outside of government financial reports is greater than 5% of total BCG expenditure and less than 10%.

**The score for this dimension is C.**

## 6.2. Revenue outside financial reports

### Performance level and evidence for scoring the dimension

Information on revenues received from out with the state budget has been supplied by the relevant founding Ministries / central public authorities that have in their subordination self-management institutions and directly by self-management entities mentioned in Annex 8, excluding state owned enterprises and joint stock companies with state shareholding.

**Table 6.2: Actual revenues outside the government's financial reports and their share in the state budget for the year ended December 31, 2020.**

Institution	Own revenues (MDL, thousand)
State Chancellery	827,934.30
Ministry of Economy and Infrastructure	9,373.83
Food Safety Agency	76,110.20
Radio Moldova	11,212.40
Ministry of Health, Labour, and Social Protection	851,878.20
Ministry of Education and Research	448,007.70
Ministry of Agriculture, Regional Development and Environment	171,593.62
<b>Total</b>	<b>2,396,110.25</b>
Total state budget actual revenue	<b>38,500,513. 50</b>
<b>Total Expenditure from own source as % of total expenditure</b>	<b>6.2%</b>

Source: Letter received from the central authorities listed in the table upon the official request from the assessment team.

The estimated revenue outside of government financial reports is more than 5% of total BCG revenue but is less than 10%.

**The score for this dimension is C.**

## 6.3. Financial reports of extrabudgetary units

### Performance level and evidence for scoring the dimension

Each founding ministry / central public authority should receive a report from its subordinate institutions annually detailing all its expenditures and source of funds accounted in the TSA and bank accounts held in commercial banks. However, the budget execution reports consolidate spending only for transfers received from the state budget. Own funds of those institutions are excluded so the Ministry of Finance does not see them and, respectively, execution from the own funds since they are not channeled through the Treasury accounts in most of the cases. At the unit level, however, they have the whole picture but there are deficiencies in reporting to the central government. Yet when the National Social Insurance Fund and Health



Insurance Fund are added, the coverage of nonbudgetary central government revenues and expenditure included in detailed financial reports is at least 88%.<sup>14</sup> This situation exists even if the ministerial revenues and expenditures have not been reported. While the two funds submit their financial reports within 3 months of the end of the financial year, it is unclear what is the reporting timetable, if any, of the self-management budgetary units.

**The score for this dimension is B.**

**PI-7. Transfers to subnational governments**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses the transparency and timeliness of transfers from CG to subnational governments with direct financial relationships to it. It considers the basis for transfers from CG and whether subnational governments receive information on their allocations in time to facilitate budget planning. The assessment of this indicator is based on the last completed fiscal year (2020) and uses the M2 (AV) method for aggregating dimension scores. The coverage is CG and the subnational governments who have a direct financial relationship with the CG.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-7. Transfers to subnational governments	<b>B</b>	
7.1 System for allocating transfers	A	Almost all inter-budgetary transfers were allocated based on established rules, including either formulas or clearly defined criteria (except special capital transfers which amounted 0.8% of the total transfer’s amount in 2020).
7.2 Timeliness of information on transfers	C	Local public authorities had less than four weeks to prepare their own budgets after they receive from MoF the information on their transfers / allocations for 2020.

Moldova administrative and territorial structure consists of 35 second tier administrative units, including 32 rayons, autonomous territorial unit UTA Gagauzia, and the municipalities of Chisinau and Balti. The first tier comprises 896 towns (municipalities, except Chisinau and Balti) and villages (communes). According to the law on local public finances no. 397/2003, the state budget has direct inter-budgetary relationships with each of the mentioned above administrative units (regardless of the tier), except first tier administrative territorial unit within UTA Gagauzia. Due to its autonomous status, Gagauzia has its own inter-budgetary relationships with the first-tier authorities while receiving inter-budgetary transfers from the state to Gagauzia’s budget applying the same principles as other first tier units.

<sup>14</sup> Calculations: A= 14,516.20 (SSIB) +5008.8 (CHIF)= 19,525.0. B=14,516.20 (SSIB)+5008.8 (CHIF)+2,644,7 (other EBUs)= 22,189.7. Result: A/B = 88%

Inter-governmental fiscal relationships are regulated by or consider the following legal acts:

- Law on the Public Finances and Fiscal Responsibility (no. 181/2014).
- Law on Local Public Finances (no. 397/2003).
- Annual State Budget Laws
- Tax Code (no. 1163/1997)
- Law on the Road Fund (no. 720/1996)
- Law on the Support Population Fund (no. 827/2000).
- Education Code of Republic of Moldova (no. 152/2014).
- Law on Administrative Decentralization (no. 435/2006).
- Law on Local Public Self-government (no. 436/2006).
- Other sectorial laws or sub-laws.

## 7.1. System for allocating transfers

### Performance level and evidence for scoring the dimension

The MoF determines total transfers for local authorities during the development of the mid-term budget framework (vertical allocation). At the same time, the territorial distribution of transfers is provided (horizontal allocation) according to an established formula or criteria. The government is required to submit the MTBF to the Parliament annually by June 1. Despite the fact that MoF calculates transfers at the MTBF preparation stage, MTBF documents submitted to the Parliament do not include these transfers but only sectorial budget limits which may include transfers where relevant. The MoF informs local governments on their forecasted transfers for the next three years during the preparation of the annual state budget. The structure of inter-budgetary transfers from the state budget to local budgets by each type in 2018-2020 is presented in the Table 7.1.

**Table 7.1. Inter-budgetary transfers from the state to local budgets in 2018-2020**

Nr.	Type of transfers	2018		2019		2020	
		MDL, million	Share %	MDL, million	Share %	MDL, million	Share %
1	<b>Transfers, total</b>	<b>10,357.3</b>	<b>100.0</b>	<b>12,328.2</b>	<b>100.0</b>	<b>13,650.0</b>	<b>100.0</b>
2	General-purpose Transfers, including	1,439.3	13.9	2,180.8	17.7	2,418.3	17.8
3	Equalization purpose general transfers	1,421.3	13.7	1,619.6	13.1	2,098.6	15.4
4	Compensation purpose general transfers	8.6	0.1	7.9	0.1	116.3	0.9
5	other general transfers	9.4	0.1	553.3	4.5	203.4	1.5
6	Special-purpose transfers (with centralized Funds), including	8,918.0	86.1	10,147.4	82.3	11,231.7	82.3
7	Financing preschool, primary, secondary education general, special and complementary (extracurricular) and school equipment	7,271.9	70.2	8,477.8	68.8	9,210.3	67.5
8	Local public roads infrastructure	710.2	6.9	745.7	6.0	988.6	7.3
9	Sports schools	170.3	1.6	204.3	1.7	215.5	1.6

10	Social assistance	190.2	1.1	204.8	1.6	203.2	1.5
11	National Ecological Fund	215.6	2.1	N/A	x	235.0	x
12	Population Support Fund	60.6	0.6	64.2	x	82.2	0.6
13	Capital expenditures	173.2	1.7	447.9	3.6	104.3	0.8
14	other special transfers	203.1	2.0	71.5	0.6	194.8	1.4

Source: Ministry of Finance, Reports on the execution of the citizen's budgets 2018, 2019 and the Report on the execution of the state budget in 2020.

N/A – Information is not available.

The allocation of general-purpose inter-budgetary transfers for equalization purposes is formula based. The Formula considers the local budget execution for the fiscal year with full budgetary execution and official statistics on the number of population and size of the area of the respective administrative territorial unit. These transfers are made from the budget fund for financial support for administrative territorial units that is generated from unallocated personal income tax that is distributed to local budgets. Starting with 2020 this fund has been supplemented with a share of tax rate on entrepreneurial income.

General transfers for compensation purposes were allocated in 2020 only for those local budgets which faced the revenue decreases generated by the new fiscal policy<sup>15</sup> that were not able to cover the increase of expenditures under their own competence area due to the implementation of law no. 270/2018 on unitary salary system in the budgetary sector. Compensation transfers aimed at covering the increased wage bill were allocated considering expenditure increase, estimated revenue collection, and amounts of other general transfers.<sup>16</sup>

Other general transfers usually are of occasional nature and cannot be attributed to the formula-based general transfers or compensation transfers allocated according to provisions of law or other criteria.

At the same time, the most significant volume of transfers is attributed to the compensation of the estimated reduction in revenues in the local budgets of the personal income tax because of COVID-19.

The formula approach for compensation of new fiscal policy was PIT based. It considered the share of each individual local budget in total PIT for 2020.

In fact, both transfers had an equalizing nature since they aimed at covering the discrepancy between originally planned and expected amounts of revenues or expenditures.

The allocation of special transfers for education is rule-based and considers either unified criteria or formula. According to the methodological set on the preparation, approval, and amendment of the budget,<sup>17</sup> allocation of transfers on preschool education, special and out-of-school education, the MoF considers previous year expenditures corrected by unified cost factors<sup>18</sup> forecasted for the next budget year. For transfers on elementary and general secondary level education under subordination of level II local public authorities, the MoF uses a per-student formula<sup>19</sup> approach, which also considers a cost

<sup>15</sup> Tax Code changes, the Law no. 170 dated December 19, 2019.

<sup>16</sup> Estimated revenue collection considered increase in PIT share for local budgets due to the new tax policy introduced from 2020 (law no. 160 dated December 19, 2019).

<sup>17</sup> Approved by Order of the Ministry of Finance no. 209 dated December 24, 2015.

<sup>18</sup> Such as recent trends in the volume and structure of budget expenditures, key macroeconomic indicators (consumer price index, average wage, etc.), as well as other technical factors influencing costs.

<sup>19</sup> In compliance with the provisions of Financing Methodology based on normative per-student expenditures in primary and secondary schools approved by the Government's no. 868/2014.

standard per educational institution and the number of relevant institutions under one administrative and territorial unit.

The MoF allocated special transfers for local public roads based on the formula approach. For the first-tier local authorities, the formula considers population and 50% of forecasted road tax. For the second tier, the formula includes the stretch of roads (physical kilometers) under each local authority’s jurisdiction which are transformed in equivalent kilometers with the associated costs per kilometer.

Almost all inter-budgetary transfers were allocated based on formulas or established criteria. However, a small amount of special transfers for capital expenditures was allocated in a different manner. Those transfers were included into the State Budget either by the members of parliament during the budget approval process, or by the MoF during the annual budget preparation based on requests of local authorities. The total amount of transfers was 0.8% of that amount in 2020 (see the 13<sup>th</sup> line in Table 7.1).

**The score for the dimension is A.**

## 7.2. Timeliness of information on transfers

### Performance level and evidence for scoring the dimension

The budget calendar established clear deadlines for the preparation of local budgets. According to the budget calendar, local authorities shall submit draft local budgets to relevant councils<sup>20</sup> by November 20.<sup>21</sup> The councils shall review and adopt annual budgets by December 10. The MoF shares an annual circular on development of budget proposals with all local authorities by June 1.<sup>22</sup> Such an annual circular includes detailed instructions on inter-budgetary transfers and their amounts.

**Table 7.2. Time to compete local budgets’ planning in 2018-2020**

Draft budget (year)	The day when the MoF issued the budget circular	Legally established deadline for submission of draft local budgets	Actual budget planning time*, weeks
2018	August 17, 2017	November 20, 2017	12
2019	September 8, 2018	November 20, 2018	9
2020	November 4, 2019	November 20, 2019	2

Source: Ministry of Finance, law on Local Public Finances (no. 397/2003).

\* World Bank calculations.

An insignificant additional amount of transfers (1.5% of the total transfers’ amount) was allocated during the 2020 fiscal year after the approval of local budgets. That includes MDL 192.1 million to compensate PIT decrease due to COVID-19,<sup>23</sup> and MDL 10.3 million to provide financial support to local budgets in the implementation of the law no. 270/2018 on budget institutions’ salary increase.

MoF informed SNGs annually on their transfers and other details needed for budget planning through issuing an annual instruction letter, within the timeframe specified in the budget calendar.<sup>24</sup> That letter

<sup>20</sup> Representative and deliberative body that could be a local council, district council, Popular Assembly of autonomous territorial unit with special legal status, and Municipality Councils of Chisinau and Balti.

<sup>21</sup> Based on the article 21 of the law on Local Public Finances (no. 397/2003).

<sup>22</sup> In accordance with article 50 of the law on public finances and budgetary- fiscal accountability no. 181/2014.

<sup>23</sup> Allocation Formula considered differences in the wage bill of all economic sectors in the respective territory before and after the pandemic.

<sup>24</sup> In accordance with the law on public finances and budgetary-fiscal responsibility (article 50).

provides clear and sufficiently enough details, including, inter alia: a mid-term forecast of main macroeconomic indicators; revenue policy objectives and estimation of sources of funding (by taxes); summary of public expenditure policies and priorities for the next budget year and in the mid-term term perspective, including methodological aspects of expenditure estimations; specifics of establishing inter-budgetary relations (by functions) including used data of the National Bureau of Statistics on the number of inhabitants and the demographic structure for each ATU, as of January 1 of the current year; limits of transfers from the state budget to local budgets.

However, local public authorities had less than four weeks to complete their budget planning procedures for 2020. Although in 2017 - 2018 local public authorities were informed about transfers from the state budget within a reasonable timeframe, budget preparation for 2020 was affected by the political situation in the country and changes in the governing powers, therefore the budget circular for the Local Public Authority (LPA) was issued by the Ministry of Finance with a significant delay in 2019. As shown in the table 7.2, while the timeframe for completing the budget planning was November 20,<sup>25</sup> the MoF issued the budget instruction letter on November 4, 2019.

**The score for the dimension is C.**

The score of the dimension 7.2 deteriorated from A to C compared to the previous assessment due to the delay in issuing the annual budget preparation circular for 2020 by the MoF.

## PI-8. Performance information for service delivery

### General description of the characteristics of the indicator within the scope covered

This indicator examines the service delivery information in the executive’s budget proposal or its supporting documentation, and in year-end reports or performance audits or evaluations, as well as the extent to which information on resources received by service delivery units is collected and recorded. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. The coverage is CG. The time period covered for dimension PI-8.1 is the next fiscal year (2021), for dimension PI-8.2 – last completed fiscal year (2020), and for dimensions PI-8.3 and PI-8.4 – the last three completed fiscal years (2018 – 2020).

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-8. Performance information for service delivery	B+	
8.1 Performance plans for service delivery	A	The executive budget documentation provides information on outputs and objectives for programs and subprograms in each of 9 line ministries.
8.2 Performance achieved for service delivery	A	The budget execution reports provide information on outputs and objectives realized for programs and subprograms in each of 9 line ministries.

<sup>25</sup> In accordance with the law on public finances and budgetary-fiscal responsibility (article 47).

8.3 Resources received by service delivery units	A	Each service delivery unit under its founding ministry has a subaccount in the TSA and all information on the level of resources transferred from the founding ministry is available.
8.4 Performance evaluation for service delivery	C	There have been two external performance reviews in health and education but an absence of internal performance audit in the past 3 years.

The document “Methodological set on the preparation, approval and amendment of the budget”<sup>26</sup> sets out in Section XI program budgeting methodology detailing methods of presentation and substantiation of budgets, based on programs with purposes, objectives and indicators for evaluating their performance at all stages of the budget process. The chapter describes the structure and elements of the programs and the relationship between them, establishes the rules and principles for formulating goals and objectives, performance indicators and includes methodological regulations on how to develop, approve, monitor and report programs. PI-4 sets out the budget classification structure and PI-16.3 examines the expenditure allocation process to programs and sub programs.

## 8.1. Performance plans for service delivery

### Performance level and evidence for scoring the dimension

Table 8.1 Performance plans of all service delivery agencies, FY 2020 Ministry	Approved budget allocation (MDL, million)	SD programs		Performance data for service delivery programs				
		Programs	Subprograms	Program objectives	KPIs	Planned and reported performance		
						Outputs	Outcomes	Activities
Ministry of Finance - 0203	1,400.6	1	4	Y	Y	Y	Y	Y
Ministry of Justice - 0204	1,196.2	3	9	Y	Y	Y	Y	Y
Ministry of Internal Affairs - 0205	2,914.0	7	19	Y	Y	Y	Y	Y

<sup>26</sup> Annex to the order of the Minister of Finance no. 209 of December 24, 2015 (amended by Order MoF no. 98 of June 20, 2017)

Ministry of External Affairs and European Integration - 0206	505.7	1	2	Y	Y	Y	Y	Y
Ministry of Defense - 0207	769.9	4	9	Y	Y	Y	Y	Y
Ministry of Economy and Infrastructure - 0218	5,923.9	9	23	Y	Y	Y	Y	Y
Ministry of Agriculture, Regional Development and Environment - 0219	2,628.1	15	40	Y	Y	Y	Y	Y
Ministry of Education and Research - 0220	3,033.1	12	34	Y	Y	Y	Y	Y
Ministry of Health, Labour and Social Protection - 0221	2,316.8	7	30	Y	Y	Y	Y	Y
<b>Percentage of SD programs compliant (%)</b>				<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Annex 9 to the Informative Note to the 2020 draft state budget and Annex 8 to the Informative Note to the 2021 draft state budget

The executive budget documentation provides information on the planned outputs and objectives for all programs and subprograms in each of the 9 ministries. The same outputs and objectives have been largely consistently applied over time to allow comparison. The Court of Accounts highlighted however that their audits revealed that the composition of performance indicators under some programs varies from year to year. This does not allow, in certain cases, the performances to be achieved to be followed consistently over time. Under these circumstances, the focus is extensively placed not on achievement of the performance indicators approved for each program but rather on efficient use of the allocated resources in the particular year. Nevertheless, the yearly reports on the performance of the indicators are consistent with the planned outputs and outcomes.

Although the quality of performance information varies from the ministry to ministry, but it was assessed that the quality and range of indicators for most of the ministries comply with the standards required under this dimension.

The score for this dimension is A.

## 8.2. Performance achieved for service delivery

### Performance level and evidence for scoring the dimension

**Table 8.2: Actual performance measured by all service delivery agencies, FY2020**

Ministry	Document where actual performance is disclosed	Published information about actual quantity of outputs produced or the outcomes achieved		Published information on actual activities performed under policies or programs / Published annual service delivery summary		
		Existence of data	% of service delivery expenditures	Activities summary (Y/N)	Existence of data	% of service delivery expenditures
<b>At the level of the state budget documentation</b>						
All Ministries are organized by Program and Subprogram	Budget documentation for the next year	Y	100%	Y	Y	100%
<b>At the level of individual Ministries</b>						
Ministry of Finance	Budget execution	Y	100%	Y	Y	100%
Ministry of Economy and Infrastructure	Budget execution	Y	100%	Y	Y	100%
Ministry of Justice	Budget execution	Y	100%	Y	Y	100%
Ministry of External Affairs and European Integration	Budget execution	Y	100%	Y	Y	100%
Ministry of Health, Labour and Social Protection	Budget execution	N	100%	Y	Y	100%
Ministry of Education, Culture and Research	Budget execution	N	100%	Y	Y	100%
Ministry of Agriculture, Regional Development and Environment	Budget execution	N	100%	Y	Y	100%



Ministry of Defence	Budget execution	N	100%	N	N	100%
Ministry of Internal Affairs	Budget execution	N	100%	N	N	100%

Data source: Budget proposal for 2022 state budget, Budget execution reports of Line Ministries

Notes: The websites of individual Line Ministries with the published performance data under policies or programs can be found in Annex 2.

As part of their financial reports, all ministries and central government spending units prepare and submit to the Ministry of Finance the report on performance under programs / subprograms according to a specific format / template produced by MoF (FD-053 approved through MoF Order no. 216 / 2015) indicating the name of program / subprogram, goal, objective, description, and a table with Key Performance Indicators (KPIs): KPI by result / output / efficiency, name of KPI, measurement unit (% , number of units, or value), approved, executed, any deviation, explanations in case of deviations. At the end of each report there are main findings on the extent of program / subprogram implementation, recommendations or corrective actions, conclusions for the management of institutions. Such information on outputs and objectives realized for programs and subprograms is provided by each of the 9 ministries and it is used for development of the narrative report on budget execution. Line ministries are responsible for the publication of these reports on their respective websites; however, this is not a common practice across all ministries. The information about the execution of subprograms submitted by the Line Ministries and other central budgetary units is then included in the executive's annual budget proposals covering the performance indicators' execution for the two preceding years, estimated results for current fiscal year, planned indicators for the next year and estimated performance for at least next two subsequent years. This information is published on the Ministry of Finance's website. In the current format of the report the FY2020 program performance will be reported as part of FY2022 budget proposal. Explanations regarding any deviations from actual performance in the past years are not included in the budget proposal but is available from the ministry reports.

The performance report produced by the Ministry of Health, Labour and Social Protection, follows the MoF template and it is developed for each of the subprogram managed by the Ministry. For instance, the subprogram Public Health reports 5 outcomes indicators, 5 output indicators and 3 efficiency indicators. When the indicators are under or overachieved, the explanations are duly provided. As example, the planned population vaccination rates (outcome indicator) could not be achieved in 2020 due pandemic situation when the vaccination was put on hold in the initial phase of the pandemic. In contrary, the number of controls (output indicator) increased coming from the need to check the implementation of and compliance with COVID-19 prevention and control measures. One of the efficiency indicators (state supervision costs of public health per capita) was achieved at 93%. Each subprogram performance report shows the execution of expenditures of the respective subprogram according to economic classification as compared to the original and amended budgets. For Public Health subprogram those included staff costs, goods and services, social protection, other expenditures, fixed assets, and stock of materials. At the end, the performance report provides conclusions and recommendations.

**The score for this dimension is A.**

### **8.3. Resources received by service delivery units**

#### **Performance level and evidence for scoring the dimension**

Each service delivery unit under its founding ministry has a subaccount in the TSA for the funds received from the state budget while keeping the own source revenues in the accounts of the commercial banks (please refer to PI-6). The automated Treasury system produces monthly and annual reports for each service delivery institution (university, college, hospital, health clinic, etc.) on its expenditures from budgetary resources, and partially from “own-source revenues” (i.e., from its own resources through charges for services or other revenue-raising activities) if they are administered through the Treasury system. The amount of in-kind resources received by the service delivery units is not materially significant. There are clear legal procedures established at the national level for any kind of donation received and the donated goods are properly accounted for in the accounting system of the beneficiary spending unit.

Accounting information on all financial resources received and executed by the service delivery units is available from in-year and annual budget execution reports of each service delivery unit disaggregated by budget programs and sources of funds. Thus, the information on the level of resources transferred from the founding ministry as part of the state budget allocations is readily available. However, the information on the execution of the own funds by the subordinated institutions is not routinely monitored by the founding ministries and it is not always accurate which is confirmed by the Court of Accounts. Each service delivery unit submits reports on budgetary revenues and expenditures disaggregated by budget programs and types of financial sources in the reports prepared for six, nine, and twelve months. The reports on own-source revenue collection and their spending are provided annually and it is captured at the level of the founding ministry.

Separate reports compiling the information on resources received by service delivery units are not published. The part related to transfers to the services delivery units from the state budget is aggregated in the budget execution reports.

**The score for this dimension is A.**

### **8.4. Performance evaluation for service delivery**

#### **Performance level and evidence for scoring the dimension**

Neither the Court of Accounts nor the Internal Audit units have carried out a performance evaluation of the KPIs and related expenditure. Audit focus has been confined to the review of efficient and effective use of assets and process and procedures rather than on service delivery. The Court of Accounts has produced 19 performance reports (6 in 2018, 5 in 2019 and 8 in 2020), of which 5 have been in health care. In 2020 there were reports on the Diabetes Program and Tuberculosis Reduction Program.

The Ministry of Finance does carry out some evaluation of the reports it receives from the service delivery units (see above PI-8.2) but it does not result in a consolidated and formal report. Verifications are done mostly in cases when additional budget allocations are requested by the spending units. According to the

Court of Accounts, although the program-based budgeting is followed, there is not a comprehensive analysis of the performance indicators achieved.

Before the new budget cycle starts, the Ministry of Finance prepares an Evaluation Report about the previous MTBF process and highlights the problems and weak points to be taken into consideration during the development of new document. In the report for MTBF 2020-2022<sup>27</sup> the impediments were regarding the non-compliance with the MTBF calendar, the long process of coordination and decision-making within the Ministry of Finance and at government level, the quality of the submitted proposals, the weak planning and management capacities within the line ministries.

There are some external reviews. UNICEF produced the report Review of the Evaluation and Assessment in Education in July 2019. The review is a thematic policy assessment accompanying the national Education Sector Analysis. The purpose of the review is to analyze the educational policies and approaches to assessment and evaluation in the general school system of Moldova, assess the strengths and areas for improvement of existing arrangements, and provide concrete policy recommendations. The review is designed to inform the strategies for improvement of the assessment and evaluation system in the forthcoming national Education Sector Plan. The report addresses the use of outputs and objective KPIs.

In 2019 an independent, non-profit organization, Center for Health Policies and Studies (PAS Center) with the financial support of World Bank / Global Partnership for Social Accountability conducted research "Health Barometer of the Population of the Republic of Moldova" (HPB) to find out the perception of population using health services about the state of the health system, and their experience regarding the use of medical services in the primary and hospital healthcare. The results of the PHB helped the Ministry of Health, Labor and Social Protection in the development of public policies to improve the quality of primary and hospital healthcare, by providing complete, relevant and valid information about the performance of the medical services from the health services users' perspective.

**The score for this dimension is C.**

### PI-9. Public access to fiscal information

#### General description of the characteristics of the indicator within the scope covered

This indicator assesses the comprehensiveness of fiscal information available to the public in 2020 based on specified elements of information to which public access is considered critical. There is one dimension. The coverage is BCG.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-9. Public access to fiscal information	A	

<sup>27</sup> Link to 2020-2022 MTBF: <https://mf.gov.md/sites/default/files/documente%20relevante/Evaluare%20CBTM%202020-2022%20si%20Elaborarea%20CBTM%202021-2023.pdf>

9.1 Public access to fiscal information	A	The government made available to the public 8 (out of 9) elements, including all 5 basic elements, within the specific time frames.
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## 9.1. Public access to fiscal information

### Performance level and evidence for scoring the dimension

Table 9.1: Elements of availability of Fiscal Information

Element/ Requirements	Evidence used/ Comments	Met (Y/N)
<b>Basic Information</b>		
1. <b>Annual executive budget proposal documentation.</b> A complete set of executive budget proposal documents (as presented by the country in PI-5) is available to the public within one week of the executive's submission of them to the legislature.	Budget proposal for 2021 was adopted by the government November 30, 2020 (link <a href="https://gov.md/ro/content/guvernul-aprobat-bugetul-de-stat-pentru-anul-2021">https://gov.md/ro/content/guvernul-aprobat-bugetul-de-stat-pentru-anul-2021</a> ) and was submitted to the Parliament and published both on the website of the Ministry of Finance and the Parliament on the following business day (link <a href="https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5333/language/ro-RO/Default.aspx">https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5333/language/ro-RO/Default.aspx</a> )	Y
2. <b>Enacted Budget.</b> The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	The law no.258 on state budget for 2021 dated December 16, 2020, was published in Official Monitor no.353-357 on December 22, 2020, within one week of passage of the law.	Y
3. <b>In-year budget execution reports.</b> The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	The report on the execution of the national public budget and its components is prepared monthly and is placed on the MoF website at: <a href="http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare">http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare</a> .	Y
4. <b>Annual budget execution report.</b> The report made available to the public within six months of the fiscal year's end.	According to Article 47 of the law no.181 / 2014 on public finances and budgetary-fiscal accountability, the report on the state budget execution for 2020 was prepared and presented to the government by letter no.12 / 4-3-39 of May 21, 2021 (less than six month of the fiscal year's end) and can be accessed at the following link: <a href="https://www.mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale">https://www.mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale</a> .	Y
5. <b>Audited annual financial report, incorporating or accompanied by the external auditor's report.</b> The reports are made available to the public within twelve months of the fiscal year's end	The report on the state budget for 2020 execution was audited by the Court of Accounts and approved by decision no. 30 of June 28, 2021, on the Financial Audit Report of the Government Report on the state budget for 2020 (six months after the fiscal year end), which can be accessed at the following link: <a href="https://www.ccrm.md/ro/decision_details/1109/hotararea-nr30-din-28-iunie-2021-cu-privire-la-raportul">https://www.ccrm.md/ro/decision_details/1109/hotararea-nr30-din-28-iunie-2021-cu-privire-la-raportul</a> .	Y
<b>Additional elements</b>		
6. <b>Pre-budget statement.</b> The broad parameters for the executive budget proposal regarding expenditure, planned revenues and debt is made	As part of the budget procedure, the MoF prepares and publishes the Budget Circular for 2021 state budget, which contains budget instructions, the overview of the mid - term macro - fiscal framework, planned revenues, expenditure and vertically set expenditure limits. The document was	N

Element/ Requirements	Evidence used/ Comments	Met (Y/N)
available to the public at least four months before the start of the fiscal year.	distributed on September 25, 2020, for the 2021 budget (3 months before the start of the fiscal year)	
<b>7. Other external audit reports.</b> All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	All external audit reports scheduled and carried out by Court of Accounts are published immediately after completion on the institution's website. The link for access is <a href="https://www.ccrm.md/ro/rapoarte-anuale-88.html">https://www.ccrm.md/ro/rapoarte-anuale-88.html</a>	Y
<b>8. Summary of the budget proposal.</b> The enacted budget understandable by the non-budget experts, often referred to as a “citizens’ budget” where appropriate, translated into the most commonly spoken local language, is publicly available within one month of the budget’s approval.	Document titled "Budget for Citizens" is prepared and published by the MoF on its website. For the 2020 budget, the document was made available in February 2021  <a href="https://mf.gov.md/sites/default/files/Bugetul%20cetatenilor%202020.pdf">https://mf.gov.md/sites/default/files/Bugetul%20cetatenilor%202020.pdf</a>	Y
<b>9. Macroeconomic forecasts.</b> The forecast, as assessed in P-14.1, are available within one week of their endorsement.	Macroeconomic forecasts are prepared within the MTBF and is adjusted during the annual budget proposal preparation covering the next 3 fiscal years. The forecast is prepared by the Ministry of Economy and Infrastructure in collaboration with the National Bank of Moldova and Ministry of Finance and is approved every year by the government before the annual budget development starts.  The MTBF 2021-2023 was published on November 13, 2020, which is one week and a half after approval (October 28, 2020).  As well the macroeconomic forecast is submitted as annex to the Budget circular.	Y

The requirements are met for all 5 basic elements and 3 additional elements out of 4.

**The score for this dimension is A.**

## **PILLAR THREE: Management of assets and liabilities**

### **PI-10. Fiscal risk reporting**

This indicator measures the extent to which fiscal risks to central government are reported. Fiscal risks can arise from adverse macroeconomic situations, financial positions of subnational governments or public corporations, and contingent liabilities from the central government's own programs and activities, including extra-budgetary units. They can also arise from other implicit and external risks such as market failure and natural disasters. This indicator contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The time period is the last completed fiscal year (2020). The coverage for dimension PI-10.1 is the PCs controlled by the central government, for dimension PI-10.2 – subnational governments that have direct fiscal relation with the central government, and for PI-10.3 – central government.

#### **Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
PI-10. Fiscal risk reporting	<b>B</b>	
10.1 Monitoring of public corporations	C	While most public corporations publish audited annual financial statements, the evidence is between 6 and 9 months after the end of the financial year. The financial performance of the state enterprises is monitored in various consolidated reports.
10.2 Monitoring of subnational governments	C	The financial statements of local authorities are not audited but the financial statements are published and submitted to the MoF which prepares a consolidated fiscal risk report on local authorities.
10.3 Contingent liabilities and other fiscal risks	A	The note on budgetary and fiscal risk includes a detailed analysis and commentary on all explicit and implicit fiscal risks.

#### **10.1. Monitoring of public corporations**

##### **Performance level and evidence for scoring the dimension**

All public corporations (PC) in Moldova are non-financial and fall into two categories in terms of legal form: state and municipal enterprises, which operate in the area of public interest and provide public services in the competitive markets, but charge economically significant prices, and commercial enterprises fully or partially owned by the state (Joint Stock Companies (JSCs) and Limited Liability Companies) that mostly operate in regulated markets and charge economically significant prices with the aim of creation of profits. Municipal enterprises are owned by the subnational governments and are not included in this assessment. JSCs where the lower-level governments hold their shares are also excluded.

State enterprises are regulated by law no. 246 dated November 22, 2017, on state enterprise and municipal enterprise. This law and its further amendments describe the arrangements for financial audit and reporting applicable for state enterprises.

The Joint Stock Companies with a state share are regulated by law no. 1134 dated April 2, 1997, on Joint Stock Companies and its subsequent amendments.

The law no. 287 dated December 15, 2017, on accounting and financial reporting defines the criteria for small, medium, large and public interest enterprises that guide the mandatory character of the audits for the state enterprises and commercial entities with the state capital. In addition, this law states the reporting obligations of those entities and publication of their financial statements and audits.

The law no. 121 dated May 5, 2007, on public property administration and privatization provides arrangements on how the state enterprises and commercial enterprises with the state share are administered and monitored.

**Table 10.1: Financial reports of 10 largest public corporations in FY2020<sup>28</sup>**

<b>10 Largest Public corporations by turnover</b>	<b>Nature of activity</b>	<b>Total turnover (MDL, million)</b>	<b>Government-held assets (MDL, million)</b>	<b>As a % of 10 largest PCs</b>	<b>Date of audited financial statements</b>	<b>Date of submitting audited financial report to govt. (Public Property Agency)</b>	<b>PC covered by the Consolidated Report<sup>29</sup> (Y/N)</b>
JSC "Energocom"	Supply of electricity	4,019.75	388.56	29.7	March 29, 2021	July 14, 2021	Y
JSC "TERMOELECTRICA"	Production of electricity and heating and distribution of heating in Chisinau	2,178.1	5,507.4	16.1	June 28, 2021	July 15, 2021	Y
JSC "North Electricity Supply"	Electricity supply in the north part of the country	1,931.25	285.8	14.3	May 6, 2021	July 14, 2021	Y
JSC "MOLDTELECOM"	National telecommunication operator	1,573.4	5,371.95	11.6	May 27, 2021	July 14, 2021	Y
JSC "Metalferos"	Collection, processing, sale	1,236.7	377.54	9.1	March 30, 2021	July 14, 2021	Y

<sup>28</sup> The full list of the public corporations and their financial performance can be found in the Annexes to the annual report prepared by the Public Property Agency:  
<https://app.gov.md/storage/upload/administrare/reports/83/Raport%20privind%20administrarea%20C8%99i%20deetatizare%20propriet%C4%83%C8%9Bii%20publice%20de%20stat%20C3%AEn%20anul%202020.pdf>

<sup>29</sup> Report on the public property administration and privatization in 2020 prepared by the Public Property Agency:  
<https://www.app.gov.md/rapoarte-anuale-3-450>

	and export of metal						
JSC "Electricity Distribution Networks North"	Electricity distribution	677.6	2,917.46	5.0	April 30, 2021	May 21, 2021	Y
JSC Bakery in Chisinau "FRANZELUTA"	Production of bakery products	547	337	4.0	April 27, 2020	July 14, 2021	Y
JSC "National Lottery of Moldova"	Lottery and gambling industry	519.03	70.85	3.8	July 23, 2021	July 29, 2021	Y
JSC "Cricova Winery"	Wine production	242.09	626.28	1.8	April 27, 2021	July 15, 2021	Y
State enterprise „Calea Ferata"	Railway	599.05	3,968.82	4.4	In the process of being audited		Y
<b>Total</b>		<b>13,523.97</b>		<b>100.0</b>			

Data source: Public Property Agency, [app.gov.md](http://app.gov.md)

The Register of Public Ownership that is maintained by the Public Property Agency, the agency subordinated to the government, has a sub-register of the state and municipal enterprises and sub-register of stock of state shares in JSCs / Limited Liability Companies. Both sub-registers are published annually on the Agency's website.<sup>30</sup> The 2020 Budget Execution Report provides information on the numbers and value of the property held by the entities with the state share, including the value of shares in SOEs as of June 30, 2020. The Register of Public Ownership under the Public Property Agency comprises data about 190 state-owned enterprises, with a share capital of MDL 5,574.1 million; 81 companies with state capital, whose share capital is in the amount of MDL 5,343.7 million, of which the state owns MDL 4,207.4 million or 78.7 percent<sup>31</sup>. Of the total number of companies, 61 have full or majority state capital, whose share capital is MDL 3,839.3 million, of which state ownership is MDL 3,704.2 million or 96.5 percent. Of 190 state enterprises, 4 are located in Ukraine, 28 are in the process of liquidation or insolvency, 23 are not operating. Hence, 135 of state enterprises are included in the list monitored by the MoF in the first semester of 2020, out of which 13 did not present financial statements to the National Statistics Office. The remaining 122 of state enterprises were subject to MoF financial monitoring in the first semester of 2020. Similarly, out of 61 commercial enterprises fully or partially owned by the state, 18 enterprises are in the process of liquidation or insolvency, 9 are not operational and 34 are included in the list monitored by the MoF in the first semester of 2020, 2 enterprises did not submit their statements to the National Statistics Office. The remaining 32 enterprises fully or partially owned by the state were covered by the financial monitoring performed by MoF in the first semester of 2020. The enterprises with the state share were subject to financial monitoring by the MoF with respect to revenue, costs and profit/loss as well as the balance of domestic loans. Dividends paid to the state are also presented.

<sup>30</sup> <https://app.gov.md/registrul-patrimoniului-public-3-384>

<sup>31</sup> As of January 1, 2021, there were 184 state enterprises and 80 commercial companies with the state share.



Article 18 (paragraph 1) of the law on state enterprise and municipal enterprise no. 246/2017 stipulates that such enterprises must post on their official website and that of the founder the statute of the enterprise, internal regulations, annual report of the enterprise and audit reports. Article 90 paragraph (1) of the law on joint stock companies no. 1134 / 1997, the joint stock company discloses information on its activity in accordance with this law, as well as the law on the capital market no. 171/2012 and the normative acts of the National Commission of the Financial Market. Article 33 (paragraph 3) of the law on accounting and financial reporting no. 287/2017, states that a public interest entity is required to submit individual financial statements, management report and an auditor's report within 120 days from the last day of the relevant period. Other SOEs have to present the individual financial statements, the management report and the auditor's report, as the case may be, within 150 days from the last day of the relevant period.

Starting in 2019 (law no. 287/2017 with part concerning the audit of the financial statements of state and municipal enterprises, art. 11 par. (1) of the relevant law no. 246/2017), the annual financial statements of state / municipal enterprises are subject to mandatory audit, if they are part of the category of medium-sized entities, large entities or public interest entities in accordance with accounting legislation. Consequently, it was estimated that the mandatory audit covered 21 state-owned enterprises (according to the data registered on December 31, 2018) and 34 joint stock companies in which the state share exceeds 50% of the share capital.<sup>32</sup>

Despite the COVID-19 relaxations, the obligation to carry out the mandatory audit remained in force for public interest entities. According to art. 3 paragraph (1) of law no.287 / 2017, the state enterprise or joint stock company in which the state share exceeds 50% of the share capital under category of large entities,<sup>33</sup> is considered a public interest entity. It was estimated that a mandatory audit of the financial statements for 2019 will be applicable to 12 public interest entities (4 state-owned enterprises and 8 joint stock companies in which the state share exceeds 50% of the share capital). On December 31, 2020, the MoF received the copies of audit reports related to the financial statements for 2019 prepared by 3 state-owned enterprises and 8 joint stock companies that meet the criteria of a public interest entity. In addition, they received audit reports related to 2019 financial statements for: 5 state-owned enterprises that meet the criteria for mandatory audit (medium-sized entities); 3 state-owned enterprises that are not subject to mandatory audit but performed the audit, and 10 joint stock companies with full or majority state capital.

The changes introduced by law no. 19/2020, which entered into force on April 17, 2020<sup>34</sup> mean that the mandatory audit of the financial statements for 2020 would cover about 151 state-owned enterprises apart from 32 joint stock companies with full or majority state capital whose audit is regulated by law no. 1134/1997. For the 2020 audit period, out of 32 joint stocks in which the state share exceeds 50% of the share capital, 28 entities (or 87.5%) have undergone the audit. For 2020, out of 184 state enterprises only 17 were audited (11%) and their audit reports were submitted to and published by the PPA. Table 10.1 presents the dates of the financial statements and audit reports for 2020 of the 10 largest public corporations. Just over 95% (by expenditure) have submitted audited financial reports to government in July 2021, with one in May 2021.

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<sup>32</sup> In the context of COVID-19, business support measures have released medium and large entities from the mandatory audit of individual financial statements for 2019 (pursuant to point 26 sbpct.6 letter a) of Disposition no.3 of March 23, 2020, of the Commission for Exceptional Situations of the Republic of Moldova).

<sup>33</sup> A large entity is an enterprise that at the reporting date exceeds two of the following criteria: assets of MDL 318 million, turnover of MDL 636 million and average number of employees of 250, as defined by the Law no. 287/2017 on accounting and financial reporting.

<sup>34</sup> These changes provide that the annual financial statements of all state-owned enterprises are subject to mandatory external audit, and the annual financial statements of municipal enterprises are subject to mandatory external audit if they are part of the category of medium-sized entities, large entities or public interest entities, in accordance with accounting legislation.

State enterprises and commercial enterprises with full or majority state capital are subject to economic and financial monitoring by the MoF. This work is carried out by Monitoring of State Assets Division of the Ministry of Finance which produces annually and biannually analytical notes regarding the results of financial monitoring performed over the financial and economic activities of those enterprises. In addition, the Monitoring State Assets Division develops a bi-annual report synthesis of the results of the financial monitoring of the economic-financial activity of the state enterprises and commercial companies with full or majority state capital. This is summarized in the Budget Execution Report. In addition, the note on budgetary and fiscal risks produced by the MoF includes a section on state enterprises and commercial enterprises with full or majority state capital.

The Public Property Agency produces and publishes annual report<sup>35</sup> on public property administration and privatization. It includes a section on the results of financial and economic analysis of the state enterprises and JSC with the state capital exceeding 30%. The Public Property Agency publishes annual audit reports of the state and municipal enterprises, and JSCs with the state share on its website.

According to article 32 of law no. 260/2017 the Court of Accounts has the right to perform financial audit of state enterprises and commercial enterprises with full or majority state capital, however this is not done annually or regularly, and most of such audits are of compliance nature.

While most public corporations publish audited annual financial statements, the evidence provided by the Public Property Agency indicates that the audit reports are available between 6 and 9 months after the end of the financial year. The financial performance of the state enterprises and commercial enterprises with full or majority state capital is monitored in various consolidated reports produced by the Public Property Agency or MoF.

**The score for this dimension is C.**

## **10.2. Monitoring of subnational governments**

### **Performance level and evidence for scoring the dimension**

Local budgets are executed through the Treasury system of the MoF and they are part of the regular treasury reporting. Per article 31 of law on local public finances no. 397/2003, each executive local authority by March 15 shall submit to the respective representative and higher authority an annual report on execution of the local budget to be examined and approved by April 1. The Financial Division of respective authorities prepares a consolidated synthesis of annual local budget execution reports for tier I and tier II subnational governments for inclusion in the annual national public budget execution report. Annual financial statements for subnational governments are required to be completed and submitted to the MoF in accordance with the calendar established by MoF each year through its internal order. For 2020, these terms have varied for individual authorities but were set up in a range from February 22 and early March of the following year. The MoF Treasury Department exercises control over the extent to which this calendar is respected. For 2020, only one authority provided the submission with a three-week delay. Based on the statements submitted by the subnational governments, the MoF publishes annual consolidated local budget

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<sup>35</sup> <https://app.gov.md/rapoarte-anuale-3-450>.

execution report<sup>36</sup> according to economic and functional classification. Such reports are also prepared monthly based on the data extracted from the FMIS and are published on MoF website<sup>37</sup>.

Annual audit is not mandatory for subnational governments. However according to new provisions introduced from January 1, 2021, in the law on local public finances no.397/2003 to enhance LPA’s responsibility for the audit results, they are now subject to external audit in compliance with the law on the Court of Accounts. The Court of Accounts is able to perform only a few audits of subnational governments each year which are made public. There were 10 audit reports of tier I and tier II subnational governments issued in 2018, 15 – in 2019, and 19 – in 2020. As part of the annual audit of the national public execution budget report, the Court of Accounts audits the transfers from CG to subnational governments.

Annexes no. 2.3.1, .2 and .3 of the MTBF includes tables that present the evolution and estimates of local budgets, for 2018-2023, which consolidate all the local authorities. A stand-alone report on financial performance of LPAs is not prepared. However, the Note on budgetary and fiscal risks produced by the MoF as part of the annual budget documentation includes a section on consolidated fiscal risk on local authorities. It covers analysis of estimated transfers to LPAs and any deviations from actual execution, evaluation of arrears and guarantees issued by LPAs for loans.

The financial statements of local authorities must be made publicly available according to article 33 of law no. 397/2003 without specifying the time period for publication. The compliance falls under the LPAs’ responsibility, and it is not monitored by the MoF. As assessed, the majority of the LPAs public their final accounts once they are approved by the local councils or information about the budget execution, normally within six months of the end of the fiscal year.

The score for this dimension is C.

**10.3. Contingent liabilities and other fiscal risks**

**Table 10.3: Contingent liabilities and fiscal risk, FY 2020**

Coverage	Data quantified (Y/N)			Included in fiscal report (Y/N)	Date produced	Consolidated report (Y/N)
	Loan guarantees (CG)	State insurance scheme	PPPs			
Budgetary Units	Y	Y	Y	Y	Annually	Y
EBUs	There are no implicit fiscal risks from EBUs identified					

Data source: Note on Budgetary and Fiscal Risk

As part of the budget documentation the MoF produces a Note on Budgetary and Fiscal Risk which includes an assessment of the impact of COVID-19 and covers:

**Explicit budgetary-fiscal risks**

- Risks associated with macroeconomic forecasts
- Risks, associated with budget revenue estimates

<sup>36</sup> <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale>  
<sup>37</sup> <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

- Risks, associated with estimates of budget expenditures
- Risks, associated with state debt management

#### **Implicit budgetary-fiscal risks**

- Risks associated with local budgets
- Risks, associated with state-owned enterprises and companies with full or majority state capital
- Risks associated with the financial sector
- State guarantees issued and payments that could be made by the MoF, in as guarantor of the State Program "First House"
- Risks, associated with the public-private partnership (PPP)
- Other risks covering unpredictable situations (litigation, court cases, natural disasters, etc.)

The note on Budgetary and Fiscal Risk includes a detailed analysis and commentary on all explicit and implicit fiscal risks. The Note acknowledges that it is difficult to estimate the probability of occurrence of the implicit risks and to quantify them, therefore the estimations of the impact are based on the following criteria: low – less 1% of GDP, medium – 1-3% of GDP, and high – more than 3% of GDP. It assesses those contingent liabilities in case of PPPs, state guarantees, and other unpredictable situations are less than 1% of GDP.

**Based on the analysis and supporting evidence the score for this dimension is A.**

#### **Recent or ongoing reform activities**

Within the IMF’s Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) program for Moldova approved on December 20, 2021<sup>38</sup>, to enhance oversight capacity and fiscal risk monitoring, the Public Property Agency requested in February 2022 that all SOEs at the central government level submit quarterly financial statements, which will be regularly shared with the Ministry of Finance. This should also enable a more comprehensive assessment of the financial position of these SOEs.

## **PI-11. Public investment management**

### **General description of the characteristics of the indicator within the scope covered**

This indicator assesses the economic appraisal, selection, costing, and monitoring of public investment projects by the government, with emphasis on the largest and most significant projects. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. The assessment is based on the last completed fiscal year (2020). The coverage is CG.

#### **Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
PI-11. Public investment management	D+	

<sup>38</sup> <https://www.imf.md/pub-rececondev.html>

11.1 Economic analysis of investment projects	C	The economic analysis of two largest state capital investments projects was conducted based on the guidelines adopted by the Government's Resolution. The results of economic analysis are not published; and the analysis is not reviewed by an entity other than the sponsoring entity.
11.2 Investment project selection	D	The MoF did not follow the established project selection procedure for the 2020 budget. The main public investment projects were included into the 2020 State Budget based on discussions with line ministries.
11.3 Investment project costing	C	The annual budget information included each main public investment project's total capital cost and planned capital expenditures for the next three budget year but did not include projections of the total life-cycle cost of public investment projects, which would include both capital and recurrent
11.4 Investment project monitoring	D	There were no systematic monitoring of public investment projects total costs and physical progress conducted in 2020.

Public investment projects in Moldova are financed from the state budget of Moldova under different modalities. These are: direct state capital investments; donor funded projects (which follows specific rules and procedures of each donor); the Road Fund (which covers rehabilitation and repairs of national public roads and engineering constructions); the National Regional Development Fund; and the Ecological Fund (which covers ecological safety of the environment and of water supply, sewerage and treatment systems). See Table 11.1 below.

**Table 11.1: State Budget Financing of Public Investments in 2020**

	Planned amount, MDL, thousand	Share of total state budget planned expenditures, %
<b>State Capital Investments</b>	<b>4,133,374.0</b>	<b>8.02</b>
<b>Road Fund</b> (Reconstruction, repair of national public roads and engineering constructions)	<b>395,921.0</b>	<b>0.77</b>
<b>National Fund for Regional Development</b>	<b>220,000.0</b>	<b>0.43</b>
<b>Ecological Fund</b>	<b>199,462.7</b>	<b>0.4</b>
Ecological safety of the environment	12,379.3	0.0
Water supply, sewerage and treatment systems	187,083.4	0.36
Total planned state budget expenditures	<b>51,551,945.0</b>	

The government's regulation on the state capital investments projects<sup>39</sup> establishes project evaluation, selection and monitoring procedures. The regulation considers public investment projects costed above MDL 5 million (around USD 0.3 million) and financed from the budget revenues. It does not cover projects financed by the Road Fund, National Environmental Fund, and National Regional Development Fund which are subject to specific legislations.

The Road Fund legal framework<sup>40</sup> does not established project preparation, evaluation, selection and monitoring rules. The Resolution of the Parliament of the Republic of Moldova "On approval of the Regulation on the formation and use of the Road Fund" identifies areas for the direction of the fund's financing. Therefore, the government adopts lists of the Road Fund's investment projects annually.<sup>41</sup>

The regulation on creating and using of the National Regional Development Fund<sup>42</sup> and the Instruction on the National Regional Fund's Finances<sup>43</sup> include procedures for project preparation, economic analysis, selection (including the selection's criteria), and monitoring. There is a two-stage project evaluation and selection process. The Regional Development Councils established in each region and in the autonomous Gagauzia territorial unit as well as in Chisinau city, select project concept notes based on published criteria.<sup>44</sup> The Inter-Government Evaluation Committee under the Regional Development Fund<sup>45</sup> select applications for funding according to the selection criteria in terms of a project compliance with the requirements of the Regulation and priorities of national sectoral strategies.

The government's order on ecological funds<sup>46</sup> and the Ministry of Environment Regulation on the management of the National Ecological Fund<sup>47</sup> established procedures for the project economic analysis, selection, including criteria, and monitoring. While selecting projects, the Ministry of Agriculture, Regional Development and Environment considers cost justification based on the existing norms and provisions of the legal framework in respective areas (construction, installation, manufacturing technologies, etc.), current market prices and results of economic analysis. The Administration Council (interdepartmental) approves the list of projects which will be financed within the fund.<sup>48</sup>

The country's legislation does not establish the definition of major investment projects; therefore, the PEFA methodology was applied for the purpose of assessing this dimension. According to the methodology, "major investment projects" are defined as projects meeting the following two criteria: (i) the total investment cost of the project amounts to 1 percent or more of the total annual budget expenditure; and (ii) the project is among the largest 10 projects (by total investment cost) for each of the 5 largest CG units, measured by the units' investment project expenditure.

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<sup>39</sup> Approved by the Government's Decree no. 1029 dated December 19, 2013.

<sup>40</sup> Law of the Republic of Moldova "On the Road Fund" no. LP720 / 1996 dated February 2, 1996; Resolution of the Parliament of the Republic of Moldova "On approval of the Regulation on the formation and use of the Road Fund".

<sup>41</sup> The list of projects for 2020 was approved by the Government's Decree no. 164 dated March 11, 2020.

<sup>42</sup> Approved by the Government's Decree "On Measures to Implement Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova" no.127 dated February 8, 2008.

<sup>43</sup> Approved by the Decision of the National Council for the Coordination of Regional Development no. 4/16 dated November 10, 2016.

<sup>44</sup> Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova" no. 127 dated February 8, 2008

<sup>45</sup> Established by the Government's Decree "On Measures to Implement Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova" no. 127 dated February 8, 2008.

<sup>46</sup> Approved by the Government's Decree "On the approval of the Regulation on ecological funds" no.988/1998 dated September 21, 1998.

<sup>47</sup> Approved by the order of the Ministry of Environment of the Republic of Moldova no. 73 dated September 10, 2013.

<sup>48</sup> Established by the Government's Decree "On the approval of the Regulation on ecological funds" no. 988/1998 dated September 21, 1998.

The largest public investment projects which were financed in 2020 and met the PEFA definition of major investment project were financed by external sources. Since donors regulate procedures for the preparation and selection of such projects, they were not included in the assessment. There were no other projects that met the PEFA criteria of major projects. Therefore, the two largest state-funded capital investments projects in 2020 were identified for the purpose of this assessment (Table 11.2).

**Table 11.2. Largest state capital investments projects in 2020**

#	Name of the capital investment project	Estimated cost of the project, MDL, million	Share of total annual budget, %	Approved	Adjusted	Executed
1	Construction of a pre-trial detention center in Balti	250.0	0.48	48.0	22.7	20.1
2	Reconstruction of the operating room theatre at the Emergency Healthcare Institute of Emergency Medicine, Toma Ciorba Street, 1, Chisinau	53.3	0.20	15.0	15.0	6.6

## 11.1. Economic analysis of investment projects

### Performance level and evidence for scoring the dimension

The economic analysis of two largest state capital investment projects was conducted based on the national guidelines.<sup>49</sup> The guidelines set up provisions and a standardized template for project technical and economic justification. The template lists required information about the results of cost-benefit analysis (CBA), economic analysis, environmental and social impact evaluation. The guidelines provide brief instructions for the development of feasibility study, including CBA. Given that a standard methodology approach of cost-benefit analysis is available from open sources, the Guidelines refers to it without many details.

The results of economic analysis were not reviewed by an entity other than a sponsoring one and are not published. The government’s order no.1029 dated December 19, 2013 “On State Capital Investments” established the composition of an independent working group on State Capital Investments. The MoF’s order no. 185 of November 3, 2015, approved the instruction on the capital investment projects management which established criteria for an independent review of relevant projects by the above-mentioned working group to confirm the project appraisal acceptability. However, in 2018 - 2020 such group has not been operational. The country legal framework does not contain requirements for publication of economic analysis’s results and therefore they were not published.

**The score for the dimension is C.**

## 11.2. Investment project selection

### Performance level and evidence for scoring the dimension

<sup>49</sup> According to Government’s Decree no. 1029 dated December 19, 2013 “On the state capital investments” and Order of the Minister of Finance “On approval of the Instruction for the management of capital investment projects” no. 185 of November 3, 2015.

The MoF included the main public investment projects (Table 11.2) in the FY2020 State Budget based on discussions with the line ministries. According to the government's decree no. 1029 dated December 19, 2013, the above mentioned intergovernmental working group on state capital investments should select projects, including major projects discussed above, based on the established criteria. In accordance with the decree, these criteria are as follows: alignment with the government's strategic priorities, justification of project documentation, implementation capabilities (implementation risks), and affordability. However, as mentioned above, in 2018 – 2020 such a group has not been convened.

**The score for the dimension is D.**

### **11.3. Investment project costing**

#### **Performance level and evidence for scoring the dimension**

Budget documentation provides information about each public investment project included in the annual state budget, including the main investment projects. The information consisted of the total capital cost and planned capital expenditures for each of the budgets for the following three years.<sup>50</sup> However, the budget documentation did not include projections of total project life-cycle costs, which would include both capital and recurrent costs. Such information was included only in the templates of technical and economic justification filled in for individual projects. The forms included evaluation of total project life-cycle costs and project financial sustainability (including forecasted expenditures for further maintenance and technical services).<sup>51</sup>

**The score for the dimension is C.**

### **11.4. Investment project monitoring**

#### **Performance level and evidence for scoring the dimension**

There was no systematic monitoring of public investment projects conducted, relating to their total costs and physical progress. The country's legal framework does require such monitoring.<sup>52</sup> The monitoring reports should include project goals, objectives, activities, status of performance indicators, actual expenditures, description of critical issues, if any, and recommendations to address them.<sup>53</sup> However, the legislation does not require publishing such reports. The MoF reviews financial indicators of some state-funded investments projects during the budget implementation but does not prepare consolidated information reports on implementation of major investment projects.

**The score for the dimension is D.**

#### **Performance change since the previous assessment**

The MoF's order no. 185 dated November 3, 2015, approved the Public Investment Management Instruction. The order established procedures for the Intergovernmental Working Group on State Capital

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<sup>50</sup> In accordance with the MoF's Order no. 209 of December 24, 2015, on Budget Preparation, Adoption and Change.

<sup>51</sup> Annex 6 to the Order of the Minister of Finance no. 185 of November 3, 2015.

<sup>52</sup> The MoF's Order no. 185 of November 3, 2015.

<sup>53</sup> Annex 2 to the Government's Decree no. 1029 dated December 19, 2013 "On the state capital investments".



Investments to conduct the state capital investments projects independent review and selection. But this group is not operational.

### Recent or ongoing reform activities

The line ministries and agencies for the first time prepared FY2020 annual monitoring reports of public investments in 2021. Based on them, the MoF is going to develop a consolidated report for 2020 and submit it to the Court of Accounts.

The authorities have started publishing on the Ministry of Finance webpage five reports on the execution of investment projects undertaken by the developmental funds (Regional Development Fund, Road Fund, Environment Fund, Energy Efficiency Fund, and foreign-financed projects)<sup>54</sup>, with a requirement to update these reports annually as part of the budgetary preparation and reporting.

## PI-12. Public asset management

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the management and monitoring of government assets and the transparency of asset disposal. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The reference period is the last completed fiscal year (2020). The coverage is CG for dimension PI-12.1, BCG for dimension PI-12.2, CG for financial assets and BCG for nonfinancial assets under dimension PI-12.3.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-12. Public asset management	B+	
12.1 Financial asset monitoring	B	There is a record of all categories of financial holdings at nominal value using international accounting standards. The published annual financial statement includes a statement on financial assets. Yet, per CoA findings there are errors in the valuation of the assets.
12.2 Nonfinancial asset monitoring	B	A register of movable and immovable assets is maintained, updated annually and published which contains information on use and information that can establish age. The budget execution report provides their value annually based on the information derived from the balance sheets prepared and submitted to the MoF by the individual spending units. The findings of the CoA audit reports reveal issues with the valuation of the assets though.
12.3 Transparency of asset disposal	A	The procedures for disposal of financial and non-financial assets are established in law and information is submitted to Parliament and contained in the annual financial report.

<sup>54</sup> <https://www.mf.gov.md/ro/ministerul-finan%C8%9Belor/catalogul-de-date-deschise-al-ministerului-finan%C8%9Belor>

## 12.1. Financial asset monitoring

### Performance level and evidence for scoring the dimension

**Table 12.1: Financial asset monitoring – checklist of record of holdings, FY 2020**

Asset type	Holdings of financial assets maintained (Y/N)	Acquisition cost recorded (Y/N)	Fair or market value recognized (Y/N)	In line with international accounting standards (Y/N)	Information on performance published annually. (Y/N)
Equity	Y	Y	Y <sup>55</sup>	Y	Y
Bank Deposits	Y	Y	Y	Y	Y
Leases	Y	Y	Y	Y	Y
Receivables	Y	Y	Y	Y	Y
Loans to PCs	Y	Y	Y	Y	Y

Data source: 2020 Budget Execution Report

For the Chart of Accounts, the methodological norms for accounting and financial reporting in the budgetary system that has been approved through MoF ordinance no. 216 / 2015 define the following major categories of financial assets: internal receivables, exchange rate difference, cash, internal credits between budgets, internal credits between financial and non-financial institutions, external receivables and external loans. The Chart of Accounts developed in compliance with International Standards GFS 2001, integrated with budget economic classification provides a more detailed breakdown of financial assets under class 4. Central public authorities maintain records of financial assets based on accrual accounting and submit to the MoF a balance sheet according to the prescribed template (FD-041) as part of their financial reports within the prescribed terms (6, 9 and 12 months).

According to the law on public property administration and privatization no. 121/2007 the Public Property Agency is the entity responsible for public property management and for keeping the Public Property Register, while individual central public authorities bear responsibility for asset bookkeeping under their respective sector and for fiduciary administration of state property, along with control over the integrity of assets and their efficient use.

The Public Property Agency maintains information on state holdings on SOEs and assesses annually their performance based on the financial statements. The agency maintains a record of land and buildings that have been rented out. The TSA provides information on the cash position held in the NBM. The Note on Budgetary and Fiscal Risk Table 10 presents the debt balance related to loans re-credited from internal and / or external sources and granted under state guarantee, state-owned enterprises and companies.

The annual budget execution report presents details of financial assets and cash as shown in Table 12.2.

**Table 12.2.: Record of Financial Assets**

<sup>55</sup> Court of Accounts and MoF state that financial assets such as equities are held at nominal value.

Asset type	Asset value, end 2020, MDL million
Shares and other forms of equity participation within the country	15,126.4
Other receivables from budgetary institutions	1,389.9
Current accounts in the treasury system	1,571.8
Current accounts outside the treasury system	130.0
Deposit accounts	0.3
Letters of Credit	3.1
Other monetary and cash items	0.7
<b>Total financial assets</b>	<b>18,222.2</b>

Source: 2020 State Budget Execution Report

The 2020 State Budget Execution Report has section 4.8 detailing receivables and liabilities of institutions financed from the state budget.

There is a record of all categories of financial holdings using international accounting standards and the annual financial statement includes a statement on financial assets.

As described above the information on performance of financial assets is available through various government's reports and it is published.

Foreign reserves within the National Bank of Moldova are managed in accordance with NBM regulations and are regularly reported and audited annually.

Nevertheless, the CoA in its annual report on the administration and use of the public financial resources and public property for 2020<sup>56</sup> states that there are errors admitted in the valuation of assets transmitted as form participation in the equity of the entities where line ministries act as a founder.

**The score for this dimension is B.**

## 12.2. Nonfinancial asset monitoring

### Performance level and evidence for scoring the dimension

Table 12.3.: Nonfinancial asset monitoring – checklist of record of holdings

Register of fixed assets (Y/N)	Information on usage and age (Y/N)	Register of land assets (Y/N)	Register of subsoil assets (if applicable) (Y/N/NA)	Information on performance published annually (Y/N)
Y	Partially, only usage	Y	NA	Y

<sup>56</sup> <https://www.parlament.md/LinkClick.aspx?fileticket=rpTMn%2Bfga%2FY%3D&tabid=202&language=ro-RO>

Data source: PPA report of the value of the public patrimony on January 1, 2021

The Public Property Agency maintains the Public Property Registry that is updated annually, and it is published on its website. Annually the agency submits to the government by June 15 the report on the administration and privatization of public property as of January 1 of each year.

A separate sub-register is kept for the property held by central public institutions which includes value of fixed assets, value of stationary items, total area of immovables (in square meters), area given in lease / rent (square meters), total area of land in use. The data is extracted from the reports submitted by each spending unit, including its subordinated entities, by April 15 each year regarding the public property administered by them according to the prescribed template approved by the government decision no. 675 / 2008 on public property registers.

The reports of individual institutions also provide a breakdown of assets by each subordinated entity that includes land, garages, constructions, deposits, installations, electricity transmission lines, and buildings. The following information is provided: address where the item is located, number and date of registration in the Immovable Asset Registry, number of floors where appropriate, book value, area at the ground, total area, area in use by administrator, area given in use to somebody else, unused area, area transmitted, date of transmission, reference to legal acts, and name of the legal administrator. Other moveable assets covering vehicles and office equipment are recorded by the institution that holds them.<sup>57</sup>

The Public Property Registry and its sub-registers are kept manually and electronically using an obsolete software based on SQL Foxpro. In 2021 there was contracted a software company that is working on the development of an electronic register using web-service pattern that would allow online submission of data by public institutions and interconnection with other governmental agencies such as the Public Services Agency for verification of cadastral data.

Overall, public authorities maintain records of non-financial assets in accordance with the Chart of Accounts at balance sheet value (i.e., book value or purchase price minus any amortization) and report their value to MoF through a report on usage of fixed assets and their depreciation according to the prescribed template (FD-045) which is part of the annual financial reports. This information is then captured in the budget executions reports. The FD-045 report includes information on initial value of assets, total increase in value (by procurement, capital investments, capital repairs, free-of-charge transfer, donation, re-evaluation), total decrease in value by the same means, and final balance for the reporting period.

The 2020 state budget execution report has a table “Description of the assets of the institutions financed from the state budget”. This lists all the various categories of fixed assets and their value and includes depreciation and wear and tear. These are shown in Table 12.4.

**Table 12.4.: Categories of nonfinancial assets**

Asset category	Asset value as of the end of 2020, MDL million
Buildings	7,110.5
Special constructions	1,126.0

<sup>57</sup> Evidence of the records on Ministry of Health and Ministry of Agriculture was seen by the assessment team

Transmission installations	1,257.7
Machines and equipment	5,532.8
Means of transport	2,086.4
Tools and utensils, production and household inventory	758.6
Intangible assets	1,036.8
Other fixed assets	218.5
Capital investments in assets under construction	4,762.5
<b>Total fixed assets</b>	<b>23,889.8</b>
Depreciation of fixed assets	8,898.5
Amortization of intangible assets	595.7
<b>Total</b>	<b>9,494.2</b>
<b>The balance sheet value of fixed assets</b>	<b>14,395.6</b>
<b>Total stocks of materials</b>	<b>2,465.4</b>
<b>Total production in progress</b>	<b>53.2</b>
<b>Commodities</b>	<b>8.5</b>
<b>Other goods</b>	<b>5.4</b>
<b>Land</b>	<b>4,203.5</b>

Source: 2020 State budget Execution Report

A register of movable and immovable assets is maintained and published but it does not contain specific information on age, i.e., the year of putting in operation of assets, excepting the land. Nevertheless, annual information on depreciation of fixed assets and amortization of intangible assets suggests that information on age of assets is held and can be deduced. The budget execution report of individual spending units provides their value annually as part of their balance sheet.

The 2020 annual report on the administration and use of the public financial resources and public property prepared by the Court of Accounts and submitted to the Parliament<sup>58</sup> highlights some systemic issues of valuation and registration of public assets. These issues apply in particular to the register of land and buildings that accounted for 40% of total fixed assets in the registry in 2020. This results in their undervaluation in the financial statements of the budgetary institutions. While the CoA was not able to quantify the exact value of the errors in some cases, most of them were assessed by the CoA. They amount to around 5% of total value of non-financial assets. Notwithstanding this level of error (which is not significant), the CoA has further acknowledged during the audit missions that there have been improvements in the registration and evaluation of fixed assets by the line ministries.

The score for this dimension is B.

### 12.3. Transparency of asset disposal

#### Performance level and evidence for scoring the dimension

Table 12.5: Transparency of asset disposal

<sup>58</sup> <https://www.parlament.md/LinkClick.aspx?fileticket=rpTMn%2Bfga%2FY%3D&tabid=202&language=ro-RO>

Procedures for non-financial asset disposal established (Y/N)	Procedures for financial asset disposal established (Y/N)	Information included in budget documents, financial reports or other reports (Full/Partial specify)	Register of subsoil assets (Y/N/NA)	Information on asset disposal submitted to legislature (Y/N)
Y	Y	Y	NA	Y

The law on the public property administration no. 121/2007 establishes general rules for the transfer, disposal and privatization of public property. There is also a number of by-laws regulating specific methods of disposal like regulations on sale of state shares on regulated market (Government Decision no. 145/2008), regulations on public property privatization by commercial or investment contest (Government's Decision no. 919 / 2008), regulation on open bidding auction (Government Decision no. 136/2009), etc.

Disposal of SOEs held by the Public Property Agency are conducted by either auction or competitive tender. Before that the enterprise that is subject to privatization undergoes the inventory process and re-evaluation which are then reflected in the updated balance sheet. The regulations on determination of initial price for sale approved through the Government's Decision no. 453/2010 prescribes how to calculate the initial price of state shares subject to sale. The regulations also describe the situation when an independent valuation is required. The Public Property Agency reports on the disposals annually as part of the report on public property administration and privatization.<sup>59</sup> Disposal of immovable assets such as land and building are conducted by the Public Property Agency using auction or competitive tenders. There is also a list of assets that cannot be sold, and it is regularly revised and approved by the Parliament. The annual financial report includes details of the results of all disposals. These are classified under Other Income as Income from the sale of goods and services.

Form 8 to the 2020 State budget execution report provides information on disposal of non-financial assets.

The regulations on asset write off approved by the Government Decision no. 500/1998 establishes procedures for removing fixed assets (immovable assets, machinery, equipment, vehicles and other obsolete goods classified as fixed assets), except for the assets of special purpose, for all budgetary institutions, state enterprises and commercial entities with the whole or majority state shareholding. Disposal of moveable assets (sale or write-off) are conducted by the relevant ministry in accordance with this regulation that prescribes the establishment of internal write-off committee through the minister's order that determines the status of fixed assets subject to disposal and prepares all necessary documentation. The proceeds from disposal are reported as income to the budget of the respective institution.

The procedures for disposal through sale are established in the regulations on modality of determination and commercialization of unused assets by the enterprises approved through the Government Decision no. 480 dated March 28, 2003. This regulation governs state and municipal enterprises, budgetary authorities, autonomous budgetary institutions, and commercial enterprises with the whole or majority state shareholding. The following categories of assets are covered by the regulation: buildings, transmission lines,

<sup>59</sup> <https://app.gov.md/rapoarte-anuale-3-450>

plant and equipment, IT equipment, vehicles, unfinished constructions, work and productive livestock. It sets up criteria to determine if the assets cannot no longer be used, the procedures for obtaining authorization for commercialization from relevant public authority and for organizing the auction. The value of the assets to be sold is established by an independent licensed valuator.

The procedures for disposal of financial and nonfinancial assets are established in law and information is submitted to Parliament and contained in the annual financial report.

**The score for this dimension is A.**

**PI-13. Debt management**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses the management of domestic and foreign debt and guarantees. It seeks to identify whether satisfactory management practices, records, and controls are in place to ensure efficient and effective arrangements. It contains three dimensions and uses the M2 (AV) method for aggregating scores. Time period for the assessment: for dimension 13.1 it is at time of assessment; for dimension 13.2, it is based on the last completed fiscal year, 2020, and for dimension 13.3, at time of assessment, with reference to the last three completed fiscal years, 2018 to 2020. Coverage is CG.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-13. Debt management	A	
13.1 Recording and reporting of debt and guarantees	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced monthly. These are published on MoF’s website on time.
13.2 Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt and loan guarantees on behalf of the central government to a single responsible debt management entity. The legal framework in place describes policies and procedures; secondary legislation provides guidance on procedures how to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions. The single debt management entity is MoF. Annual borrowing is approved in the annual state budget law by the Parliament.

13.3 Debt management strategy	A	A current medium-term debt management program (strategy) covers existing and projected government debt with a horizon of three years period and is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to the Parliament. The government’s annual borrowing included in the annual state budget is consistent with the approved program (strategy).
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### 13.1. Recording and reporting of debt and guarantees

#### Performance level and evidence for scoring the dimension

A system to monitor and report regularly on the main features of the debt portfolio is critical for ensuring data integrity and effective management, such as accurate debt service budgeting, making timely debt service payments and ensuring well-planned debt rollovers. Regular reporting enables the government to monitor the implementation of its debt management strategy and address any deviations that arise. For the purpose of this indicator, debt refers to central government debt—both domestic and external. Monitoring of debt contracted by subnational government and public corporations is considered under PI-10 “Fiscal risk reporting.”

**Table 13.1. Recording and reporting of debt and guarantees**

Domestic and foreign debt records maintained (Y/N)	Frequency of update of records (M/Q/A)	Records are complete and accurate (Y/N)	Frequency of reconciliation M=Monthly Q=Quarterly A=Annually N=Not done (Add whether All; Most: Some; Few)	Statistical reports (covering debt service, stock and operations prepared)  M/Q/A/N	Additional information from reconciliation reported (if no statistical report) (Y/N)
Y	M	Y	M	M	

Data source: Ministry of Finance reports. <https://mf.gov.md/ro/datoria-sectorului-public>

The law no. 419 of 22 December 2006<sup>60</sup> on public sector debt, state guarantees, and state re-credit defines the recording and reporting of debt and guarantees procedures. The law has been amended eight times in order to introduce modifications on local borrowing policy, improvement of recording and reporting of on-lent loans, and to generally align the law to international best practice (based on a debt management performance assessment tool).

<sup>60</sup> [https://www.legis.md/cautare/getResults?doc\\_id=116876&lang=ro](https://www.legis.md/cautare/getResults?doc_id=116876&lang=ro)



The Public Debt Department in the MoF is responsible for registration, monitoring and reporting of public sector debt. In accordance with Article 12 (6) from the law no. 419/2006, the MoF is the only body authorized to draw up the following reports:

- a) State debt report;
- b) Report on state guarantees;
- c) Report on lending from state borrowings.

The National Bank of Moldova, the Ministry of Economy and other authorities of the central and local public administration, state / municipal enterprises and commercial companies with full or majority public capital present to the MoF the necessary information for the elaboration of the respective reports.

The government establishes the procedure for reporting the information needed to monitor public sector debt. The MoF generalizes and monitors data on public sector debt, state guarantees and state re-credit. It submits to the government and Parliament the quarterly report within 70 days from the end of each quarter, and the annual report within 90 days from the end of the year. Financial Analysis System (DMFAS) version 6.1 from UNCTAD is used for public sector debt monitoring, settlement and accounting of the external and internal debt. State on-lending is managed with an in-house developed software tool as well.

Quarterly and annual reports (“Reports on Public Sector Debt, State Guarantees and State On-Lending”) are published on the MoF website (<https://mf.gov.md/ro/categoria-documentului/rapoarte-privind-datoria>).

The reports contain:

- A debt stock analysis (balance of the public sector debt by components);
- Data on debt servicing and sources for debt financing;
- Comparative figures;
- State on-lending;
- Trends in macro-economic indicators;
- Debt sustainability indicators; and
- An analysis of fiscal risks (market risk, liquidity risk, credit risk and operational risks).

The MoF prepares the reports in accordance with the Special Data Dissemination Standard (SDDS). Mitigation strategies are identified in the debt management strategy (see dimension 13.3).

Complete records of the domestic state debt are also maintained by the NBM given its function as state agent for the placement and servicing of government bonds (see also sub-dimension 13.3).

Reconciliation of domestic and foreign state debt is carried out on a monthly basis. Data maintained by the MoF in DMFAS is reconciled with invoices submitted to MoF by creditors. After payments are made in the end of the month, MoF reconciles the debt balance with creditors’ statements of accounts.

Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced monthly. The latest report was issued as of September 2021 (<https://mf.gov.md/sites/default/files/Buletin%20statistic%2009.2021.pdf>). In 2020 the CoA conducted the compliance audit<sup>61</sup> in relation to the management of the state debt, state guarantees and re-credit and the related reporting as part of the government’s state budget execution report for FY2020. The auditors did

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<sup>61</sup> [https://www.ccrm.md/en/decision\\_details/1110/hoararea-nr31-din-28-iunie-2020-cu-privire-la-raportul](https://www.ccrm.md/en/decision_details/1110/hoararea-nr31-din-28-iunie-2020-cu-privire-la-raportul)

not reveal any issues on data records and reporting. The IMF in its technical assistance report from July 2021<sup>62</sup> stated that a robust framework is in place for the public debt management for Moldova.

The score for this dimension is A.

### 13.2. Approval of debt and guarantees

#### Performance level and evidence for scoring the dimension

The debt approvals and issue of loan guarantees are consistent with the debt management strategy covered by dimension 13.3. Monitoring of liabilities arising from guarantees issued is covered under fiscal risk oversight in PI-10.

**Table 13.2: Approval of debt and guarantees**

Primary legislation exists (Y/N; Name of Act)	Documented policies and guidance (Y/N; Name of regulation/policy)		Debt management responsibility (Y/N; Name and location of unit)		Annual borrowing approved by government or legislature (Y/N; specify last date of approval)
	Guidance to single debt management entity	Guidance to several entities	Authorization of debt granted to single responsible entity	Transactions reported to and monitored only by single responsible entity	
Y	Y	Y	Y	Y	Y
The law 419 of December 22, 2006 on public sector debt, state guarantees and state re-credit <sup>63</sup>	Government Resolution (Decision) no. 1136 of October 18, 2007, regarding some measures for the execution of law no. 419 of 22 December 2006 on public sector debt. state guarantees and state re-credit <sup>64</sup>		Article 5 of the law no. 419/2006 says that public debt and state guarantees are administrated by the Ministry of Finance	Article 12 of the law no.419/2006 says that NBM, Ministry of Economy, other state public authorities as well as local public authorities have to report to the MoF	The annual borrowing procedures for bond issuance, external borrowing, and debt payment are part of the MTBF. Last MTBF 2021-2023 approved by Government Resolution (Decision) no.776 of 28 October 2020 <sup>65</sup>

Data Source: Ministry of Finance

The law no. 419/2006 on public sector debt, state guarantees, and state re-credit regulates contracting of loans and issuance of state guarantees. Article 3 of the law identifies the MoF as contractor for domestic and foreign loans on behalf of the government and explicitly overrides this possibility for any other central

<sup>62</sup> file:///C:/Users/wb354640/Downloads/1MDAEA2021001%20(1).pdf

<sup>63</sup> Link [https://www.legis.md/cautare/getResults?doc\\_id=116876&lang=ro](https://www.legis.md/cautare/getResults?doc_id=116876&lang=ro)

<sup>64</sup> Link [https://www.legis.md/cautare/getResults?doc\\_id=121747&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=121747&lang=ro#)

<sup>65</sup> Link [https://www.legis.md/cautare/getResults?doc\\_id=123891&lang=ro](https://www.legis.md/cautare/getResults?doc_id=123891&lang=ro)

public authority. The same holds for the issuance of state guarantees to domestic or foreign parties. According to article 9 of the law no.419/2006, the ceilings for state debt (both domestic and foreign) and state guarantees are established by the annual budget law.

**Table 13.3: State debt balance for 2019-2023**

(%)	2019 actual	2020 approved	2020 revised	2021 forecast	2022 forecast	2023 forecast
State debt at the end of the year	25.0	29.6	32.9	36.7	40.4	41.5
External debt	14.0	18.3	18.7	14.8	24.9	26.3
Domestic debt	11.0	11.3	14.2	22	15.5	15.2
<hr/>						
(MDL, million)						
State debt at the end of the year	52,494.3	67,528.2	67,820.7	85,438.4	103,311.1	118,386.3
External debt	29,326.1	41,820.9	38,585.1	51,049.5	63,735.8	75,072.4
Domestic debt	23,168.2	25,707.3	29,235.6	34,388.9	39,575.3	43,313.9

*Data Source: Ministry of Finance, MTBF 2021-2023*

*Note: Starting with May 31, 2020, the balance of internal state debt is presented at nominal value in compliance with the Government Decision no. 234/2020. Prior to May 31, 2020, the balance was presented at acquisition price (or MDL 52,822.0 million (in comparable values))*

#### *Domestic debt:*

Articles 15 – 22 of the law no. 419/2006 regulate management of the domestic state debt. Currently the two instruments for incurring domestic state debt are long-term state bonds and short-term treasury bills, issued on the domestic market. The state securities are placed on the domestic market via auctions organised by the NBM as state’s agent.

#### *External debt:*

Articles 23 – 27 of the law no. 419/2006 regulate contracting of foreign loans. Agreements on foreign state loans must be approved by the Parliament by an organic law.

#### *Local level debt:*

Chapter VII of the law no. 419/2006 and Articles 14-18 of the law no. 397 of October 16, 2003, on Local Public Finances<sup>66</sup> regulates contracting of debt at the local level. Local public administrations can contract loans from financial institutions and other creditors in the country, including from the TSA, to cover temporary cash gaps, maturing in the same budget year within the ceilings set out in Article 14 (2) of the law no. 397/2003 on Local Public Finances. Per Article 15 of the same law LPAs could contract long-term domestic loans from financial institutions and other creditors in the country and long-term external loans from international financial institutions. Thus, the total amount of annual payments (repayment of principal, payment of interest, and other associated payments) related to local budget debt on loans contracted or guaranteed and/or to be contracted or guaranteed will not exceed 20% of total annual budget revenues, except for special-purpose transfers. For Chisinau and Balti, the ceiling is 30%.

<sup>66</sup> Link [https://www.legis.md/cautare/getResults?doc\\_id=125263&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=125263&lang=ro#)

ATU decisions on debt contracting, issuance of long-term securities, and provision of guarantees must be approved by the respective local council and by the MoF. Consequently, both level ATUs and ATU Gagauzia submit the documentation required by the legislation to coordinate with the MoF capital investment debts (exceeding one year). Also, both levels ATUs and ATU Gagauzia may contract short-term loans from the TSA to cover temporary cash gaps by applying to the MoF or to financial institutions and other creditors in the country. According to the law on Local Public Finances, both level ATUs and ATU Gagauzia may also contract long-term debts for capital investments by issuing municipal bonds. ATUs also have rights to provide guarantees to municipal enterprises and JSC with entire or majority municipal capital for capital investments loans both internal from financial institutions and other creditors in the country and external from international financial institutions. The contribution of the ATUs' debt to the public sector debt is less than 1%.

The compliance with the debt legislation and procedures is verified regularly by the CoA. The 2020 compliance audit report have not revealed any issues.

Annual borrowing plan is part of the MTBF documentation approved by the government.

**The score for this dimension is A.**

### **13.3. Debt management strategy**

#### **Performance level and evidence for scoring the dimension**

As foreseen in the law no. 419/2006 on public sector debt, state guarantees and state re-credit the MoF administers state debt and state guarantees. To this end, the MoF periodically publishes medium-term Government Debt Management Programs (Strategies).

Three-year Medium-Term Government Debt Management Program (Strategy) 2020-2022 is a continuation of the previously approved Program "Medium-term government debt management (2019-2021)", being revised in accordance with the macroeconomic indicators that formed the basis for drafting the state budget law for 2020.

The program establishes the fundamental objective of the state debt management process, the specific objectives, as well as the actions to be taken by the authorities to ensure financing and improving the structure of the state debt portfolio so that their implementation will not create pressures on fiscal policy sustainability.

The program focuses on the description of the strategy for financing the balance (deficit) of the state budget and on the identification of related cost and risk factors. The document was prepared in accordance with the international best practices defined in the "World Bank and IMF Guidelines for the Development of Medium-Term Debt Management Strategies," using the analytical tool Medium Term Debt Management Strategy (MTDS AT). The instrument provides quantitative estimates of the cost-risk ratio associated with alternative financing needs strategies. At the same time, it allows simulations of the impact of various shock scenarios on the evolution of market indicators on government debt and its servicing.

The Program is developed considering:

- The economic situation in the country.
- Constraints determined by the local financial market.
- Country rating of the Republic of Moldova, which was revised by Moody's during November 2019; confirmed as a B3 rating with a stable outlook.

- The World Bank's CPIA (Country Policy and Institutional Assessment) score for the Republic of Moldova - strong performance in terms of institutional policies and provisions.

The program also includes a quantitative analysis of three financing strategies based on different scenarios for the evolution of local and foreign market conditions.

The program sets target ranges for the main risk and sustainability parameters, based on the historical and current structure of the government debt portfolio to avoid its major exposure to foreign exchange risk, interest rate risk and refinancing risk. The target ranges are based on the results of the analysis of the baseline-financing scenario using the MTDS analytical tool. At the same time, the set intervals ensure a high degree of flexibility in the management of government debt to respond to changing conditions in the financial markets, representing the desired structure of the government debt portfolio. The limits established as minimum or maximum cannot be exceeded on the time horizon of the program. The maximum is the limit to which it tends to, and which cannot be exceeded. Minor deviations from the proposed limits are allowed if they do not cause additional financial risks.

Three-year Medium-Term Government Debt Management Programs (Strategies) are approved by the government and published on the MoF website. For the period under review, these were the periods 2018-2020, 2019-2021 and 2020-2022.<sup>67</sup>

The current Debt Management Program (Strategy) for the period 2020-2022 was approved by the Government Resolution (Decision) no.56 on February 5, 2020, and published in Official Monitor no.55-61 on 21 February 2020.

The annual borrowing plan is consistent with the Debt Management Program. In compliance with the article 12 of the law no.419/2006 the MoF submits to the Parliament the quarterly and annual debt management report.

**The score for this dimension is A.**

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<sup>67</sup> Link <https://mf.gov.md/ro/datoria-sectorului-public/programe-pe-termen-mediu>

## PILLAR FOUR: Policy based fiscal strategy and budgeting

### PI-14. Macroeconomic and fiscal forecasting

This indicator measures the ability of a country to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It also assesses the government’s capacity to estimate the fiscal impact of potential changes in economic circumstances. It contains three dimensions and uses M2 (AV) for aggregating dimension scores and covers the budget prepared in 2018, 2019 and 2020. The coverage is CG.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-14. Macroeconomic and fiscal forecasting	B+	
14.1 Macroeconomic forecasts	A	The indicators and assumptions underlying the macroeconomic forecasts are included in the budget documentation submitted to the Legislature. The forecasts are updated at least twice a year and cover the budget year and the following two years.
14.2 Fiscal forecasts	A	The budget documents provide estimates of total revenues with a breakdown by individual revenue types and expenditure for the budget year and the following two years. Underlying assumptions are articulated with changes from the previous year presented. The MTBF is part of the budget documentation submitted to the Legislature.
14.3 Macro-fiscal sensitivity analysis	C	There is a central baseline projection underlying the MTBF which is supplemented by an assessment of the impact of a slower growth which, however, does not contain the level of detail underlying the baseline.

The annex to the order of the Minister of Finance no. 209 of December 24, 2015, the methodological set on the preparation, approval and amendment of the budget (amended by order MoF no.98 of June 20, 2017) sets out clear and detailed guidance with respect to the preparation of the annual budget and associated medium term budget program.

#### 14.1. Macroeconomic forecasts

##### Performance level and evidence for scoring the dimension

The budget calendar has the Ministry of Economy and Infrastructure (MoEI) establishing the medium-term macroeconomic forecast (3 years) twice a year: in February - for the development of the Medium-Term Budget Framework with an update in July for the preparation of the state budget for the next year which is approved by the legislature. MOEI works collaboratively with the MoF, the NBM and Statistics Office. The

forecast of macroeconomic indicators is revised in connection with the emergence of new statistics and the need to coordinate them with IMF experts. The macroeconomic forecast is sent to all interested institutions (Ministry of Finance, National House of Social Insurance, Ministry of Health, Labor and Social Protection, National Health Insurance Company) and the main forecasted macroeconomic indicators are published on the website,<sup>68</sup> accompanied by an explanatory note, which describes the assumptions that formed the basis of the forecast scenario and the projections by sectors. A third review is carried out with independent IMF experts in October as part of the IMF program review, and this is used by the MoF in drafting the State Budget Law. This third review has been important in recent years due to the impact of the COVID-19 pandemic.

**Table 14.1 – Production of Macroeconomic Forecasts**

Item	2019 Budget	2020 Budget	2021 Budget
GDP Growth	Y	Y	Y
Inflation	Y	Y	Y
Exchange Rates	Y	Y	Y
Exports	Y	Y	Y
Imports	Y	Y	Y
Industrial Production	Y	Y	Y
Agricultural Production	Y	Y	Y
Investment in fixed assets	Y	Y	Y
Average monthly salary	Y	Y	Y
Labor remuneration fund	Y	Y	Y

While debt interest is not included in this table, there is a section on debt in the MTBF.

The indicators and assumptions underlying the macro-economic forecasts are included in the budget documentation submitted to the Legislature. The forecasts are updated at least twice a year and cover the budget year and the following two years. The macroeconomic forecasts are also agreed on by the IMF with the authorities in the context of the IMF's ECF/EFF program.

**The score for this dimension is A.**

## 14.2. Fiscal forecast

### Performance level and evidence for scoring the dimension

**Table 14.2 Published Fiscal forecasts**

Main budget items	2019 Budget	2020 Budget	2021 Budget
Aggregate Revenue	Yes	Yes	Yes
Detailed Revenue	Yes	Yes	Yes
Aggregate Expenditure	Yes	Yes	Yes
Detailed Expenditure	Yes	Yes	Yes
Budget Balance	Yes	Yes	Yes

<sup>68</sup> <https://mei.gov.md/ro/documents-terms/indicatori-economici-prognozare-macroeconomica>

The budget documents provide estimates of total revenues for the budget year and the following two years with a breakdown by individual revenue types. There are broad assumptions relating to GDP growth, increase on foreign trade and as a result of measures to strengthen fiscal administration provided in the MTBF. Policy on individual taxes is articulated. With respect to expenditure the policy assumptions are laid out in terms of costs covering wages and sectoral priorities. Expenditure by service category (health, education etc.) is presented by recurrent and capital aggregates for the budget year and the following two years. Debt and financing are also addressed.

The most recent MTBF document covering the period from 2021 to 2023 has assessed the changes from the 2020 forecasts to the revised forecasts with respect to the main macroeconomic indicators and the consequent impact of revenues and the resultant changes in spending priorities largely to ensure the financing of the health system, the purchase of protective equipment, but also to ensure the financing of social benefits established as a result of the total or partial cessation of the population's activity during the state of emergency. The changes in total revenues and expenditure are presented along with the budget balance in nominal terms and as a share of GDP.

**The score for this dimension is A.**

### **14.3. Macrofiscal sensitivity analysis**

#### **Performance level and evidence for scoring the dimension**

The MTBF document presents figures based on a baseline projection. The most recent MTBF also mentions that considering the high degree of uncertainty and the risks regarding the prospects of ameliorating the consequences generated by the pandemic, the Ministry of Economy and Infrastructure has developed an alternative forecast scenario, which provides for a longer period of economic activity and slower recovery. The resultant macro policy implications of this scenario are briefly mentioned along with the resultant priorities in budgetary fiscal policy.

There is a central baseline projection underlying the MTBF which is supplemented by an assessment of the impact of a slower level of growth which does not contain the level of detail underlying the baseline which would discuss fiscal forecast scenarios based on alternative macroeconomic assumptions.

**The score for this dimension is C.**

## **PI-15. Fiscal strategy**

### **General description of the characteristics of the indicator within the scope covered**

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. The coverage is CG, and the scope is the last three completed fiscal years (2018 – 2020) for dimension PI-15.1, the last fiscal year (2020) for dimensions PI-15.2 and PI-15.3.



### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-15. Fiscal strategy	<b>B</b>	
15.1 Fiscal impact of policy proposals	D	All the policy proposals on individual revenue types are articulated in the MTBF and any changes are outlined. With respect to expenditure the policy changes for wages and salaries are outlined as are the policies for the individual sectors. The resultant totals of revenue by tax type and by expenditure broken down by sectors into recurrent and capital are included in the annexes to the MTBF. These are not broken down at the individual revenue and expenditure policy level.
15.2 Fiscal strategy adoption	A	Due to COVID-19 the fiscal goal of a budget deficit of 2.5% of GDP has had to be set aside. Nevertheless, this is still the medium-term target as the MTBF (2021-2023) comments that the “negative budget balance is estimated to be reduced from 8.0% of GDP in 2020 to 3.0% in 2023.
15.3 Reporting on fiscal outcomes	A	The MTBF sets out the economic impact on revenues and expenditure and the fiscal balance during the year and the deviation from the original budget as well as policies for address shortfalls.

### 15.1. Fiscal impact of policy proposals

#### Performance level and evidence for scoring the dimension

**Table 15.1. Fiscal impact of policy proposals**

Estimates of fiscal impact of ALL proposed changes prepared		
Budget year	Two following FYs	Submitted to legislature
Only in the aggregate	Only in the aggregate	Y

Data source: MTBF 2021-2023 and previous MTBFs

Rules on financial impact assessment are set out in the MTBF methodological guidelines as follows:

- Draft normative acts with financial impact on budgets are subject to financial expertise in accordance with the legislation governing the elaboration of normative acts.
- Decisions, which lead to a reduction in revenue and / or an increase in budget expenditure, cannot be implemented during the current budget year if their financial impact is not foreseen in the

budget.<sup>69</sup>

- The establishment by normative acts, other than the annual budget law / decision, of some amounts or percentage quotas from the budget or from the GDP, destined to certain fields, sectors or programs, is not allowed.

All the policy proposals on individual revenue types under the State Tax Service and Customs Service are articulated in the MTBF and any changes are outlined. With respect to expenditure the policy changes for wages and salaries are outlined as are the policies for the individual sectors: education, health, social care, transport and road infrastructure, agriculture and rural development. The resultant totals of revenue by tax type and by expenditure broken down by sectors into recurrent and capital are included in the annexes to the MTBF. These are not broken down at the individual revenue and expenditure policy level.

**The score for this dimension is D.**

## 15.2. Fiscal strategy adoption

### Performance level and evidence for scoring the dimension

The MTBF methodological guidelines<sup>70</sup> indicates that the law on public finances and budgetary-fiscal responsibility provides budgetary-fiscal rules, which aim to ensure the general budgetary-fiscal discipline and the sustainability of the public finance system in the medium and long term. The budgetary-fiscal rule on annual limit for national public deficit is established in art. 15, paragraph (1) of the law on public finances and budgetary-fiscal responsibility no.181 / 2014.

The general objectives of the budgetary-fiscal policy are:

- Ensuring the general budgetary-fiscal discipline and the stability of the national public budget on medium and long term;
- Ensuring an efficient management of the state debt while maintaining it at a sustainable level in the medium and long term;
- Developing a predictable and transparent budgetary-fiscal framework;
- Optimizing and streamlining the administration and fiscal system.

All these objectives and other more detailed qualitative objectives are included as separate sections in the MTBF document. The MTBF document also includes quantifiable targets like public debt level, fiscal balance, the budgetary aggregates and the changes in the financial assets and liabilities for the next year budget and two following years.

The budgetary-fiscal policy is elaborated in accordance with other convergent policies and ensures that the annual limit level of the national public budget deficit, excluding grants, by 2018, does not exceed 2.5% of the gross domestic product. Exceeding the annual limit level of the deficit of the national public

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<sup>69</sup> Nevertheless, it is possible to have in-year budget amendments which can change revenue and expenditure as assessed in PI-21.4.

<sup>70</sup> Link to the Methodological guidelines for budget development, approval and amendment:  
<https://mf.gov.md/sites/default/files/Setul%20metodologic%20ajustat%20cu%20Ordinul%2098%20raport%20de%20perform%20-rom%2015.09.pdf>

budget is allowed in the conditions of the existence of real sources of financing of capital investment projects financed from external sources and of their absorption capacities.

Derogation from the fiscal rule (or escape clause) may be allowed only for a fixed period not exceeding three years and only in the following situations:

- Natural disasters and other exceptional situations, which endanger national security;
- Decline in economic activity and / or if the level of inflation exceeds by 10 percentage points the forecasted / planned level;
- The need to cover the debit balance of the general reserve fund of the NBM, as well as in case of systemic financial crisis, to capitalize banks and to guarantee emergency loans to banks by NBM.

In the cases specified, the government shall inform Parliament of:

- The reasons that conditioned the escape clause;
- Measures that the government intends to take in order to comply again with the fiscal rule;
- Term in which the observance of the rules of the budgetary-fiscal policy is planned to start again.
- During the period of application of the derogation, the government reports semi-annually to the Parliament on the evolution of the macro-budgetary indicators, the measures taken and which it plans to take in order to comply with the rules of the budgetary-fiscal policy.

The threshold level of the budget balance is established by the annual budget law / decision, which provides, as the case may be, the sources of financing the budget deficit or directing the budget surplus.

Any change in the budget balance can only be made by law / decision on changing the budget.

The objectives of the fiscal policy for the current year and the following two fiscal years are also articulated in the annual budget documentation.

Due to COVID-19 the fiscal goal of a budget deficit of 2.5% of GDP had to be set aside. Nevertheless, this is still the medium-term target as the MTBF (2021-2023) comments that the “negative budget balance is estimated to be reduced from 8.0% of GDP in 2020 to 3.0% in 2023. This indicates that fiscal policy is an important indicator of a return to a sustainable trajectory”.<sup>71</sup> The 2020 budget execution report in its section on accomplishments makes the same observation with reference to the fiscal target.

**The score for this dimension is A.**

### **15.3. Reporting on fiscal outcomes**

#### **Performance level and evidence for scoring the dimension**

The MTBF for 2021 – 2023 provides a table which sets out the 2020 approved aggregates for expenditure and revenues and the budget balance and the corrected aggregates for expenditure and revenues and the budget balance for 2020. There are sections in the MTBF that cover topics such as Economy of the Republic of Moldova - Recent developments 2020, Macroeconomic projections for 2020: Expenditure - recent

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<sup>71</sup> Paras 110 and 111 MTBF.

developments 2020, Changes in the main budgetary indicators for 2020, and Debt ceiling for 2020. These sections outline the reasons for the corrected aggregates.

As well the 2020 Budget Execution Report<sup>72</sup> has a section on budget objectives for the year 2020 and a presentation of what has been accomplished by presenting progress towards budgetary and fiscal measures, providing explanations for any deviation from initial targets and underachievement of the budget indicators, corrective actions taken by the government to adjust them. It also presents disaggregated revenue and expenditures figures detailing the original and revised budget in 2020 and the actual execution with a commentary on performance.

The MTBF sets out the economic impact on revenues and expenditure and the fiscal balance during the year and the deviation from the original budget as well as policies for addressing shortfalls.

**The score for this dimension is A.**

## PI-16. Medium-term perspective in expenditure budgeting

### General description of the characteristics of the indicator within the scope covered

This indicator examines the extent to which expenditure budgets are developed for the medium term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores and covers BCG. The scope is the last budget (2021) submitted to the legislature.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-16. Medium-term perspective in expenditure budgeting	B+	
16.1. Medium-term expenditure estimates	A	The annual budget expenditure estimates are prepared for 3 years (next year and the two following fiscal years) and are disaggregated by high level administration (organizational classification), functional and program classifications, and economic classification.
16.2 Medium-term expenditure ceilings	D	Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years were not approved by government before issuing the state budget circular. The sectorial ceilings were approved by the government in the MTBF for 2021-2023 one month later.

<sup>72</sup> <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale>

16.3 Alignment of strategic plans and medium-term budgets	A	Medium-term strategic plans are prepared and costed for most (all) ministries. All expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.
16.4 Consistency of budgets with previous year's estimates	A	The budget documents provide an explanation of all changes to expenditure estimates between the last medium-term budget and the current medium-term budget at the ministry level.

## 16.1. Medium-term expenditure estimates

### Performance level and evidence for scoring the dimension

The medium-term expenditure estimates are prepared and updated as part of the annual budget preparation process. Each budget planning process starts with development of the Medium-Term Budget Framework.

The MTBF establishes the objectives of budgetary-fiscal policy and determines the framework of resources and expenditures of the national public budget and its components for the following three years. Article 48 from the law 181/2014 on public finances and budgetary-fiscal accountability establishes that MTBF includes:

- Macroeconomic framework;
- Budgetary-fiscal policy;
- Macro-budgetary framework; and
- Expenditure framework.

The preparation of medium-term estimates is intended to strengthen fiscal discipline and improve predictability of budget allocations. Medium-term estimates are disaggregated by central public administration authorities (ministries), program and functional and economic classifications.

**Table 16.1: Medium-term expenditure estimates related to the state budget**

Classification	Budget year (Y/N)	Two following FYs (Y/N)
Administrative	Y	Y
Economic	Y	Y
Program/Function	Y	Y

Data source: Ministry of Finance 2021 state budget proposal, <https://mf.gov.md/ro/content/bugetul-de-stat-2021>

To provide ministries and program managers with the flexibility to manage and respond to budgetary pressures within their expenditure ceilings, data disaggregation by economic type are at the 2-digit GFS (equivalent) classification.<sup>73</sup>

**The score for this dimension is A.**

## 16.2. Medium-term expenditure ceilings

### Performance level and evidence for scoring the dimension

In 2020 for 2021 budget cycle the preliminary medium-term expenditure ceilings have been estimated and sent to central public authorities (ministries and agencies) by the MoF letter no.06/4-9/19 on February 21, 2020<sup>74</sup> along with sector policy priorities set by the State Chancellery together with the line ministries.

On 28 September 2020<sup>75</sup> the MoF issued the revised final ceilings for the budget which have been sent to central public authorities in the Budget Circular by letter no.06/1-17/50. The ceilings cover the fiscal year (2021) and the two following years (2022-2023) and are issued at the level of direct budget beneficiaries. There is some flexibility for budget users to decide on the distribution of funds within the sector ceiling. The ceilings were not approved by the government before issuing the budget circular.

The ceilings for individual sectors that can be attributed to the ministry responsible for the given sector have been included in the MTBF 2021-2023 which was approved by Government Resolution (Decision) no. 776 dated 28 October 2020.<sup>76</sup> The MTBF provides the ceilings for the upcoming budget year and estimates for the two forthcoming years.

**The score for this dimension is D.**

## 16.3. Alignment of strategic plans and medium-term budgets

### Performance level and evidence for scoring the dimension

Medium-term strategic plans are prepared and costed for most ministries responsible for functional sectors. For 2021-2023 MTBF there were 3 ministries that were responsible for more than one sector expenditure strategy development. For example:

- 1) Ministry of Economy<sup>77</sup> is responsible for
  - a. Construction sector expenditure plan
  - b. IT and communication sector expenditure plans
  - c. Energetic sector expenditure plans

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<sup>73</sup> Tables to Explanatory Note to draft state budget for 2021 are to be found at <https://mf.gov.md/ro/content/proiectul-legii-bugetului-de-stat-pentru-anul-2021-0>. Tables 5 and 7 represent the economic classification, table 6 – functional classification and table 8 – organizational and program classifications.

<sup>74</sup> The letter is not published on Ministry of Finance website.

<sup>75</sup> The date of issue the Budget Circular depends on the budget calendar of the respective year (Article 50, law no. 181/2014).

<sup>76</sup> Link [https://www.legis.md/cautare/getResults?doc\\_id=123891&lang=ro](https://www.legis.md/cautare/getResults?doc_id=123891&lang=ro)

<sup>77</sup> Link for all strategies (plans) <https://me.gov.md/ro/bugetul-mec>

- d. Private sector development sector expenditure plans,
  - e. Quality infrastructure sector expenditure plans, and
  - f. Transport and Infrastructure sector expenditure plan.
- 2) Ministry of Agriculture, Regional Development and Environment<sup>78</sup> is responsible for
- a. Agriculture sector expenditure plan
  - b. Water supply sector expenditure plan, and
  - c. Environment protection expenditure plan
- 3) Ministry of Education, Culture and Science is responsible for
- a. Education sector expenditure plan<sup>79</sup>
  - b. Science and innovation sector expenditure plan
  - c. Culture sector expenditure plan, and
  - d. Youth and Sport sector expenditure plan

Generally, 7 out of 9 ministries prepared 19 strategic plans where the activities were costed. The percentage of expenditures of medium-term budgets covered with strategic planning in 2021-2023 MTBF was 89%. All expenditure proposals in the approved medium-term budget estimates align with the medium-term strategic policy priorities and are reflected in the allocation of expenditures by programs. A separate column is dedicated for indication of the legal provision for each included and costed activity.

The strategies identify the cost implications of current public policy commitments, including funding gaps. The new expenditure policy proposals are included in the MTBF in prioritization order detailing items such as consistency with approved government policy objectives, period of implementation, costing per years. Cost information includes recurring expenditures, capital costs, and future recurrent cost implications of investment commitments per every source of funding, if any.

The costing approach as well as all processes is described in the methodological guide for budget preparation, approval and amendment.<sup>80</sup> Cost implications are based on the government's fiscal policy objectives and the fiscal constraints that these objectives impose on expenditure decision making.

**The score for this dimension is A.**

## 16.4. Consistency of budgets with previous year's estimates

### Performance level and evidence for scoring the dimension

The ceilings for the upcoming budget year and estimates for the two forthcoming years are provided in the MTBF. In addition, the annual state budget law is developed based on policies approved in the MTBF, establishing a clear and transparent link between the MTBF forecasted ceilings and annual budget appropriations.

<sup>78</sup> Link for environmental protection, agriculture and water supply sectors expenditure plans <https://mediu.gov.md/ro/content/cadrul-bugetar>

<sup>79</sup> Link for education sector expenditure plans (strategies) <https://mec.gov.md/ro/content/elaborarea-ssc-2022-2024>

<sup>80</sup> The Guide is approved by the Minister of Finance Order no.209 on December 24, 2015, link <https://mf.gov.md/sites/default/files/Setul%20metodologic%20ajustat%20cu%20Ordinul%2098%20raport%20de%20perform%20-rom%2015.09.pdf>

The data and explanations from the Table 16.2 below include the MTBF 2021-2023<sup>81</sup> and the corresponding 2021 state budget law<sup>82</sup> appropriations.

The common factor that influences deviations of total expenditure (9.2%) result from the further revised resource framework at the stage of the budget drafting and the increase of the expenditure side, especially related to mitigation the COVID-19's impact.

Practically for all sectors there were common adjustments related to:

- Adjustment of salary (payroll) upwards based on provisions of the law no. 270/2018 about unified salary payment system in the public sector;
- Allocations adjustment for continuation of the capital investment appropriations;
- Adjustment of the budgets for projects financing from external resources;
- Additional allocations for current activities of the public authorities/ institutions, based on the budget proposals submitted by them.

At the same time, some financial means were reserved for a further increase of the salaries of the medical staff in the context of COVID-19.

In addition to all these factors, the sector-specific factors that caused the related deviations are included in the table.

**Table 16.2: Deviations between 2021 ceiling included in the MTBF 2021-2023 and 2021 state budget appropriations, per sectors, MDL million**

	2021 ceilings, MTBF 2021-2023	2021 appropriations state budget law	Deviations		Explanations, additional to common factors
			(+,-)	(%)	
<b>Expenditures, total</b>	<b>50,721.5</b>	<b>55,399.6</b>	<b>4,678.1</b>	<b>9.2</b>	
General state activities	4,837.7	5,539.2	701.5	14.5	Common factor; increase in transfers to local authorities; increase in government reserves funds
Foreign affairs	494.0	538.3	44.3	9.0	Reconstruction and maintenance cost of diplomatic missions, IT development
Debt service	2,065.5	2,126.0	60.5	2.9	Increase in internal financing
National defense	686.1	779.0	92.9	13.5	Infrastructure development and insurance of current activities
Public order	3,246.9	3,548.6	301.7	9.3	Procurement of IT equipment
Justice	971.1	1,040.6	69.5	7.2	Common factors
Penitentiary	783.2	731.5	-51.7	-6.6	Changes in expenses related to foreign finances investment projects

<sup>81</sup> Link for approved MTBF 2021-2023 [https://www.legis.md/cautare/getResults?doc\\_id=123891&lang=ro](https://www.legis.md/cautare/getResults?doc_id=123891&lang=ro)

<sup>82</sup> Link for approved 2021 state budget law <https://mf.gov.md/ro/content/bugetul-de-stat-2021>



	2021 ceilings, MTBF 2021- 2023	2021 appropriations state budget law	Deviations		Explanations, additional to common factors
			(+,-)	(%)	
General economic services	529.7	845.5	315.8	59.6	Creation of the industrial platforms, subsidizing the creation of workplaces
Agriculture	1,691.7	1,822.7	131.0	7.7	Financing the National Fund for Rural and Agriculture Development
Energy	243.1	100.9	-142.2	-58.5	External financing projects implementation costs
Mining, industry and construction	22.0	22.1	0.1	0.5	-
Transport	3,044.0	3,815.7	771.7	25.4	Increase in Road Fund expenses
Communication	44.4	68.3	23.9	53.8	Increase in IT System maintenance costs and "112 Service"
Tourism	15.0	15.0			-
Environment protection	261.8	257.4	-4.4	-1.7	External financing projects implementation costs
Housing	333.1	643.3	310.2	93.1	Increase in Ecological Fund and Regional Development fund project's support
Healthcare	5,798.4	7,858.8	2,060.4	35.5	Transfers increase to CHIF and medical staff salary increase
Youth and sport	380.1	418.8	38.7	10.2	Increase in transfers to local authorities for financing sport schools
Culture	509.6	523.0	13.4	2.6	Common factors
Education	12,385.8	12,625.8	240.0	1.9	Increase in transfers to local public authorities for general education schools
Social protection	10,733.7	11,530.4	796.7	7.4	Transfers to local public authorities for social protection support of people in risk situations
Science and innovations	544.3	548.7	4.4	0.8	Common factors
Reserves, for medical staff salary increase	1,100.3		-1,100.3	-100.0	Included in the "Healthcare" sector

Source: MBTB 2021-2023 and 2021 State Budget Law

The score for this dimension is A.

## PI-17. Budget preparation process

### General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of participation by relevant stakeholders in the budget preparation process, including political leadership, and whether that participation is orderly and timely. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores and covers BCG. The time period for dimensions PI-17.1 and PI-17.2 is the last budget submitted to the legislature (2021) and for dimension PI-17.3 it is the last three completed fiscal years (2018-2020).

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-17. Budget preparation process	C+	
17.1 Budget calendar	C	A clear annual budget calendar exists, but some delays are noted for the last budget cycle. The calendar for 2021 project budget allowed ministries and other budgetary units only three weeks from receipt of the budget circular to prepare their proposals. Yet, most of them were able to meaningfully complete their detailed estimates on time.
17.2 Guidance on budget preparation	B	A comprehensive and clear budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. The sectorial ceilings have been approved within the MTBF 2021-2023 and reflects ministry ceilings preliminarily agreed within the MTBF coordination group and coordinated with the Cabinet. However, FY2021 ministry ceilings were not formally approved before issuing the budget circular.
17.3 Budget submission to the legislature	C	The executive has submitted the annual budget proposal to the legislature in November (more than one month before the start of the fiscal year) in all last three years.

### 17.1. Budget calendar

#### Performance level and evidence for scoring the dimension

Law no.181/2014 on public finance and fiscal budget accountability establishes the overarching calendar for the budget process with sequenced activities and deadlines, as summarized in the Table 17.1 below. In particular, article 47 from the above-mentioned law outlines the main activities and deadlines, separate for national and local levels. The law no. 397/2003 on local public finance and the Methodological Guide further detail the intermediate activities during the budget preparation process.

**Table 17.1.: The Approved Budget Calendar**

Timeline	Milestones
MTBF preparation 01 January - 25 February	1. Sector ministries prepare preliminary sector expenditure plans
05 March	2. Ministry of Finance and Ministry of Economy prepare macro-fiscal framework
20 March	3. Ministry of Finance prepares and issues budget ceilings
31 March	4. Sector ministries adjust their sector expenditure plans
01 May	5. Ministry of Finance submits MTBF to Government for approval
01 June	6. Government approves the MTBF
Annual budget process 01 June	7. Ministry of Finance Issues Budget Circular
01 July	8. Sector ministries submit budget proposals to Ministry of Finance
15 July	9. Parliament approves legal framework changes linked to the policies approved in MTBF
15 September	10. Ministry of Finance prepares and presents budget to Government
15 October	11. Government approves and presents the draft budget to Parliament
01 December	12. Parliament approves the budget

Source: law 181/2014<sup>83</sup> and Methodological Guide for preparing, approval and adjusting the budget<sup>84</sup>

Despite the formal budget calendar and the associated guidance, in practice, the calendar is often not respected due to various external factors, mostly related to political instability and the COVID-19 pandemic situation. Budget preparation was delayed for the last budget submission. In particular, the budget cycle for 2021 slipped on activities (5) and (6) and consequently on activities (10) and (11) of the formal budget calendar.

**Table 17.1: Budget calendar and guidance on budget preparation for the covered budget cycle 2020**

Budget calendar exists (Y/N)	Date of budget circular <sup>85</sup>	Deadline for submission of estimates	Coverage	% of ministries complying with the deadline	Date Cabinet approved ceilings <sup>86</sup>
Y	28-September -2020	19-October-2020	All	90%	28-October-2020

Data source: Ministry of Finance

For the 2021 budget, the circular was issued on September 28, 2020, with the deadline for the budget drafts established on October 19, 2020. The calendar has allowed ministries three weeks' time for budget drafting that is less than four weeks from receipt of the budget circular.

<sup>83</sup> Link for the law 181/2014 [https://www.legis.md/cautare/getResults?doc\\_id=106188&lang=ro](https://www.legis.md/cautare/getResults?doc_id=106188&lang=ro)

<sup>84</sup> Link for methodological guide <https://mf.gov.md/ro/buget/informa%C8%9Bii-cu-caracter-metodologic/setul-metodologic>

<sup>85</sup> Link for budget circular <https://mf.gov.md/ro/buget/circulara-bugetar%C4%83>

<sup>86</sup> Link for MTBF 2021-2023 <https://mf.gov.md/sites/default/files/documente%20relevante/CBTM%202021-2023%20romana%20Aprobat.pdf>

Although the budget estimates were not formally adopted by the government, a political involvement of the government in establishing and approving the ceilings was ensured. The MoF, after coordination with the Cabinet, used the agreed ceilings but not yet formally approved through the Government Decision (Resolution) MTBFs 2021-2023 ceilings in the 2021 state budget circular. The MTBF 2021-2023, includes the ceilings and these have been discussed and approved in each Sector Working Groups with representatives from the ministries, State Chancellery, other interested stakeholders (NGOs, trade unions, etc.). It can therefore be concluded that though informal the ceilings were approved by the involved parties. It should also be noted that these disruptions – which are political rather than systemic in nature – have not affected the integrity of the process, and budgets have been adopted one month before the start of the fiscal year.

**The score for the present dimension is C.**

## **17.2. Guidance on budget preparation**

### **Performance level and evidence for scoring the dimension**

During the annual budget preparation process, the MoF issues comprehensive and clear instructions within the Budget Circular. For FY2021 budget the circular issued on September 28, 2020, included:

- Macro-fiscal assumptions
- Summary of the policy priorities
- Expenditure ceilings by function for the forthcoming fiscal year and the two subsequent years per different type of source of financing and based on organizational classification
- Specific guidelines describe the methodology for expenditure forecasting (e.g., for payroll and indexation of expenditure for commodities and services)

There is guidance included for the preparation of the program-based budget as well.

The instructions also provide guidelines on revenue forecasting for the revenue collecting entities, including a description of each tax and the basis for the forecasts.

The budget ceilings also include the transfers to local public administrations.

There are no quantitative limits attached to particular economic classifications except for total recurring and capital expenditures. Limits related to other expenditure are either determined at the aggregate level or provided in narrative form. The capital budget and recurrent budget are prepared.

The budget circular prescribes the flow of activities related to the budget preparation in the FMIS.

The budget ceilings for the draft state budget 2021 were not formally approved before issuing the Budget Circular but were coordinated with the Cabinet. Most employees of ministries/ public institutions, including the MoF, worked remotely in 2020 due to the restrictions imposed by the pandemic (COVID-19). The usual process of coordinating and approving ceilings was distorted. However, before issuing the circular, the ceilings were discussed with each ministry separately and finally agreed with the Prime Minister. In addition, MTBF for 2021-2023 used for the preparation of FY2021 budget and approved on October 28, 2020, includes aggregate sectorial ceilings (health, education, public order, etc.) that to some extent can be linked to individual ministries.

The ceilings may be revised when the draft budget is submitted by the line/ sector ministries and central public agencies to the MoF. The draft state budget law could be further adjusted even in the government before its approval. This reflects the political nature of the budget process.

The entire budget preparation process is carried out within the FMIS through a dedicated module that allows electronic generation of the budget. This module also allows the collection of financial and non-financial information regarding the elaboration of the draft budget.

**The score for this dimension is B.**

**17.3. Budget submission to the legislature**

**Performance level and evidence for scoring the dimension**

The state budget, social insurance budget and the health compulsory insurance funds are submitted by the government to the Parliament in one package of laws simultaneously. This is ensured through a single budget process and cover total government revenue, recurrent expenditure, capital expenditure, general transfers, and specific purpose financing.

**Table 17.3: Actual dates of budget submission to legislature for the last three completed fiscal years**

Fiscal year	Actual date of submission of budget proposal
2018 State budget	November 22, 2017
2019 State budget	November 12, 2018
2020 State budget	November 27, 2019

*Data source: State Chancellery of the Republic of Moldova letter no.31-78-388-4401 dated June 16, 2021*

Draft budget laws for the last three completed fiscal years were sent to the Parliament more than one month before the start of the next fiscal year. The dates of submission of the budget laws for the three assessed years are shown in table 17.3.

**The score for this dimension is C.**

## PI-18. Legislative scrutiny of budgets

### General description of the characteristics of the indicator within the scope covered

This indicator assesses the nature and extent of legislative scrutiny of the annual budget. It considers the extent to which the legislature scrutinizes, debates, and approves the annual budget, including the extent to which the legislature's procedures for scrutiny are well established and adhered to. The indicator also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. The indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores and covers BCG. The time period is the last completed fiscal year for dimensions PI-18.1, PI-18.2, and PI-18.4, and three last completed fiscal years (2018-2020) for dimension PI-18.3

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-18. Legislative scrutiny of budgets	<b>B+</b>	
18.1 Scope of budget scrutiny	A	The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue. All these details are part of the Explanatory Note to draft state budget law and its annexes.
18.2 Legislative procedures for budget scrutiny	B	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultations but were not implemented in the preparation of the 2021 budget. They also include internal organizational arrangements, such as legislature committees, technical support, and negotiation procedures.
18.3 Timing of budget approval	A	The legislature has approved the annual budget before the start of the year in each of the last three fiscal years: 2018 state budget law on 15 December 2017, 2019 state budget law on 30 November 2018, and 2020 state budget law on 19 December 2019.
18.4 Rules for budget adjustments by the executive	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.

The legal basis for legislative scrutiny of the annual budget law and in-year amendments by the Parliament resides in the law no.181/2014 on public finances and budget-fiscal accountability and in the law no.797/1996 on approving the Parliament Regulation. The Parliament of the Republic of Moldova is

constitutionally responsible for adopting the state budget law upon receipt of the respective proposals from the government.

## 18.1. Scope of budget scrutiny

### Performance level and evidence for scoring the dimension

**Table 18.1: Scope of budget scrutiny**

Legislature reviews budget (Y/N)	Coverage (specify)				
	Fiscal policies	Medium-term fiscal forecasts	Medium-term priorities	Aggregate expenditure and revenue	Details of expenditure and revenue
Y	Y	Y	Y	Y	Y

Data source: Provisions of the law 181/2014<sup>87</sup> and 2021 state budget law proposal<sup>88</sup>

The legislature scrutinizes fiscal policy and aggregate figures for the next year, detailed calculations of expenditure and revenue as well as macroeconomic indicators all presented by the government in the explanatory note attached to the draft state budget law. The data includes mid-term budget forecasts and mid-term priorities.

The draft budget prepared by the government is reviewed in great detail by the Parliament within the Committee for Economy, Budget, and Finance and other specialized parliamentary committees (see PI - 18.2). The budget documents are actively discussed and scrutinized both in the committees and in the plenum of the Parliament. The Committee for Economy, Budget, and Finance prepares a report on the examination of the draft budget law<sup>89</sup> for the second reading considering the proposals for amendments from the members of the Parliament and notices from other committees as well as the responses from the government in relation to the proposed amendments.

The law 181/2014 regulates the procedures and the calendar for budget scrutiny:

- Article 48 foresees the procedure and content of medium-term budget framework
- Article 53 foresees the content of the draft budget package
- Article 54 foresees the examination and adoption of the state budget laws

Budget scrutiny for 2021 state budget law approval has followed the prescribed legal provisions. It covers review of fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as the specific details of expenditure and revenue estimates.

The draft state budget outlines in the explanatory note:

- The macro-economic and fiscal assumptions on which the budget is based,
- Explanations on possible deviations from the expenditure ceilings approved in the MTBF,

<sup>87</sup> Link for law no.181/2014 [https://www.legis.md/cautare/getResults?doc\\_id=106188&lang=ro](https://www.legis.md/cautare/getResults?doc_id=106188&lang=ro)

<sup>88</sup> Link for 2021 state budget law proposal <https://mf.gov.md/ro/content/proiectul-legii-bugetului-de-stat-pentru-anul-2021-0>

<sup>89</sup> <https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5333/language/ro-RO/Default.aspx>

- Detailed information regarding the results of the last two budget years,
- Expected results for the current budget year,
- Planned indicators for the next budget year and estimates for at least two coming years.

The draft budgets are submitted in the format compliant to the organizational, program and economic classifications.

A separate law on amending the legal framework accompanies the draft state budget law. This law is approved before the government presents the state budget law in the Parliament and includes provisions to be changed in the current legal framework to substantiate relevant legislative proposals made in the fiscal policy. The government also submits to the Parliament the MTBF for information purposes that is approved by the government based on the provisions of the law no. 181/2014.

**The score for this dimension is A.**

## 18.2. Legislative procedures for budget scrutiny

### Performance level and evidence for scoring the dimension

**Table 18.2: Legislative procedures for budget scrutiny**

Legislative procedures exist	Approved in advance of budget hearings	Procedures are adhered to	Procedures include organizational arrangements
Y	N	Y	Y

*Data source: Parliament website*

The law no. 181/2014 says that draft state budget should be submitted to Parliament by the 15<sup>th</sup> of October. The Parliament should pass the draft Budget Law by 1<sup>st</sup> of December.

Chapter 3, Section 1 of the law no.797/1996 outlines the operations of the standing committees. The Committee for Economy, Budget and Finance has primary responsibility for budgetary aspects. It is responsible for examining draft annual budget laws in the Parliament.

Based on Article 54 of law no.181/2014 the annual budget laws are examined and adopted in two readings.

During the first reading the report on the draft budget is tabled, the general indicators of the budget (revenues, expenditures, and budget balance) are examined and approved; the report is presented by the government and by the parliamentary Committee for Economy, Budget, and Finance. After the first reading the draft law is submitted to the Committee for Economy, Budget and Finance to examine and consider the Parliament members' amendments, objections and proposals. Such inputs come from various parliamentary factions, standing committees, government itself, the legal department of Parliament's Secretariat, representatives of civil society. Based on all these proposals the draft law is prepared for the second reading.

In preparing the draft law for debate at second reading, each parliamentarian, other standing committees and parliamentary factions present amendments to the responsible committee within 10 days from the date of approval of the draft law at first reading. According to Article 59 paragraph (1) of the Parliament Regulation approved by law no. 797/1996, the proposed amendments of the members of the Parliament



on the draft legislative acts are considered submitted from the date of registration to the responsible commission, which keeps a special record of the received amendments.

During the second reading the draft law is examined and voted on article by article or, as the case may be, as a whole. The government is obliged to approve the amendments proposed by the members of the Parliament to the draft budget law between the two readings. According to the provisions of par. 4, art. 131 of the Constitution of the Republic of Moldova, any legislative proposal or amendment that increase or decrease budget revenues or debt and increase or decrease budget expenditures may be adopted only after acceptance by the government.

The draft budget law is discussed not only in the specialized parliamentary committee, but in all other standing committees. The hearings are public and can be accessed on-line.

The 2021 state budget law was approved by the Parliament on December 19, 2020. All procedures approved in the Regulation have been followed.

Generally, public consultation arrangements within the Parliament’s standing committees are described in the art. 49 of law no.797-XIII / 1996. It prescribes that standing committees establishes rules for organization of public consultations in accordance with legislation on transparency of decision making. The respective committee disclosed on the Parliament’s website a summary of recommendations received during the public consultations. Public consultations for budget laws are not mandatory at the Legislature level but they could be conducted at MP’s initiative. The consultations are mandatory instead at the executive level and this is prescribed by law. Consequently, no consultations were conducted for any of the budget laws so far.

The broad procedures for the Parliament’s review of the draft state budget are well established and are generally respected.

**The score for this dimension is B.**

### 18.3. Timing of budget approval

#### Performance level and evidence for scoring the dimension

**Table 18.3: Actual dates of budget approval for the last three completed fiscal years**

Fiscal year	Actual date of approval
2018	Law no. 289 from December 15, 2017
2019	Law no. 303 from November 30, 2018
2020	Law no. 172 from December 19, 2019

Data source: Ministry of Finance website

As was mentioned in dimension 18.2, according to Article 47 of the law no.181/2014, the government must submit the draft budget to the Parliament by the 15th of October each year, and Parliament must adopt the annual state budget law by the 1st of December. Formally, there are more than two months to conduct readings and review the budget proposal. In practice, the draft state budget is usually made available to the Parliament several weeks before the official deadline.

The 2018-2020 political instability plus the COVID-19 pandemic constrains has disrupted the robust process. However, the approval of the annual state budget laws during last 3 years was in line with the requirement to "be published before the beginning of the budget year."

**The score for this dimension is A.**

#### **18.4. Rules for budget adjustments by the executive**

##### **Performance level and evidence for scoring the dimension**

The provisions of the Article 60 from the law no. 181/2014 allow the following adjustments to be done during the budget year:

- Adjustments that require the government approval are the adjustments up to 10% out of total approved budget allocations between the central public authorities (except for autonomous entities) and between the budget programs under the same central public authority budget.
- Adjustments that require only the MoF approval are those between the economic categories within a line ministry (central public authority), without increasing the personnel expenses and without modifying the expenses for capital investments and inter-budgetary transfers.
- Adjustments to the budgetary units' own budget ceilings that do not require prior approval from the MoF are those related to redistribution within the limit of the approved budget at the level of 2 digits of the economic classification.

The required adjustments are aggregated in a government decision periodically. The above-mentioned legal requirements are embedded in the FMIS that exercises automatic control over the compliance and does allow any deviation. This ensures full adherence to the rules.

**The score for this dimension is A.**

## PILLAR FIVE: Predictability and control in budget execution

### PI-19. Revenue administration

#### General description of the characteristics of the indicator within the scope covered

This indicator relates to the entities that administer central government (CG) revenues, which may include tax administration, customs administration, social security contribution administration, as well as agencies administering revenues from other significant sources such as natural resources extraction. These may include public corporations that operate as regulators and holding companies for government interests. In such cases the assessment will require information to be collected from entities outside the government sector. The indicator assesses the procedures used to collect and monitor CG revenues. It contains four dimensions and uses M2 (AV) method for aggregating dimension scores. The assessment period for dimension 19.1 and 19.2: At time of assessment; and for dimension 19.3 and 19.4: Last completed fiscal year- 2020, and the coverage is CG.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-19. Revenue administration	B	
19.1 Rights and obligations for revenue measures	A	The STS and CS, which together administer and collect 98.8 percent of the central government revenues, use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas, including redress processes and procedures.
19.2 Revenue risk management	C	CS and STS assess and prioritize compliance risks for all categories of revenues, however the approaches used are partially systematic and structured.
19.3 Revenue audit and investigation	C	CS and STS undertake fraud and audit investigation using a compliance improvement plan, and complete around 74.4 <sup>90</sup> percent of planned controls and investigations.
19.4 Revenue arrears monitoring	B	The total stock of revenue arrears at the end of FY2020 was MDL 1,089,087.7 thousand, which accounted for 1.877 percent of the central government revenue. The revenue arrears older than 12 months was MDL 528,823.13 thousand or 48.56 percent of the total revenue arrears for the year.

<sup>90</sup>  $98.8 + 50 / 2 = 74.4$  percent for both CS and STS.

In the last completed fiscal year 2020, the State Tax Service (STS) and the Custom Services (CS) together administered more than 100 percent of the total central government revenues, with the main revenue sources being taxes, fees and import duties. The STS is responsible for administrating and collecting 62.7 percent of CG revenues, including: (i) taxes and duties, which in the last completed fiscal year 2020, accounted for 29.4 percent of the total central government revenues; and (ii) social security contributions and other payments, and mandatory health insurance premium and other payments which account for 33.3 percent of CG revenues. The latter, although they are managed respectively by NSIH and NHIC, are administered and collected by STS.

CS collects import duties, custom procedures fee, excise duty and VAT at import. It is responsible for administering and collecting 38.8 per cent of CG revenues. The revenue structure in Moldova is characterized by heavy reliance on the VAT accounting for 39 percent of CG revenues.

The assessment of this indicator will be based on the assessment of the performance of STS and CS, which together collect and administer more than 101.5 percent of the CG revenues. The table below provides further details on the main revenue source of the CG and the respective collecting entities.

**Table 19.1: The main revenue of Central Government and respective collection entities**

Main revenue categories of the Central Government	Total amount collected in FY2020 (MDL, million)	Collecting Entity
Value added tax on goods and services delivered within Moldova	7,729.5	State Tax Service
Excise duty on goods produced in Moldova	567.8	State Tax Service
Income tax	6,534.3	State Tax Service
Property Tax	45.6	State Tax Service
Road tax	904.7	State Tax Service
State social insurance budget	14,462.1	State Tax Service
Mandatory health insurance funds	4,860.4	State Tax Service
Others	1,270.3	State Tax Service
<b>Total State Tax Services (i)</b>	<b>36,374.7</b>	<b>62.7% of CG Revenues</b>
Value added tax on import	14,914.2	Customs Service
Excise duty on imported goods	5,909.8	Customs Service
Customs duties	1,702.8	Customs Service
<b>Total Custom Services (ii)</b>	<b>22,526.8</b>	<b>38.8% of CG Revenues</b>
<b>Total STS and CS (I+II)</b>	<b>58,901.5</b>	<b>101.5% of CG revenues</b>
Others (VAT and excises reimbursement, grants, revenue collected by CPA)	-898.2	1.5 % of CG revenues
<b>Total Central Government Revenues</b>	<b>58,003.6</b>	

Source: <https://customs.gov.md/ro/articles/date-statistic>; <https://sfs.md/ro/catalogul-datelor-deschise>

## 19.1. Rights and obligations for revenue measures

### Performance level and evidence for scoring the dimension

The State Tax Services and the Custom Services use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas, including redress processes and procedures. The STS's (<https://sfs.md/en>) and CS's (<https://customs.gov.md/ro>) websites contains comprehensive information on the following:

- *All laws and regulations pertaining to the revenue administration, including tax and customs duties, social security contributions and mandatory health insurance contributions.* Taxpayers' right and obligations including the redress processes and procedures are clearly stipulated in the Tax Code (<https://sfs.md/en/page/tax-code>) and Custom Code of the Republic of Moldova ([https://www.legis.md/cautare/getResults?doc\\_id=120483&lang=ro](https://www.legis.md/cautare/getResults?doc_id=120483&lang=ro)). Information is customized and tailored to the specific needs of the taxpayer segments, i.e., type of taxpayers- legal entities, individuals, non-residents, public authorities, and other categories (<https://sfs.md/en/services>), taxes, customs procedures- import, export, transit, other customs treatments and procedures etc.
- *Taxpayers' right and the main revenue obligation areas (registration, timely filing of declarations, payment of liabilities on time, and complete and accurate reporting of information in declarations) including the right to redress.* They are all listed by the type of taxpayer in <https://sfs.md/en/services>; [https://sfs.md/en/initiations/persoane\\_juridice](https://sfs.md/en/initiations/persoane_juridice) <https://sfs.md/ro/documente> and <https://trade.gov.md/en>. Specific guidelines have been prepared and tailored to the taxpayers' segments ([https://sfs.md/ro/documente?document\\_type%5B%5D=15&target\\_group%5B%5D=3/](https://sfs.md/ro/documente?document_type%5B%5D=15&target_group%5B%5D=3/)) and type of tax ([https://sfs.md/en/documents?tax\\_type%5B%5D=6](https://sfs.md/en/documents?tax_type%5B%5D=6) <https://customs.gov.md/ro/articles/introducerea-si-scoaterea-marfurilor>). With respect to STS, taxpayers' right and obligations have been included in the Taxpayer's Charter, which is publicly available on the website.
- *Services offered by the tax and customs authorities.* Both collecting entities provide detailed guidance to the taxpayers with respect to the services and have moved towards providing electronically (<https://servicii.fisc.md> [https://sfs.md/ro/initializari/persoane\\_fizice](https://sfs.md/ro/initializari/persoane_fizice) and <https://trade.gov.md/ro>). In addition, social media platforms are used extensively to inform and update the taxpayers (<https://www.facebook.com/Serviciul.Fiscal.de.Stat>; [https://www.instagram.com/sfs\\_md/?igshid=j1pee6hysspl](https://www.instagram.com/sfs_md/?igshid=j1pee6hysspl); [https://www.instagram.com/sfs\\_md/?igshid=j1pee6hysspl](https://www.instagram.com/sfs_md/?igshid=j1pee6hysspl); <https://www.facebook.com/ServiciulVamalRM>; <https://www.youtube.com/user/customsqovmd>). Both collecting entities have posted FAQs in their websites, which is updated on a regular basis.
- *Easy communication with representatives of the STS and CS collecting entities:* STS website (<https://sfs.md/ro/pagina/contacte>) provides the contact details of the staff of each of the department, the schedule of the audience with the citizens<sup>91</sup>; contacts/forms in case of reporting violation of ethical norms and petition. The same is provided by the CS's website <https://customs.gov.md/ro/articles/informatii-de-contact>

STS's website has been modernized as of April 2021 to ensure a better interaction with and dissemination of information to taxpayers. Overall, information on the website is current in terms of the laws and administrative procedures. It is tailored to the taxpayers to make them aware of the changes in the laws and administrative procedures that affect them. Some of key features of the modernized version include: (i) better serving people with special needs; (ii) e-filing through their personal accounts created on the website; (iii) directly linked to the websites of other government agencies to enable automatic exchange of information; (iv) a new search engine to allow identification of the final version of the legal documents with

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<sup>91</sup> The audience with the citizens at the STS is carried out in accordance with the Decision of the Government of the Republic of Moldova no. 463 of November 2, 2019 "On the organization of the hearing".

the respective changes/revisions; and (v) feedback mechanisms available through online support chat. Furthermore, the operation, administration and maintenance of the website are regulated by the order No. 285 dated 28.05.2021 on “Approval of the regulation of the operation, maintenance and administration of the website of the State Tax Service<sup>92</sup>. The order describes the process of collecting, updating, and posting information on the website, responsibilities of the officials involved in the process, and frequency of updating. Every six months, STS reviews the content and makes changes on the website.

Both collecting entities use call centers to enhance payer’s access to information and provide just-in time advice. In 2014-2017, STS was operating a *Single Call Centre 0-8000-1525* whose functions have been transferred since 2017 to the CTIF. Citizens and business entities may call to receive information: about the enforcement of the tax laws; technical assistance; signal cases of non-compliance with the tax law and conflicts with and corruption from the side of civil servants; check the excise stamps, etc. Each territorial service office has a help desk, where the taxpayers can get forms/documents they need as well as just-in time advise. Since 2013, CS has also established a call center with two lines in case clients need assistance on custom duties and if they want to report a complaint or malpractice in the custom administration. In addition, CS offers information on Integrated Customs Tariffs of the Republic of Moldova (TARIM) through the Trade Information Portal and other platforms. It is very useful / crucial for operators and natural persons when filling customs declarations (helping in predictability of customs procedures, customs tariffs, other taxes, requirements, etc.)

Despite the ongoing COVID-19 pandemic, both collecting entities have supplemented these efforts with other activities. Some informative workshops (virtual through the zoom platform) tailored to the taxpayers needs organized by the STS are summarized in the table below. CS also organizes periodic meetings with the taxpayers where the custom legislation, and sector specifics are explained. In addition, CS has established an Advisory Committee<sup>93</sup>, as a mechanism to strengthen the transparency of the customs operations but at the same time raise awareness amongst the representatives of the business community and civil society with respect to changes in the customs legal and regulatory framework. An Advisory Board of the State Tax Service was established as per the order no. 24 of April 7, 2017. It has a consulting role with the business community and civil society about issues of interest and strategically important for the tax administration, including facilitation of the taxpayers and citizens involvement in the implementation of SFS development projects. In addition, TV, radio, newspapers are also used by both collecting entities.

**Table 19.2: List of training carried out by STS in 2020 and 2021**

Purpose/Objective of the event	Target Group	Total of online events delivered
<i>Training/Seminars on the new changes in the tax legislation and new administrative procedures</i>	All interested taxpayers	<b>68 online seminars delivered</b> (10 in the fourth quarter of 2020 and 58 on the first semester of 2021)

<sup>92</sup> In addition, the operation, administration and maintenance of the STS’s website is regulated by the Order no. 285 dated May 28, 2021 on “Approval of the regulation of the operation, maintenance and administration of the website of the State Tax Service <https://sfs.md/uploads/document/162/document/ordin-sfs-nr-285-din-28052021pd-60e68ae5239e6.pdf>. It is elaborated in accordance with the provisions of Law no. 982-XIV of May 11, 2000, on access to information, law no. 1069-XIV of June 22, 2000, regarding informatics, Government Decision no. 344 of April 30, 2009, regarding the approval of the amendments that are operated in some decisions of the Government and Government Decision no. 188 of April 3, 2012 on the official pages of public administration authorities on the Internet.

<sup>93</sup> The organization and functioning of the Advisory Committee are regulated by the CS Order no. 348-O dated September 11, 2017.

<b>Meetings on the new functionalities of SIA "e-invoice" and the new official website of STS</b>	Representatives of business associations, including Association of Foreign Investors, European Business Association, American Chamber of Commerce, Community of Accountants "Accountant News"	<b>8 online sessions delivered</b> (7 in Year 2020 and 1 in the first semester of 2021)
<b>Meetings of the STS Compliance Council in order to provide recommendations and practical solutions to increase taxpayers' compliance</b>	Representatives of the business community from the sectors identified with high risk of tax compliance	<b>3 online sessions</b> delivered in 2020; 3 on-line sessions in 2021

Source: Data provided by STS.

The Tax Code<sup>94</sup> and Customs code clearly stipulates the procedures for filing objections and appeals, for which the taxpayers are well informed through different means. Since 2018, a Dispute Settlement Council has been established at the STS<sup>95</sup>, which deals with the appeals submitted in accordance with the provisions of art. 2741 par. (2) lit. a) of the tax code- to challenge administrative acts by which a fiscal obligation in the amount of over MDL 500,000 - for legal entities and over MDL 250,000 - for natural persons has been established. If the appeal does not meet the respective conditions, it will be dealt with according to art. 267–274 of the Tax Code. CS has established a Dispute Settlement Council as was foreseen in the art. 2941 of the Customs Code and point 5 from the government decision no. 380 dated April 25, 2018 (Official Gazette of the Republic of Moldova, 2018, no.133-141, art. 15).<sup>96</sup>

The STS and CS, which together administer and collect 98.8 percent of the central government revenues, use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas, including redress processes and procedures.

**The score for this dimension is A.**

## 19.2. Revenue risk management

### Performance level and evidence for scoring the dimension

Each taxpayer has a unique Taxpayer Identification Number (TIN). CS identifies the enterprises by TIN for the purpose of customs clearance and for the payment of duties and taxes. The "ASYCUDA World" system is connected to the other registration systems, i.e., receives data from the Treasury in customs offices, and "UNIPASS" information offices receives data from the Border Police General Inspectorate. STS identifies the taxpayers in the State Tax Register by a unique assigned TIN. Any persons who, according to the tax legislation, must file a tax return, should include the TIN in it. When conducting transactions and carrying out their business operations, the parties must indicate their TINs in the documents. The tax administration must also indicate taxpayer's TIN in all notifications sent out to them. The taxpayer registration data base is

<sup>94</sup> The procedure for contesting the administrative acts (decisions) issued by the STS or the actions of the fiscal officials, is provided by Chapter 17 of the Tax Code, entitled "Appeals", art.267–274 Code.

<sup>95</sup> According to Law No. 295 dated December 21, 2017, for the amendment and completion of some legislative acts, Tax Code No. 1163/1997, as subsequently amended and supplemented by Article 2741 "Examination of Appeals in the Dispute Settlement Council" and the SFS Order no. 327 dated June 14, 2018, on the organization and functioning of the Dispute Resolution Council within the STS (published in the Official Gazette no. 246 - 254 of July 6, 2018)

<sup>96</sup> The Order of the CS No. 417-O dated September 28, 2018 (Official Gazette of the Republic of Moldova, 2018, no. 384-395, art. 1495) with the necessary amendments in the Order No. 58-O of February 7, 2020 (Official Gazette of the Republic of Moldova, 2020, no. 55-361, art. 196).



connected to the State Treasury so that the collected revenues are specified by TIN used for taxpayer. Moreover, all the payments made by the State Treasury are checked to make sure that the data (including bank accounts) match the data base of the State Tax Service.

A certificate of absence of any debt is issued to a person (or persons in company) as a proof that the person is compliant with the lodgments of tax returns and payment of taxes in accordance with relevant tax law. The certificate of absence of any debt is issued in accordance with article 133 paragraph (1) letter, c) and article 190 paragraph (4) of the Tax Code no.1163-XIII dated April 24, 1997, and the STS' internal order no. 400 dated March 14, 2014 (with subsequent amendments<sup>97</sup>). The certificate is then submitted for the expression of interest or tender to supply goods and services for any government or public sector business contract; or applies for any registration, permit or license from any government ministry or entity; or exporter/importers license; bank loan, financing or asset transfer; etc.

Since 2015, the CS has introduced the AEO (Authorized Economic Operator) program with the objective of enhancing international supply chain security and of facilitating legitimate trade. Furthermore, AEO means a better planning system, minimized risk of theft and loss, as well as of delays in transport due to consolidated security and communication between the partners involved in the supply chain. The program is open to all the participants in the international trade and is based on the partnership between the CS and the economic operators who voluntarily comply with customs regulations, ensure the security of goods in the international traffic, cooperate with the customs authority and therefore benefit from customs facilities and simplifications. There are many benefits associated with the AEO including: (i) fewer physical and document-based controls, compared to other economic operators ; (ii) priority treatment if selected for customs control; (iii) possibility to request a specific place for customs controls; (iv) easier admittance to customs simplifications – this benefit is provided under AEOC; (v) prior notification if the transport is selected for customs control- notification is made before the goods are presented at customs, but shall not be made where such notification might compromise the control results; (vi) extension of the payment term for import duties (exception: duty for customs procedures) by up to 30 calendar days; (vii) crossing the border as a matter of priority – with no queueing and via a specially dedicated AEO lane (where allowed by the infrastructure of the customs posts). In addition, the AEO status gives the company the recognition of reliable partner, both in the relations with the customs and with the business partners, which further enhances customer loyalty. The list of AEO as per March 2021 is published at [https://trade.gov.md/api/media/13/04/2021/Lista\\_AEO\\_13.04.2021\\_8u0m03Q.pdf](https://trade.gov.md/api/media/13/04/2021/Lista_AEO_13.04.2021_8u0m03Q.pdf).

CS uses a risk-based profiling system, which is well regulated in the legal and regulatory framework. The framework consists of: (i) the Custom Code; (ii) the law no. 1149-XIV dated July 20, 2000; and (iii) several government decisions-no. 1144 dated November 3, 2005 on "The approval of the concept of risk management system in the CS"; no. 1000 dated October 17, 2018 on "The approval of the regulation and procedures for carrying out subsequent control by the customs bodies";<sup>98</sup> no. 379 dated April 25, 2018, on "The state control over entrepreneurial activity based on risk analysis".<sup>99</sup> Importers use licensed customs brokers, which is also a risk mitigation measure.

The risk-based profiling system is further elaborated in the Customs Service Risk Management Strategy (CSRMS) to ensure alignment with international good practices. The CS issued the service order no. 578-O

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<sup>97</sup> Published: March 28, 2014, in the Official Gazette no. 72-77 art. 39

<sup>98</sup> [https://www.legis.md/cautare/getResults?doc\\_id=109894&lang=ro](https://www.legis.md/cautare/getResults?doc_id=109894&lang=ro)

<sup>99</sup> [https://www.legis.md/cautare/getResults?doc\\_id=103027&lang=ro](https://www.legis.md/cautare/getResults?doc_id=103027&lang=ro)



dated December 26, 2018, on “The approval of the strategy on determining and classifying the custom non-compliance risks”. The internal strategy has been developed in accordance with the international good practices and the European Commission (EC)’s Customs Blueprint on Compliance Risk Management (CRM). It is intended to be used by the custom officials in the Post Control Directorate and its respective subdivisions to identify, analyze, assess, prioritize, and manage the risk to non-compliance of economic agents.

The internal strategy is the centerpiece document used for the risk management approach by CS. It covers all categories of revenues, the entire compliance risk management cycle (identification, assessment, prioritization and management). It also elaborates on the types of potential non-compliance risks, which could be:

- *General risks*: timing of the last check; changes in the legal address of the entity; modification of the founder; duration of activity of the economic agent; previous violation; volume and value of imports / exports, type of commodity, custom dues paid so far, etc.;
- *Specific risks*: aims at identifying economic agents with an increased risk of non-compliance because of- underestimation of the customs value by wrongly declaring the type/quantity of goods and merchandise; tariff classification; preferential tariff treatment; custom regime/country of origin; suspensive regimes; third-party exchange of information, i.e., tax authority and other international organizations; and other issues that might influence the assessment, declaration and payment of import duties;
- *Security and safety risks*: smuggling, customs frauds, trading of dangerous/prohibited goods, etc.

Importers are subjected to stratification according to risk assessment criteria and the latest version of ASYCUDA World system is being used by CS. ASYCUDA World system was migrated to its latest version, including the deployment of new and updated national modules, the configuration of the ITC environment and data migration. The latest version complies with the EU requirements on the Single Administrative Document (SAD) and has significantly contributed to the enhancement of CS operational capacity. Risks profiles are established on the basis of the risk criteria, and analytical reports prepared systematically depending on the sectors. Importers are then on the basis of risk assessment criteria/risk profiles assigned to: (i) Green Channel (no inspection); (ii) Blue Channel (post-clearance audit); (iii) Yellow Channel (document inspection) and (iv) Red Channel (document and physical inspection). This approach to risk management also involves a systematic update of the importers’ risk profiles, which can be moved from one channel to another depending on their compliance. Customs officers from the Post-Control Directorate depending on risk criteria as set forth in the internal guidance will select and include the economic entities into the annual control program for post-clearance inspections and customs compliance. However, there is a need for the risk assessment to be automated to ensure higher degree of objectivity, impartiality, and professional integrity.

Since 2018, following the recommendation from the International Monetary Fund, STS has developed and implemented the Concept of Differentiated Risk Framework for large taxpayers.<sup>100</sup> The Concept centers on the principle of risk-based management by considering the following risk factors: (i) probability of non-compliance, i.e., probability that the identified risk will materialize; and (ii) consequences/expected impact if the identified non-compliance risks will materialize. Large taxpayers are required to be profiled bi-annually, by using a range of risk filters and be assigned into one of the four quadrants; including: (i) *high risk taxpayers*, those with turnover of more than MDL 500 million, maximum risk score, and maximum

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<sup>100</sup> This was developed and implemented following the approval of the SFS Order no. 351 dated June 28, 2018.

potential impact; (ii) *key taxpayers*, those with a turnover of more than MDL 500 million; below average risk score, and potential impact between high and extreme; (iii) *medium risk taxpayers*, those with a turnover of less than MDL 500 million; potential impact between medium and high; and (iv) *low risk taxpayers* those with a turnover of less than MDL 500 million; low risk score; and potential impact between low and medium. Considering the criteria according to which taxpayers are divided into risk quadrants, treatment measures are applied proportionally as per respective risks in the assigned quadrant.

The general risk evaluation framework was developed for other taxpayers' segments using the "*Methodologic Norms*."<sup>101</sup> The framework was developed in line with the EU guidelines on risk management for tax administration. It has established the norms for identifying, assessing, and prioritizing non-compliance risks in order to promote voluntary compliance and enhance the efficiency of control mechanisms. These Methodological Norms establish the risks of tax compliance, their description, identification and assessment in order to optimize the planning activity of tax audits and promote voluntary tax compliance. The register of fiscal compliance risks has been revised and updated in accordance with the Methodological Norms regarding the determination and classification of fiscal compliance risks approved by the STS order no. 107 of February 11, 2015, amended and supplemented by the STS order no. 246 of May 6, 2021 "On amending / supplementing / adjusting the Methodological Norms on determining and classifying the risks of fiscal compliance". At the same time, the register of fiscal compliance risks related to large economic-taxpayers was revised and updated the risks related to large economic-taxpayers by SFS order no. 583 of November 22, 2021.

While STS uses elements of risk management, they are not used systematically for all tax administration processes. IMF highlights in the Moldova Country Report No. 20/76 (p. 9), that despite progress made, STS should strengthen the tax compliance by: (i) completing the taxpayer registry; (ii) improving the audit function by further developing a risk-based approach; and (iii) better monitoring and addressing tax evasion and avoidance risks from large companies and high wealth individuals (HWIs). Large taxpayers contribute the most to the tax revenue envelope (i.e., in 2020 LT contributed around 37 percent of the national public budget). IMF also emphasizes the importance of undertaking a comprehensive review of tax audit function with a view to focus on risk-based approach and strengthen the audit program design (p. 69).

Overall, CS and STS assess and prioritize compliance risks for all categories of revenues, however the approaches used are partially systematic and structured.

**The score for this dimension is C.**

### **19.3. Revenue audit and investigation**

#### **Performance level and evidence for scoring the dimension**

STS has developed a Taxpayer Compliance Program, which is updated and approved annually. The STS approves annually the Taxpayer Compliance Program, which includes a description of the most significant risks to non-compliance identified in the tax system, priority sectors of the national economy for monitoring, compliance treatments designed to help increase the effectiveness of prevention and control of tax evasion, including compliance treatments applied to large economic taxpayers, as well as the range of services

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<sup>101</sup> This was developed and implemented following the approval of the STS order no.107, dated February 11, 2015 (with subsequent amendments).

provided to taxpayers in order to optimize the activity of tax administration and reduce the risk of misinterpretation of tax legislation.

STS analyzes on a regular basis the information, assess the risk criteria met by each of the taxpayers, and subsequently develop compliance improvement actions corresponding to the level of risk. The State Tax Service selects and approves the list of taxpayers operating in the priority segments of the national economy for monitoring through the prism of the Continuous Monitoring Program for at least 12 months, by applying voluntary compliance measures. Following the application of prevention measures, the STS monitors the tax due and respective payments. Thus, against the taxpayers who are not willing to comply voluntarily and do so consciously, taking the risk deliberately, the STS applies forced compliance treatments by including taxpayers in the approved control plans monthly / quarterly / annually, the establishment of fiscal posts.

Despite a 98.9 percent completion rate of planned audits, the number of unplanned audits is excessive, which reflects the weak risk-based approach used by STS. The taxpayers are selected for audit through risk-based criteria, i.e., only 39 large taxpayers were audited in 2020. Full audits cover also social security and health insurance contributions. For other audits the coverage depends on the method planned. Around 76 percent of the audits are unplanned, which results in high burden on taxpayers, lowers efficiency of tax administration, and creates opportunities for corruption. The table below summarizes planned and unplanned audits for FY2020.

**Table 19.3: Planned and unplanned audits by STS for FY2020**

	Planned audits	Conducted planned audits
<b>Full audits</b>	1,066	949
<b>Thematic audits</b>	153	158
<b>Partial audits</b>	4	124
<b>Operational audits</b>	9,984	9,984
<b>Others</b>	3	2
<b>Total planned audits</b>	<b>11,210</b>	<b>11,095</b>
	<b>Unplanned audits</b>	
<b>Full audits</b>		554
<b>Thematic audits</b>		26,114
<b>Repeated audits</b>		60
<b>Controls by contrast</b>		698
<b>Factual controls</b>		648
<b>Partial audits</b>		570
<b>Chamber audits</b>		5,855
<b>Total unplanned audits</b>		34,499
<b>Total planned and unplanned</b>		<b>45,594</b>

In 2020, 45,594 fiscal audits were performed, of which 11,095 planned audits and 34,499 unplanned audits. It should be noted that unplanned tax audits performed by the SFS are mandatory controls performed at the request of the economic agent, as follows:

- Fiscal audits at the request of the economic agent regarding the VAT/excise refund - 2,206 controls;
- Fiscal audits at the request of the economic agent regarding the registration of VAT payers and cancellation of the registration - 640 controls;
- Fiscal audits at the liquidation of economic agents - 835 controls;
- Audits done by the verification from the office method (represents a method of fiscal administration and is not an on-the-spot control) – 5,855 controls,

- Fiscal review of the applications for the refund of the personal income tax and the verification of the obligations of the physical persons – 19,511 controls,
- Fiscal controls performed by other methods: total, thematic, partial, counterbalance, factual and repeated – 5,452 controls, as a result of examining appeals, requests of economic agents in process of reorganization, initiating insolvency proceedings, establishing fiscal posts.

Since October 1, 2018, the Criminal Code was amended to have STS as a tax crime establishment body. This means STS is able to establish evidence of a tax crime but cannot formally investigate such crimes under the Criminal Procedure Code. In addition, starting from January 1, 2021, STS has graduated from being a tax crime “establishment” body to having full criminal investigation competence – under the supervision of the prosecutor. As a result, a Directorate on Anti-Fraud has been established to carry out special investigation and criminal prosecution regarding offences as stipulated in the Articles 241-242-244, 244<sup>1</sup>, 250-253 and 355 of the Criminal Code.

CS applies the control system on the basis of: (i) section 29 of the Customs Code (law no. 1149/2000) and GD no. 1000/2018 on “The approval of the Regulation for the procedure for carrying out the subsequent control by the customs bodies” for subsequent checks; (ii) order of the CS no. 455-O of October 19, 2012 on “The approval of the guide for performing the post-customs audit” and law no. 131/2012 on “The state control of the entrepreneurial activity” for post-customs audits; and (iii) order of the CS. no.229-O of June 16, 2015 on “The approval of the guide for carrying out the subsequent control by re-checking the customs declarations.”

Post-release control performed by CS consists of verifying the information contained in the customs declarations and accompanying documents, the existence and authenticity of the documents provided to perform a customs procedure, in examining of accounting and other documents in any form, including computerized, of vehicles, warehouses, including goods if these can be still identified. The post-release control activity is organized and carried out on the basis of the annual control policy and annual control plans, which are drafted following the risk analysis surveys and approved by the management of the Customs Service, on the basis of unannounced controls and of customs declarations validated on the blue customs control corridor.

The post-release control activity through post-clearance audit or re-verification of customs declarations is exercised by CS through the units of post-release control, as well as jointly with other units and/or control authorities depending on the risks involved.

CS applies the post-clearance control system (ASYCUDA blue channel), which is carried out by the Post Control Directorate and the respective territorial subdivisions. To ensure compliance with the legislation and to enhance transparency while conducting control over the economic agents, CS makes publicly available the post-clearance audit plan.<sup>102</sup> In addition, CS publishes on quarterly basis the results of the post clearance controls as compared to the preceding three reporting periods and on annual basis - the annual results of post controls.

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<sup>102</sup> According to Article.15 of law no.131 / 2012 on “State control over entrepreneurial activity”, as well as in the context of points 19-26 of the Regulation on keeping the State Register of Controls, approved by GD no. 464/2018. [www.controale.gov.md](http://www.controale.gov.md)  
[www.customs.gov.md](http://www.customs.gov.md)

In FY 2020, 393 economic agents including 132 economic agents for post-clearance audits were selected through risk-based criteria, out of which 199 post-custom audits were completed. Thus, 50 percent of the plan was completed.

**Table 19.4: Planned and unplanned controls by CS for FY2020**

	Planned controls	Conducted controls
Number of post-release controls	N/A	61
Number of controls through repeated verification of the customs declarations	N/A	138
<b>Total controls</b>	<b>393</b>	<b>199</b>

Source: <https://customs.gov.md/ro/articles/rezultatele-controlului-ulterior>

Overall, CS and STS undertake fraud and audit investigation using a compliance improvement plan, and complete around 74.4<sup>103</sup> percent of planned audits and investigations.

The score for this dimension is C.

## 19.4. Revenue arrears monitoring

### Performance level and evidence for scoring the dimension

According to the report prepared by the Customs Service on the debt of economic agents, as of 31 December 2020 (Annex 1) the stock of revenue arrears by type of income and the revenue arrears older than 12 months is presented in the table below. The same report emphasizes that the debt is managed by being divided into (i) debt older than 6 years, which according to the article 128 of the Custom Code is written off as the limitation period has expired; and (ii) debt older than 12 months as per the calculations in Annex 2. The reporting of debt to the MoF is carried out in compliance with the order no. 94, dated March 22, 2010 (see also calculations in Annex 5).

**Table 19.5: Stock of revenue arrears for CS by type of income and the revenue arrears older than 12 months**

Custom Services: Stock of revenue arrears by type of income/last completed FY 2020 (in thousand lei)	
VAT	183,986.0
Excise duties	4,894.8
Customs duty	27,182.2
Fee for customs procedures	1,257.5
Other	14,458.0
<b>Total Stock of Revenue Arrears for CS</b>	<b>231,778.3</b>
<b>Revenue arrears older than 12 months</b>	<b>206,510.6</b>

Source: MoF

In order to ensure a proper management and recovery of revenue arrears, the STS has prepared an operational manual on arrears management, as per the STS order no.42, dated January 31, 2018 (with subsequent amendments and improvements). The operational manual serves as a methodological guidance and provides specific operational support to the units within STS responsible for managing arrears, with the

<sup>103</sup>  $(98.8+50)/2=74.4$  percent for both CS and STS.

ultimate goal of ensuring a uniform application of the enforcement measures as stipulated in the current legal and regulatory framework. The table below provides the stock of revenue arrears for the last completed fiscal year for all the revenue streams collected by the STS, including the social security and health insurance contributions. It also provides the total of revenue arrears older than 12 months. Compared to FY2019, the stock of the revenue arrears has increased due to the state of emergency declared in the country on March 17, 2020, due to COVID-19 health crisis. In addition, several natural disasters occurred during 2020, which affected considerably the agricultural sector, thus their ability to pay.

**Table 19.6: Stock of revenue arrears for STS by type of income/last completed FY 2020**

<b>State Tax Service: Stock of revenue arrears by type of income/last completed FY 2020 (MDL, thousand)</b>				
<b>Budget classification/revenue type</b>	<b>Central government (1+2+3)</b>	<b>State budget (1)</b>	<b>Budget of social security contributions (2)</b>	<b>Funds of mandatory health insurance (3)</b>
Income tax	205,294.05	205,294.05	0	0
Property tax	15,369.62	15,369.62	0	0
VAT	303,657.96	303,657.96	0	0
Excise	5,432.77	5,432.77	0	0
Tax for environment pollution	1,265.86	1,265.86	0	0
Tax for natural resources	0	0	0	0
Tax for road use	4,210.85	4,210.85	0	0
Other taxes and duties on goods and services	8.56	8.56	0	0
Revenues from property	189.91	189.91	0	0
Others	1,998.46	975.04	798.59	224.83
Social security contributions	252,637.88	0	252,637.88	0
Health Insurance contributions	67,243.52	0	0	67,243.52
<b>Total Stock of revenue arrears for STS</b>	<b>857,309.44</b>	<b>536,404.62</b>	<b>253,436.47</b>	<b>67,468.35</b>
<b>Revenue Arrears older than 12 months for STS</b>	<b>322,312.53</b>			

**Table 19.7: Cumulative stock of revenue arrears for CV and STS**

Total stock of revenue arrears at the end of FY2020 (1)	1,089,087.7
Total revenue arrears older than 12 months (2)	528,823.13
Total central government revenues (3)	58,003,600.0
1/3	1.877 percent
2/1	48.56 percent

The total stock of revenue arrears at the end of FY2020 was MDL 1,089,087.7 thousand, which accounted for 1.877 percent of the central government revenue. The revenue arrears older than 12 months was MDL 528,823.13 thousand or 48.56 percent of the total revenue arrears for the year.

**The score for this dimension is B.**

One of the key reforms under the IMF’s EFF and ECF program for Moldova is strengthening the tax administration. In this regard, the tax authorities are working towards operationalizing the integrated tax register by end of June 2022.

**PI-20. Accounting for revenue**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling tax revenue accounts. It covers both tax and nontax revenues collected by the CG. It contains three dimensions and uses M1 (WL) for aggregating dimension scores. The assessment period for the indicator is at time of assessment and the coverage is CG.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-20 Accounting for revenue	A	
20.1 Information on revenue collections	A	The State Treasury obtains real time basis information on revenues collected by the STS and CS. The information is broken down by revenue type, collection period, and consolidated into a report which is publicly available.
20.2 Transfer of revenue collections	A	All taxes, social security and mandatory health insurance contributions, and customs payments are paid into the accounts of the State Treasury according to economic classification and Register of IBAN codes and the transfer is immediate.
20.3 Revenue accounts reconciliation	A	Both STS and CS overall undertake complete reconciliation of assessment, collection, arrears and transfers to the State Treasury at least quarterly within four weeks of the end of quarter.

The assessment of this indicator will be based on the assessment of the performance of STS and CS, which together administer more than 98.9 percent of the CG revenues (refer to table on the main revenues of Central government and respective collection entities).

**20.1. Information on revenue collections**

**Performance level and evidence for scoring the dimension**

The State Treasury of Moldova within the MoF has daily (real time) information on revenues collected by the STS and CS. According to the regulations on the exchange of information between the MoF and the CS, confirmation of receipts of revenue collection should be transmitted by CS to MoF on the daily basis.

Following the receipt of information, the MoF submits the Register of Revenues of the State Budget for the respective date, which in turn is verified and cross-checked with data from the CS information system on- daily basis (Annex 6 (MoF) and Annex 7 (SV)); monthly basis (Annex 8 (MoF) and Annex 9 (SV)); and on cumulatively basis (Annex no. 10 (MoF) and Annex no. 11 (SV)). Additionally, according to the request of the MoF no. 24/4-4-219 dated October 24, 2014, CS presents monthly, up to the 12th of the month following the reporting period, collected revenues by revenue source (execution of the budget for 2020 - annex no. 12), and the progress made towards achievement of the revenue target. The Treasury follows the same procedure with the STS.

The Treasury prepares a consolidated report covering all central government revenues on a monthly, biannual and annual basis, which is publicly available at <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>. Revenues are available from the Treasury on a real time basis by revenue type and collection period.

**The score for this dimension is A.**

## **20.2. Transfer of revenue collections**

### **Performance level and evidence for scoring the dimension**

All taxes,<sup>104</sup> social security and mandatory health insurance contributions, and customs payments<sup>105</sup> are paid into the accounts of the Treasury according to economic classification and Register of IBAN codes<sup>106</sup> and the transfer is immediate.<sup>107</sup> The payments are transferred into the TSA. The payments administrated by the STS are simultaneously reflected by territory and by the code of revenue classification. In the case of customs related payments, they are reported on revenue classification codes after validation of the custom documentation. The Treasury and its regional branches transmit on a daily basis and, in an electronic format, information on the payment (payment document information file) to the respective collecting entities including NSIH and NHIC.

**The score for this dimension is A.**

## **20.3. Revenue accounts reconciliation**

### **Performance level and evidence for scoring the dimension**

The Treasury shares the revenue receipts with the collecting entities-STS and CS on a daily basis. Additionally, for STS and CS monthly and annual verification document on the collection and transfers are prepared and shared as per point 3.3.5 of the Methodological Norm approved by the order of the MoF No. 215, dated December 28, 2015.<sup>108</sup>

STS through the “current taxpayer’s account” information system keeps records reflecting amounts levied and paid by each taxpayer. The information on the payment is received daily from the Treasury and is recorded immediately in the taxpayer’s current account, while other changes when do occur-when

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104 The procedure for payment of tax obligations is regulated by the provisions of art. 171 of the Tax Code.

105 According to art.125 of the Customs Code, import-export duties could be paid via bank transfer, cash and bank cards.

106 Register is published on MoF website: <https://mf.gov.md/ro/iban>

107 As per the Order no.166, dated December 22, 2020, of the MoF “On how to pay and record payments to the national public budget through the treasury system of the MoF” Published: December 31, 2020, in the Official Gazette no. 372-382 art. 1448. [https://www.legis.md/cautare/getResults?doc\\_id=124802&lang=ro](https://www.legis.md/cautare/getResults?doc_id=124802&lang=ro)

108 [https://www.legis.md/cautare/getResults?doc\\_id=127792&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=127792&lang=ro#)



obligation is due, modified, and paid in full, or resulting in arrears. Upon request, the IT system can generate multiple statistical reports covering such as on arrears and amounts calculated, paid or due from the taxpayers. Monthly, within 3 days after the end of the month, the report on arrears is prepared from the information system “Current taxpayer’s account.”

CS conducts a daily reconciliation at the level of economic agent through the single account. There is a procedure describing the way customs related obligations are settled through compensation as described in MoF Order no. 56 din March 7, 2018. Normally, the importers pay advance amounts in their accounts before customs clearance starts.

Both STS and CS overall undertake complete reconciliation of assessment, collection, arrears, and transfers to the Treasury at least quarterly within four weeks of the end of quarter.

**The score for this dimension is A.**

**PI-21. Predictability of in-year resource allocation**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses the extent to which the central MoF is able to forecast cash commitments and requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores and covers BCG. The scope is at the time of the assessment for dimension PI-21.1, last completed year (2020) for dimensions PI-21.2, PI-21.3 and PI-21.4.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-21 Predictability of in-year resource allocation	B+	
21.1. Consolidation of cash balances	A	The government operates a Treasury Single Account within which each budgetary unit has its own subaccount. All the accounts are consolidated on a daily basis.
21.2 Cash forecasting and monitoring	A	After the annual budget has been approved each budgetary unit has to submit its forecasts for spending needs and revenues. Once approved these are then broken down monthly. These are updated on a daily basis given performance execution and consolidated on a monthly basis.

21.3 Information on commitment ceilings	A	Based on their individual spending forecasts within their annual budget, budgetary units are able to plan their budget for the whole year according to their time period required for expenditure to deliver the services that are to be provided.
21.4 Significance of in-year budget adjustments	C	While the adjustments are transparent and predictable, the amounts in 2020 are significant in terms of revenue and expenditure due to the impact of the COVID pandemic.

## 21.1. Consolidation of cash balances

### Performance level and evidence for scoring the dimension

**Table 21.1: Consolidation of bank and cash balances (summary)**

Extent of consolidation (All, Most, < Most)	Frequency of consolidation (D, W, M)
All	Daily

*Data source: State Treasury*

The agreement on participation in the automated system of interbank payments and the range of services provided by the National Bank of Moldova (NBM) to the MoF was made on July 31, 2018 (replaces the agreement of December 5, 2007). The TSA is located in the NBM and has separate bank sub-accounts for National Public Budget (State Budget, Local Budgets, State Social Insurance Budget, Compulsory Health Insurance Funds) and public institutions for self-management. The MoF has real-time access to the consolidated position of funds in TSA. Bank accounts in foreign currency are also opened in the NBM, bank statements are processed daily. TSA fully covers BPN and public authorities / institutions that are self-managed.

The government operates a TSA within which each budgetary unit has its own subaccount. All the accounts, including in the commercial banks, are consolidated on a daily basis.

**The score for this dimension is A.**

## 21.2. Cash forecasting and monitoring

### Performance level and evidence for scoring the dimension

Art.64, law no. 181/2014 provides for the methodological norms regarding the cash execution of the component budgets of the national public budget and of the extra-budgetary means through TSA of the MoF (point 2.2 liquidity forecast, MoF order no. 215/2015). The domestic revenue forecast is prepared on the basis of the revenue forecasts submitted and regularly updated by the revenue administrators. The

expenditures are forecasted on the basis of the financing needs estimated by the spending units. The sources of financing are forecasted based on the information presented by the MoF Public Debt Directorate, which provides the schedule of operations with state securities (SS), the schedule of external payments alongside the inflows of external loans and grants, which are updated if and when there are changes. The forecast is made so that, in case there is a temporary cash gap, additional sources of financing are identified: increase of SS issue, loans between budgets, use of available TSA means (art. 62 para. (10), law no. 181/2014) or payments are prioritized in accordance with the legislation (art. 62 para. (10), law no. 181/2014). The surplus of funds can be placed in deposits with the NBM (art. 62 para. (4), law no. 181/2014).

After the annual budget has been approved each budgetary unit has to submit its forecasts for spending needs and revenues collected for the whole year within 45 days after the budget. Once approved these are then broken down into months and further into weeks and days and reflect the expenditure priorities of individual ministries and their spending units. These are updated on a daily basis given performance execution and consolidated on a monthly basis. A daily analysis of the budget execution is performed by the Treasury and depending on this analysis, the forecast is updated.

At the end of each month, the annual forecast (divided by months) is updated according to the execution of the budget and the amendments to the Annual Budget Law. The deviations from the approved monthly forecast and their main causes are examined, the result being presented to the management of the MoF.

**The score for this dimension is A.**

### **21.3. Information on commitment ceilings**

#### **Performance level and evidence for scoring the dimension**

Once the budget is approved, the allocation ceilings are entered in the Treasury system for each budgetary unit, therefore the budgetary units are able to plan their expenditures for the whole year in advance. Each budgetary unit can plan and monitor the available funds and the balances remaining after commitments have been made as they are entered in the system throughout the year. The commitments are created through procurement contracts entered into by the spending units, including the contracts with individuals, which shall be mandatorily registered in the Treasury territorial units in module TRE22 of FMIS by attributing an unique registration number. MoF does not impose monthly apportionment limits, therefore the budgetary units have a significant degree of flexibility to plan and commit their expenditures up to the value of their annual allocation. The Treasury controls the level of spending according to the available funds including commitments. Any new commitment incurred by the spending unit will not be permitted by the Treasury if it exceeds the remaining balance of the annual budget appropriation. The regulations governing information on commitment ceilings is contained in law on public finances and budgetary-fiscal responsibility no. 181/2014, art. 66. The methodological norms regarding the cash execution of the component budgets of the national public budget and of the extra-budgetary units financed through the TSA of the MoF have been approved by the order of the Ministry of Finance no. 215/2015, chapter IV, point 4.2.3 Management of Commitments.

Based on their individual spending forecasts within their annual budget allocation, budgetary units are able to plan how they spend their budget for the whole year according to the timing for expenditure to deliver the services that are to be provided by them.

**The score for this dimension is A.**

## 21.4. Significance of in-year budget adjustments

### Performance level and evidence for scoring the dimension

MoF order no. 209/2015 regarding the approval of the Methodological Set on the preparation, approval and amendment of the budget (Chapter X) sets out the guidelines for supplementary budgets. The report on the execution of the state budget in 2020 (presented to the government)<sup>109</sup> sets out their incidence in terms of revenue and expenditure.

There are various laws and regulations regarding in-year budget adjustments that require legislative approval, for example law on public finances and fiscal budgetary responsibility no. 181/2014 (arts. 60, 61).<sup>110</sup> Specific provisions are included in the State Budget Law for 2020 (art. 3 letters a) and e), art. 17, art. 18).<sup>111</sup>

All proposals to amend the annual budget law must be accompanied by an information note, which will include budget execution of the previous year and the estimates for current budget year.

The procedures for drafting, presenting and adopting law on amending state budget law are similar to those for annual budget law initial approval.

A maximum two amendments to the component budgets of the national public budget may be made within a budget year, which shall, as a rule, be adopted no later than 1 July and no later than 15 November (second amendment). However, the 2020 state budget law has been changed 6 times. Three amendment laws have been approved by the Parliament through a revision in appropriations. Another three amendments were only approved by a government decision.

In the period under review by this PEFA assessment the following amendments took place:

- 1) Law no.61 of 23 April 2020 amending the 2020 State Budget Law;
- 2) Law no.131 of 12 July 2020 amending the 2020 State Budget Law;
- 3) Law no.173 of 11 September 2020 amending the 2020 State Budget Law;
- 4) Government Decision (Resolution) no.619 of 12 August 2020 for re-distribution of approved budget allocation in the 2020 State Budget Law 172/2019
- 5) Government Decision (Resolution) no.854 of 30 November 2020 for re-distribution of approved budget allocation in the 2020 State Budget Law 172/2019
- 6) Government Decision (Resolution) no.896 of 14 December 2020 for re-distribution of approved budget allocation in the 2020 State Budget Law 172/2019

The reasons for these amendments can be summarized as follows:

- Adjustment of the budget in line with the revised macroeconomic indicators;
- Increasing financial support for the Road Fund for national and local roads renovation;
- Increasing financial support for certain categories of pensions and salaries;
- Adjustments of Environment Fund for budget support programs;
- Subsidies for enterprises and non-commercial organizations that have established temporary technical unemployment and/or temporary suspension of their activity during the state of emergency connected to COVID-19;

<sup>109</sup> <https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale>

<sup>110</sup> [https://www.legis.md/cautare/getResults?doc\\_id=126152&lang=ro](https://www.legis.md/cautare/getResults?doc_id=126152&lang=ro)

<sup>111</sup> [https://www.legis.md/cautare/getResults?doc\\_id=123193&lang=ro](https://www.legis.md/cautare/getResults?doc_id=123193&lang=ro)

- Subsidies of the amount of compulsory state social insurance contributions in a fixed amount, according to disposition no. 16/2020 of the Commission for Exceptional Situations;
- Increasing transfers with special destination for salary increase in general education after implementation of the provisions of the law no.270/2018 on unified salary system for public sector;
- Expenditure redistribution for central public authorities for salary increase after implementation of the provisions of the law no.270/2018 on unified salary system for public sector.

Table 21.4 presents the information on number of passed amendments by the Parliament in 2018, 2019 and 2020 and this demonstrates the impact of COVID-19 with respect to the budget in 2020 compared to the previous 2 years.

**Table 21.4: State Budget amendments 2018- 2020**

FY2020 state budget	Initial budget (December 27, 2019)	1 <sup>st</sup> amendment (April 25, 2020)	2 <sup>nd</sup> amendment (July 14, 2020)	3 <sup>rd</sup> amendment (September 18, 2020)
Revenues	44,136,645,000	37,798,600,000	37,851,004,000	37,201,500,000
Expenditure	51,551,945,000	53,773,800,000	55,057,604,000	53,200,900,000
FY2019 budget	Initial budget (December 22, 2018)	1 <sup>st</sup> amendment (February 15, 2019)	2 <sup>nd</sup> amendment (March 15, 2019)	3 <sup>rd</sup> amendment (September 6, 2019)
Revenue	42,125,500,000	No changes to the total amount	No changes to the total amount	40,633,531,500
Expenditure	47,664,200,000	No changes to the total amount	No changes to the total amount	46,336,817,600
FY2018 budget	Initial budget (December 29, 2017)	1 <sup>st</sup> amendment (June 22, 2018)		
Revenue	36,618,500,000	36,922,005,000		
Expenditure	41,332,400,000	41,984,505,000		

Source: Budget Execution Reports

While the normal adjustments in each year are transparent and predictable, the amounts in 2020 are more significant in terms of revenue and expenditure and there have been more than 2 amendments. The significance is greater relative to 2018 and 2019 which downgrades the score for this dimension although there were also three amendments in 2019.

**The score for this dimension is C.**

## PI-22. Expenditure arrears

### General description of the characteristics of the indicator within the scope covered

This indicator measures the extent to which there is a stock of arrears, and the extent to which a systemic problem in this regard is being addressed and brought under control. It contains two dimensions and uses the M1 (WL) method for aggregating dimension scores and covers BCG. The time period is the last three completed fiscal years for dimension PI-22.1 and at the time of assessment for dimension PI 22.2.

## Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-22 Expenditure arrears	A	
22.1. Stock of expenditure arrears	A	Arrears are low and insignificant: in 2018 MDL 2.7 million, 2019 - MDL 0.9 million and 2020 - MDL 0.9 million. These are less than 0.1% of expenditure.
22.2 Expenditure arrears monitoring	A	Information on composition on arrears is generated monthly and for the full year in the MoF budget execution reports.

### 22.1. Stock of expenditure arrears

#### Performance level and evidence for scoring the dimension

The definition of an arrear (referred in the national legislation as an account payable with the expired payment terms) is provided in the law on public finances and budgetary-fiscal responsibility no. 181/2014. It is defined as a payment obligation that could not be contested and it is incurred by the budgetary authority / institution based on the applicable legal documents, which payment terms expired and became due. MoF order no. 121 of September 14, 2016, elaborates further on the method of determining and reporting overdue receivables and overdue payables (arrears). If a verified invoice which meets the terms and conditions of a contract is unpaid after 30 days, it is classified as an arrear. The order also establishes the conditions when the payables are not considered as arrears.

The information regarding the level of arrears on expenditures for 2018 can be found in Form no. 7 to the annual report on the execution of the state budget in 2018, and for 2019 and 2020 in Form no. 9 on the annual report on the execution of the state budget.<sup>112</sup>

(The arrears are low and insignificant: in 2018 MDL 2.7 million, 2019 MDL 0.9 million and 2020 MDL 0.9 million. These arrears are less than 0.1% of expenditure.<sup>113</sup>

**The score for this dimension is A.**

### 22.2. Expenditure arrears monitoring

#### Performance level and evidence for scoring the dimension

The information on the accounts payable with expired payment terms of the state budget and local budgets is received and generalized monthly, which is published on the Ministry's website.<sup>114</sup> The analysis and

<sup>112</sup> <https://www.mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-anuale>

<sup>113</sup> As well SSIB and CHIF funds have no arrears given that the term given for the beneficiaries to access their benefits is one year, and if not taken, they are cancelled.

<sup>114</sup> <http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare>

identification of arrears reduction measures are carried out and the respective information is also transmitted to the Financial Inspection for verifying the correctness of the determination of arrears and, if necessary, the application of sanctions according to the contravention code.

Arrears are included as a line item in the budget classification system. Spending units must report on monthly basis data on arrears to the MoF (Form FD-049). Information on composition of arrears is then generated monthly in the MOF budget execution reports. The annual report of the budget execution (Form FD-044) prepared by the spending units includes data about the arrears. Form 9 in the annual state budget execution report reflects all arrears.

Since the data on the stock, age, and composition of expenditure arrears are generated monthly according to the pre-established reporting format for all budgetary units and financial reports specifically identify expenditure arrears than must be consider that the expenditure arrears are well identified and monitored monthly.

**The score for this dimension is A.**

**PI-23. Payroll controls**

**General description of the characteristics of the indicator within the scope covered**

This indicator is concerned with the payroll for public servants only: how it is managed, how changes are handled, and how consistency with personnel records management is achieved. Wages for casual labor and discretionary allowances that do not form part of the payroll system are included in the assessment of non-salary internal controls, PI-25. This indicator contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. For the purpose of this indicator the payroll of all central public authorities is considered. Coverage is CG. Period of the assessment for the dimensions 23.1, 23.2 and 23.3 is the time of assessment. Dimension 23.4 covers the last three completed fiscal years (2018, 2019, and 2020).

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-23 Payroll controls	<b>A</b>	
23.1 Integration of payroll and personnel records	A	MoF ensures budget control, data consistency, and monthly reconciliation of the number of the positions and number of staff (units) for the budgetary sector.
23.2 Management of payroll changes	A	Changes to payroll are fully regulated and administrated correctly.
23.3 Internal control of payroll	A	Authority is restricted to access and change records and payroll and results in an audit trail. The payroll payments are subject to and are a part of internal audit. The monthly reporting ensures full integrity of data.

23.4 Payroll audit	A	The payroll audit is mandatory to be included as part of all external audits performed by Court of Accounts and Financial Inspection Agency.
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## 23.1. Integration of payroll and personnel records

### Performance level and evidence for scoring the dimension

In accordance with the provisions of the regulation on the organization and functioning of the MoF, approved by government decision no. 696 of August 30, 2017, the MoF is responsible for developing and promoting policies in the field of salaries for the budgetary sector. The MoF's division for salary policies is responsible for the remuneration of the central public authorities.

The main regulatory framework for the management and calculation of the payroll for budgetary sector is:

- The law no.270 dated 23 November 2018 on unified payroll system in the public sector<sup>115</sup>
- The law no.158 dated 4 July 2008 on civil service and status of the civil servant<sup>116</sup>
- The law no.155 dated 21 July 2011 for approving the unified classification of the public functions<sup>117</sup>
- The Government Decision no. 1231 dated 12 December 2018 on implementation of law no.270/2018<sup>118</sup>
- The Government Decision no. 201 dated March 11, 2009, on the practical implementation of the law no 158/2008 on civil service and status of the civil servant<sup>119</sup>
- MoF order no. 49 dated April 1, 2010, on the approval of the template for monthly report regarding the staffing and actual staff units in the budgetary authorities / units<sup>120</sup>
- MoF order no.218 dated 28 December 2018 on staffing for the budgetary sector<sup>121</sup>

The framework regulates the principles, rules and procedures for establishing salary entitlements in relation to the hierarchy of functions in the budgetary sector.

The payroll data for budgetary sector are both centralized and computerized. After the new payroll law no. 270 / 2018 came in force, salary data are collected from the authorities, and are generalized and centralized in the specialized Q-lick software program. Each month, the real data on number of employees is reported via the FMIS (financial management information system) using the Report FD-050 submitted by each budgetary authority. The MoF division for salary policy is responsible for managing the records and database of budgetary sector staff.

Currently, the payroll data are generalized and stored in Excel format created in the Q-lick program.

Salary data submitted by the authorities include detailed information on the number of employees, the monthly salary, and any additional salary-related payments. These data ensure the actual records are timely

<sup>115</sup> Link for the law no.270/2018 on unified payroll system for public sector

[https://www.legis.md/cautare/getResults?doc\\_id=128269&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=128269&lang=ro#)

<sup>116</sup> Link for law no.158/2008 on civil service and status of the civil servant

[https://www.legis.md/cautare/getResults?doc\\_id=128500&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=128500&lang=ro#)

<sup>117</sup> Link for the law no.155/2011 on unified classification of the public functions

[https://www.legis.md/cautare/getResults?doc\\_id=125244&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=125244&lang=ro#)

<sup>118</sup> Link for the GD no.1231/2018 [https://www.legis.md/cautare/getResults?doc\\_id=126510&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=126510&lang=ro#)

<sup>119</sup> [https://www.legis.md/cautare/getResults?doc\\_id=130131&lang=ro](https://www.legis.md/cautare/getResults?doc_id=130131&lang=ro)

<sup>120</sup> [https://www.legis.md/cautare/getResults?doc\\_id=91168&lang=ro](https://www.legis.md/cautare/getResults?doc_id=91168&lang=ro)

<sup>121</sup> Link for Ministry of Finance Order 218/2018 [https://www.legis.md/cautare/getResults?doc\\_id=111381&lang=ro](https://www.legis.md/cautare/getResults?doc_id=111381&lang=ro)



as well as updating data that will support future planning of the payroll system in the budgetary sector. The quality and relevance of this data depends on the information system and its updates according to the latest changes in place.

Information on employee salary level is regularly reconciled based on monthly report as received. The database submitted by the authorities is verified so as to comply with the existing legal framework.

Based on the received reports in FMIS, the database of the number of posts and employees in the budgetary sector is updated on a monthly basis.

Data reconciliation on employee salaries, number of staff units, salary increase, and supplements is carried out annually at the beginning of the fiscal year using the Q-lick program. The monthly reconciliation is performed for data on the number of employees and posts in the public sector.

**The score for the dimension is A.**

## 23.2. Management of payroll changes

### Performance level and evidence for scoring the dimension

The staffing for public authorities who fall under the law no. 158/2008<sup>122</sup> in the civil service and the status of the civil servant, courts, and prosecutor's offices, are approved by the MoF, for a one budget year at the beginning of the fiscal year.

During the year, staffing could be adjusted when:

- (i) changes in the staff of the public authority are included in the legal framework;
- (ii) the payroll grades from law no.270/2018 are amended;
- (iii) the classes from the law no 270/2018 on the unified payroll system in the budgetary sector or reference value for payroll calculation is amended by the annual state budget law.

The MoF division for salary policy maintains all the information about the number of established posts and the actual number of employees in place in the budgetary sector. Based on monthly reports FD-050 submitted by the budgetary units, the Ministry prepares the monthly report on approved and real number of personnel.<sup>123</sup>

Retroactive adjustments of the salary payments are performed only in case of a detection of technical errors in the salary calculation. Such situations are very rare. During the evaluation period, the audits identify only minor errors.

**The score for the dimension is A.**

## 23.3. Internal control of payroll

### Performance level and evidence for scoring the dimension

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<sup>122</sup> Link for Law on civil service and the status of the civil servant

[https://www.legis.md/cautare/getResults?doc\\_id=128500&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=128500&lang=ro#)

<sup>123</sup> Link for monthly reports on public sector staff <https://mf.gov.md/ro/buget/rapoarte>

The legal provisions envisage that changes of the payroll conditions and staff numbers are coordinated with the MoF that have taken over the policy role in the area of payroll in the budgetary sector starting with September 6, 2017. As mentioned in the Dimension 23.1, the monthly report on staff number and payroll (FD 050) assists in monitoring of the staff numbers, to ensure the correct application of the legal framework. The Q-lick program is populated with the data presented by central and local public authorities from the report "Monthly payroll calculation." The access to the program is monitored by the MoF Division for payroll policy and restricted to authorized staff only. Any entries and changes could be tracked as well as the details of the staff who performs them. Controls in the process ensure full integrity of all personnel and payroll data.

Additionally, based on the provisions of the MoF order no. 4<sup>124</sup> from January 9, 2019 regarding the regulation on self-evaluation relating to internal control reporting, each public entity is obliged to self-evaluate annually the functionality of its own internal managerial control system. This order also contains a self-assessment questionnaire (report). It has a separate section VI, which also contains minimum criteria for evaluating the "Payroll" component.

Moreover, according to the provisions of Article 17 of law no. 229<sup>125</sup> dated September 23, 2010 regarding public finance internal control, the internal audit shall evaluate at least once every three-years high-risk processes including the payroll procedures and payments.

**The score for the dimension is A.**

## **23.4. Payroll audit**

### **Performance level and evidence for scoring the dimension**

The public sector payroll external auditing is carried out by the Court of Accounts and Financial Inspection agency under the MoF.

The Court of Accounts audits payroll of all central public authorities as a part of its annual audits. The public auditors check staff records, payroll calculation and the existence of internal controls over the staff-related changes. The auditors verify whether modifications in the staff records and payroll calculations are carried out timely, whether payroll lists are appropriately documented and whether the respective employees are authorized to receive a particular amount of pay, and if they actually physically exist. The Court of Accounts confirmed that as result of their annual audits of the central public authorities throughout 2018 – 2020 instances of errors or failures in compliance in the public sector payroll were insignificant. The annual audits of the line ministries are mandatory. The audited entities report regularly to the CoA, normally within 6 months after the completion of the audit, on how the auditors' recommendations have been addressed.

At the same time, to check the correctness of the calculation and application of the provisions of law no. 270/2018, the Financial Inspection Agency performed 22 inspections in central public authorities, including 17 in 2019 and 5 in 2020. It is necessary to mention that not all central public authorities were covered with such inspections in 2020 fiscal year due to the COVID-19 restrictions.

**The score for the dimension is A.**

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<sup>124</sup> Link for Ministry of Finance Order no. 4/2019 [https://www.legis.md/cautare/getResults?doc\\_id=119967&lang=ro](https://www.legis.md/cautare/getResults?doc_id=119967&lang=ro)

<sup>125</sup> Link to the law no.229/2010 [https://www.legis.md/cautare/getResults?doc\\_id=125252&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=125252&lang=ro#)

## PI-24. Procurement

### General description of the characteristics of the indicator within the scope covered

This indicator examines key aspects of procurement management. It focuses on transparency of arrangements, emphasis on open and competitive procedures, monitoring of procurement results, and access to appeal and redress arrangements. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. Time period: last completed fiscal year (2020) and coverage is CG.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-24 Procurement	C+	
24.1 Procurement monitoring	D	Data on public procurement can be extracted from the PPA website and from MTender which is the country e-procurement system. However, this information is not complete and is only collected for contracts that are awarded using MTender, i.e., contracts within the PPL threshold. At the same time, MTender cannot generate all suitable data for monitoring public procurement. The system does not cover the entire procurement cycle, from planning to contract management, and information on the implementation of contracts, their extension or completion is not available in the system. Data on small value contracts is missing and many available documents are not machine readable.
24.2 Procurement methods	A	In 2020, out of all procurement procedures within the thresholds defined by the PPL, 95.59% of the total value of contracts were awarded through competitive methods (open tenders, Request for Quotations).
24.3 Public access to procurement information	D	Procurement data on the entire volume of public procurement is only partly available to the public. While there is transparency with respect to procedures conducted through MTender, there is limited, or if at all, information on small value procurement which constitutes a large part of public procurement. Moreover, not all documents that should be open are published in full by the contracting authorities and they are not all readily accessible from a single, national point of access.

24.4 Procurement complaints management	A	ANSC exercises its competences by respecting the principles of independence, transparency, and impartiality. This is achieved through the following: (1) it is not involved in any capacity in procurement transactions or in the process leading to contract award decisions, (2) it does not charge fees that prohibit access by concerned parties, (3) it follows processes for submission and resolution of complaints that are clearly defined and publicly available, (4) it exercises the authority to suspend the procurement process, (5) it issues decisions within the timeframe specified in the rules/regulations, and (6) it issues decisions that are binding on every party (without precluding the challenge of its decisions in competent courts).
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Moldova’s legal framework for public procurement is being brought close to European Union (EU) standards in line with the obligations accepted by Moldova when it concluded an Association Agreement with the EU. In the application of the Association Agreement, Moldova adopted its first strategy for development the public procurement system for 2016 – 2020. A new strategy for the next five years is under preparation. The public procurement law<sup>126</sup> (PPL) now provides a basic regulatory framework incorporating the fundamental EU principles governing the award of public contracts. It will require further amendments to make it fully compliant. The PPL covers the procurement of goods, works and services (including non-consulting and consulting services) by contracting authorities at central and local level, with certain exceptions that are specified. In addition to the PPL, there are several regulations adopted by government decrees or MoF orders that are meant to guide contracting authorities throughout the procurement process.

The PPL ensures that procurement is performed by open competitive methods except for procurement below set thresholds (i.e., low-value procurement for which simplified procedures apply). Low-value procurement is guided by the Public Procurement Regulation for small-value public procurement contracts.<sup>127</sup> Public procurement primary and secondary legislation, including the Standard Bidding Documents, are published on the website of the Public Procurement Agency and are easily accessible to the public.

Parliament adopted a separate law on procurement by utilities companies on May 21, 2020 and published<sup>128</sup> it on June 26, 2020; it entered into force in June 2021 (12 months after the date of publication).

The main central government level institutions in charge of public procurement are the MoF through its Public Procurement Division in charge of policy development, the Treasury (under the MoF) in charge of registering public contracts and paying corresponding invoices, the Public Procurement Agency (under the MoF) with a number of management and monitoring tasks for ensuring the smooth functioning of the public

<sup>126</sup> Law no. 131/2015 dated July 3, 2015, on public procurement, as subsequently amended

<sup>127</sup> Government Decision No 665 dated May 27, 2016, for approving the Regulation on small value public procurement

<sup>128</sup> Law no. 74/2020 on procurement in the energy, water, transport and postal services sectors;

[https://www.legis.md/cautare/getResults?doc\\_id=121896&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121896&lang=ro)

procurement system, and the National Agency for the Resolution of Complaints, in charge of reviewing and ruling on complaints from tenderers and other interested parties.

Moldova's e-procurement system, the automated information system "State Register of Public Procurement" (SIA "RSAP" MTender), is an online electronic system, accessible via the Internet at a dedicated address, used for the electronic application of public procurement processes, for posting invitations /notices at national level, submission and evaluation of tenders, and electronic awarding of public procurement contracts. MTender is mandatory for conducting procurement under the PPL. While small-value procurement is regulated, there is no obligation for the contracting authorities to use any feature of MTender when carrying out small value procurement. This leads to an almost complete lack of transparency of such procurement.<sup>129</sup>

In 2020 the total amount of contracts concluded because of all public procurement procedures reached the MDL 9.04 billion (excluding small value procurement, for which data is incomplete). The amount of public procurement in 2020 increased by 1.13% (or by MDL 100,758,265) compared to 2019, when the public procurement volume reached MDL 8.9 billion. In 2020, the share of public procurement in the country's GDP registered a slight increase compared to the level of 2019 (4.38% in 2020 and 4.25% in 2019). Of the total volume of public procurement, procurement of goods equalled MDL 3.5 billion (39.27%), procurement of works MDL 4.5 billion (50.33%), and procurement of services MDL 940.5 million (10.4%).

## 24.1. Procurement monitoring

### Performance level and evidence for scoring the dimension

There is a system in place at the national level to monitor, audit and control public procurement. More specifically, these functions are carried out by (i) Public Procurement Agency (PPA) which monitors the conformity of the public procurement procedures with the PPL. It also analyses the performance of the public procurement system; produces quarterly and annual statistical analyses of public procurement; (ii) the Court of Accounts which is the Supreme Audit Institution responsible for financial, compliance and performance audits; and (iii) Financial Inspection which performs the centralized financial control on compliance with legislation by budget implementers.

Data on public procurement can be extracted from the PPA website at [www.tender.gov.md](http://www.tender.gov.md) and from MTender website at <https://mtender.gov.md/>. However, this information is not complete and is only collected for contracts that are awarded using MTender. At the same time, MTender cannot generate all suitable data for monitoring public procurement and the format of the downloaded documents are not machine readable. Moreover, the system does not cover the entire procurement cycle, from planning to contract management. Information on the timely implementation of contracts, on inspection, quality control, works supervision and final acceptance, and on examination, handling and payment of invoices is not systematically collected, nor otherwise possible to extract in other ways than by examination of individual cases.

Small value procurement, while regulated, is not adequately monitored. For small-value procurement, below the thresholds defined by the PPL, simplified procedures may be used. The regulation on small-value

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<sup>129</sup> The Regulation vaguely describes the principles of conducting small value procurement and they are mostly of the general character like ensuring efficient use of resources, transparency, objectiveness and impartiality of the public procurement procedure and public's trust for it. There are no specific rules as how to carry small value procurement, including the advertising.

procurement does not prescribe any particular approach to such contracts and only mentions some very general principles to be followed: risk minimization, efficiency, impartiality and non-discrimination. Contracting authorities may apply any of the procurement methods established by the PPL. In that case, the contracting authority will follow unconditionally all the requirements established for the respective method in the PPL. Since the use of MTender is not mandatory for small value procurement, few or no data is available on such contracts. It appears though that these contracts constitute a significant part of the total value of public procurement and an even higher share of the total number of contracts concluded. While the legislation obliges the contracting authorities to submit to the PPA procurement reports on small value procurement, these reports are prepared in the formats prescribed by the government decision no. 665/2016 with data missing at times and are not presented in a readable and convertible format. All contracting authorities are obliged to prepare a report on an annual basis on all the contracts signed and registered in the year of the review and submit them to the PPA. In 2020, the PPA received a total of 1,155 such reports.

Apart from the lack of clear procedures, even if simplified, the application of these principles is not systematically monitored and there is no evidence if and to what extent the provisions of the regulation are followed by contracting authorities. The PPL also prohibits<sup>130</sup> the division of procurement by concluding separate public procurement contracts for the purpose of applying a public procurement procedure other than the procedures that would have been used in accordance with this law if the procurement had not been divided. At the same time, one of the most frequent irregularities identified by the Financial Inspection is the division of procurement. There are no official statistics on small-value procurement. However, their value in 2020 seems to be almost equal to the value of public procurement for year 2020 (based on CoA's report). Incomplete and ambiguous legal framework regulating small-value procurement, lack of data and overall transparency in this area, inefficient monitoring of compliance with reporting and with the principles to be followed for such type of procurement, may lead to questioning the competitiveness, transparency, and effective monitoring of the entire public procurement system.

**Court of Accounts:** In 2020, the CoA carried out 24 financial audits, 28 compliance audits, 8 performance audits and 3 follow up missions. The irregularities identified as part of these audits pertain to the following areas: procurement under certain national programs in the health sector; management of public funds, administration of public property and budget execution at various institutions. To prevent fraud and corruption, the CoA submitted materials on 18 audits to law enforcement bodies for examination and actions. Analysis have also been conducted by the CoA of the audit results related to public procurement covering years 2019-2020.<sup>131</sup> This analysis was based on the frontal audits carried out at 9 ministries and their subordinated institutions. Such an approach was considered more efficient and more appropriate to show the gravity of lack of data on small-value procurement. The analysis showed that the estimated value of small-value procurement (MDL 9.01 billion) was equal to the total value of public procurement in 2020 (MDL 9.04 billion). Moreover, not all Contracting Authorities use MTender for small-value procurement (which is not mandatory as per the legislation in force) and some Contracting Authorities are not reporting to the PPA on these contracts as required by legislation. With no official statistics or data on small-value procurement, with poor or inefficient reporting (reports are being submitted in non-machine-readable format with at times missing information), with flexibilities offered by the current legislation with respect to small-value procurement, a large part of public procurement is poorly monitored.

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<sup>130</sup> PPL, Art. 76

<sup>131</sup> [https://www.ccrm.md/ro/sinteza-analitica-a-rezultatelor-de-audit-afere-ndomeniului-achizitii-3539\\_92092.html](https://www.ccrm.md/ro/sinteza-analitica-a-rezultatelor-de-audit-afere-ndomeniului-achizitii-3539_92092.html)

**Financial Inspection (FI):** Due to the emergency declared in the country, FI suspended its activity in the first half of 2020 and conducted a limited number of inspections compared to previous years. The financial inspections carried out during 2020 showed that the management of entities subject to inspection were not in compliance with the legislation in force, being identified violations which, if expressed in monetary values, would amount to MDL 413.5 million. In the same reporting period, 170 inspection materials were handed over to the law enforcement bodies. Splitting of procurement (especially in the case of civil works) is one of the most frequently identified irregularities. Others are inadequate registration of public procurement contracts, unavailability of published Procurement Plan.

A business intelligence tool for the MTender procurement system has been developed and launched in early 2021 and is available at <http://bi.open-contracting.org/moldova>. However, the tool is linked to MTender and automatically extracts only the data that is available in MTender.

The PPA uses what data is available for preparing its annual reports, which present various key aspects of the functioning of the public procurement system. The source of data used by the PPA to monitor public procurement are the reports submitted to PPA by the contracting authorities. PPA does not use the data from the business intelligence tool or MTender for its statistical indicators. Data available in MTender and BI is also accessible to and used by, e.g., the Court of Accounts, the National Anticorruption Agency and various civil society organizations (CSOs) for looking at trends, levels of participation, efficiency and economy of procurement and compliance with requirements. However, the incompleteness of the data means that it is difficult to draw valid conclusions and to have a solid basis for evidence-based policy making.

**Monitoring of public procurement by CSOs.** There are several civil society organisations active and specialized in public procurement monitoring either through their participation in working groups (as allowed by the PPL) or through monitoring procurement conducted through MTender. Their reports are made public. Some can be found on [www.ager.md](http://www.ager.md) and [www.revizia.md](http://www.revizia.md). These organization play a vital role in detecting illegal actions, publicising them and reporting to the authorities in charge. However, their actions do not always result in stopping procurement or holding those responsible to account, as the civil society is neither a control nor a law enforcement body.

At the same time, the monitoring of public procurement by CSOs is constrained by lack of technical knowledge and by dependence on foreign assistance, while the most important gap being the limited availability of detailed and reliable data that would allow civil societies and the competent authorities themselves to take measures to analyse the way public procurement is carried out and the outcomes of it and thereby to determine ways for improving the economy, efficiency and effectiveness of public procurement proceedings. Another gap constitutes the weak support offered to civil society organisations in terms of access to information and opportunities for participation.

Public procurement data is generated in ways that are not fully conducive to easy collection, compilation, and analysis, with some aspects (e.g., small value contracts) hardly covered at all. Many of the existing systems and databases contain incomplete or inaccurate information or are structured in such a way that relevant analyses are difficult to carry out.

**The score for this dimension is D.**

## **24.2 Procurement methods**

### **Performance level and evidence for scoring the dimension**

The PPL applies to all public contracting authorities, with several exceptions, to public procurement contracts estimated at a cost equal to or above the following thresholds.<sup>132</sup> Goods and services – MDL 200,000, works – MDL 250,000 and social services and other services defined in the law – MDL 400,000<sup>133</sup> (all thresholds exclusive of VAT). All contracts estimated to cost less than the above thresholds are required to be procured in accordance with the provisions of the Public Procurement Regulation for small-value procurement. However, the thresholds defined in this regulation have not been updated, aligned to those defined in the PPL (as amended) and are currently set at: MDL 80,000 for goods and services and MDL 100,000 for works. This inconsistency creates confusion in application of this regulation and complicates the monitoring of small value procurement. For the purposes of deciding on the applicability of the regulation, the thresholds defined by the PPL are to be used by contracting authorities.

The PPL lists several procedures and related methods that may be used in public procurement, such as: (1) open tender, (2) restricted tender, (3) competitive dialogue, (4) negotiated procedure, (5) request for quotations, (6) contest for solutions, (7) procurement of social services and other specific services, (8) innovation partnerships. The CA has the right to use the following means and tools to award the contracts: (i) framework agreements (used under open tender and restricted tender procedures); (ii) dynamic purchasing systems (used under restricted tender procedures); (iii) electronic auctions (used as a final stage of open tender, restricted tender, negotiation with publication of invitation for bids or request for quotations; on resuming the competition between the economic operators that have signed a framework agreement; with the purpose of submitting final offers to award the public procurement contract by using a dynamic purchasing system; and (iv) electronic catalogues (MoF approves the categories of procurement for which the CA has the obligation to use electronic catalogues). All methods, except for negotiated procedures, have the potential to ensure competitiveness, fairness, transparency, proportionality, and integrity. Contracting authorities are free to use open and restricted tenders without any limitations, while the other procedures can be used only if specific conditions are met.

However, MTender can only be used for just two of the above procurement methods: open tenders and requests for quotations. The limited functionality of MTender has the effect of preventing its use for all other procedures set out in the PPL both competitive and non-competitive. The non-competitive procedure (negotiation without publication) is conducted on paper and is being reported to the PPA and the contract is registered by the Treasury only after the approval of the PPA is obtained. The limitations of MTender would not preclude CAs from using this non-competitive procedure. Therefore, data on all negotiation without publication procedures is accurate and can be extracted from the PPA activity reports. At the same time, enhancements to MTender which would allow for the use of all other competitive methods defined in the PPL would only increase or improve the weight of contracts awarded through competitive methods.

In 2020, out of all procurement procedures within the thresholds defined by the PPL, 95.6% of the total value of contracts were awarded through competitive methods (open tenders, Request for Quotations) and 4.4% of the total value of contracts were awarded through non-competitive methods (negotiated procedure).

**The score for this dimension is A.**

### **24.3. Public access to procurement information**

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<sup>132</sup> PPL, Art. 2(1)

<sup>133</sup> Official exchange rate of Moldovan Leu to 1 US Dollar was 17.3201 in 2020



## Performance level and evidence for scoring the dimension

Reliable data on public procurement is only partly available and easily accessible through PPA website, MTender and Business Intelligence tool which extracts data from MTender. Given the limitations of MTender in terms of functionality, procurement methods and data extraction, PPA does not use data from MTender. The information provided by the PPA through its activity reports is based on the evaluation reports/other reports submitted by Contracting Authorities to the PPA and PPA's own assessments. The activity reports cover the entire public procurement system (with less, if any, information on small-value procurement)

Periodic procurement statistics are made available to the public by the PPA through its activity reports. These are prepared on quarterly and annual basis. The annual report covers the information provided in quarterly reports and any additional information which was not otherwise captured in these reports. All the reports are public and are published on the website of the PPA under the Transparency tab.

Data on small value contracts is missing especially given that MTender is not mandatory for use for such contracts and many documents related to small value procurement are not machine readable. These contracts constitute a significant part of the total value of public procurement. Contracting authorities are obliged to submit annual procurement reports on such contracts to the PPA but these reports are usually sent on paper (by mail), or sometimes transmitted as .pdf files but then not necessarily in a readable and convertible format, and the information they contain is not consolidated. It is also not clear to what extent the obligation to submit such reports is met as the PPA does not appear to keep any records of compliance.

Based on the above Regulation, in carrying out small value procurement CA must ensure an efficient use of financial resources, transparency, objectivity, impartiality of the process and public confidence. Information on bidding opportunities or other information related to such tenders is not publicly available and can only be obtained individually from CAs or reports submitted to the PPA. It should be noted though that there are, however, CAs which use MTender even for small value procurement.

The legal and regulatory framework in public procurement is published on the website of the PPA and in various portals of legal acts which are available without any restrictions.

One of the main principles guiding public procurement is transparency. The PPL sets out detailed requirements and modalities for the publication of procurement opportunities. According to the public procurement legal framework, the following information is made public:

1. Notice of Intention
2. Procurement Plans
3. Invitation to Participate
4. Contract Award Notice
5. Contract award evaluation report
6. Contract amendment evaluation report
7. Contract amendment notice

Key procurement information to be made available to the public comprises:

[Table 24.3: Assessment against key procurement information elements.](#)

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) legal and regulatory framework for procurement	Y	PPA website ( <a href="http://www.tender.gov.md">www.tender.gov.md</a> ) and Registry of legal acts ( <a href="http://www.lex.md">www.lex.md</a> )
(2) government procurement plans	Partially met	<p>Regulation on planning public procurement contracts<sup>134</sup> (available on PPA website)</p> <p>In accordance with the above regulation, Procurement Plans must be published on the website of the respective contracting authority within 15 days from their approval or within 5 days from their modification. The regulation defines the essence of public procurement planning as well as general requirements for it. There is a prescribed format of the Procurement Plan (Annex 1 to the Regulation).</p> <p>In accordance with the legal provisions, the responsibility to elaborate the annual procurement plan and publish it on the institution's website rests with the respective contracting authority. Generally, contracting authorities publish their procurement plans on their websites, but not all publish the updates to the plans. Some procurement plans are difficult to locate. Moreover, contracting authorities use document formats which are not machine readable. The effective access to procurement plans is hampered by incomplete obligations to publish. It is also not easy to get an overview of upcoming business opportunities by examining procurement plans as now published, nor to get a clear picture of progress in their execution.</p>
(3) bidding opportunities	Partially met	<p>Public Procurement law (Articles 28-29).</p> <p>Bidding opportunities are published in the Public Procurement Bulletin (available on the PPA website), MTender and on the Official Journal of the EU (EU TED) for contracts which exceed certain thresholds defined in the PPL Art. 2 para (3)).</p> <p><a href="https://tender.gov.md/ro/bap">https://tender.gov.md/ro/bap</a>  <a href="https://mtender.gov.md/en/tenders">https://mtender.gov.md/en/tenders</a>  <a href="http://etender.gov.md/intentii">http://etender.gov.md/intentii</a>  <a href="https://ted.europa.eu/TED/browse/browseByMap.do">https://ted.europa.eu/TED/browse/browseByMap.do</a></p> <p>Public Procurement Regulation for small-value public procurement contracts</p> <p>With lack of clear procedures for small value procurement, bidding opportunities for such contracts are not published nor otherwise made known to the public.</p>
(4) contract awards (purpose, contractor and value)	Partially met	<p>Public Procurement Law (Article 30).</p> <p>Contract award notices are published in Public Procurement Bulletin (available on the PPA website and MTender)</p> <p><a href="http://etender.gov.md/contracte">http://etender.gov.md/contracte</a>  <a href="https://tender.gov.md/ro/bap">https://tender.gov.md/ro/bap</a></p>

<sup>134</sup> Government Decision no. 1419 dated December 28, 2016

		Public Procurement Regulation for small-value public procurement contracts.  With lack of clear procedures for small value procurement, information on such contracts is not always published. There are contracting authorities which publish on their websites the annual report on public procurement submitted to the PPA, but this is not a generally accepted practice. At the same time, PPA does not analyze or consolidate the information provided annually in these reports submitted by CAs. Therefore, there is limited information, if any, on small value procurement in the PPA's activity reports.
(5) data on resolution of procurement complaints	Y	National Agency for Solving Complaints website ( <a href="http://www.ansc.md">www.ansc.md</a> )  <a href="https://www.ansc.md/ro/content/decizii-2021">https://www.ansc.md/ro/content/decizii-2021</a>
(6) annual procurement statistics	Partially met	PPA website (Activity Reports)  <a href="https://tender.gov.md/ro/documente/rapoarte-de-activitate">https://tender.gov.md/ro/documente/rapoarte-de-activitate</a>  On small value procurement, the PPA Activity Reports only provide the number of annual reports submitted by the CAs in the reference year. Otherwise, data on small value procurement is not consolidated or presented as part of any statistics on public procurement system.

According to the PPL, contracting authorities first must publish the Notice of Intention separately for each procurement procedure no later than 30 days from the date the budget for this procedure is approved. These notices are published in the Public Procurement Bulletin. Once the Notice of Intention is published, the contracting authority shall approve the Procurement Plan and then publish it. As per the Regulation on planning public procurement contracts, Procurement Plans must be published on the website of the contracting authority within 15 days from its approval. However, in practice, not all contracting authorities publish their Procurement Plans or changes to them as they occur throughout the year. Procurement Plans cannot be published in MTender and therefore, this information is spread out across all the contracting authorities. As such, in practice, access to Procurement Plans and many other documents is hampered by incomplete obligations to publish and the use of document formats which are not machine readable. PPA has no monitoring mandate or capacity to monitor the PP publication and updates. The PPA can refer or check the contracting authority PP in case they are monitoring a specific procedure and verify if it followed the PPL.

All tender notices must be published in the Public Procurement Bulletin and on the website of the Public Procurement Agency in all cases provided by the PPL, according to the procurement procedure applied. A Public Procurement Bulletin is issued in the form of the freely accessible web pages (though provided as .pdf files) on the PPA website. There is also a "Public Procurement Bulletin" published on MTender.

For contracts equal or above the thresholds defined by the PPL in Article 2 para (3) – MDL 2,300,000 for procurement of goods and services, MDL 90,000,000 for procurement of civil works, and MDL 13,000,000 for social services and other services – tender notices must be published in the Official Journal of EU.

While the legal framework provides for publication of key procurement information and the Regulation for small value procurement requires CAs to ensure transparency of the process, in practice not all the

information related to public procurement procedures is publicly available in one place or at all. Also, even when formally in compliance with the law, some of the information that is now published is no longer available timely enough to serve all the underlying purposes. This is especially relevant for contract award notices which are to be published not later than 30 days after informing the participants in the tender about the evaluation outcome. Inspections conducted by the FI also revealed cases when procurement plans were outdated or were difficult to locate.

**The score for this dimension is D.**

#### **24.4. Procurement complaints management**

##### **Performance level and evidence for scoring the dimension**

According to the PPL, any person who has or has had an interest in obtaining a public procurement contract and who considers that in public procurement procedures an act of the contracting authority has infringed a right recognized by law, because of which he has suffered or may suffer damages, can submit a complaint. The review body is the National Agency for Solving Complaints (ANSC) which is a public authority, autonomous and independent from other public authorities, legal entities, and physical persons, and which examines complaints arising from public procurement tenders.

The procedure of filing, examining, and resolving complaints is clearly defined in the PPL (Art. 83-85). Complaints can be filed regarding the tender documents, the procedure, and the results of the procedure as well as any other matter where the contracting authority has infringed the complainant's rights. These can be submitted either online<sup>135</sup> or physically with ANSC. The online application form is easily accessible and located. Should the complainant decide to submit the complaint on paper, the application form can be downloaded from the ANSC website.<sup>136</sup>

The decisions on the complaints submitted are published on the ANSC website<sup>137</sup> (as .pdf files). Therefore, the possibilities to search for and analyse these decisions from several points of view are extremely limited. At the same time, viewing these decisions in MTender is possible by accessing an external link <sup>138</sup> which allows to see the complaints in the same format for procedures which have been challenged.

In 2020,<sup>139</sup> ANSC registered 1,282 complaints regarding 896 public procurement procedures. The total estimated value of the challenged procurement procedures was MDL 6,716,077,233. Compared to year 2019, the number of complaints has increased by 25% in 2020. It should be noted that out of the 1,282 registered, in 147 cases the economic operators withdrew the complaints. Out of 147 complaints, 48 complaints have been withdrawn without justification or explanation. This number is worrisome and leaves room for interpretation of the real reasons behind unexplained withdrawals, including potential corrupt behavior taken by concerned parties.

In terms of value, the total estimated amount of public procurement procedures for which ANSC issued decisions to admit complaints filed by economic operators is MDL 4,379,151,377.

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<sup>135</sup> [https://ansc.md/en/depunere\\_contestatie](https://ansc.md/en/depunere_contestatie)

<sup>136</sup> <https://ansc.md/en/content/depunere-contestatii>

<sup>137</sup> <https://ansc.md/node/661>

<sup>138</sup> <https://mtender.gov.md/tenders/ocds-b3wdp1-MD-1631014574522?tab=review>

<sup>139</sup> [https://www.ansc.md/sites/default/files/document/attachments/raport\\_2020\\_final.pdf](https://www.ansc.md/sites/default/files/document/attachments/raport_2020_final.pdf)

In 2020, for the total of 467 accepted complaints, the following decisions were issued: remedial measures - 390 decisions (amounting to MDL 4,180,361,146), cancelled procedures - 73 decisions (MDL 177,328,272), and partially cancelled procedures - 4 decisions (MDL 21,461,959).

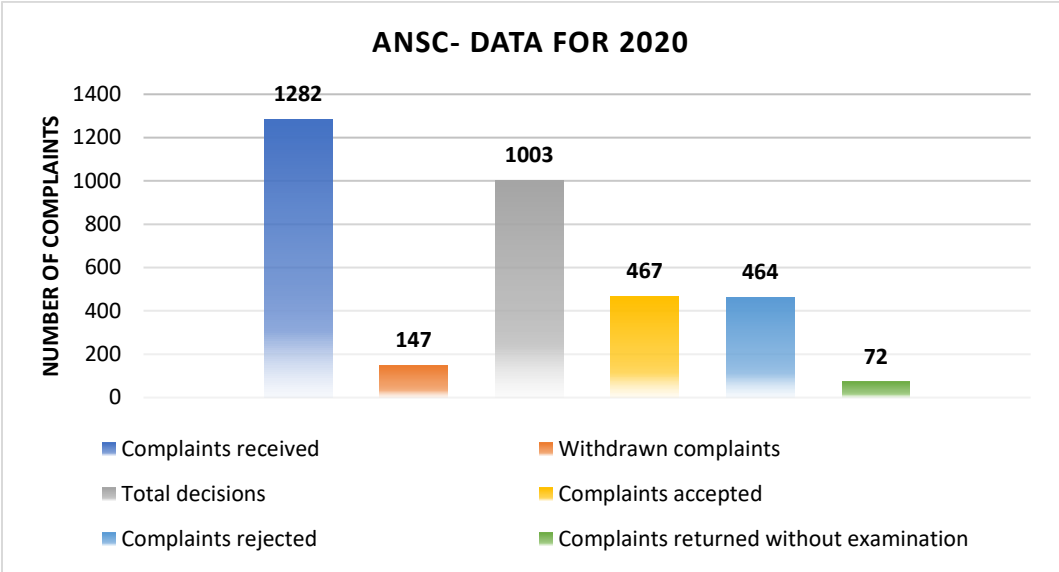
It should be noted that the complaints submitted for the same public procedure were, as a rule, merged based on the committee decision to issue a single solution for all complaints under one procedure.

The overall estimated amount for challenged procedures (MDL 6,716,077,233) does not reflect the actual value of challenged lots, due to the fact that a big share of procedures is tendered in lots, and the complaints are often submitted for particular lots, not the entire procedure.

Statistical data and numbers for these challenged lots are not available or reported by ANSC and cannot be easily extracted unless each procedure/lot is manually analyzed.

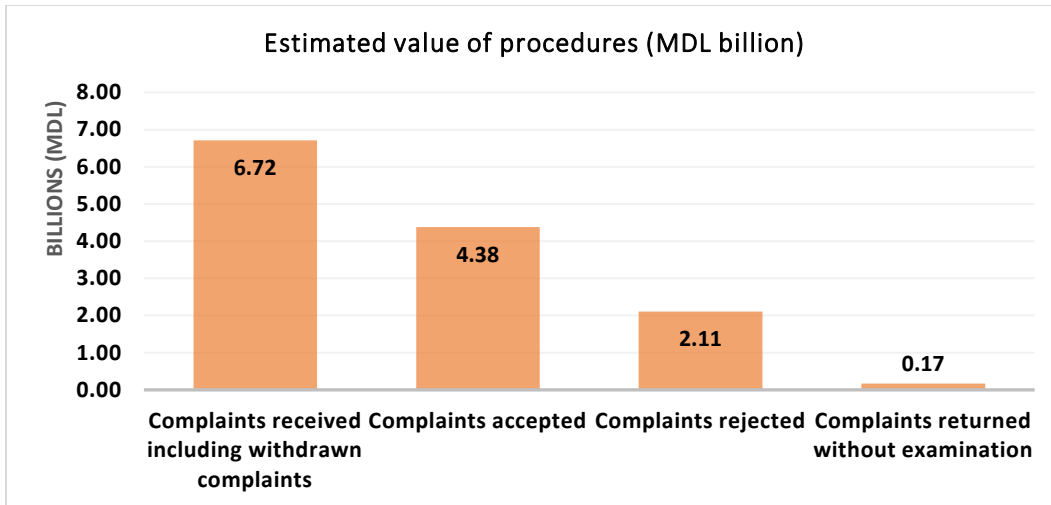
More details are provided in the graphs below.

Chart 1: Information about complaints received in 2020.



Source: ANSC

Chart 2: Value of complaints received in 2020.



Source: ANSC

Complaints are reviewed by a body that:

Element/ Requirements	Met (Y/N)	Evidence used/Comments
(1) is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Y	According to Article 80 of the PPL, the Agency is independent and autonomous. The responsibilities of ANSC are clearly defined in the PPL and are limited to the resolution of complaints. Article 86 of the PPL states that ANSC cannot decide on the award of the contract to a particular economic operator <a href="https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#">https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#</a>
(2) does not charge fees that prohibit access by concerned parties	Y	No fee is currently charged for filing complaints (Art. 83, PPL) <a href="https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#">https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#</a>
(3) follows processes for submission and resolution of complaints that are clearly defined and publicly available	Y	Article 85 of the PPL and Parliamentary Decision no. 271 <sup>140</sup> (both published on ANSC website). <a href="https://www.legis.md/cautare/getResults?doc_id=96870&amp;lang=ro">https://www.legis.md/cautare/getResults?doc_id=96870&amp;lang=ro</a> All the processes are clearly defined and are publicly available. <a href="https://www.ansc.md/ro/contestatii/2021">https://www.ansc.md/ro/contestatii/2021</a> <a href="https://www.ansc.md/ro/content/decizii-2021">https://www.ansc.md/ro/content/decizii-2021</a>
(4) exercises the authority to suspend the procurement process	Y	According to Article 85 of the PPL, the ANSC has the right to issue a decision to suspend the public procurement procedure. <a href="https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#">https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#</a>
(5) issues decisions within the timeframe specified in the rules/ regulations	Y	Article 85 of the PPL clearly sets the timeframe in which ANSC must issue a decision (20 working days from the receipt of the complaint). This term has been reduced to 10 working days for public procurement contracts needed to prevent and control COVID-19 pandemic. <sup>141</sup> The procedures state that ANSC is obliged to issue a decision in the established terms and from verbal communication – they do. Their report does not refer to any cases when this term was not respected. Based on the information provided by ANSC, there were cases when the original term was extended to maximum allowed (for additional 10 working days) but overall, there were no cases when the term exceeded the one prescribed by the law.

<sup>140</sup> Parliamentary Decision no. 271, dated December 15, 2016 (as amended) on the establishment, organization and functioning of ANSC

<sup>141</sup> Government Decision no. 494 dated July 8, 2020, for approving the regulation on public procurement necessary to prevent and control COVID-19 infection.

		<a href="https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#">https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#</a> <a href="https://www.ansc.md/ro/content/decizii-2021">https://www.ansc.md/ro/content/decizii-2021</a>
(6) issues decisions that are binding on every party (without precluding subsequent access to an external higher authority)	Y	<p>Article 86 of the PPL states that the decisions of ANSC are binding on parties. ANSC decisions are binding on parties. Similarly, the contracting authority does not have the right to conclude the public procurement contract until the final decision by the ANSC. Any public procurement contract concluded in non-compliance with the decision of the ANSC is struck by absolute nullity. Nevertheless, the decisions of the ANSC can be challenged in court. In 2020, 44 requests for summons were filed in national courts where ANSC was a defendant, intervener, or plaintiff. Fifteen requests were rejected as unfounded, and ANSC's decisions were upheld, including by hierarchically superior courts. In 4 cases, the plaintiffs withdrew and in two cases the plaintiffs' claims were admitted by the court and two decisions of ANSC were annulled, respectively. However, since the decisions of the court of first instance are not being final and irrevocable, these were challenged in hierarchically superior courts. The remaining cases were moved to be examined in year 2021.</p> <p><a href="https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#">https://www.legis.md/cautare/getResults?doc_id=128126&amp;lang=ro#</a>  <a href="https://www.ansc.md/ro/content/decizii-2021">https://www.ansc.md/ro/content/decizii-2021</a></p>

The requirements are met for all six elements.

**The score for this dimension is A.**

#### Recent or ongoing reform activities

With the adoption of its first Strategy for Development of the Public Procurement System for 2016-2020 and its first Action Plan for year 2016-2018 by government decision no. 1332 of 14 December 2016, Moldovan authorities embarked on various reforms in the sector.

*Country's e-procurement system:* Major reforms related to the current e-procurement system (MTender) developed with support from EBRD. The MoF and EU Delegation have started to work together on the further development of the e-procurement system in the country, to ensure that it becomes fully aligned with the PPL and, by extension, with the applicable EU Directives

*Launch of the Business Intelligence Tool:* An existing business intelligence tool has been connected and tailored to MTender procurement system needs. It was launched in early 2021 and is available at <http://bi.open-contracting.org/moldova>, it allows data to be extracted and analyzed.

*Procurement by utilities:* A law on procurement by utilities was adopted by Parliament on May 21, 2020, and published<sup>142</sup> on June 26, 2020, and entered into force in June 2021 (12 months after the date of publication). The law applies to procurement contracts for goods, works or services in energy, water, transport, and postal services, which are estimated at equal or above MDL 800,000 (goods and services and solutions contests), MDL 2,000,000 (works) and MDL 1,000,000 (social and other services as defined in Annex 2 to the law).

<sup>142</sup> Law no. 74/2020 on procurement in the energy, water, transport and postal services sectors  
[https://www.legis.md/cautare/getResults?doc\\_id=121896&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121896&lang=ro)

*National Program for the Development of the public procurement system*: Based on the Government

Decision no. 235 dated October 13, 2021, regarding the approval of the Action Plan of the government for the period 2021 – 2022,<sup>143</sup> one of the actions (13.12.3) is the preparation and approval by December 2022 of the National Program for the Development of the public procurement system. Based on the discussions with the MoF, this program is under development and already some discussions have been made with various parties (including CSOs) on its initial draft.

*Strategy for Development of Public Procurement System (tentatively covering 2023-2026)*: The development of a new strategy is currently ongoing.

*Government's Program 2021 "Moldova of Good Times"*: The following priority actions were established for public procurement:

- Further developing the electronic government procurement
- Removing physical documents at all procurement stages
- Drafting instructions and standard documents to support contracting authorities for most common types of procurement
- Assessing the implementation of the Strategy for Development of the Public Procurement System for 2016-2020 and drafting a new strategy
- Encouraging the participation of local producers in public procurement
- Establishing accreditation of procurement professionals.

In November 2020, the authorities amended secondary legislation on procurement to require provision and publication of beneficial owner information as part of the regular package of documents submitted for tenders. They published a report on pandemic-related spending for 2020, including beneficial owner entities contracting with the government. In June 2021, they also published an audit report by the Court of Accounts on the use of health resources to combat the pandemic in 2020. The authorities now make public the beneficial ownership information of all entities contracting with public authorities on the website of the Public Procurement Agency.

## PI-25. Internal controls on nonsalary expenditure

### General description of the characteristics of the indicator within the scope covered

This indicator measures the effectiveness of general internal controls for non - salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. It contains three dimensions and uses the M2 (AV) method for aggregating dimension scores. It covers CG at the time of the assessment.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-25 Internal controls on nonsalary expenditure	A	

<sup>143</sup> [https://gov.md/sites/default/files/document/attachments/pag\\_2021-2022\\_ro.pdf](https://gov.md/sites/default/files/document/attachments/pag_2021-2022_ro.pdf)



25.1 Segregation of duties	A	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly laid down.
25.2 Effectiveness of expenditure commitment controls	A	Strong controls effectively limit commitments to budgetary allocations and cash availability.
25.3 Compliance with payment rules and procedures	A	High level of compliance with rules and procedures.

As part of the Moldova-EU Association Agreement, the Republic of Moldova has undertaken to implement the system of public internal financial control (PIFC) at national level. This is based on EU best practices which are in accordance with internationally recognized methodologies and standards. As a result, Moldova has undertaken comprehensive reform in the field of internal control and audit in the public sector. The PIFC concept was developed by the European Commission to provide a structured and operational model to assist national authorities in reshaping their internal control environment and to update control systems in the public sector.

The responsibility for the design and modeling of the PIFC in Moldova rests with the MoF, through its Public Internal Financial Control Policy Division which is the central harmonization unit.

Internal controls over non-salary expenditure are exercised both by the Treasury and individual budget beneficiaries.

The Treasury has a robust system of controls applied over transactions in both the registration of the expenditure commitment and payment stages.

Ordinance 216 / 2015<sup>144</sup> regarding methodological norms for accounting and financial reporting in the public sector prescribes the responsibilities and functions of the budgetary units in the area of internal controls. The principal responsibility rests with the heads of budgetary authorities who are required to organize managerial internal control system in their respective organizations. The accounting or economy units within the budgetary institutions exercise controls over the efficient use of resources for to the intended purpose, within the approved budget allocations, and over integrity of finances and assets. The chief-accountant of the budgetary units defines the duties and responsibilities of accounting staff according to functional characteristics such as finance, assets, payroll, etc.

## 25.1. Segregation of duties

### Performance level and evidence for scoring the dimension

Table 25.1: Segregation of duties and commitment controls

Segregation of duties			Commitment controls	
Prescribed throughout the process (Y/N)	Responsibilities C= Clearly laid down	In place (Y/N)	Limited to cash availability A= All expenditure M= Most expenditure P= Partial coverage	Limited to approved budget allocations A= All expenditure M= Most expenditure P= Partial coverage

<sup>144</sup>[https://www.legis.md/cautare/getResults?doc\\_id=125434&lang=ro](https://www.legis.md/cautare/getResults?doc_id=125434&lang=ro)

	M= Clearly laid down for most key steps N= More precise definition needed			
Y	M	Y	A	A

According to the provisions of art. 14 of law no. 229/2010, the internal management control system is organized through, inter alia:

- Delegation of powers and responsibilities without relieving the person who is delegating from responsibility for exercising those powers and responsibilities
- Division of obligations and responsibilities

The OMF no.189/2015<sup>145</sup> approved a set of National Standards for Internal Control (NISC) in the public sector, including "NSIC 12. Division of obligations and responsibilities" and "NSIC 6. Delegated powers." These standards set out minimum requirements for the management of these areas of control and internal environment within public entities. In 2020 the MoF has revised and republished the Internal Management Control Manual. This manual contains a set of practical instructions and related guidelines. The division of obligations and responsibilities implies the existence of separate persons or units responsible of authorization of payments for goods and services, and making payments in line with relevant documentation, for example, a signed contract.

At the level of each spending unit a tender committee or procurement working group is established. The legal framework prescribes their attributions and obligations associated with procurement of goods, services, and works. They issue the decision for contract award. The contracts are signed by the head of the spending unit or delegated person. The contract is registered in the MoF treasury.

The norms for accounting and financial reporting in the budgetary sector establish the way how the accounting is organized in the budgetary institutions, the responsibilities of the head of the institutions and attributions of the accounting unit. Normally, the responsibilities of accounting staff at the level of each central public authority are established around the functions such as payroll calculation, asset records, preparation of payment documents, etc. The individual staff responsibilities are stated in the terms of reference. The norms prescribe that the payment documents could be signed unilateral by the head of the spending unit or by two officials with the signatory right: first signature belongs to the head of the unit or another authorised person, and the second signature – by the chief-accountant or another authorised person. The signatures are confirmed, as needed, by applying the stamp of the respective budgetary authority / institution. The treasury verifies the payment documents they receive for processing in terms of compliance with the requirements and registered commitments.

All spending units have to conduct annual inventory of their assets in the way described by the legal framework. The compliance with the rules is checked by the CoA during their audits and there were no issues noted.

The Court of Accounts under their financial and compliance audits at the level of individual spending units mandatorily tests and assesses the existence of internal controls on non-salary expenditure, including the segregation of duties, in compliance with the provisions of auditing standards. In case of any deficiency,

<sup>145</sup> [https://www.legis.md/cautare/getResults?doc\\_id=119965&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=119965&lang=ro#)

they issue recommendations to the management meant to improve the managerial internal control system and follow their implementation.

Overall, CG entities comply with the NSIC related control environment component. The control environment throughout CG places heavy emphasis on the separation of responsibilities for different stages of a transaction from being initiated, through approval, and authorization to execution. These controls are prescribed by legislation and regulations and built into an automated financial system, which contain a clear audit trail. The integrity of the Treasury system is protected by restricting access to individuals to those authorized for specific purposes and recording in the system records who has entered it and for what purpose. Risk management control systems pay particular attention to the segregation of duties.

**The score for this dimension is A.**

## **25.2 Effectiveness of expenditure commitment controls**

### **Performance level and evidence for scoring the dimension**

The commitment management process is regulated by the law on Public Finances and Budgetary-Fiscal Responsibility no. 181, art. 66, and Methodological Norms for cash execution of national public budget, art. 4.2.3 Commitment Management (OMF no. 215/2015).

The budgetary authorities / institutions are responsible for initiation, paying, recording, and reporting commitments, in accordance with the legislation governing public procurement and other normative acts. The commitment of budgetary authorities / institutions is allowed only for the purposes and within the limits of budgetary allocations, considering the debts recorded at the end of the previous year.

Commitment management is implemented within the FMIS. The mechanism ensures the record of contracts registered with the Treasury:

- Amount of allowances reserved by the contract;
- Amount executed on the contract;
- Balance of the allowances reserved and available on the contract.

The control implemented in FMIS does not allow the execution of contracts whose value exceeds the balance of available commitments.

**The score for this dimension is A.**

## **25.3. Compliance with payment rules and procedures**

### **Performance level and evidence for scoring the dimension**

The revenue receipts of the budgetary units of the national public budget and the payments of the state budget and local budgets are made through the treasury system according to the cash accounting method (art. 63 law no. 181/2014).

The budgetary authorities / institutions make payments within the limits of the approved budgetary allocations in accordance with the budget liquidity forecasts (art. 67 law no. 181/2014).

The MoF has developed the regulation on liquidity management of the state budget (order of the Minister of Finance no. 03 of January 9, 2017, with subsequent amendments and instructions), which stipulates the rules and procedures aimed at ensuring efficient liquidity management.

Institutions are required to submit in the FMIS payment documents electronically signed by the authorized persons. The FMIS covers all Treasury operations and is the main tool in ensuring processes of authorization and control of expenditures are fully adequate. These ensure that budgetary authorities / institutions are not able to exceed the approved budgetary limits and their payments are executed within the balance of available funds. Automated control exists both for checking the balance of allowances and for the balance of funds on a bank account. The procedures are described under point 2.3 Budget liquidity management of the Methodological Norms on cash execution of the national public budget, OMF no. 215/2015. The annual forecasts as well as the monthly forecasts approved by the MoF management serve as the basis for making the decision to initiate the budget payments. When deciding on the distribution of budget balances, the following factors are analyzed:

- Budget liquidity forecasts
- Payment documents submitted for execution by budgetary institutions (grouped by financing categories)
- Balance of funds on the bank account
- Sources of financing (including the schedule of servicing the state debt, the result of operations with government securities)

The actual financing of payments, following the principle of delimitation of tasks, is subject to the built-in controls of the FMIS.

The treasury executes the payments submitted by the spending units only on the basis of the registered commitments and payment orders which are duly prepared and authorized. There are no exceptions. The CoA did not report any cases of non-compliance with the payment rules.

**The score for this dimension is A.**

**PI-26. Internal audit**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses the standards and procedures applied in internal audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores and covers CG. The scope is at the time of assessment for dimensions PI-26.1 and PI-26.2, last completed year (2020) for dimension PI-26.3 and the audit issued in the last three years (2018 – 2020) for dimension PI-26.4.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-26 Internal audit	C+	

26.1 Coverage of internal audit	C	While overall IAUs coverage is 98 per cent of central government institutions with respect to revenue and 95.1 per cent of central government institutions in respect to expenditure, the level of staffing occupancy across central level IAUs is 63% and it implies that the internal audit function is not fully operational.
26.2 Nature of audits and standards applied	C	Internal audit activities are less focused on evaluation of the adequacy and effectiveness of managerial internal control system, and largely on high-risk areas. Internal audit activities are guided by the Internal Audit Methodology that complies with the International Professional Practices Framework issued by the Institute of Internal Auditors. A quality assurance process is not widely used across the internal audit units (IAUs) and by the nature the compliance audits prevail in total number of audits conducted during the year.
26.3 Implementation of internal audits and reporting	B	Annual audit plans exist in 78% of central budgetary units, and they are monitored by the Division on Policies in Public Internal Financial Control (Central Harmonization Unit or PIFC Unit) at the MoF. In fiscal year 2020, planned audits were 188 for central government out of which 172 (91.5%) were completed and their reports distributed to appropriate parties.
26.4 Response to internal audits	A	Management provided full response to and implemented 95% of internal audit recommendations made over fiscal years 2018-2020.

## 26.1. Coverage of internal audit

### Performance level and evidence for scoring the dimension

The internal audit function in the public sector is governed by the following elements of the regulatory framework:

- Law no. 229/2010 on public internal financial control.
- Government decision no. 556/2019 for the approval of the Regulation on the achievement, confirmation, and development of professional qualification in the field of internal audit in the public sector.
- Government decision no. 557/2019 on the approval of the Code of Ethics of the internal auditor and the Internal Audit Charter.
- Government decision no. 617/2019 for the approval of the regulation on the evaluation of the quality of the internal audit activity in the public sector.
- OMF no. 153/2018 on the National Internal Audit Standards.
- OMF no. 159 /2020 on the approval of the regulations on internal audit activity as shared service in public sector.
- OMF no. 160/2020 on the approval of the regulations on internal audit activity on contractual basis in public sector.

- OMF no.161/ 2020 on the Internal Audit Standards in the public sector.
- OMF no. 105/2013 on the Methodological Norms for internal audit in the public sector (only the Supplementary Instructions part is in force).
- OMF no. 176/2019 on the approval of the regulation on the reporting of internal audit activity in the public sector.

The requirements for the establishment of internal audit units (IAU) are provided in Art. 19 of law on Public Internal Financial Control (no. 229 of 23 September 2010). The functioning and duties of IAU are regulated by the Internal Audit Charter (approved by Government Decision no 557/2019). As an alternative the PE can also outsource the IAU function or arrange it as a shared service in partnership with other entities<sup>146</sup> to get economy of scale or compensate the lack of skilled personnel in the public sector and reduce staff turnover that was reported at the level of 21% in 2020.

As of December 31, 2020, the internal audit function was established within 75 central government public entities (PEs) subordinated to the government, of which only 55 IAUs or 73% are functional. Of the functional IAUs at the central level, only 43 IAUs submitted reports. The other IAUs did not report because either they had no activity in the reporting period and / or have recently hired internal auditors.

All ministries, National Social Insurance House, National Health Insurance Company and LPAs of level II are required by PIFC law to establish an IAU. Any other public entity subordinated directly to the government and to the line ministries is entitled to create its own internal audit subdivisions, with the consent of the higher hierarchical body based on the government's resolution. Autonomous public entities have the right to establish IAUs in line with the law and its own regulations. Table no. 26.1 presents the information regarding the organization of the internal audit, and the level of staffing of the IAUs with personnel at the central level.

**Table 26.1: The organization of the internal audit in the public sector as of December 31, 2020**

<i>Group of public entities<sup>147</sup></i>	<i>No. of entities that have established the IAU</i>		<i>Number of approved staff positions</i>	<i>Number of occupied staff positions</i>	<i>Level of staffing of IAU with personnel, (%)</i>
	<i>Total</i>	<i>of which:</i>			
		<i>operational</i>			
<b>Public authorities and institutions</b>					
Ministries	9	8	20	13	65
Other authorities and public institutions subordinated to the government	15	11	50	32	64
Public entities subordinated to the Central Public Administration (CPA), including self-management	51	36	106	67	63.2
<b>Total</b>	<b>75</b>	<b>55</b>	<b>176</b>	<b>112</b>	<b>63.6</b>

Source: MoF

<sup>146</sup> 8% of central budgetary units decided to outsource their internal audit function.

<sup>147</sup> This includes entities that report to MoF on the status of their internal audit. The entities subordinated to the Parliament, although some of them have functional IAUs the information about them is not complete or inaccurate, hence for consistency they were excluded from analysis.

Within the ministries, the National Social Insurance House, and National Health Insurance Company the IAUs are established and are functional, except for the IAUs in the Ministry of Defense, where the position of internal auditor is vacant. In addition, the table shows that the level of staffing within the CPA is around 64%. Moreover, IAUs in Ministry of Education, Culture and Research, and Ministry of Justice are staffed by only one person. However, in according with the provisions of art.19, paragraph (1<sup>1</sup>) of law 229/2020 on CFPI - "The internal audit subdivision is established in a number of at least three personnel units in the structure of Ministries, the National Social Insurance House, the National Insurance Company Medical Insurance ". Hence, this requirement is not observed in the most entities.

**Table 26.2: Calculation of the internal audit coverage in terms of expenditures**

Institution	Planned Expenditure (MDL million)	IA unit in place (Y/N)	Approved number of staff in IA unit	Effective number of staff in IA unit
<b>A. Ministries</b>	<b>35,526.3</b>	<b>8</b>	<b>19</b>	<b>13</b>
1. Ministry of Finance: - as central public authority  - as budget administrator (for the expenditures attributed to the general actions <sup>148</sup> that cannot be associated with other specific authorities or budgetary institutions according to para 11 of the Annex 4 to MOF no 208/2015	17,008.5  1,400.6  15,607.9	  Y	  3	  3
2. Ministry of Education, Culture and Research	3,033.1	Y	2	1
3. Ministry of Health, Labour, and Social Protection	2,316.8	Y	2	1
4. Ministry of Economy and Infrastructure	5,923.9	Y	2	1
5. Ministry of Agriculture, Regional Development and Environment	2,628.1	Y	2	1
6. Ministry of Justice	1,196.2	Y	1	1
7. Ministry of External Affairs and European Integration	505.7	Y	2	2

<sup>148</sup> General actions (MDL 15.607,9 million) include funds centrally managed by the Ministry of Finance as budget administrator and cover the following expenditures: state debt service (MDL 1,947.5 million), transfers to the local budgets (MDL 13,122.9 million), Government's emergency funds (88,0 mil. MDL), workplace subvention programs (200,0 mil. MDL), housing programs (21,7 mil. MDL), etc.

Institution	Planned Expenditure (MDL million)	IA unit in place (Y/N)	Approved number of staff in IA unit	Effective number of staff in IA unit
8. Ministry of Internal Affairs	2,914.0	Y	5	3
<b>B. Other Central Administrative Authorities and Public Entities under the Government*</b>	<b>32,866.9</b>	<b>7</b>	<b>32</b>	<b>22</b>
1. State Chancellery	636.5	Y	1	1
2. National Social Insurance House	23,491.0	Y	18	9
3. National Health Insurance Company	8,383.4	Y	3	3
4. State Agency for Intellectual Property	64.7	Y	2	2
5. National Food Safety Agency (ANSA)	229.4	Y	5	4
6. Interethnic Agency	4.2	Y	1	1
7. National Research and Development Agency	31.7	Y	1	1
8. Public Property Agency (APP)	26.0	Y	1	1
<b>Total expenditures covered by IA</b>	<b>68,393.2</b>	<b>75</b>	<b>176</b>	<b>112</b>
<b>Planned expenditures under Central Consolidated Budget</b>	<b>71,860.1</b>			
<b>Relative weight</b>	<b>95.1%</b>			

Data source: 2020 budget execution report and 2020 Annual Consolidated PIFC Report

IA is functional in Social Insurance and Mandatory Health Insurance Funds, and in the State Tax and Customs Services which collect the bulk of government revenue as shown in Table 26.3.

**Table 26.3: Calculation of the internal audit coverage in terms of revenue**

	Revenue collection entity	Planned revenue (million MDL)	Approved number of staff in IA unit	Effective number of staff in IA unit
1	State Tax Service	16,946.0	7	7
2	Customs Service	25,936.5	6	6



3	National Social Insurance House (revenues administered by State Tax Service)	14,930.5	18	9
4	National Health Insurance Company (revenues administered by State Tax Service)	5,377.7	3	3
	<b>Total planned revenues</b>	<b>62,403.7</b>	<b>34</b>	<b>25</b>
	<b>Planned revenues under Central Consolidated Budget</b>	<b>64,444.8</b>		
	<b>Relative weight</b>	<b>98%</b>		

Data source: 2020 budget execution reports and 2020 Annual Consolidated PIFC Report

Although the overall IA coverage is 98 per cent of central government institutions in respect to revenue and 95.1 per cent of central government institutions in respect to expenditure, the level of staffing occupancy across central level IAUs is 63% with almost half of the public authorities having just one internal auditor. Hence there is no sufficient evidence that the internal audit is fully operational and able to cover all expenditures and revenues in the central public authorities considering the typical features of an operational audit function as described in the international standards.

**The score for this dimension is C.**

## 26.2. Nature of audits and standards applied

### Performance level and evidence for scoring the dimension

The Public Financial Internal Control system (PIFC) has been developed in Moldova to provide a structured and operational model to assist national authorities in redesigning their own internal control environment and to update public sector control systems in line with international standards. The MoF is responsible for PIFC designing and modelling. It performs the following activities through the Public Internal Financial Control Policy Unit (PIFC Unit):

- Develops, promotes and monitors PIFC policies.
- Develops, updates, and harmonizes the PIFC regulatory framework.
- Monitors and evaluates the quality of internal audit activities, as well as managerial internal control systems.
- Prepares and submits to the Government Office, through State Chancellery by June 1 for approval the annual consolidated report on PIFC for the previous year.
- Coordinates training on managerial internal control, and internal audit, and develops certification mechanisms for internal auditors in the public sector.

Article 21 of the Internal Audit Norms in the public sector approved by OMF no. 161/2020 defines types of internal audit engagements:

- System audit, which considers internal management control within a system, process, or activity, to assess the effectiveness and efficiency of its functioning.
- Compliance audit, which checks compliance with the regulatory framework, policies, and

applicable procedures and, as appropriate, the need to improve control activities.

- Financial audit, which evaluates the appropriate and effective functioning of the financial systems control activities.
- Performance audit, which looks at the use of resources within a single program, function, operation, or system to determine if resources are used in the most economic, efficient, and effective way to accomplish tasks.
- Information technology, considering the effectiveness of internal management control over information systems.

The norms clearly define the process of internal audit report preparation and its issuance to relevant parties. The main findings and recommendations are discussed with the auditee, whose view is expressed in the final internal audit report.

Internal audit norms comply with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors that ascertains compliance with International Standards for Internal Auditing. The Norms envisage a risk-based audit planning that guides the risk assessment and the internal review process to ensure quality control of the process.

There is also a Code of Ethics adopted in accordance with Government Decision no. 557/2019 on the approval of the Code of Ethics (CoE) of the internal auditor and the Internal Audit Charter that all internal auditors should comply with.

Each IAU must have the Quality Assurance and Improvement Program (QAIP), approved at the level of the public entity, to assess the performance of the internal audit activity as well as its compliance with National Internal Audit Standards (NIAS) and to evaluate the application of CoE by internal auditors. The Program shall also include internal and external assessment. The latter shall be conducted once in five years by qualified independent assessor or by an assessment team outside the public entity. The results of the program implementation shall be communicated by the chief of IAU to the management of the public entity. Table 26.4 below summaries the external quality review performed by the MoF in various budgetary entities:

**Table 26.4: External Quality Assessment of IAUs performed by Ministry of Finance during 2018-2021\***

Year	Administrative Authorities and Public Entities, whose IA unit have been subject to External Quality Assessment
2018	- Customs Service - National Social Insurance House - Ministry of Economy and Infrastructure - Ministry of Education, Culture and Research
2019	---
2020	- State Tax Service
2021 (Q1-Q3)	- National Health Insurance Company - General Inspectorate of Police

\* The normative framework on external quality assessment of the IA activity in the Moldovan public sector was approved by government decision no. 617/2019. The approved mechanism has been implemented since January 2020. Meanwhile, the evaluations carried out by the MoF for 2018 year were performed with the

support of international experts from the EU Twinning Project, to pilot the normative framework, subsequently approved.

In 2020 31 IAUs (41 % of IAUs) within the public entities subordinated to the government prepared and approved QAIP.

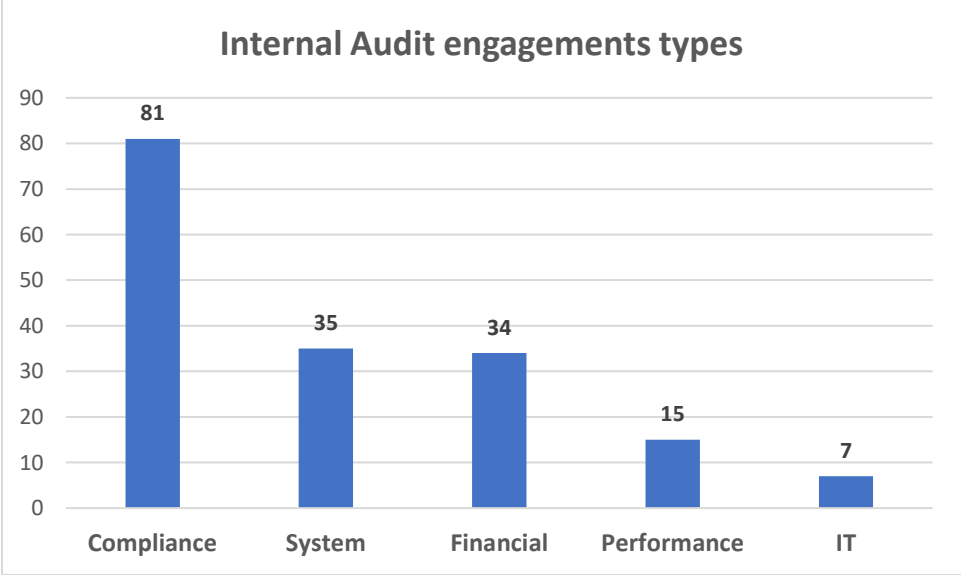
At the same time, the QAIP loses its relevance for IAUs staffed with one person, because it does not assure proper supervision of the internal audit activity. Within the IAU the first layer of QAIP is being conducted by the head of unit of the work performed by the other auditors. That is why, strengthening the internal audit function at the higher hierarchical level would be a solution for a rational sizing of the IAU and for efficient implementation of quality assurance mechanisms over the IA activity.

Annually IAUs report to MoF on internal audit activity according to OMF no. 176/2019. Yet, internal audit provides opinions over the functionality of the managerial internal control within the self-evaluation exercise performed annually by the public entities in line with OMF no. 4/2019.

IAUs’ heads perform self-assessment of the internal audit quality regarding the level of compliance with NIAS, Ethics Code of the internal auditor and Internal Audit Charter, that is then consolidated by MoF. Overall, partial adherence to the provisions of NIAS (around 58.4%) is attested by MoF at the central level of the government in 2020.

According to PIFC law the internal audit should provide an assessment of high-risk processes at least once every three years in the following areas: (i) finance and accounting; (ii) public procurement; (iii) asset administration; and (iv) IT. In 2020 the coverage of such processes was 90%. Regarding the types of audit missions, compliance audits prevail (Table 26.5.), and limited emphasis is placed on auditing operational processes, financial audits, and performance audits. At the same time, due to the lack of specialized knowledge, skills and competencies, the level of IT audits is low.

**Table 26.5: Types of audits performed**



**The score for this dimension is C.**

### **26.3. Implementation of internal audits and reporting**

#### **Performance level and evidence for scoring the dimension**

In accordance with the requirements of international standards, all internal auditors in budgetary units, based on risk assessment and with consideration of the goals and mission of the institution, prepare strategic and annual plans and submit them to the Head of the Institution for approval. These annual audit plans are also sent to the Policy Department in the field of public internal financial control (PIFC) at the MoF and monitored.

Based on the strategic and annual plans available within the MoF (PIFC), the following can be observed:

- 24 IAUs or 44% of operational IAUs have a strategic plan, developed, and approved.
- 43 IAUs or 78% of operational IAUs have annual plans regarding the internal audit activity.

In the last fiscal year of the assessment, 2020, a total 188 audits were planned during the reporting period. At the same time, in 2020, 172 planned audits were carried out (91.5%), and an additional 65 ad-hoc internal audits were performed. Mainly, ad hoc missions were due to the urgent situations that occurred during the pandemic crisis.

Internal auditors report directly to the heads of the public entities. Those in turn appraise the organization of managerial internal control system and issue annually for preceding year a Management Responsibility Statement. IAUs submit the copy of their annual IA Plan and activity report to the Court of Accounts. Annually by February 15 the IAUs' chiefs conduct self-assessment of the quality of internal audit activity for previous year according to the prescribed template. The self-evaluation is part of IAUs' annual reporting to MoF and must be submitted by March 1.

The MoF discharges its responsibility of monitoring the activities of public sector internal auditors through annual reports of the IAUs submitted to PIFC Unit (CHU) and quality reviews. This information is thoroughly analyzed and serves as the basis for development of the Consolidated Annual PIFC Report covering both central and local levels, which the Minister of Finance presents to the government. FY2020 annual consolidated PIFC report was approved by the government through its ordinance no. 47-d on June 16, 2021.

**The score for this dimension is B.**

### **26.4. Response to internal audits**

#### **Performance level and evidence for scoring the dimension**

The IAUs have systems for monitoring the implementation of the recommendations, with their records, the indication of the implementation deadlines, and those responsible.

The table below summarizes the number of recommendations issued and accepted during fiscal years 2018-2020. All heads of the entities provided responses to the audit recommendations within 12 months after the reports were issued and these are validated in the annual internal audit report produced by each entity.

**Table 26.6: Response to IA recommendations for the audit reports issued in the last three years, 2018 - 2020**

Institution	Number of recommendations issued			Number of recommendations accepted			Number of recommendations implemented		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
<b>A. Ministries, including</b>	<b>262</b>	<b>180</b>	<b>210</b>	<b>249</b>	<b>180</b>	<b>167</b>	<b>109</b>	<b>89</b>	<b>114</b>
<i>1. Ministry of Finance</i>	41	38	36	41	38	36	24	52	44
<i>2. Ministry of Education, Culture and Research</i>	34	28	32	29	28	32	11	9	9
<i>3. Ministry of Labour, Health, and Social Protection*</i>	8	---	27	0	---	27	0	---	0
<i>4. Ministry of Economy and Infrastructure</i>	25	30	40	25	30	0	5	15	35
<i>5. Ministry of Agriculture, Regional Development and Environment</i>	36	6	60	36	6	60	30	0	0
<i>6. Ministry of Justice*</i>	---	---	---	---	---	---	---	---	---
<i>7. Ministry of External Affairs and European Integration</i>	21	32	15	21	32	12	11	10	10
<i>8. Ministry of Internal Affairs</i>	58	46	0	58	46	0	19	3	16
<i>9. Ministry of Defence*</i>	39	---	---	39	---	---	9	---	---
<b>B. Other Central Administrative Authorities and Public Entities under the Government</b> <i>, including</i>	<b>351</b>	<b>575</b>	<b>371</b>	<b>349</b>	<b>575</b>	<b>365</b>	<b>255</b>	<b>450</b>	<b>190</b>
<i>National Social Insurance House</i>	112	112	89	112	112	89	91	121	81
<i>National Health Insurance Company</i>	25	58	35	23	58	35	28	19	22
<b>C. Public Entities subordinated to the</b>	<b>908</b>	<b>1100</b>	<b>1054</b>	<b>895</b>	<b>1041</b>	<b>983</b>	<b>540</b>	<b>708</b>	<b>821</b>

<b>Ministries and other Central Administrative Authorities</b>									
<b>Total for all institutions</b>	<b>1521</b>	<b>1855</b>	<b>1635</b>	<b>1493</b>	<b>1796</b>	<b>1515</b>	<b>904</b>	<b>1247</b>	<b>1125</b>

*\* Due to the lack of internal auditors or newly hired*

The acceptance of the recommendations by the PEs management for 2020, 2019, and 2018 are 98%, 97%, and 93%, respectively.

**The score for this dimension is A.**

## **PILLAR SIX: Accounting and reporting**

### **PI-27. Financial data integrity**

#### **General description of the characteristics of the indicator within the scope covered**

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. The time period is at the time of the assessment or covering the preceding year.

#### **Summary of scores and performance table**

<b>Indicator/Dimension</b>	<b>Score</b>	<b>Brief justification for score</b>
PI-27 Financial data integrity	<b>A</b>	
27.1 Bank account reconciliation	A	Treasury Division under MoF, reconciles on daily basis all CG balances with the TSA sub-accounts and other bank accounts in the National Bank of Moldova.
27.2 Suspense accounts	A	In Moldova, suspense accounts are used to record revenue whose purpose is not identified. The purposes of unidentified amounts are determined daily. Such accounts are cleared in a timely way.
27.3 Advance accounts	A	Reconciliation of advances takes place at least monthly, within a month from the end of period and only with few balances are brought forward and are cleared in a timely way.
27.4 Financial data integrity processes	A	Access and changes to records is restricted and recorded, and results in an audit trail. Financial data integrity is done by Treasury, which reviews financial information from budgetary units and Centre of Information Technology in Finance under MoF monitors unauthorized systems access. Internal auditors and the Court of Accounts as part of their audits verify financial data integrity.

#### **27.1. Bank account reconciliation**

##### **Performance level and evidence for scoring the dimension**

The MoF is a participant in real time Automated Interbank Payment System operated by the NBM for executing domestic payments. All budgets are executed through the Treasury Single Account held by NBM. The Treasury and the regional treasuries of the MoF perform daily processing of the account statement including the statement on foreign currency transactions provided by the NBM.

The bank accounts managed by the Treasury and the regional treasuries of the MoF are reconciled daily.

After processing the bank statements by the Treasury and the regional treasuries of the MoF, the finance management information system (FMIS) ensures that this reflects operations in the accounting statements of the budgetary authorities/institutions. Public authorities/institutions can view daily account statements in the Treasury's payment system, edocplata.

**The score for this dimension is A.**

## 27.2 Suspense accounts

### Performance level and evidence for scoring the dimension

In accordance with the provisions of points 3.2.7 and 3.2.9 of the Order of the Minister of Finance no. 215 of 28 December 2015 on the approval of the Methodological Norms on cash execution of the component budgets of the national public budget and extra-budgetary units through the Single Treasury Account of the Ministry Finance, in cases where incorrectly prepared payment documents are executed by the financial institution, the respective amounts are reflected in the bank accounts of the MoF under the economic classification code "Unidentified income."

Usually, no later than the second operational day, the Treasury and the regional treasuries of the MoF draw up payment orders for the return of funds from the treasury account of receipts for unidentified income to the IBAN codes of payers. Amounts collected from individuals are analyzed, clarified, and transferred from the treasury account of receipts for unidentified income (economic classification code "Unidentified income") to the corresponding economic classification code or in case if they cannot be identified to the economic classification code, "Other incomes". On the last operational day of the budgetary year, the balances of the treasury revenue account "Unidentified income" are transferred to treasury accounts "Other income."

**The score for this dimension is A.**

## 27.3 Advance accounts

### Performance level and evidence for scoring the dimension

In accordance with the article 66(5) of the law on public finances and budgetary-fiscal responsibility no. 181/2014, it is prohibited to conclude contracts by budgetary bodies/institutions with preliminary (advance) payments for the purchase of goods, services and works, except for:

- Construction and overhaul work at a cost not exceeding 10 percent of the annual limit established for the facility to organize technological processes, purchase materials and equipment, in cases where this is provided for in contract agreements for the performance of work concluded between customers and contractors, with subsequent confirmation of the amounts paid by the amount of work performed during the reporting year.
- Goods, services and works that are not covered by the Public Procurement Law.

The advances for constructions and overhaul works are deducted from each payment request. Advance payments for employees' travel are allowed by a separate regulation related to detachment of employees on business trips approved through the government decision no. 10 of January 5, 2012. Such advances are



processed by the Treasury based on the internal order of the respective spending unit. Upon return an employee reports on trip-related expenditures and returns any unused advances within five days. The accuracy of calculations and documentation of the related expenses is verified by Financial Inspection and the Court of Accounts.

In the financial statements submitted by the budget institutions advance payments are evidenced as assets in the balance sheet (accounts receivables). The advances are cleared upon posting of the final invoice.

Generally, the advances are closed in time. The analysis of annual reporting shows the existence of arrears in receivables for prepayments in the state budget (MDL 0.2 million) at the end of 2020, but this is insignificant.

**The score for this dimension is A.**

**27.4. Financial data integrity processes**

**Performance level and evidence for scoring the dimension**

Only authorized users of the spending units have access to FMIS and other systems operated by the Treasury. The access is managed by Public Institution “Centre of Information Technology in Finance” (PI “CITF”) under MoF. Non-registered users cannot access the systems. Records cannot be created or modified without leaving an audit trail. Audit trails enable individual accountability, intrusion detection and problem analysis. Audit trail generated from the systems provides information on who accessed the data, who initiated the transaction, who approved the transaction, the time of day and date of entry, the type of entry, what fields of information it contained, and what files it updated. It also allows to analyze the employee’s individual workload. Such report is generated annually by CITF, and it is used for staff performance appraisal.

Financial data integrity is carried out by the Treasury, and it reviews the financial data from budgetary organizations. The operational unit of the Treasury Division reviews financial data integrity daily related to budgetary units. CITF monitors unauthorized accounting system access. Internal auditors and Court of Accounts conduct audits to verify accuracy and completeness financial data. The CoA informed the assessment team that there were no significant issues related to financial data integrity.

**The score for this dimension is A.**

**PI-28. In-year budget reports**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. This indicator contains three dimensions and uses the M1 (WL) method for aggregating dimension scores. The time period is the last completed year. Coverage is BCG.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-28 In-year budget report	B+	

28.1 Coverage and comparability of reports	A	Coverage and classification of data in the budget execution reports allows direct comparison to the original budget. Information includes all central government budget estimates for the budgetary units and expenditures from transfers.
28.2 Timing of in-year budget reports	B	Reports are prepared monthly and issued within 4 weeks from the end of reporting period.
28.3 Accuracy of in-year budget reports	B	There are no issues with quality. However, the reports provide information on expenditures only at the payment stage.

## 28.1. Coverage and comparability of reports

### Performance level and evidence for scoring the dimension

Budget execution reporting is regulated by the provisions of the law no. 181/2014 on public finances and budgetary-fiscal responsibility.

The MoF methodological guidelines on cash execution of the budget components of the National Public Budget provide that the budget execution reports are submitted in a form comparable to the approved budgets. Such reports are prepared monthly, quarterly, semiannually and annually by the respective spending units and submitted to MoF.

The MoF prepares and publishes a monthly report on the execution of the national public budget, which includes the state budget, local budgets, as well as the State Social Insurance budget and Compulsory Health Insurance Funds budget. SSIB and CHIF reports are being sent to the MoF by 15th of the following month. Reports on the execution of the state budget and local budgets are generated from the treasury system. The monthly budget execution reports are presented according to the economic and functional classification at the same level of details as the original budget. They contain the planned figures, the amounts executed, the deviations in amounts and percentages. Also, they contain comparative figures with the corresponding period of the previous year.

Quarterly budget execution reports are not published.

Monthly, semiannual and annual reports are published on the official website of the MoF as well as on the government's platform: [www.date.gov.md](http://www.date.gov.md). On the official website, the monthly budget execution reports are prepared at aggregate level. On [www.date.gov.md](http://www.date.gov.md) the budget execution reports are posted in more details according to the economic classification.

The semi-annual report on the execution of the National Public Budget and its components for 2020 was prepared by September 7 (Quarter III) of 2020, and subsequently placed on the website of the MoF. It has been also sent to the government for information. The semi-annual report is comprehensive and contains the analysis of the budget execution, including the recent macroeconomic developments of the national economy, factors impacting the budget amendment and modifications, as well as the developments in the field of state debt and other conditional commitments in the first half of 2020. Additionally, it includes the budget execution report according to administrative classification.

At the same time, the spending units prepare and submit to the central public authorities’ financial statements for the first semester, nine and twelve months according to the established terms and in the composition prescribed in the IV chapter “Financial Reporting” of the MoF Ordinance no. 216/2015 regarding the approval of the Chart of Accounts in the budgetary system and of methodological norms on the accounting and financial reporting in the budgetary system. Central public authorities consolidate this information and send it to the MoF. The budget execution report FD-044 contains the data detailed at the level of six digits related to the revenues, expenditures, non-financial assets, financial assets, liabilities as well as cash balances. Also, this form covers data related to accounts receivable and payable, including the arrears. These reports are not published but are used for internal purposes to monitor the budget execution and perspective analysis of public finances.

The report on the execution of the state budget for 2020 was prepared and presented to the government by May 21, 2021, and can be accessed at the MoF’s website.

**Table 28.1: In-year budget reports (monthly)**

Coverage and classification			Timeliness		Accuracy		
Allows direct comparison on to original budget (Y/N)	Level of detail A=All budget items P= Partial aggregation M= Main administrative headings E=Main economic headings	Includes transfers to de-concentrated units (Y/N)	Frequency W/M/Q N= >Q’ly	Within: 2/4/8 weeks N= >8weeks	Material concerns (Y/N)	Analysis prepared (Y/N)	Payment information E=Exp C=Commit
Y	A	Y	M	4	N	Y	E

Data source: MoF

The score for this dimension is A.

**28.2. Timing of in-year budget reports**

**Performance level and evidence for scoring the dimension**

The monthly reports on the execution of the national public budget, including its components, accompanied by brief analysis are prepared, and placed on the MoF’s website by the 25th of the month following the reporting period according to the internal order of the MoF regarding Open Data Catalog. In 2020, budget execution reports had been prepared monthly and issued as specified in the table below. The average submission days after the reporting month in 2020 was within four weeks. The SSIB and CHIF produce their monthly reports within 15 days, the reports for the first semester, 9 months and 12 months - within 50 days after the end of the reporting period.

**Table 28.2: Timing of in-year budget reports for 2020**

Period covered by the report	Actual date of issuance	Number of days after the end of the reporting
January	February 25, 2020	25
February	March 23, 2020	23
March	April 28, 2020	28
April	May 25, 2020	25
May	June 23, 2020	23
June	July 21, 2020	21
July	August 22, 2020	22
August	September 21, 2020	21
September	October 23, 2020	23
October	November 23, 2020	23
November	December 24, 2020	24
December	January 27, 2021	27

Data source: MoF internal letters

As shown in the table 28.2 the monthly budget execution reports in 2020 were issued within four weeks from the end of each month.

**The score for this dimension is B.**

### 28.3. Accuracy of in-year budget reports

#### Performance level and evidence for scoring the dimension

There are no major concerns about the accuracy of the information submitted in the budget reports as discussed with the Court of Accounts. According to the Treasury, the cases when the revisions or adjustments are needed after the reports have been finalized are extremely rare. All budget transactions (revenues and expenditures) for all public budget spending units are managed and accounted for in the TSA. In addition, MoF regional treasury units carry out transactions of local budgets.

To check the accuracy of the balances on budget allocations and evidence of payments according to economic classification the regional treasury units monthly submits to each spending unit a Current Account Statement for reconciliation purposes. Such mechanisms allow a thorough and regular monitoring and verification of financial information and cash flows (in particular, conducting of cross-checks).

The Treasury reports include both planned and actual figures according to the cash accounting method. The reports include data about financial and nonfinancial assets, and liabilities. Separate reports are prepared and published on the arrears and overdue receivables. The data is consistent and useful for analysis of the budget execution. Regarding expenditures and revenues, the reports are compiled for economic and functional classification types. These reports include information at the payment stage. Yet, FMIS allows generation of reports with information on the commitments as needed, however this is not routinely done as part of monthly budget execution reporting.

The budgetary institutions keep records on accrual method in line with the MoF ordinance no. 216/2015 regarding the approval of the Chart of Accounts in the budgetary sector and methodological norms on the accounting and financial reporting in the budgetary sector. The expenditures and non-financial assets are

registered by the budgetary institutions based on supporting primary documentation. The payments are made within the limits of the approved budgetary allocations and contracts registered in the regional treasury units of the MoF.

The budgetary institutions keep accrual-based accounting in the accounting information system for the budgetary institutions 1C and prepare financial statements within that system.

The budgetary authorities / institutions submit financial statements for the first semester, nine and twelve months according to the established terms and in the composition prescribed in the IV chapter “Financial Reporting” of the MoF Ordinance no. 216/2015 regarding the approval of the Chart of Accounts in the budgetary system and of methodological norms on the accounting and financial reporting in the budgetary system. These reports contain:

- Balance sheet;
- Revenue and expenditure statement;
- Cash flow statement;
- Budget execution report that includes data about the accrued expenditures, actual expenditures as well as accounts receivable and accounts payable, including those with the expired term (arrears), and they are used for the budget analysis.

These reports are accompanied by a comprehensive Narrative Report prepared in accordance with para 4.2. of MoF ordinance 216/2015. The central public authorities check the plans and cash execution from the financial reports prepared by their subordinated institutions with Current Account Execution Form. MoF verifies the consolidated reports submitted by the central public authorities with the Budget Execution Report from the TREZ module of the FMIS.

**The score for this dimension is B.**

**PI-29. Annual financial reports**

**General description of the characteristics of the indicator within the scope covered**

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. It contains three dimensions and uses the M1 (WL) method for aggregating dimension scores, and covers BCG. The period of assessment for dimension 29.1 is the last completed fiscal year, i.e., FY 2020; for dimension 29.2 last annual financial report submitted for audit; for dimension 29.3 the last three years’ financial report, i.e., FY 2018-2020.

**Summary of scores and performance table**

Indicator/Dimension	Score	Brief justification for score
PI-29 Annual financial reports	D+	
29.1 Completeness of annual financial reports	A	The report on State budget execution is prepared annually and is comparable with the approved budget. It contains information on revenue, expenditure, financial assets, financial liabilities, and long-term obligations. The financial reports of all budgetary units collected by the MoF are supported by a reconciled cash flow statement.

29.2 Submission of reports for external audit	B	Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.
29.3 Accounting standards	D	The financial statements are prepared following to accounting standards consistent with the country's legal framework. However, the standards used in preparing annual financial reports are not disclosed.

## 29.1. Completeness of annual financial reports

### Performance level and evidence for scoring the dimension

The report on the execution of the state budget is prepared annually, which includes indicators on execution, comparable to the approved indicators. This report contains complete information about income, expenses, financial assets, and non-financial assets. However, the report does not contain a reconciled cash flow statement. Yet, all budgetary institutions / authorities include in their annual financial reports submitted to MoF the cash flow statement (Form FD-043), approved by MoF order no. 216/2015 on the approval of the Chart of Accounts in the budgetary system and of the Methodological Norms regarding the accounting and financial reporting in the budgetary system. The cash flow statement is verified with the current account execution sheet sent by the serving regional treasury. This report is used by the MoF for budget analysis and analysis of public finance prospects.

For the purpose of correct preparation, the report on the execution of the state budget is verified with the Verification Balance Form FC-004, with the bank accounts managed by the Treasury and MoF Regional Treasuries. The description of the accounts is indicated in the Narrative Report on the execution of the state budget.

The annual report on the execution of the state budget is prepared according to the order of the MoF. Regarding the structure, composition and format of the forms in the annual report on the execution of the state budget no. 44/2018 with subsequent amendments. The annual report contains data on the assets, receivables and liabilities of the budgetary institutions, consolidated data from the financial statements submitted by the central public authorities, as indicated in the report.

**Table 29.1: Annual Financial reports**

Financial report <sup>149</sup>	Content of annual financial report (Y/N):					Date of submission for external audit	Within: (3/6/9 months)
	Prepared annually (Y/N)	Comparable with approved budget (Y/N)	Information F=Full P=Partial B=Basic	Reconciled cash flow statement (Y/N)	Balance Sheet C=Cash only FO=Financials only F=Full		
FY 2020 State Budget Execution Report	Y	Y	F	Y (at the level of all budgetary units)	C	May 12, 2021	6 months

<sup>149</sup> This may be a consolidated financial report or a list of financial reports from all individual BCG units.

Data source: MoF

**The score for this dimension is A.**

## 29.2. Submission of reports for external audit

### Performance level and evidence for scoring the dimension

According to the law on Public Finances and Budgetary-Fiscal Accountability, the MoF, as well as SSIB and CHIF, are required to submit the annual budget execution report for audit to the Court of Accounts by 15 April of the following year.

The report on the execution of the state budget for 2020 was presented to the Court of Accounts for audit by letter no. 12 / 4-7-36 dated May 12, 2021 (in the conditions of the pandemic, the deadline for submitting the Report was extended until May 17, 2021, according to the Decision of Commission for Exceptional Situations no. 1 from April 1, 2021).

**The score for this dimension is B.**

## 29.3. Accounting standards

### Performance level and evidence for scoring the dimension

Starting from January 1, 2016, accounting and financial reporting in all the budgetary institutions are performed in accordance with the new Chart of Accounts for the budgetary system and the Methodological Norms on accounting and financial reporting in the budget system approved by order of the Minister of Finance no. 216 dated December 28, 2015. The new Chart of Accounts is aligned with the new economic classification of the budget and GFS 2001.

The Methodological Norms on accounting and financial reporting in the budgetary system are in essence the standards that serve the basis for the accounting in the budgetary sector and for preparation of the financial statements.

One of the objectives of 2013 – 2020 PFM Strategy is to improve the public sector accounting system. This is also captured in the Reform Policy Matrix stemming from the EU-Moldova Association Agreement signed in June 2014 and effective since July 2016.

The aim of the MoF is to improve the accounting and financial reporting system in the public sector through developing national public sector accounting standards (NPSAS) in line with IPSAS and to introduce them at central and local levels. Hence, on December 17, 2015, the MoF, through its order no. 202 created a Council for Accounting Standards in the public sector - advisory body to ensure the development of NPSAS aligned to IPSAS, and preparation/modification of normative acts in accounting and financial reporting.

The concept for the development and introduction of NPSAS was approved by order of the Minister of Finance no. 159 of December 27, 2016. The Concept and Action Plan for NPSAS development aligned with IPSAS have been adjusted in terms of their gradual implementation considering the consequence of necessary activities. At the moment, the Chart of Accounts in the budgetary sector is being adjusted according to the emerging needs.

NPSAS are to be developed in compliance with international accounting standards for the public sector but considering the particularities of the operations of the government (IPSAS Indirect Approach). The NPSAS will be based on the modified accrual method, except for the record of some revenues and expenditures – which will be kept on a cash basis, such as:

- Tax and customs revenues of the budget,
- State social insurance contributions and mandatory medical insurance premiums,
- Inter-budgetary transfers.

Throughout 2017 and 2018 with the support of the technical assistance provided by the European Union 22 draft standards out of 30 planned had been developed which are aligned to the International Public Sector Accounting Standards (IPSAS) and are published on the official website of the MoF. Yet, these standards have not been formally endorsed.

Currently the financial statements are prepared following Methodological Norms on accounting and financial reporting in the budgetary system approved by order of the Minister of Finance no. 216 dated December 28, 2015. However, the reference to these norms is not disclosed in the notes to the annual financial reports.

**The score for this dimension is D.**

#### **Recent or ongoing reform activities**

MoF is keen to continue public sector accounting reforms that include:

- Develop remaining public sector accounting standards;
- Develop and approve the relevant normative framework;
- Update the Integrated Public Sector Accounting Informational System;
- Strengthen the capacities for NPSAS implementation.



## PILLAR SEVEN: External scrutiny and audit

### PI-30. External audit

#### General description of the characteristics of the indicator within the scope covered

This indicator examines the characteristics of external audit. It contains four dimensions and uses the M1 (WL) method for aggregating dimension scores. The time period is last three completed years (2018-2020) and the coverage is CG.

#### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-30 External audit	C+	
30.1 Audit coverage and standards	A	The financial statements of all central government budgetary units include revenue, expenditure, assets, and liabilities. These are entirely captured in the annual report on State budget execution that are audited using International Standards of Supreme Audit Institutions (ISSAI) for the last three fiscal years.
30.2 Submission of audit reports to the legislature	A	The audit reports are submitted to the legislature within forty days from the receipt of the financial reports by the Court of Accounts (CoA).
30.3 External audit follow-up	A	Audit recommendations are included in the CoA Decision on approval of the audit reports that are published. CoA has effective internal mechanism for follow up on the audit recommendations.
30.4 Supreme Audit Institution independence	C	The Court of Accounts is independent from the executive with respect to procedures for appointment and removal of the CoA Head, the planning of audit engagements, arrangements for publicizing reports, and execution of the CoA's budget. However, the budget is approved as part of the state budget process. The CoA shall have unrestricted and timely access to records, documentation, and information from auditees (budgetary units), but there were few cases of violation of this principle. The independence of the CoA is regulated by the law on the Court of Accounts.

The Court of Accounts is established in the Constitution of the Republic of Moldova, with its independence, mandate and organization provided for under law no. 260 on the organization and functioning of the CoA of Republic of Moldova adopted in December 2017.

The mandate of the CoA provides it with the powers to conduct financial, compliance and performance audits, examining the revenue, expenditure, assets and liabilities across central and local government institutions. This includes state and municipal owned commercial enterprises in which the state or municipality has a majority share.

The CoA Audit Strategy for 2019-2021 as well as the recently approved Strategy for 2022 - 2024<sup>150</sup> guides its audit priorities:

- Continuing to conduct compliance and performance audit missions in areas of socio-economic importance (health and social insurance, education, poverty reduction, infrastructure development, central public administration reform, public sector wage reform etc.);
- Mandatory assessment of the level of implementation of recommendations made in the annual financial audit missions.
- Performing follow-up missions, in particular to assess the impact of implementing recommendations made in thematic or system audit missions in areas of socio-economic or specific importance;
- Auditors' specialization by type of audit;
- Standardizing audit activities, including by implementing and using a specialized software system;
- Improving the quality of audit missions, audit methodologies and the professional skills of audit staff.<sup>151</sup>

### 30.1. Audit coverage and standards

#### Performance level and evidence for scoring the dimension

In accordance with the art. 32. „Audit mandate” of the law no. 260/2017, the Court of Accounts has the obligation to carry out annually the financial audit of the:

- Government’s report on the execution of the state budget;
- Government's report on the execution of the state social insurance budget
- Government's report on the execution of the funds of the compulsory health insurance fund;
- Ministries’ reports on the execution of the budgets.

The CoA uses ISSAI for auditing of all public entities. The external public audit of the Court of Accounts covers the entire public sector and covered 100% of the total expenditure of the central government in 2019 and 2020, but slightly less than 100% in 2018.

**Table 30.1: External audit coverage (budget units), FY 2018-2020**

Units	Audit of financial reports (Y/N)			Expenditure	Expenditure covered by at least one audit (%)
	2018	2019	2020		
The state budget - SB (The Ministry of Finance)	Y	Y	Y	38.7 billion – 2018 43.1 billion – 2019 49.6 billion – 2020	2018 – 92% 2019 – 100% 2020 – 100%

<sup>150</sup> Court of Accounts Decision no. 70 dated December 14, 2021, regarding the approval of CoA Audit Strategy: <https://www.ccrm.md/ro/strategie-de-audit-3572.html>

<sup>151</sup> Court of Accounts Audit Strategy 2019-2021 (Multi-annual plan)

The state social insurance budget - SSIB (managed by State Social Insurance House)	Y	Y	Y	19.47 billion – 2018 FY 21.6 billion – 2019 FY 24.2 billion – 2020 FY	2018 – 86% 2019 – 100% 2020 – 100%
Compulsory health insurance funds - CHIF (managed by National Health Insurance Company)	Y	Y	Y	6.7 billion – 2018 FY 7.5 billion – 2019 FY 8.4 billion – 2020 FY	2018 – 100% 2019 – 100% 2020 – 100%
9 ministries	Y	Y	Y	12.7 billion – 2018 FY 12.9 billion – 2019 FY 17.7 billion – 2020 FY	2018 – 72% 2019 – 100% 2020 – 100%

The audit process of the CoA follows the standards of International Organization of Supreme Audit Institutions (INTOSAI) and International Federation of Accountants (IFAC), as well as Control Objectives for Information and Related Technologies (COBIT) and Information System Audit and Control Association (ISACA) for IT audit.

To comply with ISSAI standards, the Court of Accounts of Moldova establishes policies and procedures for its work. These are outlined in an audit manual, a system of quality control and various other audit tools that guide auditors through a set of required steps to ensure that the audits are conducted according to professional standards and SAI policies.

**The score for this dimension is A.**

## 30.2. Submission of audit reports to the legislature

### Performance level and evidence for scoring the dimension

In accordance with art. 47, "Budget calendar" of the law no. 181/2014 of public finances and budgetary-fiscal responsibility, the MoF, the National Social Insurance House and the National Health Insurance Company prepare and present for audit to the Court of Accounts, respectively, the annual reports on the execution of the state budget, the state social insurance budget and the compulsory health insurance funds – by April 15 after the end of relevant year. The Court of Accounts presents the audit report to the government and Parliament - by June 1 after the end of relevant year .

Due to the pandemic the Commission for Exceptional Situations of the Republic of Moldova through its Decisions no. 17 of April 13, 2020 (point 15 sub-points 1-4) and respectively no. 1 of April 1, 2021 (point 17), for 2019 and 2020 extended the term of presentation of 3 main budget reports from the budget administrators and established a 45-day timeline for their auditing.

By decision no. 28 of July 6, 2020, the Court of Accounts were mandated to submit audit reports to the government, President, and Parliament.

**Table 30.2: Timing of audit reports submission to the legislature**

Fiscal years	Dates of receipt of the financial reports by the audit office	Date of submission of the audited financial reports to the Legislature	Days of preparing the audit reports	Effective and timely follow-up by the executive or the audited entity (Y/N)
2018	SB – April 26, 2019 SSIB – April 15, 2019 CHIF – May 14, 2019	SB, SSIB, CHIF – May 31, 2019	45	Y
2019	SB – June 15, 2020 SSIB – June 19, 2020 CHIF – June 15, 2020	SB – July 30, 2020 SSIB, CHIF – July 29, 2020	45	Y
2020	SB – May 12, 2021 (June 9, 2021) SSIB – May 13, 2021 CHIF – April 15, 2021	SB – June 30, 2021 SSIB, CHIF – June 21, 2021	45	Y

Data source: Court of Accounts

- Date of receipt of the budget execution reports by the SAI: Letters no.: 1) 12/4-7-61 from April 26, 2019; 2) II-03/10-3868 from April 15, 2019; 3) 01-03/779 from May 14, 2019; 4) 12/4-7-54 from June 15, 2020; 5) II-03/10-6309 from June 19, 2020; 6) 01-03/990 from June 15, 2020; 7) 12/4-7-36 from May 12, 2021 (nr. 12/4-7-43 from June 7, 2021); 8) 2078 from May 13, 2021; 9) 01-08/937 from April 14, 2021;
- Date of submission of the audited financial reports: Letters no.: 1) 06 / 01-603-19 from May 31, 2019; 2) 06-608-20 from July 29, 2020; 3) 06-637-20 from July 30, 2020; 4) 06/1-461-21 from June 30, 2021; 5) 06/1-421-21 from June 21, 2021.

**The score for this dimension is A.**

### 30.3. External audit follow-up

#### Performance level and evidence for scoring the dimension

The Court of Accounts issues audit recommendations to the audited entities and to their hierarchically superior bodies through its decisions regarding the approval of the audit reports, and in the case of the financial audit - through the letters to the management. The entities, in their turn, are obliged by art. 37 of law no. 260/2017 to take necessary actions and inform the CoA about them within the prescribed terms. According to the CoA, the audited entities generally reply in timely manner. The information and replies submitted by entities are placed in the court's information system, which is directly linked to the official website of the court thus making all of these accessible to the public.

During the audit mission, the audit teams ensure communication with the entity, informing the decision makers about the matters resulting from the audit activity. As a result, the entity may remedy some irregularities / errors during the engagement until the audit report is finalized. The audited entity's right to submit comments on the draft audit report is respected and the court considers the comments and explanations provided.

The Court of Accounts has an internal mechanism for monitoring the implementation of audit recommendations. The court applies three methods of evaluating / monitoring the implementation of audit recommendations:

- Evaluation of the implementation level through the automated information system, "Audit CCRM";
- Setting a separate objective in current audit missions;
- Carrying out follow-up missions.

The information from the monitoring system serves as a good starting point for the planning next financial audit. In this regard, the auditors analyze the actions taken to implement the previous recommendations and prepare the respective standardized document.

**Table 30.3: Analysis of information from Automated Information System "Audit CCRM" (as of July 29, 2021<sup>152</sup>)**

	2018	2019	2020	Total
Number of Decisions	42	36	62	140
Total recommendations submitted	1,193	751	1,556	3,500
Recommendations implemented	193	151	131	475
Partially implemented recommendations	170	90	98	358
Recommendations not implemented	830	476	889	2,195
Recommendations with an unexpired deadline			438	438
Follow-up missions	5	5	3	13

Source: Court of Accounts

The Court of Accounts developed professional relations with a newly formed commission of the Parliament of the Republic of Moldova - Committee for Control of Public Finance. The committee became fully operational in 2020, with established mechanisms and procedures for effective cooperation between the CCPF and the CoA, such as the hearing audit reports at commission meetings, with the participation of representatives of the Court of Accounts and audited entities, cooperation in the context of follow up on audit recommendations, consultation with CoA in the process of drafting legislative initiatives by CCPF representatives. In 2020, the CCPF examined 45 reports of the CoA approved in different years.

The audit reports are examined in the meetings of the parliamentary committees. In 2018, 12 audit reports were examined in 3 Parliamentary Committees. In 2019, 4 audit reports were examined, including 1 within the profile Parliamentary Committee.

**The score for this dimension is A.**

### 30.4. Supreme Audit Institution independence

#### Performance level and evidence for scoring the dimension

Article 133 of the Constitution of the Republic of Moldova addresses the role of the CoA, its structure, the appointment procedure of the President and the responsibility of the CoA to submit an annual report to

<sup>152</sup> SI "Audit CCRM" is real time system and the system is updated each time it is populated with new information without possibility of extracting it at any given date. The data from the table reflects the situation at the data collection mission.

Parliament. However, the Constitution does not specify the most important issue - the status of the CoA - that it is an independent institution and that it is the supreme audit institution in the country.

In this case, as the status of the Court of Accounts is not enshrined in the Constitution, the norms included in the second level legislation are subject to possible changes more often and thus pose a risk of the institution's dependence on political demands and decisions.

The CoA law, however, states that the CoA has organizational, functional, operational and financial independence and in discharging its duties and powers it cannot be directed or controlled by any legal entity or individual.<sup>153</sup> The CoA operates independently from the government, other public organizations, legal entities of public or private law, and individuals.<sup>154</sup>

**Table 30.4: Assessment of the independence criteria.**

Element/ Requirements	Met (Y/N)	Evidence used/Comments
<p>1.The SAI operates independently from the executive with respect to:</p> <ul style="list-style-type: none"> <li>- procedures for appointment and removal of the head of the SAI</li> </ul>	<p><b>Y</b></p>	<p>The Constitution of the Republic of Moldova expressly provides for the procedure of appointment and term of office of the President and members of the CoA. The appointing body is Parliament. The organic law of the Court of Accounts (no.260/2017) expressly provides for the status, independence and guarantees required in the process of exercising the function of President and member of the Court of Accounts, describes the appointment procedure, stipulates the circumstances in which the term of office of the member of the Court of Accounts may end and invokes cases in which the member may be revoked or suspended. After the mandate is granted, the President and the members of the CoA obtain the status of person of public dignity, apolitical, independent and irremovable, criteria provided by the organic law of the CoA. Thus, the protection against arbitrary dismissal is legally ensured by 2 laws: the organic law of the CoA (no. 260/2017) and the law on the status of persons with positions of public dignity no.199 of 16.07.2010. The participation of the government is excluded in the selection and appointment of the President and the members of the CoA.</p> <p>The appointment of the President and the members of the CoA were organized and carried out in compliance with the provisions of law no. 260/2017, the conditions provided by the Rules of Procedure of the Parliament and Regulation of the Court of Accounts on the procedure for organizing and conducting the public competition for the selection of candidates for the position of member of the Court of Accounts.</p>

<sup>153</sup> CoA Law, Article 3 (2), (3)

<sup>154</sup> CoA Law, Article 5 (3)

- the planning of audit engagements	Y	<p>Article 9 „Planning of the audit activity” of the law no. 260/2017 provides for independence of the decision-making process on the planning of the CoA's audit activity. The Court of Accounts shall decide independently on the program of the audit activity, as well as on how to implement it. No authority shall have the right to intervene in the modification of audit programs. Legal entities and / or individuals may provide suggestions on the topics to be audited, but the final decision on the audit activity belongs exclusively to the Court of Accounts. Yet, the Parliament is entitled, by its decision, to demand the CoA to carry out certain tasks that has been viewed negatively in the recent peer review conducted for the CoA. The CoA's planning of its work is made more manageable by the fact that the Parliament has a specific time limit of 15 September by which it must submit its proposals for the annual audit program.</p> <p>The CoA plans its activity in an independent way, by elaborating an Annual Program of the audit activity. This document integrates the audit missions to be performed during a year. The process of drawing up the Annual Program of the audit activity is a complex one and reflects the priorities of the Court's core work for the next calendar year. The audit program is designed to cover the mandatory annual financial audit mandate, public sector areas with a pronounced impact on the lives of citizens, public authorities and institutions benefiting from significant budgetary resources, including specialized central public authorities and government authorities, local public authorities, projects and programs financed from external sources, etc. After the distribution of resources for the performance of the mandatory tasks, the rest of the audit missions are planned, based on priorities and requests corroborated with the available resources.</p> <p>The CoA's mandate extends to all central government activities and provides the capacity to perform all types of audits: financial audits, compliance audits and performance audits. However, in some cases, the CoA is limited in choosing the appropriate type of audit in some autonomous and independent entities, as their regulations expressly provide for the type of external public audit that can be performed (for example: National Financial Market Commission; National Bank Of Moldova; National Energy Regulatory Agency).</p>
- arrangements for publicizing reports	Y	<p>The CoA complies with national legislation (Art.15 of law no. 239/2008 on transparency in the decision-making process, art. 12 of law no. 181/2014) and the requirements of the INTOSAI Standards on transparency and the decision-making process.</p> <p>Art. 10 „Transparency and accountability” of law no. 260/2017 expressly establishes the legal obligation of the</p>

		<p>Court of Accounts to inform the public about its activity by: 1) publishing its decisions on audit reports in the Official Gazette of the Republic of Moldova; and 2) publishing the reports on its official website.</p> <p>The audit reports of the Court of Auditors are official documents of a public nature and are made available to citizens and decision-makers by posting on the institution's website. The decisions approving the audit reports are published in the Official Gazette of the Republic of Moldova.</p> <p>The plenarium meetings of the Court of Accounts regarding examining the results of the audit are public and are broadcast live on the official website and youtube. The Court also publishes press releases on the official web site and in other electronic sources like Facebook.</p>
- the approval and execution of the SAI's budget.	<b>Partially</b>	<p>According to Article 4 "Budget of the Court of Accounts" of law no. 260/2017, the Court of Accounts has its own budget, which is administered independently in accordance with the legal provisions.</p> <p>The activity of the Court of Accounts is financed from the state budget. The budget of the Court of Accounts is elaborated and approved according to the principles, rules and procedures provided by the law on public finances and budgetary-fiscal responsibility no. 181/2014 for the independent / autonomous budgetary authorities. The CoA has the right to address Parliament if the resources provided are insufficient to fulfill its mandate.</p> <p>However, the Court of Auditors does not have financial independence according to INTOSAI principles. The CoA budget is incorporated in the draft annual budget law, prepared by the MoF, an institution audited by the Court of Accounts. As well all employees of the COA are civil servants and are subject to the same employment regulations as government employees.</p> <p>With respect to the implementation of its approved budget there are no specific restrictions on how the CoA uses its funds. However 83% of the approved budget is for staff costs leaving little flexibility.</p>
2. This independence is assured by law.	<b>Y</b>	CoA independence is enshrined in the law.
3. The SAI has unrestricted and timely access to records, documentation and information for:	<b>Y</b>	<p>Art. 32 para (8) states that the CoA has unrestricted, direct and free, and timely access to digitized informations, data bases in order to discharge its legal duties.</p> <p>Art. 36 para (2) states that audited entities have to (i) allow access to its premises, and (ii) submit at the public auditor's request information, documents and data bases in reasonable timeframe not exceeding the terms established by the auditor, provide any necessary explanations.</p>



		<p>In cases where the audited entity fails to comply with these requirements, the CoA Law provides for the application of sanctions in accordance with the Code of Offenses. In turn, if the management of the audited entity fails to fulfil its obligations, the President of the CoA may inform the Parliament, the President of Moldova, the government or the competent local public administration authority about this<sup>155</sup>.</p> <p>Yet, there are instances when during the audit the audited entity refuses access to the databases and delays the submission of information. The main argument provided by the audited entities relates to rules for protecting personal data, and interpreting the CoA's right as the right to obtain data, but not to process the data, resulting in CoA auditors spending more time in obtaining information. In 2018, the CoA twice exercised the right granted by the CoA Law to impose administrative penalties on the audit entity for failing to provide information.</p>
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**The score for this dimension is C.**

### Recent or ongoing reform activities

Throughout past years the CoA has been going through continuous development and transformation. It is receiving assistance from a number of donors to support its development in line with the INTOSAI standards and EU good practices. The European Commission has been providing technical assistance that is focused on:

- Providing advice to the President and Members of the CoA on institutional development in line with the INTOSAI and EU good practices, and on improving the engagement of the CoA with the Parliament and other stakeholders; and
- Developing the financial audit capacity of the CoA in line with the INTOSAI standards

This support includes the further development of strategic and annual planning, including monitoring and reporting, and development of management systems and arrangements. The Swedish National Audit office are also providing support in human resource management, communication including internal communication, and quality control. SIGMA is also providing support for the development of relationships between the CoA and Parliament.

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<sup>155</sup> CoA Law, Article 36 (3), (4)

## PI-31. Legislative scrutiny of audit reports

### General description of the characteristics of the indicator within the scope covered

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either (a) they are required by law to submit audit reports to the legislature or (b) their parent or controlling unit must answer questions and act on their behalf. It contains four dimensions and uses the M2 (AV) method for aggregating dimension scores. It covers 2018, 2019 and 2020.

### Summary of scores and performance table

Indicator/Dimension	Score	Brief justification for score
PI-31 Legislative scrutiny of audit reports	C+	
31.1 Timing of audit report scrutiny	B	Scrutiny of the fiscal years 2018 and 2019 reports of the Court of Accounts was completed by Parliament within 6 months of receipt of the reports, with some earlier years within 3 months. For the year 2020 due to early parliamentary elections the Parliament was not functioning at the time of evaluation, but it is expected that by the end of 2021 it will scrutinize the 2020 reports, which falls within 6 months from the date of submission by the Court of Accounts.
31.2 Hearings on audit findings	C	In-depth hearings on key findings of audit reports take place with responsible officers from audited entities in attendance. There were hearings for the report of the Court of Accounts on the annual execution of the State budget for fiscal years 2018-2020 (100% heard). For the audited financial statements for central government units, over fiscal years 2018-2020, only 58% of audit reports which had qualified or adverse or disclaimer opinions were reviewed.
31.3 Recommendations on audit by legislature	C	During fiscal years 2018-2019, Parliament was not monitoring audit recommendations that it had made or endorsed to ensure they were implemented; they started doing this in 2020. During FY2020, the Parliament followed up on issued recommendations and ensured that the Court of Accounts reports on its own follow up of prior recommendations.
31.4 Transparency of legislative scrutiny of audit reports	C	Hearings are conducted in public except for national security or similar sensitive discussions. Committee reports are provided to the full chamber of Parliament and published on Parliament's official website. But this was done only for one of the last three completed years.

### 31.1. Timing of audit report scrutiny

#### Performance level and evidence for scoring the dimension

In accordance with the law no. 260 of December 7, 2017, on the organization and functioning of the Court of Accounts, the Court of Accounts shall submit to Parliament:

- a) By May 1 - an annual report on its activities, which is heard at a plenary session of the Parliament.
- b) By June 1 - audit reports on the annual reports of the government on the execution of the state budget, the state social insurance budget and the resources of the compulsory health insurance funds, which are heard at the plenary session of the Parliament simultaneously with the relevant reports of the government.
- c) By September 15 - the annual report on the management and use of public funds and public property, which is heard at the plenary session of the Parliament.
- d) other reports at its discretion.

As effective from June 29, 2018, the reports mentioned in points a) – c) above shall be deliberated in the Parliament’s Plenary per art. 128 of the Parliament’s regulations adopted through law no. 797-XIII of 02.04.1996. Before 2020 the reports were received by the Committee for Economy, Budget, and Finance, and starting with December 2019 – by then-newly created Committee for Control of Public Finance which reviews the reports before including them in the plenary Session of the Parliament.

Other reports submitted by the Court of Accounts are deliberated upon recommendation of the Committee for Control of Public Finance. There are no prescribed terms for deliberation of CoA audit reports.

**Table 31.1: Timing of audit report scrutiny**

Report	Dates of the Court of Accounts’ submission of the audit reports to Parliament			Dates of Parliament’s scrutiny of the reports		
	2018	2019	2020	2018	2019	2020
<b>Audit report on the execution of the state budget</b>	May 31, 2019	July 30, 2020	June 30, 2021	July 24, 2019	November 24, 2020	Not yet scrutinized
<b>Audit report on the execution of the state social insurance budget</b>	May 31, 2019	July 29, 2020	June 21, 2021	December 4, 2019	November 24, 2020	Not yet scrutinized
<b>Audit report of the funds of the compulsory health insurance</b>	May 31, 2019	July 29, 2020	June 21, 2021	December 24, 2019	November 24, 2020	Not yet scrutinized
<b>CoA Activity Report</b>	April 26, 2019	April 30, 2020	April 28, 2021	Not scrutinized	June 16, 2020	Not yet scrutinized
<b>Annual report on the management and use of public financing and public property</b>	September 13, 2019	September 15, 2020	September 15, 2021	March 10, 2020 (in Commission) April 16, 2021 (in the plenum of the Parliament)	December 8, 2020 (in Commission) April 16, 2021 (in the plenum of the Parliament)	Not yet scrutinized

Source: Parliamentary Commission " Committee for Control of Public Finance"

The scrutiny of CoA mandatory audit reports by the legislature in 2020 was affected by the early parliamentary elections that took place on July 11, 2021. As a result, Parliament was not functioning for almost 3 months, but it is planned that the Parliament will scrutinize the audit reports for 2020 by the end of 2021, which falls within 6 months from the date of receipt of audit reports.

Apart from mandatory reports, CoA submits to the Parliament audit reports on stand-alone financial statements of central government budgetary units as well as performance and compliance audits. The table below shows the total number of audit reports submitted by CoA and those that were scrutinized in fiscal years 2018-2020.

**Table 31.2: Audit reports submitted and examined**

Fiscal year	2018	2019	2020
Total financial statement audit reports for central government budgetary units plus compliance and performance audits by the CoA	52 - total of which: financial – 40, compliance – 5, performance – 6, follow-up – 1	41 - total of which: financial – 21, compliance – 10, performance – 5, follow-up – 5	49 - total of which: financial – 17, compliance – 21, performance – 8, follow-up – 3
Scrutinized by Parliament	11	4	44
Percentage of scrutinized audit reports	21%	10%	91%
Average timing of scrutiny of audit reports from time of receipt by Parliament.	1.5 months	1.5 months	3 months

The results show that out of a total of 142 audit reports submitted by CoA to Parliament over fiscal years 2018-2020, 59 were scrutinized, representing 42%. The Committee for Control of Public Finance was established by Parliament decision no. 49 of June 18, 2019, although a year before this moment, the law no.93 of May 31, 2018, amending and supplementing the regulation of the Parliament, adopted by law no.797/1996, already established some competences for the respective Commission. At the same time, it is necessary to note that the Committee for Control of Public Finance had become fully functional starting with 2020, after the entry into force of the Parliament decision no.72 of November 29, 2019, on the fields of activity of the standing committees of the Parliament. Article 1 point 11 establishes its full competences, as well as of the Parliament decision no.151 of November 29, 2019, on the approval of the nominal composition of the standing committees of the Parliament.

The timings of the scrutinizing of the report of the Court of Accounts on the audit reports on the annual reports of the government on the execution of the state budget, the state social insurance budget and the resources of the compulsory health insurance funds, was within six months, and the stand-alone financial statements of central government budgetary units, compliance, and performance audits (42% scrutinized), was within 3 months.

**The score for this dimension is B.**

### 31.2 Hearings on audit findings

#### Performance level and evidence for scoring the dimension

Before 2020 the audit reports submitted by the Court of Accounts were examined primarily within the Commission on Economy, Budget and Finance or within the sectoral standing commissions depending on the topic of the audit report. At that time, the hearings were taking place without presence of the auditees,

and the minutes or the report on the hearings mainly referred to the endorsement of the audit findings with the recommendation for the reports to be deliberated in the Plenum of the Parliament.<sup>156</sup>

Upon the establishment of the Committee for Control of Public Finance in late 2019, the hearings on the audit reports submitted by the Court of Accounts are organized on regular basis with participation of the CoA auditors and responsible officers of the audited entities regardless of the audit opinion who are invited to provide explanations or to answer questions from the members of the Parliamentary Committee.

Hearings for stand-alone audited financial statements for central government budgetary units also took place. The table below shows the number of audit reports with qualified, adverse, or disclaimer audit opinions and their scrutiny by the Parliament. Over the fiscal years 2018-2020, only 21 audit reports with a modified (qualified) audit opinion were scrutinized out of 36 audit reports (58%).

**Table 31.3 Scrutiny of Audit Reports with Qualified Opinion**

Fiscal year	2018	2019	2020
No. of audit reports with a qualified or adverse or disclaimer audit opinion	12	13	11
Scrutinized by Parliament	3	12	6

*Data source: Court of Accounts and Parliamentary Committee for Control of Public Finance*

Starting with October 30, 2021, the audit reports with adverse audit opinion or a disclaimer are mandated by the amendment to the law on the Court of Accounts through law no. 10 of February 12, 2021, to be submitted to the Parliament and government.

**The score for this dimension is C.**

**31.3. Recommendations on audit by legislature**

**Performance level and evidence for scoring the dimension**

The nature of the recommendations issued by the legislature upon the examination of CoA reports before 2020 were of a general character, and the minutes or the report on the hearings mainly referred to the endorsement of the audit findings highlighted by the CoA in their audit reports. There was no separate follow-up system on the implementation of the recommendations and the legislature ascertained the implementation of audit recommendations from the subsequent audit reports.

After the establishment of the Committee for Control of Public Finance and once the auditees and other related stakeholders are systematically invited by the committee for deliberations, the legislative scrutiny of the CoA reports by the legislature has been significantly improved. For each public hearing, the Committee issues a report on the main lessons of the deliberations, recommendations and resolutions taken in respect to follow up on the audit recommendations. If significant deficiencies are noted in the audit report, the reports prescribe the audited entities to directly inform the Committee about the actions taken to implement the audit recommendations within a specified term. The CoA is also requested to inform the committee about the results of the monitoring on the execution of their decisions.

In order to remedy the audit deficiencies, as well as to comply and make the audit entities aware of the importance of implementing the audit recommendations, in 2020 the committee organized 6 public

<sup>156</sup> Only for mandatory reports issued by the CoA.

hearings with the participation of both the representatives of the responsible public entities and the Court of Accounts. These meetings focused strictly on the implementation of the recommendations of the Committee and the Court of Accounts, following the expiry of the deadlines for their implementation.

**Table 31.4: Dates of recommendations and reviewing recommendations issued by legislature**

Audited financial statements for FY	Date of submission of recommendations	Date of examination of recommendations
2018	n/a	n/a
2019	n/a	n/a <sup>157</sup>
2020	March 4, 2020 (S.E. International Airport of Chisinau)	March 30, 2021
	February 26, 2020 (S.E. Air Moldova)	
	June 2, 2020 (S.A. Tutun CTC and S.A. Auto Stations)	
	February 4, 2020 (National Regional Development Fund)	May 12, 2020
	February 6, 2020 (Vine and Wine Fund)	

Source data: CCPF decisions on the measures taken by the institutions responsible for the execution of the recommendations submitted by the CCPF Reports for the hearing of the audit reports

For CoA reports that are subject to deliberations in the Parliament’s Plenum, the legislature issues a decision ascertaining the audit findings and requesting the government to undertake measures on implementing the SAI recommendations. There were cases when the legislature also required prosecution agencies to examine the audit findings and submit the results of this evaluation to the Parliament.

**The score for this dimension is C.**

### 31.4. Transparency of legislative scrutiny of audit reports

#### Performance level and evidence for scoring the dimension

Art. 128 of the law prescribes that the CoA reports subject to mandatory submission to the Parliament are publicly deliberated. All meetings of the Committee for Control of Public Finance are transmitted online, including on the Parliament's YouTube page. The hearings take place according to a coordinated and approved Agenda between CCPF and CoA, being published on the official website of the Parliament. Public hearings of CoA reports took place only throughout 2020 and 2021 for 2019 and 2020 audits, respectively. There is no evidence that open meetings were conducted for 2018 audits. Yet, the audit reports were debated in closed meetings within the Parliamentary Committee and not in the Plenary of the Parliament. Only few Committee’ reports were debated in the full chamber of the Parliament in the assessment period.

**Table 31.5: Transparency of legislative scrutiny of audit reports**

Audited financial statements for the fiscal year	Reports to the Committee			
	Published <sup>158</sup> (Y/N)	Provided to the full chamber of the Parliament	Debated in the plenary of the Parliament	Public hearings conducted

<sup>157</sup> For 2018 and 2019, separate recommendations were not issued by the Parliament. It only endorsed the audit reports prepared by the CoA.

<sup>158</sup><http://www.parlament.md/StructuraParlamentului/Comisiipermanente/tabid/84/CommissionId/35/language/ro-RO/Default.aspx>

		(Y/N)	(Y/N)	A= All except limited circumstances F= Yes, with a few exceptions
2018	Y	Few	Few	n/a
2019	Y	Few	Few <sup>159</sup>	F
2020	Y	Few	N	A

Data source: <https://www.parlament.md/SesiuniParlamentare/%c5%9eedin%c5%a3eplenare/tabid/128/language/ro-RO/Default.aspx>

**The score for this dimension is C.**

<sup>159</sup> <https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5419/language/ro-RO/Default.aspx>;

<https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5420/language/ro-RO/Default.aspx>

## 4.0 Conclusions of the analysis of PFM systems

### 4.1 Integrated assessment of PFM performance

#### ***Budget reliability***

The challenges in producing accurate total revenue projections have almost been met in recent years (Score B): revenue actuals were close in total overall estimates in 2018 but widened in 2019 and more so in 2020 due to the impact of COVID-19. Composition of revenues also earned Score B. It improved annually from 2018 which had been affected by a reduction in expected grants from international organizations. As a result, the aggregate expenditure side of the budget has scored B, with the expenditure composition by administrative type scoring B. However economic type composition scored D which deteriorated over time as transfers to support households and businesses increased to combat the economic impact of COVID-19 and actual capital spending was continuously under that budgeted. This overall result has been achieved in the context of strengths in virement (Score B). However, in 2020 there was a significant increase in supplementary budgets that lowered the score to C. The process of controlling budget allocations to match the availability of cash has been supported by good cash forecasting and by budgetary units having certainty in the availability of funds to execute their budgets as planned (Score A). The stock of arrears is not significant (Score A) which reflects the strong commitment control (Score A).

#### ***Transparency of public finances***

Moldova has an impressive array of information regarding the finances of budgetary central government. The Chart of Accounts, which underpins budget preparation, execution, and reporting, is comprehensive and consistent with GFS standards (Score A). Information is included in the budget on a timely basis. As a result, the budget documents include all of the basic and supplementary information required to support a transparent budget process (Score A).

Information on SSIF and CHIF is included in budget documentation as these funds are included in the Consolidated Central Budget. Their inclusion ensures that coverage of extra budgetary units is scored C+ overall but the existence, size, and reporting of other extrabudgetary units contributes to a lower score than would have been expected given the size and the two funds. The transfers to sub-national government are transparently determined (Score A) but the timing of the information on transfers allows recipients less than 4 weeks to finalize their budgets (Score C). Information on performance plans and achievements in service delivery outputs and outcomes across the government sectors is very good (Score B+) with performance plans (Score A), performance achieved (Score A) and performance evaluation (Score C) reflecting the program budget system in place. Tracking of resources to service delivery units scores A reflecting the strong accounting and reporting system.

Public access to fiscal information is strong (Score A) with all of basic elements made available and some of the additional elements. This is supported by the straightforward mechanism of producing accurate, comparable and timely in-year budget reports and by the opportune time for auditing of the annual report by the Supreme Audit Institution. A citizen's (summary) budget was produced for the 2020 budget.



### ***Management of assets and liabilities***

A comprehensive and inclusive process is lacking in managing the public investment program (Score D+). Economic analysis is carried out for the largest projects but it is not independently reviewed or published (Score C). Project costing and project monitoring just meet the basic requirements (Score C). Selection of investments is rated as Score D as the established project selection criteria was not followed for the 2020 budget but there was discussion with the line ministries. There is no systematic monitoring of projects during implementation even though the legal framework requires both expenditure and physical monitoring (Score D).

Overall, the fiscal risk reporting could be improved. Reporting of risks associated with public corporations scores C as SOEs' audited financial statements is provided between 6 and 9 months after the year-end. Financial statements of SOEs are produced annually within 3 months but these are not routinely audited on an annual basis (Score C). However, contingent liabilities and reporting of other fiscal risks are included in the budget documentation with detailed analysis and commentary (Score A). Public assets management – financial, and non-financial - scores B as there are concerns of the accuracy of their value (Score B) that reflect the role of the Court of Accounts but there are transparent rules on their disposal (score A). Debt recording management and approval are strong as is the debt management strategy (each having Score A).

### ***Policy-based fiscal strategy and budgeting***

There has been significant achievement in realizing a comprehensive medium-term expenditure framework. A medium-term approach is taken to expenditure budgeting, with baseline multi-year ceilings based on the forward estimates of the most recently approved prior budget. The budget is presented for the up-coming year and the following two fiscal years (Score A) as does the overall fiscal strategy (Score A). Sensitivity analysis is basic but limited to a lower rate of growth without much detail (Score C). There is reporting against fiscal outcomes (Score A) but this does not contain individual objectives to be achieved (Score D) except in the aggregate. There are hard ceilings for budget preparation but the medium-term ceilings are not approved before the guidance circular is issued (Score D). Costed sector strategies are the basis for the program budgets that are used for budget formulation and are the norm (Score A). The budget documentation provides an explanation of changes (Score A). There is a budget calendar, but it provided budgetary units less than four weeks to prepare their budgets in 2020 (score C). The legislature got just more than one month to carry out its scrutiny function after the recipient of the budget proposals (Score C) but it approves the budget on time (Score A). The legislature considers fiscal policies and aggregates for the upcoming budget year and the medium term (Score A). The procedures and timetable for budget scrutiny are comprehensive but did not include arrangements for public consultation in 2021 which lowered the score to B.

### ***Predictability and control in budget execution***

The State Tax Service and Customs Services are responsible for revenue collection. The collection of revenues of the two funds (SSIB and CHIF) is administered by the State Tax Service. The overall score is C+. The taxation system is based on comprehensive legislation providing information on the tax liabilities of taxpayers with respect to obligation and redress with an appeal system that guarantees independence from the administration. This is supported by information leaflets that can be accessed on-line and at departmental offices, as well as media broadcasts, training and awareness events (Score A). A comprehensive and systematic risk-based approach to administering revenues is lacking (Score C) and this is used to determine audit planning and audit plans are not fully executed (Score C). The stock of tax arrears is low (1.88 percent of revenue collections), however the rate of the old arrears is just under 50 percent of revenues greater than 12 months) (Score B).

Revenue collected is well managed in terms of the flow of funds to the Treasury and recording of transactions. All revenues are paid into the Treasury account (Score A). All accounts are reconciled on a timely basis (Score A). The revenue collecting agencies can monitor revenues in real time. Payments to the TSA are reconciled quarterly in a timely manner (Score A). A revenue report is prepared monthly for management purposes (Score A).

The consolidation of cash balances in the TSA at the National Bank of Moldova is made on a daily basis (Score A). Monthly cash forecasts are prepared with daily cash flow updates and consolidated on a monthly basis. Spending units can commit funds up to the value of their annual budget allocations in line with their expenditure plans during the year (Score A). Management of budget releases has been successful in controlling arrears (Score A) but the number of supplementary budgets has increased in 2020 to three to accommodate the fall in revenues collected and the increased demand for expenditures particularly on transfers due to COVID-19 (Score C).

Overall the payroll system scores A. The MoF ensures control and data consistency and its reconciliation. Changes to the employee information and on salary are fully regulated and timely. There is a clear audit trail. The payroll must be included in all audits of the Court of Accounts as well as the inspections of the Financial Inspection Agency.

The public procurement system scores C+ overall. The procurement monitoring system is incomplete which has resulted in a D score. Competitive tendering is applied to over 95 per cent of relevant expenditures above the threshold. Public access to procurement information scores D as there is only partial information relating to procurement plans. Procurement complaint management scores A, and there is an independent agency to address complaints.

Internal controls on non-salary expenditure scores an A with effective commitment controls and compliance with payment rules and procedures. There is good segregation of duties with clear responsibilities that is regularly checked by the Court of Accounts. This achievement is ensured by the management information system that supports the TSA. The internal audit function is still being rolled out and developed (score C+). The effective coverage of internal audit scores C as only 63% of internal audit units are operational at central level. Internal audit activities are primarily focused on compliance. Internal audit activities in Moldova are guided by the international methodology of the Institute of Internal Auditors. Annual audit programs exist in 78 percent of central budgetary units, and 91 percent of planned audits were completed in 2020 (score B). The implementation of internal audit recommendations is good with 95 percent of recommendations implemented over the 2108 -2020 assessment period (Score A).

### ***Accounting and reporting***

Accounts reconciliation and financial data integrity are areas of strength. The bank reconciliation for the TSA takes place on a daily basis (Score A). Suspense accounts are limited and are used only where clarification is needed. They are reconciled within 2 days (Score A). Generally advance accounts are limited in use and reconciled monthly (Score A). Data integrity is good (Score A) as access and changes to records are restricted and recorded, and results in a sufficient audit trail. The Treasury ensures financial data integrity and reviews operations of all budgetary units.

With respect to in-year budget reports, coverage and classification of data allows for direct comparison to the original budget. Information includes all budget estimates for the budgetary units (Score A). There are both

monthly and quarterly budget execution reports that are normally issued within 4 weeks from the end of the month (Score B). There are no material concerns regarding data accuracy. Information on expenditure is provided at the payment stage only (Score B).

The situation with respect to the annual financial reports is mixed (overall score of D+). The financial statements include complete information on assets, liabilities, including long-term, revenue, expenditure, and it is supported by a reconciled cash statement (Score A). The financial statements are submitted for external audit within six months after the expiry of the reporting year (Score B). The national public sector accounting regulations (standards) that apply to all financial statements are consistent with Moldova's legal framework which is being linked to but yet not fully aligned to international standards. However, the standards used in preparing annual financial reports are not disclosed and this leads to a D score.

### ***External scrutiny and audit***

External audit is an area of significant strength although there are limitations. The financial statements are audited using standards based on International Standards of Supreme Audit Institutions. The financial audits that are carried out provide for the evaluation of the timeliness and completeness of budget revenues and expenditures (Score A). During the last three completed fiscal years, audit reports have been submitted to Parliament within 45 days after receipt of the financial statements (Score A). The audit recommendations are included in the audit reports and there is an effective mechanism for follow up (Score A). The independence of the Court of Accounts is regulated by the law on the Court of Accounts with respect to appointment and removal of the head of the CoA as well as access to information. However while the Court of Accounts is able to execute its budget freely the budget is formulated as part of the State budget process which limits its independence (Score C).

Legislative scrutiny of audit reports is reasonable (Score C+) particularly on the timing of audit report scrutiny (Score B). However, hearing of audit findings, follow up of audit recommendations issued by Parliament, and transparency of the scrutiny process all score C.

The performance indicator summary is provided in Annex 1.

## **4.2 Effectiveness of the internal control framework**

The effectiveness of the internal control framework in the budgetary authorities and units is scrutinized by the MoF and the Court of Accounts. MoF's PIFC unit annually collects, consolidates and analyzes the information based on the annual reports prepared by the authorities reflecting the results of the self-assessment of managerial internal control system on the degree of compliance with the provisions of the National Internal Audit Standards. Under financial and compliance audits, the CoA identifies/tests and evaluates the existence/functionality of the internal controls applied for the public expenditures, including non-salary expenses. In order to understand the process and to have assurance that the entity has strong internal controls aimed to eliminate the risks of fraud, error or corruption, the CoA evaluates the managerial internal control system, performs tests on the types of expenditures and tests if the key controls are in place. Also, the CoA mandatorily evaluates the clear delimitation and segregation of duties existent in the spending units. This assessment guides the application of substantive testing.

The internal control environment, as set out in Annex 2, is generally sound. The scores in related indicators and dimensions reinforce the assessment that controls associated with the day-to-day transactions of the budgetary central government are functioning and result in good data integrity regarding the activities of these entities. The laws and regulations provide the legal framework, and allow for specific roles and responsibilities, segregation of duties, and operating processes. The system embeds access controls and audit trails that support the internal control framework.

The current compliance-based approach supports continuous improvement in the control environment given the strengths in commitment controls and associated compliance with rules and procedures.

The managerial accountability is being promoted by the mandatory requirement of annual publication of the Responsibility Declaration by the management of the central authorities.

Regardless these achievements, the insufficiency of internal auditors is noted across most central public authorities that makes it hard to conduct internal audits on consistent and regular basis.

There is a strengthening risk-based approach supported by a developing internal and external audit and oversight function. Risk assessment is becoming an important part of the control framework that applies to internal audit and analysis. The focus of the internal audit in the central authorities is on the high-risk systems like public procurement, financial management and accounting, asset administration and IT. According to self-reported data the high level of compliance is attested in the areas of public procurement, accounting and asset administration, while IT systems remain deficient. The remote work during the pandemic has shown that the digitalization of the business processes becomes a norm, and the IT risks increase significantly. The main weaknesses identified in this respect are that the software related controls are not being evaluated, and the back-up of data is not performed. Regarding the risk management, the situation is uneven across the central public entities, either the risk management is carried out during the planning meetings or there are specific risk procedures applied within the entity. Only few entities have risk registers in place. The financial inspection process covers procurement and all payments. Audits related to payroll, which is a significant expenditure, are an integral part of the annual audit process and this is supported by financial inspections to monitor the eligibility, timeliness and completeness of salary payments. On the cross-cutting PFM processes, risk management has performed reasonably well but improvements of internal controls are needed in the investment and asset management as well as low value procurements and revenue risk management.

Control activities are generally strong, in particular with regard to reconciliation of accounts. Segregation of duties includes definition of responsibilities and an operational body focusing on financial data integrity processes. Budget rules for supplementary estimates and virement are met even though there has been an increase in the number of supplementary budgets due to COVID-19. Internal control failures are reported by the CoA in its annual report and include errors in valuation of assets, missing registration of assets, and mistakes in classification of expenditures.

Information and communication of internal control awareness is continuously promoted through the operation of separate central bodies dedicated to internal control (and internal audit (Public Internal Financial Control Policy Department) and external audit (CoA). Regular inspections performed by the Financial Inspection Agency contributes to providing information to the management that support the functioning of the internal controls.

Monitoring is carried out through the processes of internal and external audit, with follow-up improving. Internal and external auditors have made considerable contributions to assessment of the internal control systems at the central level through their individual engagement and annual reporting. The management

response to the internal audit recommendations in the assessed period shows good performance. External audit reports hold the executive and public entities accountable in front of the Parliament.

Budget execution reporting system that provides information on performance relating to service delivery is very good. While internal and external audits are financial and compliance focused, more performance audits are required, which can provide independent evaluation and make recommendations on service delivery performance.

### 4.3 PFM strengths and weaknesses

#### ***Aggregate Fiscal Discipline***

Aggregate fiscal discipline is achieved due to control over spending during budget execution, as well as relatively realistic revenue forecasts. Revenue administration ensures that revenues are efficiently collected, but the relative weaknesses in applying risk-based approaches to enforcement through planned audits, particularly in the Customs Service undermine overall discipline. The tax arrears are reasonable, thus ensuring that the planned levels of revenue are achieved.

The planned budget, on an aggregate basis, is not normally circumvented using virement and supplementary budgets although in 2020 there were additional supplementary budgets due to policies to mitigate the impact of COVID-19. Treasury operations and cash management enables expenditures to be managed within the available resources. Control of contractual commitments is effective and has removed expenditure arrears. The external audit function through regular mandatory audits and good coverage of the central government operations enhances fiscal discipline.

Although there is a formal and functional mechanism for monitoring fiscal risks within the MoF, the analysis is based merely on unaudited data provided by the state enterprises that may be not sufficiently accurate and lead to the distorted appreciation of the risks. The audits of the subnational governments are not done systematically, while few CoA reports revealed significant deficiencies in the asset management and budget execution process at the local level. Documented shortcomings in asset management prevent revenue maximization.

Macroeconomic and fiscal forecasting, and fiscal strategy are generally duly prepared. Yet, mid-term ceilings and ministry-level ceilings are not approved by the Cabinet before issuing the budget circular.

The budget and fiscal information is overall comprehensive and transparent that enables greater accountability for the use of resources and proper monitoring of the budget by third parties. However, the level of the unreported operations of the central government is relatively high.

Public investment management demonstrated weaknesses which may lead to the selection of the projects with implementation delays or cost overruns.

### ***Strategic allocation of resources***

The Chart of Accounts caters to a multi-dimensional analysis of expenditure. There is a medium-term perspective in expenditure budgeting supported by costed strategic plans aligned to the programmatic budget process. While performance indicators are well specified, independent assessment and evaluation of performance achievement are generally missing and has relied on performance evaluation reviews supported by development partners. There is an emphasis on overall fiscal forecasting which is based on a multi-year fiscal strategy to assist in resource allocation. Better management of capital investment would improve the strategic allocation of resources. This would ensure that recurrent cost implication of investment is better factored into the budget process and investments are also subjected to economic analysis and selected to generate the best return.

The budget preparation process is generally effective between the budget administrators and MoF, and the sectorial knowledge of the budget administrators playing an important role in determining the budget, supports a strategic perspective of the budget. A transparent and comprehensive budget facilitates the monitoring of the strategic allocations and their execution.

Since there are no material concerns about the accuracy of the reported budget information, the reliance can be placed on the execution of the strategic allocation. Payroll controls are ensured that enables the public sector bill to stay within the allocated amounts.

### ***Efficient use of resources for service delivery***

The strength in the procurement process is good though databases could be improved. The high level of contracts based on competitive bidding impacts positively on efficiency in service delivery. However, the big chunk of data about low value procurement remains out the system and is not available to the public. Predictability in resource allocation and cash management practices make the resources available on time and fit the operational plans of the service delivery units. The strength of payroll system particularly with the integration of payroll and personnel systems mean that staff is effectively used. The strengths in the accountability mechanisms make financial compliance inspections and external audits effective as counter checks on inefficient use of resources including on personnel. However relative weakness in internal audit due to insufficient staff means that in-year system assessments do not contribute as much as possible. The annual production of consolidated annual financial statements ensures the timely impact of audits. The monthly (and quarterly) budget execution reports also ensure that there is well-timed assessment of resource usage relating to the planned budget. Publishing of performance targets and outcomes supports the efficient use of resources in service delivery units and these are consistently measured. However, the independent evaluation of the performance is almost unavailable, therefore there is no evidence about the efficiency and effectiveness of service delivery.

## **4.4. Performance changes since previous assessment**

28. While the PEFA has been carried out using the 2016 methodology, it has been possible to score against the 2011 PEFA methodology, which was used in the previous PEFA assessment of Moldova in 2015. Across the 28 individual indicators compared, there has been an improvement in 9 indicators, deterioration in 9 and no change identifiable in 10 indicators. This overall improvement in scoring has been from a relatively high baseline achieved in 2015.

The comparison of the assessments indicates that between the two PEFA's the following indicators (dimensions) have changed in relation to fiscal and budgetary outcomes.

### **Fiscal Discipline**

#### *Decline*

- Composition of expenditure outturn compared to original approved budget (variance in composition).
- Aggregate expenditure outturn compared to original approved budget.
- Aggregate revenue outturn compared to original approved budget.
- Extent of unreported government operations

#### *Improvements*

- Increased effectiveness of tax appeals
- Increased effectiveness of compliance measures in tax collection
- Improved management of tax arrears

The reason for the decline in the revenue and expenditures are two-fold: firstly, the impact of COVID-19 and secondly, the reduction in planned grants from development partners. The reduction of unreported government operations is minor and may be more to the application of the methodology between the two assessments. Improvements in the legal basis in taxation occurred between the two assessment periods.

### **Strategic Allocation of Resources**

#### *Decline*

- Reduction in the time available for service delivery units to prepare their budget from 4 to 3 weeks.

#### *Improvements*

- Increase public access to fiscal information
- Improved timing of budget approval
- Increased reliability on information on expenditure ceilings
- Increased integration of payroll and personnel information

### **Efficient use of resources for service delivery**

#### *Improvements*

- Improvements in payroll control
- Increased payroll audits
- Creation of an independent procurement complaints system
- Increased management responses to internal audit recommendations
- Increased coverage of financial audits

Many of these changes – both decline and improvements are marginal and are detailed in Annex 4. The improvements can be attributed to addressing areas identified in the 2015 PEFA and acting on them whereas the observed deterioration has been as a result of external factors.

## 5.0 Government PFM reform process

The association agreement (AA) between the EU and Moldova was signed on June 27, 2014, and entered into force on September 1, 2014. In signing this document, Moldova committed itself to develop democratic institutions in line with EU standards and rules. Chapter 7 of the agreement is dedicated in particular to cooperation in the field of management of public finances: budget policy, internal control, financial inspection, and external audit. These elements set the general framework for upgrading and enhancing the executive functions to provide quality services to the Moldovan people, especially to enhance the accountability of central public administration organizations, but also to enhance internal control systems for central and local authorities, to develop a financial inspection system that promotes cooperation between officials involved in financial management and control, audit and inspection and those officials responsible for the budget, treasury, and accounting. Thus, the reform of public finances is part of a complex process of approximating EU standards in Moldova.

### 5.1 Approach to PFM reforms

PFM related reforms are anchored in the Public Administration Reform Strategy for 2016 - 2020<sup>160</sup> (PAR Strategy). The PAR Strategy was derived from the commitments assumed by the Government Activity Program 2016-2018, Moldova – EU Association Agreement, Sustainable Development Goals (SDGs), National Development Strategy “Moldova 2020”, and National Decentralization Strategy. In terms of the PFM agenda, the PAR Strategy sets forth a general objective of creating a modern financial management system, based on principles and rules which will ensure general budgetary and fiscal discipline, as well as transparent procedures regarding budgeting and administration of the national public budget and its components. Further, it formulates specific objectives, associated intended actions, and a timeline for their implementation. The strategy also establishes monitoring indicators and a monitoring and evaluation framework. According to the latter, the government has established a National Public Administration Reform council led by the Prime Minister to ensure high level coordination and evaluation of the strategy. However, the frequent changes in the government disrupted the way this council operated in the last few years. In addition, monitoring of the implementation of the strategy was supposed to be performed by individual authorities / institutions in charge of different components of the strategy, and by the State Chancellery to ensure overall coordination and regular reporting to the government through its sectorial council for Public Administration Reform. However, implementation has shown that public administration reform was not a priority for the government considering the absence of the implementation plan adopted for 2019 and 2020, and lack of monitoring and evaluation over the implementation of actions and of the extent to which the established objectives have been met.

Nevertheless, the PFM system in Moldova has been gradually strengthened as a result of the reforms implemented by the government under its current PFM Strategy. Following the PEFA 2011 assessment the government drafted and approved the Strategy for Development of Public Finance Management 2013-2020 (PFM strategy 2013-2020), since extended until 2022, which formalized the government’s commitment to improve in a sustainable way accountability and performance of public financial systems.

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<sup>160</sup> Chapter 6.4 “Public Finance Management” of the 2016 – 2020 Public Administration Reform Strategy: <https://cancelaria.gov.md/ro/advanced-page-type/modernizarea-serviciilor-publice>



The objective of the PFM strategy is to ensure efficient and effective allocation of public funds towards activities that contribute to economic growth and the development of Moldova and maintain effective management of the use of public funds in all areas and sectors of public administration. The strategy is divided into seven main components representing the most important areas of public financial management, and it identifies the following specific objectives for each of the components:

- (i) Improving the quality of macroeconomic and fiscal forecasts to ensure a budget based on a realistic and predictable macro-budget framework;
- (ii) Formulating the national public budget in compliance with the national legal framework, to ensure the allocation of public funds in close correlation with policy priorities, to ensure expenditure ceilings that are included in the medium-term budget framework and to increase the effectiveness and transparency of the budget preparation process via performance-based budgeting;
- (iii) Improving and modernizing Treasury management, ensuring effective control and proper monitoring of expenditures at every stage, and establishing an adequate system of accounting and reporting;
- (iv) Establishing a system of financial management, internal control and internal audit in the public sector according to international practice, aimed at ensuring efficient and transparent use of public funds;
- (v) Increasing revenue mobilization by enhancing authorities' capacities to administer revenues in order to collect planned tax and customs revenues;
- (vi) Establishing a modern system of public procurement in accordance with EU standards, and its implementation by the public authorities;
- (vii) Establishing a modern and effective management tool to support users in the budgetary process and provide a wide range of financial and non-financial information for decision making.

The adoption and enforcement of the law on public finances and budgetary-fiscal accountability, no. 181 of July 25, 2014, marked an important milestone in the promotion, modernization, and consolidation of the national public finance management system. The law contains important provisions aimed at strengthening the general budgetary-fiscal discipline and the budgetary process, streamlining budget resources management, and increasing transparency during the budgetary process. The application of budgetary-fiscal policy rules, the implementation of the new budget classification and of the new chart of accounts, the consolidation of program-based budgeting and establishment of new rules for management of collected revenues by budgetary institutions, clear delimitation of responsibilities within the budget process, and the enhancing of central public authorities are just a few of the most important reforms provided by the organic law on public finance.

The Ministry of Finance provides the leadership for public financial management reform in coordination with other government institutions. The MoF prepares and publishes the annual PFM Action Plan and reports on its implementation.<sup>161</sup> Starting in 2020, a triennial action plan (2020 – 2023) was prepared. Other key roles in implementation of PFM reforms are played by the Court of Accounts which has adopted its own development strategy.

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<sup>161</sup> PFM Annual Action Plans and Progress reports: <https://www.mf.gov.md/ro/managementul-finan%C8%9Belpublice/strategia-de-reform%C4%83-a-mfp/planuri-%C8%99i-rapoarte>

There have been no external reviews or independent evaluation of the PFM reforms since 2018 covering the period of the assessment. There were only specific assessments conducted in the area of public investment management and public procurement (as described below). In addition, a peer review for the CoA led by a joint initiative of the OECD and the European Union, Support for Improvement in Governance and Management (SIGMA), supported by the State Audit Office of Latvia and Turkish Court of Accounts, has been ongoing to assess the current state of play within the CoA in a number of key areas and provide a significant input for the development of the CoA's new strategic development plan. In 2022, SIGMA and the German Development Cooperation (GIZ), have started to perform the analysis of the PFM strategy (ex-post and ex-ante assessment).

In 2019 the IMF conducted the Public Investment Management (PIM) Assessment of Moldova's public investments institutions across the PIM stages of planning, allocation and implementation. The assessment concluded that although the existing regulatory framework for PIM includes detailed provisions to ensure successful delivery of public investment and is more comprehensive than in other countries, the framework is limited by its narrow coverage and is not being effectively applied. The report comes up with the range of recommendations which prioritize the main actions at the key stages of the project cycle and for MoF capacity development.

In 2020 the World Bank assessed the public procurement systems in Moldova based on its 2018 Methodology for Assessing Procurement Systems (MAPS). Its purpose was to: (i) identify strengths and weaknesses of the public procurement system in Moldova, by benchmarking it with international best practices and standards; (ii) identify any substantial gaps that negatively impact the quality and performance of the public procurement system; and (iii) help the government to prioritize efforts in public procurement reform by suggesting recommendations to enhance the public procurement system. Special attention was paid to the scope for completing and harmonizing the legal and institutional framework, strengthening and promoting the procurement profession, enhancing the planning and preparation stages, improving the efficiency and transparency of the evaluation and award process, and strengthening contract management.

## 5.2 Recent and on-going reform actions

The government remains committed to the implementation of the Public Finance Management strategy (2013-2020), which has been extended until the end 2022. The pace of reforms has slowed due to frequent changes in the government and the increasing pressure on financial resources brought about by the pandemic. Limited capacity and overload of the key staff also affected the progress in the reforms. Nevertheless, the authorities have made progress on PFM reforms. Among the key achievements for 2019 and 2020 is the increasing accuracy of revenue projections by the MoF. The MoF has continued to improve the medium-term budgetary framework process and improved the regulatory framework for financial management and internal control. In addition, Moldova continued prudent fiscal management and disciplined budgetary planning in spite of the difficult circumstances during the pandemic.

The main accomplishments are summarized as follows:

- Improved fiscal governance, macroeconomic forecasting, and revenue projection for setting fiscal targets and the level of expenditures compatible with these targets over the medium-term;
- Improved annual and medium-term budget planning to enhance budget discipline and credibility;
- Improved budget transparency and public access to key fiscal information, to increase citizens' access and understanding of the budget;
- Improved Treasury management to ensure effective control of expenditure, including an adequate system of accounting and reporting;
- Improved debt management;
- Enhanced financial monitoring of the public corporations (state owned enterprises) by the MoF;
- Payroll reform in the budgetary sector through implementation of a unique, transparent and equal system;
- Strengthened public procurement framework and function;
- Development of the Public Sector Accounting Standards aligned with IPSAS;
- Consolidated public external audit function.

These reform initiatives have been implemented with the support provided by the development partners, such as the EU, IMF, and World Bank.

In the area of public audit, with the support of the donors ((EU, WB, and Swedish National Office) the Court of Accounts took actions to make its audits more effective and ensure a stronger oversight of the budget implementation. A new law on the CoA strengthening financial, operational, and functional independence of the supreme audit institution was adopted in December 2017 and promulgated in January 2018. To strengthen parliamentary oversight of the audit reports produced by the CoA, a new parliamentary committee for control of public finance was established in 2019.

In 2018-2019 the IMF worked with the government on improving its public debt statistics. Several recommendations were issued in areas such as the coverage of debt statistics, instruments coverage, and valuation of debt instruments. In addition, the IMF provided technical assistance to improve the management of fiscal and budgetary risks, and the rationalization of public expenditures. Under the five-year technical assistance project funded by the EU that started in 2020, a Debt Management Component was added in 2022 with the aim of strengthening overall debt management and development of the securities market.

Efforts were undertaken to strengthen fiscal transparency and procurement. In November 2020, the authorities amended secondary legislation on procurement to require provision and publication of beneficial owner information as part of the regular package of documents submitted for tenders. They published a report on pandemic-related spending for 2020, including beneficial owner entities contracting with the government. In June 2021, they also published an audit report by the CoA on the use of health resources to combat the pandemic in 2020. The authorities now make public the beneficial ownership information of all entities contracting with public authorities on the website of the Public Procurement Agency.

In 2017 Moldova enrolled in the International Open Budget Survey for the first time. According to the results of 2019 survey, Moldova scored 57 out of 100 on budget transparency, substantially higher than the global average score of 42, a positive result.

Under the five-year technical assistance project funded by the EU that started in 2020, the MoF is working to address the issues related to the public capital investment that resulted in the lower PEFA scores like

limited coverage of the regulatory framework for PIM for less than 20% of total public investment expenditures and overly complex regulation setting out the screening, selection, and monitoring of public capital investment projects. The project objective is to strengthen the Moldovan authorities: (i) to plan, prepare, and manage domestically and externally financed public investment projects (ii) to simplify regulation on the capital investment projects, and (iii) broaden the coverage of the revised PIM regulatory framework to cover all investment in the Moldova's Public Investment Programme. The expected outcome is to improve skills and capacities of the selected line ministries in identifying, designing, and managing capital investment projects on the basis of 2019 PIMA analysis and recommendations.

A new customs code was adopted on August 24, 2021, which aimed to unify, modernize, and streamline the customs legislation, as well as adjust it to Moldova's commitments under the EU - Republic of Moldova Association Agreement. The code will improve the quality of services provided by the Customs Service to business entities, increase the data protection level, reduce the costs and delays related to the declaration of goods, and diminish the risks of fraud and corruption through the online monitoring of customs operations and the reduction of paper-based procedures.

In matters of internal control, the MoF continuously organizes capacity building activities and training on the implementation of managerial internal control system for various public authorities and institutions, and creates conditions for internal audit outsourcing and shared service arrangements by adopting the relevant regulations in late 2020 that addressed, among other things, the lack of qualified internal audit professionals.

### 5.3 Institutional considerations

#### **Government leadership and ownership**

The MoF is the leading implementing agency for the bulk of PFM related actions, with the remainder allocated to its subordinate agencies and to the CoA. Planned reforms are reinforced through a number of institution-specific strategies, including the CoA Development Strategy for 2021 – 2025 and Strategy for Development of the Public Procurement System for 2016-2020. Reform efforts highly depend on the donors' assistance that may have an impact on the government's ownership and sustainability.

On August 3, 2021, the newly established Cabinet approved the activity program of the government and announced some priorities in the area of public finances around four areas: budgetary policies, transparency and management of the institutions, tax and customs services, and procurement. The State Chancellery coordinates these reforms on behalf of the government.

The MoF's internal department for policy analysis, monitoring and evaluation is in charge of the PFM Strategy. It has already commenced the evaluation of the previous PFM strategy and based on the 2021 PEFA findings will initiate the preparation of a new PFM Strategy.

#### **Coordination across government**

Coordination and set up of PFM reforms as part of broader public administration reform agenda is yet to be established. There has been little coordination at the level of the State Chancellery and the Prime Minister's Office in the period of the assessment (, although it was envisaged in the PAR strategy). There

is no formal mechanism in place that would guide PFM reforms in a consistent and coordinated manner and would involve various interested parties (Court of Accounts, legislature, civil society, line ministries, etc.).

### **A sustainable reform process**

Considerable support to PFM reforms is available from externally financed technical assistance projects financed by various development partners. The government contributes with in-kind expertise. Capacity development programs are in place and are enshrined in the institution-specific development strategies.

### **Transparency of the PFM program**

Information on PFM reforms and the status of their implementation is publicly available. The MoF publishes annually its action plan and reports the progress on the implementation of the planned actions.<sup>162</sup> There is no platform however for policy dialogue and donor coordination that would include various governmental institutions, civil society, and development partners' stakeholders.

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<sup>162</sup> <https://www.mf.gov.md/ro/managementul-finan%C8%9Belor-publice/strategia-de-reform%C4%83-a-mfp/planuri-%C8%99i-rapoarte>

## 6.0 Annexes

### Annex 1: Performance indicator summary

		Current assessment		
Pillar	Indicator/Dimension	Score	Description of requirements met	
Budget Reliability	PI-1	Aggregate expenditure outturn	B	Aggregate expenditure outturn was between 90% and 110% of the approved aggregate expenditure in all three years
	PI-2	Expenditure composition outturn	D+	Scoring Method M1 (WL)
		(i) Expenditure composition outturn by function	B	Variance in expenditure composition by functional classification was less than 10% in all three years.
		(ii) Expenditure composition outturn by economic type	D	Variance in expenditure composition by economic classification was more than 15% in two of the last three years.
		(iii) Expenditure from contingency reserves	A	Actual expenditure charged to a contingency vote was on average less than 3% of the original budget.
	PI-3	Revenue outturn	B	Scoring Method M2 (AV)
		(i) Aggregate revenue outturn	B	Actual revenue was between 94% and 112% of budgeted revenue in at least two of the last three years.
		(ii) Revenue composition outturn	B	Variance in revenue composition was less than 10% in two of the last three years.
Transparency of Public Finances	PI-4	Budget Classification	A	Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards. The program classification is also applied.
	PI-5	Budget Documentation	A	Budget documentation fulfills 10 elements, including every basic element (1-4).
	PI-6	Central government operations outside financial reports	C+	Scoring Method M2 (AV)
		(i) Expenditure outside financial reports	C	Expenditure outside government financial reports is less than 10% of total BCG expenditure.
		(ii) Revenue outside financial reports	C	Revenue outside government financial reports is less than 10% of total BCG revenue.
		(iii) Financial reports of extra-budgetary units	B	Detailed financial reports of most extrabudgetary units are submitted to government annually within six months of the end of the fiscal year.
	PI-7	Transfers to subnational governments	B	Scoring Method M2 (AV)
		(i) System for allocating transfers	A	The horizontal allocation of all transfers to subnational governments from central governments is determined by transparent, rule-based systems.
		(ii) Timeliness of information on transfers	C	Subnational governments had less than four weeks to complete their budget planning after they receive information on their annual transfers.
	PI-8	Performance information for service delivery	B+	Scoring Method M2 (AV)
	(i) Performance plans for service delivery	A	Information is published annually on policy or programs objectives, key performance indicators, outputs to be	

				produced, and the outcomes planned for all ministries, disaggregated by program.
		(ii) Performance achieved for service delivery	A	Information is published annually on the quantity of outputs produced and outcomes achieved for all ministries disaggregated by program.
		(iii) Resources received by service delivery units	A	Information on resources received by frontline service delivery units is collected and recorded for at least two large ministries, disaggregated by source of funds. A report compiling the information is prepared at least annually.
		(iv) Performance evaluation for service delivery	C	Evaluations of the efficiency or effectiveness of service delivery have been carried out for some ministries at least once within the last three years.
	<b>PI-9</b>	<b>Public access to fiscal information</b>	<b>A</b>	The government makes available to the public seven (out of nine) elements, including all five basic elements and two additional elements.
<b>Management of assets and liabilities</b>	<b>PI-10</b>	<b>Fiscal risk reporting</b>	<b>B</b>	<b>Scoring Method M2 (AV)</b>
		(i) Monitoring of public corporations	C	Government receives financial reports from most public corporations within nine months of the end of the fiscal year.
		(ii) Monitoring of sub-national government (SNG)	C	Unaudited budget execution reports and financial statements of the majority subnational governments are published and submitted to MoF which prepares a consolidated fiscal risk report on local authorities.
		(iii) Contingent liabilities and other fiscal risks	A	The note on Budgetary and Fiscal Risk prepared by MoF as part of state budget execution report includes a detailed analysis and commentary on all explicit and implicit fiscal risks.
	<b>PI-11</b>	<b>Public investment management</b>	<b>D+</b>	<b>Scoring Method M2 (AV)</b>
		(i) Economic analysis of investment proposals	C	Economic analyses are conducted to assess some major investment projects. The results of economic analysis are not published; and the analysis is not reviewed by an entity other than the sponsoring entity.
		(ii) Investment project selection	D	The established procedure for project selection was not followed. The investment projects were included in the state budget based on the discussions between MoF and Line Ministries.
		(iii) Investment project costing	C	Total capital cost and planned capital expenditures for the next three budget years is included in the budget documentation but the projections of the total life-cycle cost of public investment projects are not reflected.
		(iv) Investment project monitoring	D	There were no systematic monitoring of public investment projects total costs and physical progress conducted in the last completed fiscal year.
	<b>PI-12</b>	<b>Public asset management</b>	<b>B+</b>	<b>Scoring Method M2 (AV)</b>
		(i) Financial asset monitoring	B	The government maintains records of its holdings in all categories of financial assets. Information on performance is published annually. Yet, there are concerns that the value of these assets is underestimated.
		(ii) Nonfinancial asset monitoring	B	The government maintains a register of its holdings of fixed assets. Information is published annually. Yet, there are concerns that the value of these assets is underestimated.
		(iii) Transparency of asset disposal	A	Procedures and rules for the transfer and disposal of financial and nonfinancial assets are established.

				Information is submitted to the Parliament and included in the annual financial reports.
	<b>PI-13</b>	<b>Debt management</b>	<b>A</b>	<b>Scoring Method M2 (AV)</b>
		(i) Recording and reporting of debt and guarantees	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced monthly and are published.
		(ii) Approval of debt and guarantees	A	Primary legislation grants authorization to borrow, issue new debt and loan guarantees on behalf of the central government to a single responsible debt management entity (MoF). The legal framework in place describes policies and procedures; secondary legislation provides guidance on procedures how to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions. Annual borrowing is approved in the annual state budget law by the Parliament.
		(iii) Debt management strategy	A	A current medium-term debt management program (strategy) covers existing and projected government debt with a horizon of three years period and is publicly reported. The strategy includes target ranges for indicators such as interest rates, refinancing, and foreign currency risks. Annual reporting against debt management objectives is provided to the Parliament. The government's annual borrowing included in the annual state budget is consistent with the approved program.
Policy-based fiscal strategy and budgeting	<b>PI-14</b>	<b>Macroeconomic and fiscal forecasting</b>	<b>B+</b>	<b>Scoring Method M2 (AV)</b>
		(i) Macroeconomic forecasts	A	The indicators and assumptions underlying the macroeconomic forecasts are included in the budget documentation submitted to the Legislature. The forecasts are updated at least twice a year and cover the budget year and the following two years. The final version is coordinated with the IMF.
		(ii) Fiscal forecasts	A	The budget documents provide estimates of total revenues with a breakdown by individual revenue types and expenditure for the budget year and the following two years. Underlying assumptions are articulated with explanation of the changes from the previous year. The MTBF is part of the budget documentation submitted to the Legislature.
		(iii) Macro-fiscal sensitivity analysis	C	Alternative forecast scenario is prepared but the resultant macro policy implications of this scenario are briefly mentioned along with the resultant priorities in budgetary fiscal policy.
	<b>PI-15</b>	<b>Fiscal strategy</b>	<b>B</b>	<b>Scoring Method M2 (AV)</b>
		(i) Fiscal impact of policy proposals	D	The government does not prepare estimates of the fiscal impact of all proposed changes in revenue and expenditure policy. The information is fragmented and not comprehensive.
		(ii) Fiscal strategy adoption	A	Fiscal rules provide quantitative and qualitative objectives on debt and fiscal balance included in MTBF. The objectives of the fiscal policy for the current year and the following two fiscal years are also articulated in



				the annual budget documentation submitted to the Legislature.
	(iii) Reporting on fiscal outcomes		A	The MTBF sets out the economic impact on revenues and expenditure and the fiscal balance during the year and the deviation from the original budget as well as policies for address shortfalls.
<b>PI-16</b>	<b>Medium term perspective in expenditure budgeting</b>		<b>B+</b>	<b>Scoring Method M2 (AV)</b>
	(i) Medium-term expenditure estimates		A	The annual budget expenditure estimates are prepared for 3 years (next year and the two following fiscal years) and are disaggregated by organizational, functional, program, and economic classification.
	(ii) Medium-term expenditure ceilings		D	Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years were not approved by government before issuing the state budget circular. The sectorial ceilings were approved by the government in the MTBF for 2021-2023 one month later
	(iii) Alignment of strategic plans and medium-term budgets		A	Medium-term strategic plans are prepared and costed for all ministries. All expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.
	(iv) Consistency of budgets with previous year estimates		A	The budget documents provide an explanation of all changes to expenditure estimates between the last medium-term budget and the current medium-term budget at the ministry level.
<b>PI-17</b>	<b>Budget preparation process</b>		<b>C+</b>	<b>Scoring Method M2 (AV)</b>
	(i) Budget calendar		C	A clear annual budget calendar exists, but some delays are noted for the last budget cycle. The calendar for 2021 draft budget allowed ministries and other budgetary units only three weeks from receipt of the budget circular to prepare their proposals.
	(ii) Guidance on budget preparation		B	A comprehensive and clear budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. The sectorial ceilings have been approved within the MTBF 2021-2023 and reflects ministry ceilings preliminarily agreed within the MTBF coordination group and coordinated with the Cabinet. However, FY2021 ministry ceilings were not formally approved before issuing the budget circular. .
	(iii) Budget submission to the legislature		C	The executive has submitted the annual budget proposal to the legislature less than two months in all last three years.
<b>PI-18</b>	<b>Legislative scrutiny of budgets</b>		<b>B+</b>	<b>Scoring Method M1 (WL)</b>
	(i) Scope of budget scrutiny		A	The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue. All these details are part of the Explanatory Note to the draft state budget law and its annexes.
	(ii) Legislative procedures for budget scrutiny		B	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultation but were not implemented in the preparation of the 2021 budget. They also include internal organizational arrangements,

				such as legislature committees, technical support, and negotiation procedures.
		(iii) Timing of budget approval	A	The legislature has approved the annual budget before the start of the year in each of the last three fiscal years.
		(iv) Rules for budget adjustments by the executive	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.
Predictability and control in budget execution	PI-19	<b>Revenue administration</b>	<b>B</b>	<b>Scoring Method M2 (AV)</b>
		(i) Rights and obligations for revenue measures	A	The STS and CS, which together administer and collect 98.8 percent of the central government revenues, use multiple channels to provide payers with easy access to comprehensive and up-to-date information on the main revenue obligation areas, including redress processes and procedures.
		(ii) Revenue risk management	C	CS and STS assess and prioritize compliance risks for all categories of revenues, however the approaches used are partially systematic and structured.
		(iii) Revenue audit and investigation	C	CS and STS undertake fraud and audit investigation using a compliance improvement plan, and complete around 74.4 percent of planned controls and investigations.
		(iv) Revenue arrears monitoring	B	The stock of revenue arrears at the end of FY2020 was 1.877 percent of the central government revenue. The revenue arrears older than 12 months was MDL 528,823.13 thousand or 48.56 percent of the total revenue arrears for the year.
	PI-20	<b>Accounting for revenues</b>	<b>A</b>	<b>Scoring method M1 (WL)</b>
		(i) Information on revenue collections	A	The Treasury obtains real time basis information on revenues collected by the STS and CS. The information is broken down by revenue type, collection period, and consolidated into a report which is publicly available.
		(ii) Transfer of revenue collections	A	All taxes, social security and mandatory health insurance contributions, and customs payments are paid into the accounts of the Treasury according to economic classification and Register of IBAN codes and the transfer is immediate.
		(iii) Revenue accounts reconciliation	A	Both STS and CS overall undertake complete reconciliation of assessment, collection, arrears and transfers to the Treasury at least quarterly within four weeks of the end of quarter.
	PI-21	<b>Predictability of in-year resource allocation</b>	<b>B+</b>	<b>Scoring Method M2 (AV)</b>
		(i) Consolidation of cash balances	A	All the accounts are consolidated on a daily basis.
		(ii) Cash forecasting and monitoring	A	The cash forecasts are updated on a daily basis given performance execution and consolidated on a monthly basis.
		(iii) Information on commitment ceilings	A	The budgetary units are able to plan their budget for the whole year according to their time period required for expenditure to deliver the services that are to be provided.
		(iv) Significance of in-year budget adjustments	C	While the adjustments are transparent and predictable, in-year adjustments were significant in terms of revenue and expenditure in the last completed fiscal year.
	PI-22	<b>Expenditure arrears</b>	<b>A</b>	<b>Scoring method M1 (WL)</b>

	(i) Stock of expenditure arrears	A	The stock of expenditure arrears is less than 0.1% of expenditure.
	(ii) Expenditure arrears monitoring	A	Information on composition on arrears is generated monthly and for the full year in the MOF budget execution reports.
<b>PI-23</b>	<b>Payroll controls</b>	<b>A</b>	<b>Scoring method M1 (WL)</b>
	(i) Integration of payroll and personnel records	A	Approved staff list, personnel database and payroll are linked to ensure budget control and consistency. The data is reconciled monthly.
	(ii) Management of payroll changes	A	Changes to payroll are fully regulated and retroactive adjustments are extremely rare.
	(iii) Internal control of payroll	A	Authority is restricted to access and change records and payroll and results in an audit trail. The payroll payments are subject to and are a part of internal audit. The monthly reporting ensures full integrity of data.
	(iv) Payroll audit	A	The payroll audit is mandatory to be included as part of all external audits performed by Court of Accounts and Financial Inspection Agency.
<b>PI-24</b>	<b>Procurement Management</b>	<b>C+</b>	<b>Scoring Method M2 (AV)</b>
	(i) Procurement monitoring	D	Data on public procurement can be extracted from the PPA website and from MTender which is the country e-procurement system. However, this information is not complete and is only collected for contracts that are awarded using MTender, i.e., contracts within the PPL threshold. At the same time, MTender cannot generate all suitable data for monitoring public procurement. The system does not cover the entire procurement cycle, from planning to contract management, and information on the implementation of contracts, their extension or completion is not available in the system. Data on small value contracts is missing and many available documents are not machine readable.
	(ii) Procurement methods	A	In 2020, out of all procurement procedures within the thresholds defined by the PPL, 95.59% of the total value of contracts were awarded through competitive methods (open tenders, Request for Quotations).
	(iii) Public access to procurement information	D	Procurement data on the entire volume of public procurement is only partly available to the public. While there is transparency with respect to procedures conducted through MTender, there is limited, or if at all, information on small value procurement which constitutes a large part of public procurement. Moreover, not all documents that should be open are published in full by the contracting authorities and they are not all readily accessible from a single, national point of access.
	(iv) Procurement complaints management	A	The procurement complaint system meets every criterion.
<b>PI-25</b>	<b>Internal controls on nonsalary expenditure</b>	<b>A</b>	<b>Scoring Method M2 (AV)</b>
	(i) Segregation of duties	A	Appropriate segregation of duties is prescribed through the entire expenditure process. Responsibilities are clearly laid down.
	(ii) Effectiveness of expenditure commitment controls	A	Strong controls effectively limit commitments to budgetary allocations and cash availability.

Accounting and Reporting		(iii) Compliance with payment rules and procedures	A	High level of compliance with rules and procedures is observed.
	<b>PI-26</b>	<b>Internal audit effectiveness</b>	<b>C+</b>	<b>Scoring method M1 (WL)</b>
		(i) Coverage of internal audit	C	Although overall IAUs coverage is 98 per cent of central government institutions with respect to revenue and 95.1 per cent of central government institutions in respect to expenditure, the level of staffing occupancy across central level IAUs is 63% and it implies that the internal audit function is not fully operational.
		(ii) Nature of audits and standards applied	C	Compliance audits prevail in total number of audits conducted.
		(iii) Implementation of internal audits and reporting	B	Annual audit plans exist in most of central budgetary entities. 91% of programmed audits are completed as evidenced by the distribution of their reports to the management and MoF.
		(iv) Response to internal audits	A	Management implemented 95% of internal audit recommendations made over fiscal years 2018-2020.
	<b>PI-27</b>	<b>Financial data integrity</b>	<b>A</b>	<b>Scoring Method M2 (AV)</b>
		(i) Bank account reconciliation	A	Treasury Division under MoF reconciles on daily basis all CG balances with the TSA sub-accounts and other bank accounts in the National Bank of Moldova.
		(ii) Suspense accounts	A	Suspense accounts are used to record revenue whose purpose is not identified. The purposes of unidentified amounts are determined daily. Such accounts are cleared in a timely way, within few days.
		(iii) Advance accounts	A	Reconciliation of advances takes place at least monthly, within a month from end of period and only with few balances are brought forward and are cleared in a timely way.
		(iv) Financial data integrity processes	A	Access and changes to records is restricted and recorded, and results in an audit trail. Financial data integrity is ensured by the Treasury, which reviews financial information from budgetary units and Centre of Information Technology in Finance under MoF monitors unauthorized systems access. Internal auditors and the Court of Accounts as part of their audits verify financial data integrity.
	<b>PI-28</b>	<b>In-year budget reports</b>	<b>B+</b>	<b>Scoring method M1 (WL)</b>
		(i) Coverage and comparability of reports	A	Coverage and classification of data in the budget execution reports allows direct comparison to the original budget. Information includes all central government budget estimates for the budgetary units and expenditures from transfers.
		(ii) Timing of in-year budget reports	B	Budget execution reports are prepared monthly and issued within 4 weeks from the end of reporting period.
		(iii) Accuracy of in-year budget reports	B	There are no issues with data accuracy. However, the reports provide information on expenditures only at the payment stage.
	<b>PI-29</b>	<b>Annual financial reports</b>	<b>D+</b>	<b>Scoring method M1 (WL)</b>
		(i) Completeness of annual financial reports	A	The report on State budget execution is prepared annually and is comparable with the approved budget. It contains information on revenue, expenditure, financial assets, financial liabilities, and long-term obligations. The financial reports of all budgetary units collected by the MoF are supported by a reconciled cash flow statement.

		(ii) Submission of reports for external audit	B	Financial reports for budgetary central government are submitted for external audit within 6 months of the end of the fiscal year.
		(iii) Accounting standards	D	The financial statements are prepared following to accounting standards consistent with the country's legal framework. However, the standards used in preparing annual financial reports (Methodological Norms on accounting and financial reporting in the budgetary system) are not disclosed.
External scrutiny and audit	PI-30	<b>External audit</b>	<b>C+</b>	<b>Scoring method M1 (WL)</b>
		(i) Audit coverage and standards	A	The financial statements of all central government budgetary units include revenue, expenditure, assets, and liabilities. These are entirely captured in the annual report on State budget execution that are audited using International Standards of Supreme Audit Institutions (ISSAI) for the last three fiscal years.
		(ii) Submission of audit reports to the legislature	A	The audit reports are submitted to the legislature within three months (forty days) from the receipt of the financial reports by the Court of Accounts.
		(iii) External audit follow-up	A	Audit recommendations are included in the CoA Decision on approval of the audit reports that are published. CoA has effective internal mechanism for follow up on the audit recommendations.
		(iv) Supreme Audit Institution (SAI) independence	C	The Court of Accounts operates independently from the executive with respect to procedures for appointment and removal of the CoA Head, the planning of audit engagements, arrangements for publicizing reports, and execution of the CoA's budget. However, the budget is approved as part of the state budget process, thus undermining its financial independence. The CoA shall have unrestricted and timely access to records, documentation, and information from auditees (budgetary units). The independence of the CoA is assured by the law on the Court of Accounts.
	PI-31	<b>Legislative scrutiny of audit reports</b>	<b>C+</b>	<b>Scoring Method M2 (AV)</b>
		(i) Timing of audit report scrutiny	B	Scrutiny of audit reports on annual financial statements has been completed by the Parliament within six months from the receipt of the reports.
		(ii) Hearings on audit findings	C	In-depth hearings on key findings of audit reports take place with responsible officers from audited entities in attendance, but only 58% of audit reports which had qualified or adverse or disclaimer opinions were reviewed.
		(iii) Recommendations on audit by the legislature	C	The Parliament followed up on issued recommendations and ensured that the Court of Accounts reports on its own follow up of prior recommendations only in one of the three last completed years.
		(iv) Transparency of legislative scrutiny of audit reports	C	Hearings are conducted in public except for national security or similar sensitive discussions. Committee reports are provided to the full chamber of Parliament and published on Parliament's official website. Yet, this is valid for only one of the three last completed years.

## Annex 2: Summary of observations on the internal control framework

Internal control components and elements	Summary of observations
<b>1. Control environment</b>	
<b>1.1</b> The personal and professional integrity and ethical values of management and staff, including a supportive attitude toward internal control constantly throughout the organization	<p>The public function and the status of the civil servant as well as the obligations, performance evaluation, professional development, and remuneration for civil servants is regulated by law no 158 of July 4, 2008, and compensation – by law no. 270 dated November 23, 2018.</p> <p>Chapter III of law no.133 of June 17, 2016, on declaration of assets and personal interests regulates the conflict of interest situations and the way it is resolved for civil servants.</p> <p>The Code of Conduct for civil servants was adopted by law no.25 of February 22, 2008.</p> <p>The basic principles for implementing internal controls by the budget spending units were approved by the PIFC law no.229 / 2010, MoF Ordinance 216/2005 regarding methodological norms for accounting and financial reporting in the public sector, and MoF Ordinance no.189 / 2015 on approval of National Standards for Internal Control.</p> <p>These principles regulate: (i) listing of tasks and functions, their segregation and assignment to performers; (ii) establishing authorization and confirmation procedures (obtaining permissions from responsible officials to carry out operations by means of signing, confirming, or approving of documents); (iii) the segregation of duties between employees to reduce the risks of mistakes or wrongful acts and timely detection of such actions. Established guidelines prescribe those internal controls in an institution is based on the principle of responsibility and sharing of powers, which means sharing of duties between the management of the institution and its employees, establishing boundaries of their responsibility in the decision-making process or when performing other actions. Control measures are carried out at all levels of the institution's activities and for all functions and tasks and include relevant rules and procedures.</p> <p>Public Internal Financial Control is spread between the Financial Inspection Agency and the Central Harmonization Unit in the MoF. The Court of Accounts under their financial and compliance audits at the level of individual spending units mandatorily tests and assesses the existence of internal controls.</p>
<b>1.2</b> Commitment to competence	<p>The existence of the Central Harmonization Unit indicates a commitment to competence in implementing internal controls and is evidenced by the improvement in scores in PI-25.</p>

	<p>The responsibility for professional development of civil servants and employees of the budgetary sector is divided between the MoF and the Academy for the Public Administration. The Academy has a comprehensive curriculum that is prepared in line with the training needs identified in the process of complex consultation with the public authorities.</p>
1.3 The “tone at the top” (i.e., management’s philosophy and operating style)	<p>There is a positive approach to implementing internal controls as evidenced by the organisational structure which will be strengthened by ensuring that there is greater response to recommendations.</p> <p>MoF actively promotes managerial accountability. The regulations on the self-evaluation, reporting on the managerial internal control system and issue of the Managerial Responsibility Declaration approved through MoF Ordinance no.4 of January 9, 2019, has as objective to increase the degree of the accountability of the public sector managers in the organisation of the managerial internal control evaluation process. In line with this regulation the managers shall issue annually a Managerial Responsibility Declaration and place it on the website of the respective institution. This is being observed across the public institutions.</p>
1.4 Organizational structure	<p>The roles of the various parties involved in the financial management control system are established in the MoF ordinance no. 216/2005 regarding methodological norms for accounting and financial reporting in the public sector.</p> <p>The MoF is the authorized body which, through the Harmonization Unit promotes the establishment and development of public internal financial control systems and carries out coordination and harmonization policies and procedures. The Court of Accounts complements these efforts by testing the effectiveness of the internal controls in the audited institutions and by providing recommendations on their improvement.</p> <p>The government is taking practical steps towards the development of the management accountability and delegation of tasks in accordance with the development of the internal audit function. Full implementation of the requirements of the laws, decrees and decisions on internal audit and alignment with international good practices will take time. All public sector units have yet to establish an organizational structure that enables the achievement of the objectives and compliance with the functions assigned to the activity.</p>
1.5 Human resource policies and practices	<p>A framework of professionals in internal audit and financial control is in place and follows standard public sector policies and practices. As of December 31, 2020, the internal audit function was established within 75 central government public entities (PEs), of which only 55 IAUs are functional or 63%. Of the functional IAUs, only 25 IAUs submitted reports. The other IAUs did not report because either they have recently hired internal auditors or are not required to report according to the legislation.</p>
<b>2. Risk assessment</b>	
2.1 Risk identification	<p>Several PIs are related to the extent to which risks are identified, notably: Economic Analysis of Investment Proposals is rated C in 11.1 – Economic analyses are conducted to assess some major investment projects.</p> <p>Debt Management Strategy is rated A in 13.3</p> <p>Macro-fiscal sensitivity analysis is rated C in 14.3 – The government prepares the scenarios of fiscal forecasts on the basis of a lower economic growth</p>



	<p>relative to the baseline assumption which is reflected in the published budget documentation together with forecasts.</p> <p>Revenue Risk Management is rated C in 19.2 – Entities collecting most revenues have yet to use a comprehensive, structured, and systematic approach for assessing and prioritizing compliance risks for all categories of revenue and, at a minimum, for their large and medium revenue payers.</p> <p>Cash Flow Forecasting and Monitoring is rated A in 21.2 - A comprehensive cash flow forecast is developed and updated routinely.</p>
2.2 Risk assessment (significance and likelihood)	See risk identification (2.1 above)
2.3 Risk evaluation	<p>Based on the strategic and annual plans available within the MoF (PIFC), the following can be observed:</p> <ul style="list-style-type: none"> <li>• 24 IAUs or 32% have a strategic plan, developed, and approved.</li> <li>• 43 IAUs or 57% have annual plans regarding the internal audit activity.</li> </ul> <p>In 2020, a total 188 audits were planned during the reporting period and 172 planned audits were carried out (91.4%), and an additional 65 ad-hoc internal audits were performed. Ad hoc missions were due to the urgent situations that occurred during the pandemic crisis. (Implementation of internal audits and reporting – 26.3 rated B). However, Quality Assessment System for Internal Audit activities is in the process of being developed but is being implemented (Nature of internal audits and standards applied – 26.2 rated C).</p>
2.4 Risk appetite assessment	The development and implementation of identification and assessment of risk indicates a positive risk appetite which will grow as these become more mature.
2.5 Responses to risk (transfer, tolerance, treatment or termination)	Standard public sector HR policies are in place throughout the areas of control.
<b>3. Control activities</b>	
3.1 Authorization and approval procedure	<p>Financial data integrity processes are rated A in 27.4. Access and changes to records is restricted and recorded, and results in an audit trail. The Treasury maintains oversight.</p> <p>Recording and reporting of debt and guarantees is rated A in 13.1. Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced monthly.</p> <p>Approval of debt and guarantees are rated A in 13.2. Primary legislation grants authorization to borrow, issue new debt, and issue loan guarantees on behalf of the central government to a single responsible debt management entity. Documented policies and procedures provide guidance to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt management transactions by a single debt management entity. Annual borrowing must be approved by the government or legislature.</p> <p>Effectiveness of expenditure commitment controls is rated A in 25.2. Commitment control applies to all payments made from the TSA. Actual expenditure incurred is in line with approved budget allocations and does not exceed committed amounts and projected available cash resources.</p>



	<p>Integration of payroll and personal records is rated A in 23.1. Information on manning tables, personnel and labor remuneration is accounted for and payroll and personnel records are reconciled.</p> <p>Management of payroll changes is rated A in 23.2. Personnel records are updated monthly with few retroactive changes.</p> <p>Compliance with payroll payment rules and procedures is rated A in 23.3. Budget institutions have clear and detailed rules and procedures for making changes to staff information and payroll, which include signatures of authorized persons and provide for clear audit trails.</p>
3.2 Segregation of duties (authorizing, processing, recording, reviewing)	Segregation of duties is rated A in 25.1. Appropriate segregation of duties is prescribed throughout the entire expenditure process. Responsibilities are clearly laid down.
3.3 Controls over access to resources and records	Compliance with payment rules and procedures is rated A in 25.3. Compliance with payment rules and procedures is very high. Financial data integrity processes are rated A in 27.4. Access and changes to records is restricted and recorded, and results in an audit trail; oversight is conducted by the Treasury.
3.4 Verifications	Accuracy of in-year budget reports which is rated B in 28.3. There are no material concerns regarding data accuracy. There are monthly and quarterly budget execution reports of payments in the Treasury system which are posted on its website.
3.5 Reconciliations	Bank account reconciliations are rated A in 27.1. A Single Treasury Account is in place and is reconciled on a daily basis. Suspense account reconciliations are rated A in 27.2. Suspense accounts are used if there is a query. These are reconciled and cleared within 2 days.
3.6 Reviews of operating performance	Revenue audit and investigations are rated C in 19.3. Audit and investigation activities are performed, and plans exist and are followed completely in the State Tax Service but less so in Customs Services.
3.7 Reviews of operations, processes and activities	Procurement monitoring is rated D in 24.1. Data on public procurement can be extracted from the PPA website and from MTender (the e-procurement system). However, this information is not complete and is only collected for contracts that are awarded using MTender. The system cannot generate all suitable data for monitoring public procurement. Data on small value contracts is missing and many available documents are not machine readable.
3.8 Supervision (assigning, reviewing and approving, guidance and training)	The audit trail in place indicates a supervisory focus. Personnel development through mentoring and training is in place.
<b>4. Information and communication</b>	
<b>5. Monitoring</b>	
5.1 Ongoing monitoring	<p>The Assessment highlighted a number of areas related to ongoing monitoring activities:</p> <p>Resources received by service delivery units is rated A in 8.3. The information on the resources received by the service providers is collected and recorded through the TSA.</p> <p>Monitoring of public corporations is rated C in 10.1. While most public corporations publish audited annual financial statements, the evidence of this is between 6 and 9 months after the end of the financial year. The financial performance of the SOEs is monitored in various consolidated reports.</p>

	<p>Monitoring of subnational governments is rated C in 10.2. Unaudited annual financial statements for subnational governments are published within 3 months after the end of the financial year.</p> <p>Contingent liabilities and other fiscal risks is rated A in 10.3. The note on Budgetary and Fiscal Risk includes a detailed analysis and commentary on all explicit and implicit fiscal risks.</p> <p>Investment project monitoring is rated D in 11.4. There was no systematic monitoring of public investment projects with respect to total costs and physical progress conducted in 2020.</p> <p>Quality of central government financial asset monitoring is rated B in 12.1. There is a record of all categories of financial holdings at fair value using international accounting standards. The annual financial statement includes a statement on financial assets. However, there are errors in the evaluation as noted by the Court of Accounts in their audit reports.</p> <p>Quality of central government non-financial asset monitoring is rated B in 12.2. A register of movable and immovable assets is maintained and published which contains information use and information that can establish age. The budget execution report provides their value annually as part of the balance sheet. However, there are errors in the evaluation as noted by the Court of Accounts in their audit reports.</p> <p>Revenue arrears monitoring is rated B in 19.4. The total stock of revenue arrears at the end of 2020 accounted for 1.877 percent of the central government revenue. The revenue arrears older than 12 months were 48.56 percent of the total revenue arrears for the year.</p> <p>Expenditure arrears monitoring is rated A in 20.2. Information on composition on arrears is generated monthly and for the full year in the MOF budget execution reports.</p> <p>Procurement monitoring is rated D in 24.1. Data on public procurement can be extracted from the PPA website and from MTender (the e-procurement system). However, this information is not complete and is only collected for contracts that are awarded using MTender. The system cannot generate all suitable data for monitoring public procurement. Data on small value contracts is missing and many available documents are not machine readable.</p> <p>Implementation of internal audits and reporting is rated B in 26.3. Annual audit programs exist in 78% of central budgetary units, and they are monitored by the PIFC Unit at the MoF. In fiscal year 2020, programmed audits were 188 for central government out of which 172 (91.5%) were completed and their reports distributed to appropriate parties.</p>
5.2 Evaluations	<p>Performance evaluation for service delivery is rated C in 8.4. There have been two external performance reviews in health and education but an absence of internal performance audits in the past 3 years. Investment project selection is rated D in 11.2. The MoF did not follow the established project selection procedure for the 2020 budget. Public investment projects were included into the 2020 state budget based on discussions with line ministries.</p>
5.3 Management responses	<p>Response to internal audits is rated A in 26.4. Management implemented 95% of internal audit recommendations made over fiscal years 2018-2020. External audit follow-up is rated A in 30.3. Audit recommendations are included in the CoA decision on approval of the published audit reports. The CoA has effective internal mechanisms for follow up on the audit recommendations.</p>

## Annex 3: Sources of information

### Annex 3A: Related surveys and analytical work

No	Institution	Document title	Date	Link
1	World Bank	Public Expenditure and Financial Accountability (PEFA)	December 16, 2015	<a href="https://www.pefa.org/node/916">https://www.pefa.org/node/916</a>
2	World Bank	Moldova Country Economic Memorandum	April 2019	<a href="https://documents1.worldbank.org/curated/en/679951561566645653/pdf/Moldova-Rekindling-Economic-Dynamism.pdf">https://documents1.worldbank.org/curated/en/679951561566645653/pdf/Moldova-Rekindling-Economic-Dynamism.pdf</a>
3	IMF	Public Investment Management Assessment	December 2019	<a href="https://mf.gov.md/en/content/public-investment-management-assessment%E2%80%9D-pima">https://mf.gov.md/en/content/public-investment-management-assessment%E2%80%9D-pima</a>
4	IMF	Country Governance Assessment	July 2021	file:///C:/Users/wb354640/Downloads/1MDAEA2021001%20(1).pdf
5	EU	Joint Staff Working Document: Association Implementation Report of the Republic of Moldova	October 2021	<a href="https://eeas.europa.eu/sites/default/files/swd_2021_295_f1_joint_staff_working_paper_en_v2_p1_1535649.pdf">https://eeas.europa.eu/sites/default/files/swd_2021_295_f1_joint_staff_working_paper_en_v2_p1_1535649.pdf</a>
6	EU	Action Document for COVID-19 Resilience Contract for the Republic of Moldova	2021	<a href="https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-12/c_2020_9249_f1_annex_en_v2_p1_1111422.pdf">https://ec.europa.eu/neighbourhood-enlargement/system/files/2020-12/c_2020_9249_f1_annex_en_v2_p1_1111422.pdf</a>
7	IMF	Staff report for the 2021 Article IV Consultations and request for an arrangement under the Extended Fund Facility and an arrangement under the Extended Credit Facility	2021	<a href="https://www.imf.org/en/Publications/CR/Issues/2022/01/04/Republic-of-Moldova-2021-Article-IV-Consultation-and-Requests-for-an-Arrangement-under-the-511622">https://www.imf.org/en/Publications/CR/Issues/2022/01/04/Republic-of-Moldova-2021-Article-IV-Consultation-and-Requests-for-an-Arrangement-under-the-511622</a>

## Annex 3B: List of people interviewed

No	Institution	Department	Person	Position
1	Ministry of Finance		Tatiana Ivanicichina	State Secretary
2	Ministry of Finance		Dorel Noroc	State Secretary
3	Ministry of Finance		Iuri Pasinschi	State Secretary
3	Ministry of Finance	Policies and Budget Synthesis Division	Natalia Sclearuc	Head of Division
4	Ministry of Finance	Budgetary Policies Coordination Section	Dina Rosca	Head of Section
5	Ministry of Finance	Budgetary Policies Coordination Section	Nina Rotaru	Principal Consultant
6	Ministry of Finance	Budgetary Policies Coordination Section	Vera Sirbu	Principal Consultant
7	Ministry of Finance	State Budget and National Public Budget Section	Valentina Basoc	Head of Section
8	Ministry of Finance	Sectoral Budget Policies Division	Vasile Botica	Head of Division
9	Ministry of Finance	Finances in Education, Culture and Science Section	Olga Oprea	Principal Consultant
10	Ministry of Finance	Finances in Education, Culture and Science Section	Olga Casianova	Principal Consultant
11	Ministry of Finance	Finances in Education, Culture and Science Section	Irina Rusu	Principal Consultant
12	Ministry of Finance	Finances in Education, Culture and Science Section	Ana Cotoros	Principal Consultant
13	Ministry of Finance	Finances in Education, Culture and Science Section	Vera Romanciuc	Principal Consultant
14	Ministry of Finance	Finances in Education, Culture and Science Section	Lilia Bostan	Principal Consultant
15	Ministry of Finance	Finances in Healthcare and Social Protection Section	Marina Semeniuc	Head of Section
16	Ministry of Finance	Finances of Public Authorities Section	Ina Gorea	Head of Section
17	Ministry of Finance	Finances in Justice, Public Order, Defense	Ludmila Dimitrisin	Head of Section

No	Institution	Department	Person	Position
		and National Security Section		
18	Ministry of Finance	Finances in Justice, Public Order, Defense and National Security Section	Calin Balan	Principal Consultant
19	Ministry of Finance	Policy Analysis, Monitoring and Evaluation Division	Ludmila Popa	Head of Division
20	Ministry of Finance	Policy Analysis, Monitoring and Evaluation Division	Tatiana Bodrug	Deputy Head of Directorate
21	Ministry of Finance	Policy Analysis, Monitoring and Evaluation Division	Galina Damian	Principal Consultant
22	Ministry of Finance	Public Investment Division	Viorel Pana	Head of Division
23	Ministry of Finance	Public Investment Division	Lilia Taban	Deputy Head of Division, Head of Section
24	Ministry of Finance	Public Investment Division	Angela Dvornic	Principal Consultant
25	Ministry of Finance	Public Internal Financial Control Policy Division	Petru Babuci	Head of Division
26	Ministry of Finance	Public Debt Division	Elena Matveeva	Head of Division
27	Ministry of Finance	External Debt and Recredit Section	Alexandru Rodideal	Head of Section
28	Ministry of Finance	Domestic Debt Section	Oxana Pui	Principal Consultant
29	Ministry of Finance	Domestic Debt Section	Alexandru Chirtoca	Senior Consultant
30	Ministry of Finance	Domestic Debt Section	Olesea Friscu	Senior Consultant
31	Ministry of Finance	Public Procurement Division	Sergiu Cainareanu	Head of Division
32	Ministry of Finance	Tax and Customs Policy Division	Corina Alexa	Head of Division
33	Ministry of Finance	Monitoring State Assets Division	Stela Paduca	Head of Division
34	Ministry of Finance	Monitoring State Assets Division	Natalia Vrabii	Deputy Head of Division
35	Ministry of Finance	Monitoring State Assets Division	Diana Calugareanu	Principal Consultant
36	Ministry of Finance	Internal Audit Service	Jandic Livia	Head of Service
37	Ministry of Finance	Payroll Policy Division	Ludmila Burduja	Head of Division

No	Institution	Department	Person	Position
38	State Treasury Division		Maxim Ciobanu	Head of Division
39	State Treasury Division	Cash Management Section	Dan Berladean	Deputy Head of Division, Head of Section
40	State Treasury Division	Operational Section	Corina Damian	Deputy Head of Division, Head of Section
41	State Treasury Division	Operational Section	Mariana Scortescu	Principal Consultant
42	State Treasury Division	Operational Section	Alina Padnevici	Consultant
43	State Treasury Division	Methodology Section	Ina Darii	Head of Section
44	State Treasury Division	Reporting Section	Nadejda Slova	Head of Section
45	State Tax Service		Igor Turcanu	Deputy Director
46	State Tax Service	Cooperation and Data Exchange Division	Valentina Timofeev	Head of Division
47	State Tax Service	Strategic Development Division	Irina Lupasco	Head of Division
48	State Tax Service	Evidence and Tax Information Division	Liudmila Gritco	Head of Division
49	State Tax Service	General Compliance Division	Sergiu Arhirii	Head of General Division
50	Customs Service	Strategic Planning and Quality Management Division	Sergiu Moldovanu	Principal Inspector
51	Customs Service	Post Control Division	Dorina Saftenco	Principal Inspector
52	Customs Service	Legal Control and Forced Execution Division	Maria Candu	Principal Inspector
53	Customs Service	Customs Revenue Division	Lilia Taraburca	Head of Division
54	Public Procurement Agency		Ruslan Malai	Director
55	Public Procurement Agency	Statistics, Reporting and Electronic procurement Division	Natalia Postolache	Head of Division
56	Financial Inspection		Valeriu Babara	Deputy Head
57	Financial Inspection	Synthesis, Legal Support and Control Division	Gabriel Pasat	Head of Division
58				
59	National Social Insurance House		Elena Tibirna	General Director
60	National Social Insurance House	General Direction for Administration of Payments and Payees	Ala Coliban	Head of General Direction
61	National Social Insurance House	General Finance Division	Elena Costin	Head of Division

No	Institution	Department	Person	Position
62	Public Property Agency	Public Property Evidence and Monitoring Division	Natalia Vrabie	Head of Division
63	Public Property Agency	Public Property Evidence and Monitoring Division	Marcela Russu	Deputy Head of Division
64	Court of Accounts		Marian Lupu	President
65	Court of Accounts		Violeta Andries	Member
66	Court of Accounts		Marina Covali	Member
67	Court of Accounts		Petru Rotaru	Member
68	Court of Accounts		Viorel Chetrraru	Member
69	Court of Accounts		Andrei Munteanu	Member
70	Court of Accounts		Ecaterina Paknehad	Head of Apparatus
71	Court of Accounts	General Department of Methodology, Planning and Reporting	Tatiana Vozian	Head of General Department
72	Court of Accounts	I General Audit Department	Natalia Trofim	Head of General Department
73	Court of Accounts	II General Audit Department	Sofia Ciuvalschi	Head of General Department
74	Court of Accounts	III General Audit Department	Svetlana Purici	Head of General Department
75	Court of Accounts	III General Audit Department	Viorica Verdes Raropu	Head of I Audit Division
76	Court of Accounts	IV General Audit Department	Vasile Mosoi	Head of General Department
77	Court of Accounts	IV General Audit Department	Irina Ter-Cula	Head of II Audit Division
78	Court of Accounts	Internal Audit Service	Ana Scorpan	Principal internal auditor
79	Court of Accounts	External Relations and Communication Division	Violeta Balan	Head of Division
80	Ministry of Health, Labour and Social Protection	Social and Health Insurance Planning Division	Lilia Gantea	Head of Division
81	Ministry of Health, Labour and Social Protection	Policy Analysis, Monitoring and Evaluation Division	Marcela Tirdea	Head of Division
82	Ministry of Health, Labour and Social Protection	Financial-Administrative Division	Anatol Gudumac	Head of Division

No	Institution	Department	Person	Position
83	Ministry of Health, Labour and Social Protection	Financial-Administrative Division	Anna Grani	Principal Consultant
84	Ministry of Health, Labour and Social Protection	Women and Men Equality Assurance Policy Division	Lilia Pascal	Head of Division
85	Ministry of Health, Labour and Social Protection	Internal Audit Service	Ecaterina Zazuc	Head of Service
86	Ministry of Health, Labour and Social Protection	Division on Labour Relationship Policies and Social Partnership	Alexandru Ghetu	Head of Division
87	Ministry of Education, Research and Culture	Financial-Administrative Division	Olga Soga	Head of Division
88	Ministry of Education, Research and Culture	Financial-Administrative Division	Rita Balan	Principal Consultant
89	Ministry of Education, Research and Culture	Institutional Management Division	Ion Sobari	Head of Division
90	Ministry of Education, Research and Culture	Internal Audit Section	Andrei Ginu	Head of Section
91	Ministry of Education, Research and Culture	Policy Analysis, Monitoring and Evaluation Department	Tudor Cojocaru	Head of Department
92	Chamber of Commerce		Sergiu Harea	President
93	Chamber of Commerce		Natalia Calenic	Vice-President
94	Chamber of Commerce	IT Division	Valentina Ichim	Head of Division
95	Rayon Council Ungheni	Finance Division	Tatiana Struc	Head of Division
96	Expert Grup Think Tank		Tatiana Savva	Program Manager Anticorruption and Integrity
97	A.O. Inițiativa Pozitivă		Constantin Cearanovski	Member of the Board
98	Association for Efficient and Responsible Governance		Maria Covalciuc	Project Director
99	Association for Efficient and Responsible Governance		Olga Diaconu	Project Coordinator
100	Think Tank Institute for Development and Social Initiatives "Viitorul"		Diana Enachi	Economist



No	Institution	Department	Person	Position
101	Independent consultant		Serghei Merjan	Public Procurement Expert
102	State Road Administration		Veaceslav Potop	General Director
103	State Road Administration		Ion Drucec	Deputy Director
104	State Road Administration		Iulian Mornealo	Deputy Director
105	State Road Administration		Andrei Cuculescu	Technical Director
106	National Agency for Solving Complaints		Anatolie Zagorodnii	General Director
107	Parliament	Parliamentary Committee for Control of Public Finance	Tatiana Cunetchi	Head of Commission
108	Parliament	Parliamentary Committee for Control of Public Finance	Marianna Spoialo	Principal Consultant

## Annex 3C: Sources of information used to extract evidence for scoring each indicator

Indicator/dimension	Data Sources
<b>Budget reliability</b>	
<b>PI-1. Aggregate expenditure outturn</b> 1.1. Aggregate expenditure outturn	State budget document for 2018, 2019 and 2020  State budget execution reports for 2018, 2019 and 2020
<b>PI-2. Expenditure composition outturn</b> 2.1. Expenditure composition outturn by function	State budget document for 2018, 2019 and 2020
2.2. Expenditure composition outturn by economic type	State budget execution reports for 2018, 2019 and 2020
2.3. Expenditure from contingency reserves	State budget document for 2018, 2019 and 2020
<b>PI-3. Revenue outturn</b> 3.1. Aggregate revenue outturn	State budget document for 2018, 2019 and 2020
3.2. Revenue composition outturn	State budget execution reports for 2018, 2019 and 2020
<b>Transparency of public finances</b>	
<b>PI-4. Budget classification</b> 4.1 Budget classification	MoF Order no 208 dated December 24, 2015, on budget classification
<b>PI-5. Budget documentation</b> 5.1 Budget documentation	The draft law on the state budget for 2021 MTBF 2021-2023
<b>PI-6. Central government operations outside financial reports</b> 6.1. Expenditure outside financial reports	Information from the founder Ministries that have autonomous public institutions with own revenues under their subordination and from other independent institutions with own revenues  Budget execution reports for 2020
6.2. Revenue outside financial reports	
6.3. Financial reports of extra-budgetary units	
<b>PI-7. Transfers to subnational governments</b> 7.1. System for allocating transfers	Law on the public finances and budgetary-fiscal Responsibility no. 181 dated July 25, 2014
7.2. Timeliness of information on transfers	Law on Local Public Finances no.397 dated October 16, 2003  Annual State Budget laws  Tax Code no.1163 dated April 24, 1997  Law on the Road Fund no.720 dated February 2, 1996  Law on the Support Population Fund no.827 dated February 18, 2000  Education Code of Republic of Moldova no.152 dated July 17, 2014  Law on Administrative Decentralization no.435 dated December 28, 2006  Law on Local Public Self-government no.436 December 28, 2006

Indicator/dimension	Data Sources
	MoF Reports on the execution of the citizen's budgets 2018, 2019 and the Report on the execution of the state budget in 2020
<b>PI-8. Performance information for service delivery</b>	
8.1. Performance plans for service delivery	MoF Ordinance no.216 dated December 28, 2015, on the Chart of Accounts and Methodological norms for accounting and financial reporting in the budgetary system
8.2. Performance achieved for service delivery	
8.3. Resources received by service delivery units	
8.4. Performance evaluation for service delivery	
	FY2020 and FY2021 Budget documentation
	Court of Accounts Annual Activity Reports:
	<a href="https://www.ccrm.md/ro/rapoarte-de-activitate-90.html">https://www.ccrm.md/ro/rapoarte-de-activitate-90.html</a>
	Ministry of Finance performance reports for 2020: <a href="https://mf.gov.md/ro/ministerul-finan%C8%9Belor/bugetul-ministerului">https://mf.gov.md/ro/ministerul-finan%C8%9Belor/bugetul-ministerului</a>
	Ministry of Justice program budget execution reports for 2020:
	<a href="http://justice.gov.md/tabview.php?l=ro&amp;idc=609&amp;">http://justice.gov.md/tabview.php?l=ro&amp;idc=609&amp;</a>
	Ministry of Economy, Infrastructure and Regional Development program budget execution report for 2020:
	<a href="https://mei.gov.md/ro/bugetul-mec">https://mei.gov.md/ro/bugetul-mec</a>
	Ministry of External Affairs and European Integration program budget execution report for 2020:
	<a href="https://mfa.gov.md/sites/default/files/document/indicatori_de_performanta_mdoc_2020.pdf">https://mfa.gov.md/sites/default/files/document/indicatori_de_performanta_mdoc_2020.pdf</a>
	Ministry of Health, Labour and Social Protection:
	<a href="https://msmps.gov.md/transparenta-decizionala/bugetul/realizat/">https://msmps.gov.md/transparenta-decizionala/bugetul/realizat/</a>
	Ministry of Agriculture, Regional Development and Environment budget proposal with program budget execution reports :
	<a href="https://madr.gov.md/sites/default/files/Documente%20atasate%20Advance%20Pagines/Propunerile%20de%20buget_2019_2020_2021.pdf">https://madr.gov.md/sites/default/files/Documente%20atasate%20Advance%20Pagines/Propunerile%20de%20buget_2019_2020_2021.pdf</a>
<b>PI- 9. Public access to fiscal information</b>	Government's web page:
9.1. Public access to fiscal information	<a href="https://gov.md/ro/content/guvernul-aprobat-bugetul-de-stat-pentru-anul-2021">https://gov.md/ro/content/guvernul-aprobat-bugetul-de-stat-pentru-anul-2021</a> )
	Parliament's web page:

Indicator/dimension	Data Sources
	<p><a href="https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5333/language/ro-RO/Default.aspx">https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5333/language/ro-RO/Default.aspx</a>)</p> <p>Ministry of Finance web page: <a href="http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare">http://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare</a>.</p> <p>Letter of the Ministry of Finance letter no.12 / 4-3-39 of May 21, 2021</p> <p>Court of Accounts web page: <a href="https://www.ccrm.md">https://www.ccrm.md</a></p>
<b>Management of assets and liabilities</b>	
<b>PI-10. Fiscal risk reporting</b>	FY2020 budget execution reports
10.1. Monitoring of public corporations	
10.2. Monitoring of sub-national government	Law on accounting and financial reporting no.287 dated December 15, 2017
10.3. Contingent liabilities and other fiscal risks	<p>Law on state enterprise and municipal enterprise no.246 dated November 22, 2017</p> <p>Government Decision no. 56 dated January 17, 2018, regarding the approval of Regulations on financial monitoring of self-governed entities, state / municipal enterprises and commercial entities with whole or major state shareholding</p> <p>2020 Annual report on administration and privatization of public property: <a href="https://app.gov.md/rapoarte-anuale-3-450">https://app.gov.md/rapoarte-anuale-3-450</a></p> <p>MoF Financial Monitoring Report on economic and financial activity of state enterprises and commercial enterprise with whole and majority state holding: <a href="https://mf.gov.md/sites/default/files/documente%20relevante/Sinteza%20monitoring%20anul%2020.pdf">https://mf.gov.md/sites/default/files/documente%20relevante/Sinteza%20monitoring%20anul%2020.pdf</a></p> <p>Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014</p> <p>Law on local public finances no.397 dated October 16, 2003</p> <p>MoF Ordinance on terms for presentation of financial reports for 2020 no.168 dated December 12, 2020</p>

Indicator/dimension	Data Sources
	Information from the Court of Accounts on number of audits performed for subnational governments in 2018 - 2020
<b>PI- 11. Public investment management</b>	Government's Decree on the state capital investment projects no. 1029 dated December 19, 2013
11.1. Economic analysis of investment proposals	
11.2. Investment project selection	
11.3. Investment project costing	
11.4. Investment project monitoring	<p>Law of the Republic of Moldova "On the Road Fund" no. LP720 / 1996 dated February 2, 1996</p> <p>Resolution of the Parliament of the Republic of Moldova "On approval of the Regulation on the formation and use of the Road Fund</p> <p>Government's Decree no. 164 dated March 11, 2020.</p> <p>Government's Decree "On Measures to Implement Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova" no.127 dated February 8, 2008.</p> <p>Decision of the National Council for the Coordination of Regional Development no. 4/16 dated November 10, 2016.</p> <p>Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova" no.127 dated February 8, 2008</p> <p>Government's Decree "On Measures to Implement Law no. 438-XVI of December 28, 2006, on Regional Development in the Republic of Moldova" no.127 dated February 8, 2008</p> <p>Government's Decree "On the approval of the Regulation on ecological funds" no.988 dated September 21, 1998.</p> <p>Order of the Ministry of Environment of the Republic of Moldova no.73 dated September 10, 2013</p>
<b>PI-12. Public asset management</b>	FY2020 budget execution reports
12.1. Financial asset monitoring	
12.2. Nonfinancial asset monitoring	
12.3. Transparency of asset disposal.	

Indicator/dimension	Data Sources
	privatization no.121 dated May 4, 2007  Government Decision no.500 dated May 12, 1998, on approval of regulations on asset write offs
<b>PI-13. Debt management</b>	Law no.419 of 22 December 2006 <sup>163</sup> on public sector debt, state guarantees, and state re-credit defines the recording and reporting of debt and guarantees procedures
13.1. Recording and reporting of debt and guarantees	
13.2. Approval of debt and guarantees	
13.3. Debt management strategy	Law no.397 of 16 October 2003 on Local Public Finances  MoF Reports on Public Sector Debt, State Guarantees and State On-Lending  Medium-Term Government Debt Management Program (Strategy) 2020-2022
<b>Policy-based fiscal strategy and budgeting</b>	
<b>PI-14. Macroeconomic and fiscal forecasting</b>	Order of the Minister of Finance no. 209 of December 24, 2015, the methodological set on the preparation, approval and amendment of the budget (amended by Order no. 98 of June 20, 2017)
14.1. Macroeconomic forecasts	
14.2. Fiscal forecasts	
14.3. Macro-fiscal sensitivity analysis	MTBF for 2021-2023  Budget documentation for 2019, 2020 and 2021  Macroeconomic forecast published by the Ministry of Economy and Infrastructure: <a href="https://mei.gov.md/ro/documents-terms/indicatori-economici-prognozare-macroeconomica">https://mei.gov.md/ro/documents-terms/indicatori-economici-prognozare-macroeconomica</a>
<b>PI-15. Fiscal strategy</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
15.1. Fiscal impact of policy proposals	
15.2. Fiscal strategy adoption	
15.3. Reporting on fiscal outcomes	MTBF for 2021 – 2023  2020 Budget Execution Report
<b>PI-16. Medium-term perspective in expenditure budgeting</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
16.1. Medium-term expenditure estimates	
16.2. Medium-term expenditure ceilings	MTBF for 2021 – 2023
16.3. Alignment of strategic plans and medium-term budgets	2021 Budget Proposal
16.4 Consistency of budgets with previous year's estimates	Budget Circular by MoF letter no.06/1-17/50

<sup>163</sup> [https://www.legis.md/cautare/getResults?doc\\_id=116876&lang=ro](https://www.legis.md/cautare/getResults?doc_id=116876&lang=ro)

Indicator/dimension	Data Sources
	Sectoral plans: <a href="https://me.gov.md/ro/bugetul-mec">https://me.gov.md/ro/bugetul-mec</a> Expenditure Plans of the Education sector  Expenditure plans of the Environmental Protection, Agriculture and Water Supply sectors  MoF Order no.209 on December 24, 2015, on Methodological Guide for budget preparation, approval and amendment
<b>PI-17. Budget preparation process</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
17.1. Budget calendar	
17.2. Guidance on budget preparation	
17.3. Budget submission to the legislature	2021 Budget Circular  MTBF for 2021 – 2023  MoF Letter no.31-78-388-4401 dated 16 June 2021
<b>PI-18. Legislative scrutiny of budgets</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
18.1. Scope of budget scrutiny	
18.2. Legislative procedures for budget scrutiny	
18.3. Timing of budget approval	Law no.797 dated April 2, 1996, on approving the Parliament Regulation
18.4. Rules for budget adjustments by the executive	Law no.289 dated December 15, 2017, regarding the 2018 state budget  Law no.303 dated November 30, 2018, regarding the 2019 state budget  Law no.172 dated December 19, 2019, regarding the 2020 state budget
<b>Predictability and control in budget execution</b>	
<b>PI-19. Revenue administration</b>	Tax Code no.1163 dated April 24, 1997
19.1. Rights and obligations for revenue measures	
19.2. Revenue risk management	Customs Code no.1149 dated July 20, 2000
19.3. Revenue audit and investigation	
19.4. Revenue arrears monitoring	Order no. 285 dated May 28, 2021, on “Approval of the regulation of the operation, maintenance and administration of the website of the State Tax Service”  Government decision no. 1144 dated November 3, 2005, on “The approval of the concept of risk management in the Customs Service”  Government decision no. 1000 dated October 17, 2018, on “The approval of the regulation and procedures for carrying out subsequent control by the customs bodies”

Indicator/dimension	Data Sources
	<p>GoV decision no. 379 dated April 25, 2018, on "The state control over entrepreneurial activity based on risk analysis"</p> <p>STS website: <a href="https://sfs.md/ro">https://sfs.md/ro</a></p> <p>CS's website: <a href="https://trade.gov.md/ro">https://trade.gov.md/ro</a>; <a href="https://customs.gov.md/ro">https://customs.gov.md/ro</a></p> <p>STS and CS annual Reports 2020 Budget Execution Reports</p>
<b>PI-20. Accounting for revenues</b>	Tax Code no.1163 dated April 24, 1997
20.1. Information on revenue collections	
20.2. Transfer of revenue collections	Customs Code no.1149 dated July 20, 2000
20.3. Revenue accounts reconciliation	<p>State Treasury Reports: <a href="https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare">https://mf.gov.md/ro/trezorerie/rapoarte-privind-executarea-bugetului/rapoarte-lunare</a></p> <p>MoF Register of IBAN Codes</p> <p>MoF no. 166, dated December 22, 2020 "On how to pay and record payments to the national public budget through the treasury system of the MoF"</p>
<b>PI-21. Predictability of in-year resource allocation</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
21.1. Consolidation of cash balances	
21.2. Cash forecasting and monitoring	
21.3. Information on commitment ceilings	MoF methodological guidelines on cash execution of the budget components of the National Public Budget and extrabudgetary units approved through MoF Order no.215 dated December 28, 2015
21.4. Significance of in-year budget adjustments	<p>Law no.131 of 12 July 2020 amending the 2020 State Budget Law;</p> <p>Law no.173 of 11 September 2020 amending the 2020 State Budget Law;</p> <p>Government Decision (Resolution) no.619 of 12 august 2020 for re-distribution of approved budget allocation in the 2020 State Budget law no.172/2019</p> <p>Government decision (resolution) no.854 of 30 November 2020 for re-distribution of approved budget allocation in the 2020 State Budget law no.172/2019</p> <p>Government Decision (Resolution) no.896 of 14 December 2020 for re-distribution of approved budget allocation in the 2020 State Budget Law 172/2019</p> <p>Budget Execution Reports for 2018 - 2020</p>



<b>Indicator/dimension</b>	<b>Data Sources</b>
<b>PI-22. Expenditure arrears</b>	MOF Order no.121 of September 14, 2016, regarding the method of determining and reporting overdue receivables and overdue debts (arrears)
22.1. Stock of expenditure arrears	
22.2. Expenditure arrears monitoring	Budget execution Reports
<b>PI-23. Payroll controls</b>	Law no.270 dated 23 November 2018 on unified payroll system in the public sector
23.1. Integration of payroll and personnel records	Law no.158 dated 04 July 2008 on civil service and status of the civil servant
23.2. Management of payroll changes	
23.3. Internal control of payroll	
23.4. Payroll audit	
	Law no.155 dated 21 July 2011 for approving the unified classification of the public functions
	MoF Order no. 218 dated 28 December 2018 on staffing for public sector
	Information from the State Chancellery, MoF, Financial Inspection and Court of Accounts
<b>PI-24. Procurement</b>	Law no. 131/2015 dated July 3, 2015, on public procurement
24.1. Procurement monitoring	Government Decision no.665 dated May 27, 2016, for approving the Regulation on small value public procurement
24.2. Procurement methods	
24.3. Public access to procurement information	
24.4. Procurement complaints management	
	NASC Annual Report
	MTender Procurement System
	Information from Public Procurement Agency, MoF, CoA, CSOs, ANSC
<b>PI-25. Internal controls on non-salary expenditure</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
25.1. Segregation of duties	Ordinance no.216 dated December 28, 2015, regarding methodological norms for accounting and financial reporting in the public sector
25.2. Effectiveness of expenditure commitment controls	
25.3. Compliance with payment rules and procedures	
	MoF methodological guidelines on cash execution of the budget components of the National Public Budget and extrabudgetary units approved through MoF Order no.215 dated December 28, 2015
	Information provided by MoF and CoA
<b>PI-26. Internal audit</b>	Law no. 229 dated September 23, 2010, on public internal financial control
26.1. Coverage of internal audit	Government Decision no.556 dated November 19, 2019, for the approval of the Regulation on the achievement, confirmation, and development of
26.2. Nature of audits and standards applied	
26.3. Implementation of internal audits and reporting	
26.4. Response to internal audits	

Indicator/dimension	Data Sources
	<p>professional qualification in the field of internal audit in the public sector.</p> <p>Government Decision no. 557 dated November 19, 2019 on the approval of the Code of Ethics of the internal auditor and the Internal Audit Charter</p> <p>Government Decision no. 617 dated December 11, 2019, for the approval of the Regulation on the evaluation of the quality of the internal audit activity in the public sector</p> <p>OMF no. 153 dated September 12, 2018, on the National Internal Audit Standards</p> <p>OMF no.161 dated December 17, 2020, on the Internal Audit Standards in the public sector</p> <p>OMF no.105 dated July 15, 2013, on the Methodological Norms for internal audit in the public sector (only the Supplementary Instructions part is in force)</p> <p>OMF no.176 dated December 26, 2019, on the approval of the Regulation on the reporting of internal audit activity in the public sector</p> <p>OMF no.159 dated December 17, 2020, on the approval of the Regulations on internal audit activity as shared service in public sector</p> <p>OMF no.160 dated December 17, 2020, on the approval of the Regulations on internal audit activity on contractual basis in public sector</p> <p>Annual PIFC Report for 2020</p> <p>Budget Execution Report for 2020</p>
<b>Accounting and reporting</b>	
<b>PI-27. Financial data integrity</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
27.1. Bank account reconciliation	
27.2. Suspense accounts	
27.3. Advance accounts	MoF methodological guidelines on cash execution of the budget components of the National Public Budget approved through MoF Order no.215 dated December 28, 2015
27.4. Financial data integrity processes	Information provided by MoF and State Treasury
<b>PI-28. In-year budget reports</b>	
28.1. Coverage and comparability of reports	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
28.2. Timing of in-year budget reports	
28.3. Accuracy of in-year budget reports	

Indicator/dimension	Data Sources
	<p>MoF methodological guidelines on cash execution of the budget components of the National Public Budget approved through MoF Order no.209 dated December 24, 2015</p> <p>Treasury's monthly and quarterly budget execution reports for 2020</p> <p>Information provided by MoF</p>
<b>PI-29. Annual financial reports</b>	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
29.1. Completeness of annual financial reports	
29.2. Submission of the reports for external audit	
29.3. Accounting standards	Annual Budget Execution reports for 2018 – 2020
	Decisions of Commission for Exceptional Situations
	Information provided by the Ministry of Finance and Court of Accounts
<b>External scrutiny and audit</b>	
<b>PI-30. External audit</b>	Constitution of the Republic of Moldova
30.1. Audit coverage and standards	
30.2. Submission of audit reports to the legislature	Law on public finances and budgetary-fiscal responsibility no.181 dated July 25, 2014
30.3. External audit follow up	
30.4. Supreme Audit Institution independence	Law on the organization and functioning of the Court of Accounts no.260 dated December 7, 2017
	CoA Audit Strategy for 2019-2021
	Annual activity reports of the Court of Accounts: <a href="https://ccrm.md/ro/rapoarte-de-activitate-90.html">https://ccrm.md/ro/rapoarte-de-activitate-90.html</a>
	Minutes of the CCFP's meetings: <a href="https://www.parlament.md/StructuraParlamentului/Comisiipermanente/tabid/84/CommissionId/48/language/ro-RO/Default.aspx">https://www.parlament.md/StructuraParlamentului/Comisiipermanente/tabid/84/CommissionId/48/language/ro-RO/Default.aspx</a>
<b>PI-31. Legislative scrutiny of audit reports</b>	Law no.797 of April 02, 1996, regarding the adoption of the Parliament's regulation
31.1. Timing of audit report scrutiny	
31.2. Hearings on audit findings	
31.3. Recommendations on audit by the legislature	Law no.260 of December 07, 2017, on organization and functioning of the Court of Accounts
31.4. Transparency of legislative scrutiny of audit reports	
	Parliament Decision no.72 of November 29, 2019, on activity areas of the Parliament's standing Committees
	Parliament's decisions on some CoA reports:

Indicator/dimension	Data Sources
	<ul style="list-style-type: none"> <li>- <a href="https://www.legis.md/cautare/getResults?doc_id=124646&amp;lang=ro">https://www.legis.md/cautare/getResults?doc_id=124646&amp;lang=ro</a>;</li> <li>- <a href="https://www.legis.md/cautare/getResults?doc_id=126094&amp;lang=ro">https://www.legis.md/cautare/getResults?doc_id=126094&amp;lang=ro</a>;</li> <li>- <a href="https://www.legis.md/cautare/getResults?doc_id=126094&amp;lang=ro">https://www.legis.md/cautare/getResults?doc_id=126094&amp;lang=ro</a></li> </ul> <p>Parliament's timetable for hearing of CoA reports:  <a href="https://www.parlament.md/LinkClick.aspx?fileticket=R1qJcCbh%2bZ4%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO">https://www.parlament.md/LinkClick.aspx?fileticket=R1qJcCbh%2bZ4%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO</a></p> <p>Hearings of CoA reports:</p> <p>2018 and 2019 CoA Annual reports on administration and use of public resources and property:  <a href="https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5419/language/ro-RO/Default.aspx">https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5419/language/ro-RO/Default.aspx</a></p> <p>2019 CoA Activity Report:  <a href="https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5420/language/ro-RO/Default.aspx">https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/5420/language/ro-RO/Default.aspx</a></p> <p>Informative Notes / reports of the Committee for Control of Public Finance:</p> <ul style="list-style-type: none"> <li>- <a href="https://www.parlament.md/LinkClick.aspx?fileticket=R1qJcCbh%2bZ4%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO">https://www.parlament.md/LinkClick.aspx?fileticket=R1qJcCbh%2bZ4%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO</a>;</li> <li>- <a href="https://www.parlament.md/LinkClick.aspx?fileticket=aPUPhrwc5VE%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO">https://www.parlament.md/LinkClick.aspx?fileticket=aPUPhrwc5VE%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO</a>;</li> <li>-</li> </ul>

## Annex 4: Tracking change in performance based on previous versions of PEFA<sup>164</sup>

Indicator/Dimension	2015 Score based on 2011 Framework	2021 Score	Description of requirements met in current assessment	Explanation of change (include comparability issues)	Direction of change (improvement ↑, no change →, deterioration ↓)
<b>A. PFM-OUTTURNS: Credibility of the Budget</b>					
PI-1 Aggregate expenditure outturn compared to original approved budget	A	B	Aggregate expenditure outturn was between 90.4% and 96.3% in all three assessed years.	The deviation in 2015 ranged from 0.3% to 1.7% whereas the deviation in 2021 increased, ranging from 3.7% to 9.6% thus deteriorating the score.	↓
PI-2 Composition of expenditure outturn compared to original approved budget	A	B+			↓
(i) Extent of the variance in expenditure composition during the last three years, excluding contingency items	A	B	Variance of expenditure composition outturn was between 5% and 10% in all three years.	The deviation in 2015 ranged from 1.3% to 3.8% whereas the deviation in 2021 ranged from 5.8% to 8.3%.	↓
(ii) The average amount of expenditure actually charged to the contingency vote over the last three years.	A	A	The average spending within the contingency reserves did not exceed on average 0.3% over the last three years.	Performance remained unchanged	→
PI-3 Aggregate revenue outturn compared to original approved budget	A	B	Revenue deviation was between 87.2% and 99.5%	The deviation in 2015 ranged from 0.8% to 1.9% whereas the deviation in 2021 ranged from 0.5% to 12.8%. The impact of COVID-19 affected revenues as did the earlier reduction of realized grants from development partners. Both of these translated into lower scores in P-1 and PI-2.	↓

<sup>164</sup> PEFA Indicator Comparison table 2011 vs. 2016 and 2016 vs. 2011 can be found on the pefa.org.

PI-4 Stock and monitoring of expenditure payment arrears	<b>A</b>	<b>A</b>			→
(i) Stock of expenditure payment arrears and a recent change in the stock	A	A	Arrears are low and insignificant: less than 0.1% of expenditure in all three years	No change in performance	→
(ii) Availability of data for monitoring the stock of expenditure payment arrears	A	A	Data on the stock, age, and composition of expenditure arrears is generated monthly	No change in performance	→
<b>B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency</b>					
PI-5 Classification of the budget	<b>A</b>	<b>A</b>	Budget formulation, execution, and reporting are based on every level of administrative, economic, and functional classification using GFS/COFOG standards. The program classification is also applied.	No change in performance	→
PI-6 Comprehensiveness of information included in budget documentation	<b>A</b>	<b>A</b>	Budget documentation fulfills 11 elements, including every basic element (1–4).	No change in performance	→
PI-7 Extent of unreported government operations	<b>A</b>	<b>B+</b>			↓
(i) Level of unreported government operations	A	B	Most of EBUs produce reports annually within six months of the end of the year	The 2020 assessment could not find evidence of all EBUs reports whereas the 2015 assessment assumed that all were reported.	↓
(ii) Income/expenditure information on donor-funded projects	A	A	Donor funded projects are included in the budget, flow through the TSA and are regularly reported through the budget execution reporting procedure.	No change in performance	→
PI-8 Transparency of inter-governmental fiscal relations	<b>A</b>	<b>B+</b>			↓
(i) Transparency and objectivity in the	A	A	Almost all inter-budgetary transfers	No change in performance	→

	horizontal allocation amongst Sub-national Governments			were allocated based on established rules, including either formulas or clearly defined criteria (except special capital transfers which amounted to 0.8% of total transfer in 2020)		
(ii)	Timeliness and reliable information to SN Governments on their allocations	A	C	Local public authorities had less than four weeks to complete their budget planning procedures for 2020.	Performance deteriorated on account of the changes in the requirements for this dimension by setting up precise timeline to complete the budget planning by the SNGs.	↓
(iii)	Extent of consolidation of fiscal data for general government according to sectoral categories	A	A	Fiscal data is collected and consolidated for all SNGs in a timely and consistent manner	No change in performance	→
	PI-9 Oversight of aggregate fiscal risk from other public sector entities	A	C+			↓
(i)	Extent of central government monitoring of autonomous entities and public enterprises	A	C	Most autonomous government agencies and public corporations submit their reports on a six-month basis. Based on these reports, MoF performs fiscal risk monitoring. Most public corporations publish audited annual financial statements between 6 and 9 months after the end of the financial year. The financial performance of the SOEs is monitored in various consolidated reports.	Performance deteriorated, however the score requirements changed between two assessments (2016 Framework refers to all public corporations for an A score, while 2011 Framework tackles only major PCs). Autonomous government agencies are not considered since they are subordinated to and strictly controlled by the government.	↓
(ii)	Extent of central government monitoring of SN government's fiscal position	A	A	The SNGs are not allowed to approve and execute their budget with the deficit, this is monitored by the MoF. The financial statements of local	No change in performance, however the score requirements changed between the two assessments (the 2016 Framework	→

			authorities are published and submitted to the Ministry of Finance which prepares a consolidated fiscal risk report on local authorities on an annual basis.	requires annual audit of SNGs for an A score)	
PI-10 Public access to key fiscal information	<b>B</b>	<b>A</b>	All key fiscal information is published	The performance improved. Financial statements and audited reports are published whereas in 2015 they were reported as not being available to the public.	↑
<b>C. BUDGET CYCLE</b>					
<b><i>C(i) Policy-Based Budgeting</i></b>					
PI-11 Orderliness and participation in the annual budget process	<b>B</b>	<b>B+</b>			↑
(i) Existence of, and adherence to, a fixed budget calendar	<b>B</b>	<b>C</b>	A clear annual budget calendar exists, but some delays were experienced for the last budget cycle	The performance deteriorated. In the 2021 assessment the actual calendar allowed ministries and other budgetary units only three weeks from receipt of the budget circular to prepare their estimates whereas in the 2015 assessment this was 4 weeks.	↓
(ii) Guidance on the preparation of budget submissions	<b>B</b>	<b>B</b>	A comprehensive and clear budget circular is issued to budgetary units, covering total budget expenditure for the full fiscal year. Ceilings have been approved within the MTBF 2021-2023 and reflects ministry ceilings preliminary agreed within the MTBF coordination group and approved by the Prime Minister.	No change in performance since 2015. The Cabinet approval is still after the circular distribution	→
(iii) Timely budget approval by the legislature	<b>C</b>	<b>A</b>	The legislature has approved the annual budget before the start	Performance improved. The 2015 budget was approved in April 2015	↑



			of the year in each of the last three fiscal years: 2018 state budget law on 15 December 2017, 2019, state budget law on 30 November 2018, and 2020 state budget law on 19 December 2019	whereas all three year's budgets in the 2021 assessment were approved before the next year	
PI-12 Multi-year perspective in fiscal planning, expenditure policy and budgeting	A	A			→
(i) Multiyear fiscal forecasts and functional allocations	A	A	Forecasts of fiscal aggregates are prepared for 3 years (next year and the two following fiscal years) and are disaggregated by high level administration (organizational classification), functional and program classifications, and economic classification	No change in performance	→
(ii) Scope and frequency of debt sustainability analysis	A	A	Debt sustainability indicators are included in the quarterly and annual reports on Public Sector Debt, State Guarantees and State On-Lending that are published on the Ministry of Finance website. A current medium-term debt management program (strategy) covers existing and projected government debt with a horizon of three years period and is publicly reported.	No change in performance	→
(iii) Existence of costed sector strategies	A	A	Medium-term strategic plans are prepared and costed for all ministries. All expenditure policy proposals in the approved medium-term budget estimates	No change in performance	→

			align with the strategic plans.			
(iv)	Linkages between investment budgets and forward expenditure estimates	B	A	The annual budget information included each project's total capital cost and planned capital expenditures for the next three budget year.	Performance improved.	↑
<b>C(ii) Predictability and Control in Budget Execution</b>						
	PI-13 Transparency of taxpayer obligations and liabilities	A	A			→
(i)	Clarity and comprehensiveness of tax liabilities	A	A	Tax liabilities are clearly articulated in the legislation	No change in performance	→
(ii)	Taxpayer access to information on tax liabilities and administrative procedures	A	A	The revenue administration bodies use multiple channels to provide taxpayers with easy access to comprehensive and up-to-date information on the main revenue obligation areas, including redress processes and procedures	No change in performance	→
(iii)	Existence and functioning of a tax appeal mechanism	B	A	A transparent and effective tax appeal mechanism is in place	The performance increased. The tax appeal process has been improved with the introduction of a Dispute Settlement Council for both the State Tax Service and the Customs Service in 2018	↑
	PI-14 Effectiveness of measures for taxpayer registration and tax assessment	B	B			→
(i)	Controls in the taxpayer registration system	A	A	There is a complete database of the taxpayers	No change in performance	→
(ii)	Effectiveness of penalties for non-compliance with registration and declaration obligations	C	C	Penalties for non-compliance are set sufficiently high to enforce compliance	The summary evidence in the 2015 assessment justifies an A score which has been reduced to C based on the existence on an underground economy	→

(iii)	Planning and monitoring of tax audit and fraud investigation programs	B	C	CS and STS undertake fraud and audit investigation using a compliance improvement plan, and complete around 74.4 percent of planned controls and investigations, but not all are based on clear risk assessment criteria	Performance deteriorated	↓
PI-15 Effectiveness in collection of tax payments		<b>D+</b>	<b>B+</b>			↑
(i)	Collection ratio for gross tax arrears	D	B	The revenue arrears older than 12 months reduced from 76% to 49%	Performance improved.	↑
(ii)	Effectiveness of transfer of tax collections to the Treasury by the revenue administration	A	A	The Treasury obtains real time information on revenues collected by the revenue administrations	No change in performance	→
(iii)	Frequency of complete accounts reconciliation between tax assessments, collections, arrears records, and receipts by the Treasury	A	A	Revenue administrations perform a complete reconciliation of assessment, collection, arrears and transfers to the State Treasury at least quarterly within four weeks of the end of quarter	No change in performance	→
PI-16 Predictability in the availability of funds for commitment of expenditures		<b>C+</b>	<b>B+</b>			↑
(i)	Extent to which cash flows are forecasted and monitored	A	A	Cash flows are forecasted on daily basis given the budget execution and depending on this analysis, the forecast is updated	No change in score. Monthly spending quotas were eliminated since the last assessment.	→
(ii)	Reliability and horizon of periodic in-year information to MDAs on ceilings for expenditure	C	A	The spending units have immediate information on their annual ceilings once they are approved as part of the annual budget	The performance improved. Spending agencies are now able to plan for the whole year based on their expenditure plans whereas in 2015 the	↑

				time horizon was one to two months.	
(iii)	Frequency and transparency of adjustments to budget allocations above the level of management of MDAs	C	C	Three in-year adjustments to budget allocations took place in 2020	No change in performance →
	PI-17 Recording and management of cash balances, debt and guarantees	A	A		→
(i)	Quality of debt data recording and reporting	A	A	Domestic and foreign debt and guaranteed debt records are complete, accurate, updated, and reconciled monthly. Comprehensive management and statistical reports covering debt service, stock, and operations are produced monthly.	No change in performance →
(ii)	Extent of consolidation of the government's cash balances	A	A	The Government operates a TSA within which each budgetary unit has its own subaccount. All the accounts are consolidated on a daily basis.	No change in performance →
(iii)	Systems for contracting loans and issuance of guarantees	A	A	Primary legislation grants authorization to borrow, issue new debt and loan guarantees on behalf of the central government to a single responsible debt management entity. The legal framework in place describes policies and procedures; secondary legislation provides guidance on procedures how to borrow, issue new debt and undertake debt-related transactions, issue loan guarantees, and monitor debt	Performance unchanged →

			management transactions.		
PI-18 Effectiveness of payroll controls	<b>B+</b>	<b>A</b>			↑
(i) Degree of integration and reconciliation between personnel records and payroll data	B	A	Data reconciliation on employee salaries, number of staff units, salary increase, and supplements is carried out annually at the beginning of the fiscal year using the Q-lick program. The monthly reconciliation is done for data on the number of employees and posts in the public sector.	The performance improved. On the 2015 assessment personnel records and payroll data were not directly linked whereas they are in the 2021 assessment.	↑
(ii) Timeliness of changes to personnel records and the payroll	A	A	Required changes are updated as they occur. Retroactive adjustments are very rare.	No change in performance	→
(iii) Internal controls of changes to personnel records and the payroll	B	A	The legal provisions envisage that changes of the payroll conditions and staff numbers are coordinated with the Ministry of Finance. The monthly report on staff numbers and payroll assists in monitoring of the staff numbers, to ensure the correct application of the legal framework is in force.	A more comprehensive IT system with an audit trail is now in place whereas in 2015 the reporting system was paper based	↑
(iv) Existence of payroll audits to identify control weaknesses and/or ghost workers	B	A	The Court of Accounts audits payroll of all central public authorities as a part of its annual audits. The payroll verifications are also carried out by the Financial Inspection.	The 2015 assessment focused on periodic Financial Inspection Agency reviews and limited Court of Account audits. In the 2021 assessment all the Court of Account audit had full payroll audits.	↑
PI-19 Competition, value for money and controls in procurement	<b>B</b>	<b>A</b>			↑

(i)	Transparency, comprehensiveness and competition in the legal and regulatory framework.	B	A	The procurement legal and regulatory framework provides transparency, comprehensiveness and competition in public procurements	The improvements introduced since 2015 assessment ensure that all 6 criteria are met whereas in 2015 assessment this was not the case.	↑
(ii)	Use of competitive procurement methods	A	A	Almost all procurement methods are competitive. When contracts are awarded by methods other than open competition, they are justified according to the legal requirements	No change in performance	→
(iii)	Public access to complete, reliable and timely procurement information	A	D	Only partial procurement information is public and accessible through various means. The information about small value procurement which is a large part of the public procurement is restricted to the public.	Performance deteriorated; however, 2015 assessment did not discuss the issue of the small value procurement in the narrative and it is not clear if it was considered for the analysis.	↓
(iv)	Existence of an independent administrative procurement complaints system	D	A	There is an independent body handling procurement complaints	Performance improved. The absence of an independent complaints system in the 2015 assessment has been rectified by the creation of the National Agency for Solving Complaints	↑
PI-20 Effectiveness of internal controls for non-salary expenditure		<b>B+</b>	<b>A</b>			↑
(i)	Effectiveness of expenditure commitment controls	B	A	Strong controls effectively limit commitments to budgetary allocations and cash availability	The performance improved. Commitment controls in 2021 assessment are comprehensive whereas in 2015 there were minor areas of exception	↑
(ii)	Comprehensiveness, relevance and understanding of other internal control rules/procedures.	B	A	The framework of the public internal financial control is functional. The concept of managerial accountability is widely applied.	The identified weaknesses in the 2015 assessment relating to system roll out and management accountability have been	↑

				addressed by the 2021 assessment.	
(iii)	Degree of compliance with rules for processing and recording transactions	A	A	The compliance with the rules is very high	Performance unchanged →
PI-21 Effectiveness of internal audit		<b>B+</b>	<b>C+</b>		↓
(i)	Coverage and quality of the internal audit function	B	C	Although the coverage is high in terms of revenues and expenditures subject to internal audits, 63% of internal audit units are not fully operational due to lack of staff	Performance deteriorated. The percentage of operational internal audit units remains almost the same. The difference in the scoring is explained by the changes in the requirements. ↓
(ii)	Frequency and distribution of reports	A	B	Audit reports are issued in accordance with the annual audit plan and distributed to the management of the auditees. The reports are submitted to the Ministry of Finance and CoA only upon request.	Performance deteriorated. ↓
(iii)	Extent of management response to internal audit function.	B	A	Management implemented 95% of internal audit recommendations made over fiscal years 2018-2020	The performance improved. The level of management responses to recommendations has increased from the 2015 to the 2021 assessment ↑
<b><i>C(iii) Accounting, Recording and Reporting</i></b>					
PI-22 Timeliness and regularity of accounts reconciliation		<b>A</b>	<b>A</b>		→
(i)	Regularity of bank reconciliation	A	A	Treasury Division under the Ministry of Finance reconciles on daily basis all CG balances with the TSA sub-accounts and other bank accounts in the National Bank of Moldova	No change in performance, although the reconciliation timing improved from monthly to daily since previous assessment →
(ii)	Regularity and clearance of	A	A	Suspense accounts are normally cleared within one day and advance	No change in performance →

	suspense accounts and advances			accounts are treated as expenditure at cash basis		
	PI-23 Availability of information on resources received by service delivery units	<b>A</b>	<b>A</b>	The information regarding the resources received by the service delivery units is available and it is captured at the level of the budget execution reports of the founding central authority (in terms of budget allocations) and individual reports provided by the service delivery units to the founding authority (in terms of own resources). The in-kind resources are also recorded.	No change in performance	→
	PI-24 Quality and timeliness of in-year budget reports	<b>C+</b>	<b>B+</b>			↑
(i)	Scope of reports in terms of coverage and compatibility with budget estimates	<b>C</b>	<b>A</b>	Coverage and comparability of data in the budget execution reports allows direct comparison to the budget estimates.	The performance improved. As assessed in 2021 in-year reports allow direct comparison with the budget, while under 2015 assessment the comparison was possible only for main administrative headings. 2016 framework eliminated the requirement of capturing the expenditure at commitment and payment stage for this dimension and moved it to PI-24.3.	↑
(ii)	Timeliness of the issue of reports	<b>A</b>	<b>B</b>	In-year reports are issued monthly within four weeks after the end of the reporting period	Performance deteriorated. 2016 Framework however requires the submission to be done within two weeks for an A score.	↓
(iii)	Quality of information	<b>A</b>	<b>B</b>	There are no issues with the quality of the reports. However, the reports provide	Performance deteriorated. 2016 Framework however requires for this	↓



			information on expenditures only at the payment stage.	dimension the information on expenditure to be covered at both commitment and payment stages for an A score.	
PI-25 Quality and timeliness of annual financial statements	<b>C+</b>	<b>D+</b>			↓
(i) Completeness of the financial statements	A	A	Annual financial statements contain all necessary elements and are comparable with the budget estimates	No change in performance per se but 2016 Framework requires additional element (cash flow statement) to be assessed under this dimension.	→
(ii) Timeliness of submissions of the financial statements	A	B	The annual financial statements are submitted for external audit within six months	Performance deteriorated, but 2016 Framework reduced the submission timeline to 3 months for an A score.	↓
(iii) Accounting standards used	C	D	Accounting standards used for the preparation of the financial statements are not disclosed	Not clear whether there has been any change from previous assessment which said that some disclosure of accounting standards was done but this is not very prominent from the narrative.	↓
<b><i>C(iv) External Scrutiny and Audit</i></b>					
PI-26 Scope, nature and follow-up of external audit	<b>B+</b>	<b>A</b>			↑
(i) Scope/nature of audit performed (including adherence to auditing standards)	B	A	The financial statements of all central government budgetary units include revenue, expenditure, assets, and liabilities. These are entirely captured in the annual report on State budget execution that are audited using International Standards of Supreme Audit Institutions (ISSAI) for the last three fiscal years	The performance improved with the increasing in the coverage of financial audits	↑

(ii)	Timeliness of submission of audit reports to the Legislature	A	A	The audit reports are submitted to the Legislature within forty-five days from the receipt of the financial reports by the Court of Accounts	No change in performance	→
(iii)	Evidence of follow up on audit recommendations	B	A	CoA has effective internal mechanism for follow up on the audit recommendations	The performance improved with the introduction of the automated information system "Audit CCRM" to monitor the status of the audit recommendations	↑
PI-27 Legislative scrutiny of the annual budget law		<b>B+</b>	<b>B+</b>			→
(i)	Scope of the legislature scrutiny	A	A	The legislature's review covers fiscal policies, medium-term fiscal forecasts, and medium-term priorities as well as details of expenditure and revenue.	No change in performance	→
(ii)	Extent to which the legislature's procedures are well established and respected	B	B	The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are adhered to. The procedures include arrangements for public consultation but were not implemented in the preparation of the 2021 budget. They also include internal organizational arrangements, such as legislature committees, technical support, and negotiation procedures.	No change in performance	→
(iii)	Adequacy of time for the legislature to provide a response to budget proposals both the detailed estimates and, where	A	C	Formally, there are more than two months to conduct readings and review the budget proposal. In practice, the draft state budget is	The performance deteriorated	↓

	applicable, for proposals on macro-fiscal aggregates earlier in the budget preparation cycle (time allowed in practice for all stages combined)			usually made available to the Parliament several weeks before the official deadline for the approval of the state budget law.		
(iv)	Rules for in-year amendments to the budget without ex-ante approval by the legislature	B	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and nature of amendments and are adhered to in all instances.	2015 assessment claimed that the rules allowed extensive administrative reallocations while 2021 assessment is based on examining whether the strict rules are in place. The 2015 assessment addresses supplementary budgets (PI-16 (iii)) rather than virement.	↑
PI-28 Legislative scrutiny of external audit reports		<b>C+</b>	<b>C+</b>			→
(i)	Timeliness of examination of audit reports by the legislature	A	B	The audit reports are examined within six months	The 2015 assessment spelled out that audit reports were examined within 3 months of their receipt whereas under the current assessment this term increased to 6 months	↓
(ii)	Extent of hearing on key findings undertaken by the legislature	C	C	The hearings on key findings are not carried out on a systematic basis	No change in performance	→
(iii)	Issuance of recommended actions by the legislature and implementation by the executive	B	C	During fiscal years 2018-2019, Parliament was not monitoring audit recommendations that it had made or endorsed to ensure they were implemented; they started doing this more systematically in 2020.	The performance worsened due to instable political situation that disrupted the work of the Parliament	↓

**Note:** The comparison did not include the three former donor practice indicators as no equivalent is retained in the 2016 PEFA Framework and the limited time allocated to the assessment was more usefully allocated to assessing the relevant indicators.

## Annex 5: Calculations for PI-1, PI-2 and PI-3

### Data on the functional classification for 2018, MDL million

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	4,334	4,155.7	4,071.9	83.8	83.8	2.1%
National Defense	617	631.7	579.7	52.0	52.0	9.0%
Public order and national security	4,449.1	4,357.6	4,180.0	177.6	177.6	4.2%
Services in economic area	7,152	5,807.6	6,719.4	-911.8	911.8	13.6%
Environment protection	157.7	99.5	148.2	-48.7	48.7	32.8%
Housing and community amenities	442.8	371.9	416.0	-44.1	44.1	10.6%
Healthcare	3,929.4	3,646	3,691.7	-45.7	45.7	1.2%
Culture, sport youth, and leisure	695.4	700.2	653.3	46.9	46.9	7.2%
Education	9,909.6	9,730.8	9,310.3	420.5	420.5	4.5%
Social protection	7,627.9	7,436.1	7,166.6	269.5	269.5	3.8%
<b>allocated expenditure</b>	<b>39,314.90</b>	<b>36,937.10</b>	36,937.10	0	2,100.74	
interests	1,947.5	1,684.2				
contingency	70	87				
<b>total expenditure</b>	<b>41,332.4</b>	<b>38,708.3</b>				
aggregate outturn (PI-1)						93.7%
composition (PI-2) variance						5.7%
contingency share of budget						0.2%

### Data on the functional classification for 2019, MDL million

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	6,535.40	5,486.20	5,928.8	-442.6	442.6	7.46%
National Defense	636.20	598.50	577.1	21.4	21.4	3.70%
Public order and national security	4,743.30	4,304.60	4,303.0	1.6	1.6	0.04%
Services in economic area	7,811.20	6,192.60	7,086.2	-893.6	893.6	12.61%
Environment protection	226.40	133.70	205.4	-71.7	71.7	34.90%
Housing and community amenities	406.60	292.20	368.9	-76.7	76.7	20.78%
Healthcare	4,316.20	3,786.69	3,915.6	-128.9	128.9	3.29%
Culture, sport youth, and leisure	789.10	809.50	715.9	93.6	93.6	13.08%
Education	10,610.10	11,045.60	9,625.3	1,420.3	1,420.3	14.76%
Social protection	9,575.03	8,762.73	8,686.3	76.5	76.5	0.88%
<b>allocated expenditure</b>	<b>45,649.53</b>	<b>41,412.32</b>				
interests	1,944.6	1,619.6				
contingency	70	42				
<b>total expenditure</b>	<b>47,664.13</b>	<b>43,073.92</b>				
aggregate outturn (PI-1)						90.4%
composition (PI-2) variance						7.8%
contingency share of budget						0.1%

### Data on the functional classification for 2020, MDL million

Functional head	budget	actual	adjusted budget	deviation	absolute deviation	percent
General public services	5,930.10	5,559.70	5,697.3	-137.6	137.6	2.42%
National Defense	650.10	637.40	624.6	12.8	12.8	2.05%
Public order and national security	5,256.10	4,750.40	5,049.8	-299.4	299.4	5.93%
Services in economic area	9,635.10	7,831.70	9,256.9	-1,425.2	1,425.2	15.40%
Environment protection	268.40	232.30	257.9	-25.6	25.6	9.91%
Housing and community amenities	409.90	346.50	393.8	-47.3	47.3	12.01%
Healthcare	4,537.30	4,943.26	4,359.2	584.1	584.1	13.40%
Culture, sport youth, and leisure	890.10	825.70	855.2	-29.5	29.5	3.44%
Education	12,362.20	11,887.00	11,876.9	10.1	10.1	0.08%
Social protection	9,577.04	10,558.57	9,201.1	1,357.5	1,357.5	14.75%
<b>allocated expenditure</b>	<b>49,516.34</b>	<b>47,572.53</b>	47,572.5	0.0	3,928.9	
interests	1,947.50	1,684.20				
contingency	88.00	378.60				
<b>total expenditure</b>	<b>51,551.84</b>	<b>49,635.33</b>				
aggregate outturn (PI-1)						96.3%
composition (PI-2) variance						8.3%
contingency share of budget						0.7%

### Data on economic categories for 2018, MDL million

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	6,717.2	6,601.7	6,287.3	314.4	314.4	5.0%
Use of goods and services	2,213.5	1,756.1	2,071.8	-315.7	315.7	15.2%
Transfers within public budget	19,429.9	19,755.6	18,186.2	1,569.4	1,569.4	8.6%
Interest	1,819.5	1,504.8	1,703.0	-198.2	198.2	11.6%
Subsidies	2,885.5	4,041.9	2,700.8	1,341.1	1,341.1	49.7%
Grants	91.8	21.5	85.9	-64.4	64.4	75.0%
Social benefits	370.3	342.3	346.6	-4.3	4.3	1.2%
Other expenses	2,018.0	1,730.7	1,888.8	-158.1	158.1	8.4%
Non-financial assets	5,716.7	2,866.6	5,350.8	-2,484.2	2,484.2	46.4%
<b>Total expenditure</b>	<b>41,262.5</b>	<b>38,621.2</b>	38,621.2		6,449.9	
composition variance						5.5%

### Data on economic categories for 2019, MDL million

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	7,226.72	6,465.29	6,534.0	-68.7	68.7	1.1%
Use of goods and services	2,542.41	1,725.15	2,298.7	-573.5	573.5	25.0%
Transfers within public budget	22,555.41	23,098.81	20,393.3	2,705.5	2,705.5	13.3%

Interest	1,944.60	1,619.60	1,758.2	-138.6	138.6	7.9%
Subsidies	4,082.40	3,894.95	3,691.1	203.9	203.9	5.5%
Grants	25.37	32.90	22.9	10.0	10.0	43.4%
Social benefits	474.49	399.33	429.0	-29.7	29.7	6.9%
Other expenses	3,924.00	2,782.19	3,547.9	-765.7	765.7	21.6%
Non-financial assets	4,818.82	3,013.71	4,356.9	-1,343.2	1,343.2	30.8%
<b>Total expenditure</b>	<b>47,594.22</b>	<b>43,031.93</b>	43,031.9	0.0	5,838.7	
composition variance						13.6%

#### Data on economic categories for 2020, MDL million

Economic head	budget	actual	adjusted budget	deviation	absolute deviation	percent
Compensation of employees	7,009.98	7,040.59	6,709.3	331.3	331.3	4.9%
Use of goods and services	2,509.75	1,666.26	2,402.1	-735.9	735.9	30.6%
Transfers within public budget	24,847.2 3	26,920.98	23,781.6	3,139.4	3,139.4	13.2%
Interest	1,947.50	1,684.20	1,864.0	-179.8	179.8	9.6%
Subsidies	3,964.88	5,102.10	3,794.8	1,307.3	1,307.3	34.4%
Grants	54.18	248.50	51.9	196.6	196.6	379.2%
Social benefits	496.41	518.67	475.1	43.6	43.6	9.2%
Other expenses	4,013.60	2,517.97	3,841.5	-1,323.5	1,323.5	34.5%
Non-financial assets	6,620.40	3,557.46	6,336.5	-2,779.0	2,779.0	43.9%
<b>Total expenditure</b>	<b>51,463.9 3</b>	<b>49,256.73</b>	49,256.7	0.0	10,036.2	
composition variance						20.4%

#### Data on revenues for 2018, MDL million

Revenue types*	budget	actual	adjusted budget	deviation	absolute deviation	percent
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	4,373.5	5,214.4	4,351.3	863.1	863.1	19.8%
Taxes on payroll and workforce	1,623.8	1,651.5	1,615.6	35.9	35.9	2.2%
Taxes on property	60.1	49.6	59.8	-10.2	10.2	17.0%
Taxes on goods and services	24,419.3	25,476.6	24,295.4	1,181.2	1,181.2	4.9%
Taxes on international trade and transactions	1,597.9	1,665.8	1,589.8	76.0	76.0	4.8%
Other taxes			0.0	0.0	0.0	0.0
<b>Social contributions</b>						
Social security contributions						
Other social contributions						
Grants						
Grants from foreign governments	56.4	80.1	56.1	24.0	24.0	42.7%
Grants from international organizations	2,773.5	255.3	2,759.4	-2,504.1	2,504.1	90.7%

Grants from other government units	0	0	0	0.0	0.0	0.0
<b>Other revenue</b>						
Property income	376.4	406.5	374.5	32.0	32.0	8.5%
Sales of goods and services	978.4	935	973.4	-38.4	38.4	3.9%
Fines, penalties and forfeits	286.7	374.1	285.2	88.9	88.9	31.2%
Transfers not elsewhere classified	9.4	26	9.4	16.6	16.6	178.0%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	0.0
Sum of rest	63.1	297.8	62.8	235.0	235.0	374.4%
<b>Total revenue</b>	<b>36,618.5</b>	<b>36,432.7</b>	36,432.7	0.0	5,105.5	
overall variance						99.5%
composition variance						14.0%

Source: Annex 2 to 2018 Budget Execution Report approved by the government

\*Social contributions are not included as they form a separate budget and are in CG.

### Data on revenues for 2019, MDL million

Revenue types *	budget	actual	adjusted budget	deviation	absolute deviation	percent
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	5,716.7	5,249.4	5,423.9	-174.5	174.5	3.2%
Taxes on payroll and workforce	1,472.7	1611	1,397.3	213.7	213.7	15.3%
Taxes on property	55	50.8	52.2	-1.4	1.4	2.7%
Taxes on goods and services	28,181.3	27,707.6	26,737.9	969.7	969.7	3.6%
Taxes on international trade and transactions	1,911.7	1798.4	1,813.8	-15.4	15.4	0.8%
Other taxes			0.0	0.0	0.0	0.0
<b>Social contributions</b>						
Social security contributions						
Other social contributions						
<b>Grants</b>						
Grants from foreign governments	46.3	25.7	43.9	-18.2	18.2	41.5%
Grants from international organizations	1,913.9	1,514.8	1,815.9	-301.1	301.1	16.6%
Grants from other government units			0.0	0.0	0.0	0.0
<b>Other revenue</b>						
Property income	388.07	312.29	368.2	-55.9	55.9	15.2%
Sales of goods and services	1,870.20	1,183.50	1,774.4	-590.9	590.9	33.3%
Fines, penalties and forfeits	463.76	365.34	440.0	-74.7	74.7	17.0%
Transfers not elsewhere classified	23.00	23.50	21.8	1.7	1.7	7.7%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0.0	0.0	0.0	0.0
Sum of rest	82.89	125.60	78.6	47.0	47.0	59.7%
<b>Total revenue</b>	<b>42,125.52</b>	<b>39,967.93</b>	39,967.9	0.0	2,464.1	
overall variance						94.9%
composition variance						6.2%

Source: Annex 2 to 2019 Budget Execution Report approved by the government

\*Social contributions are not included as they form a separate budget and are in CG.



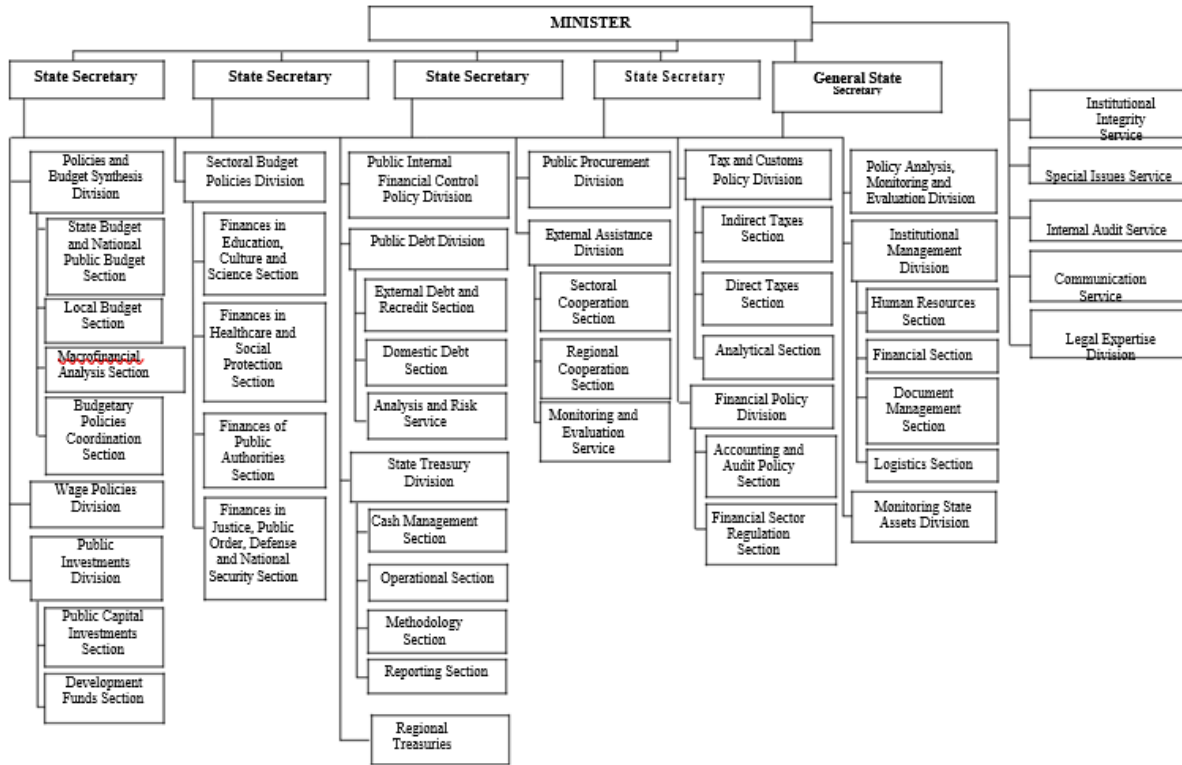
**Data on revenues for 2020, MDL million**

Revenue types*	budget	actual	adjusted budget	deviation	absolute deviation	percent
<b>Tax revenues</b>						
Taxes on income, profit and capital gains	5,802.60	5,012.70	5,061.6	-48.9	48.9	1.0%
Taxes on payroll and workforce	1,603.70	1,456.40	1,398.9	57.5	57.5	4.1%
Taxes on property	44.00	45.60	38.4	7.2	7.2	18.8%
Taxes on goods and services	31,065.10	27,518.50	27,098.2	420.3	420.3	1.6%
Taxes on international trade and transactions	2,020.80	1,738.90	1,762.8	-23.9	23.9	1.4%
Other taxes			0	0	0	0
<b>Social contributions</b>						
Social security contributions						
Other social contributions						
<b>Grants</b>						
Grants from foreign governments	109.7	4.3	95.7	-91.4	91.4	95.5%
Grants from international organizations	1,663.70	619.9	1,451.3	-831.4	831.4	57.3%
Grants from other government units			0.0	0.0	0.0	0.0
<b>Other revenue</b>						
Property income	279.50	563.20	243.8	319.4	319.4	131.0%
Sales of goods and services	1,053.80	969.20	919.2	50.0	50.0	5.4%
Fines, penalties and forfeits	367.00	276.80	320.1	-43.3	43.3	13.5%
Transfers not elsewhere classified	26.70	16.60	23.3	-6.7	6.7	28.7%
Premiums, fees, and claims related to nonlife insurance and standardized guarantee schemes			0	0	0	0
Sum of rest	100.20	278.60	87.4	191.2	191.2	218.7%
<b>Total revenue</b>	<b>44,136.8</b>	<b>38,500.7</b>	38,500.7	0.0	2,091.1	
overall variance						87.2%
composition variance						5.4%

Source: Annex 2 to 2020 Budget Execution Report approved by the government

\*Social contributions are not included as they form a separate budget and are in CG.

## Annex 6: Organization Chart of the Ministry of Finance





## REPUBLIC OF MOLDOVA



### **PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY (PEFA) GENDER RESPONSIVE PUBLIC FINANCIAL MANAGEMENT ASSESSMENT REPORT 2021**

Report  
July 2022



**PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY  
(PEFA)**

**GENDER RESPONSIVE PFM ASSESSMENT  
ASSESSMENT OF THE REPUBLIC OF MOLDOVA**

**JUNE 2022**

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The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the '**PEFA CHECK**'.

PEFA Secretariat

June 6, 2022

## Acknowledgements

This annex to the PEFA report was prepared by the UN Women team, with financial support from Sweden, based on the results of the Public Expenditure and Financial Accountability (PEFA) Assessment of Gender Responsive Public Financial Management (GRPFM). The main goal was to assess the degree to which a country's public financial management (PFM) system addresses the government's goals with regard to acknowledging different needs of men and women, different subgroups of these categories, and promoting gender equality. The assessment was conducted together with the PEFA assessment led by the World Bank, financing was provided by the EU and in-kind contribution by the government.

The UN Women team led by Ms. Dominika Stojanoska (Country Representative UN Women), Ermira Lubani (GRB- Programme specialist, Europe and Central Asia Regional Office), Ms. Lucretia Ciurea (Monitoring and Reporting Analyst) was involved in the assessment as members of management and oversight team. The gender experts Mr. Johann Seiwald (Senior Budget Expert, Consultant), Ms. Petra Gschiel (Senior Budget Expert, Consultant), and Ms. Tatiana Savva, (Consultant) provided professional assessment of GRPFM as part of the assessment PEFA team.

The report greatly benefited from the comments and feedback given by the management and oversight team which include Ministry of Finance team, The World Bank, Delegation of European Union to the Republic of Moldova, Court of Account, and Parliamentary Committee for Control of Public Finance.

The team would like to acknowledge the efficient cooperation and assistance received from the Ministry of Finance of Moldova, in particular from Ms. Natalia Sclearuc (Head of Policies and Budget Synthesis Division, Ministry of Finance, Republic of Moldova) and Mr. Viorel Pana (Head of Division, Public Investment, Ministry of Finance), Ms. Lilia Pascal (Head of Division, Women and Men Equality Assurance Policy Division, Ministry of Health, Labour and Social Protection), and Ms. Ecaterina Paknehad (Head of Apparatus, Court of Accounts of the Republic of Moldova).

## 1.0 Introduction

### 1.1 Purpose

This assessment of gender responsive public financial management (GRPFM) of the government has been conducted using the Supplementary Framework of Assessing Gender Responsive Public Financial Management. The purpose of the PEFA supplementary assessment of gender responsive budgeting (GRB) is to collect information on the extent to which gender is mainstreamed in Moldova's public financial management (PFM) system and establish a baseline for further development and assessments. Moldova has taken some initial steps in mainstreaming gender, so the assessment results are expected to facilitate the measurement of progress and prioritize next steps as part of a broader strategy to improve the PFM system.

The PEFA GRPFM assessment was carried out as part of the World Bank-led PEFA assessment from July to November 2021. UN Women, with financial support from Sweden, partnered with the World Bank in Moldova to support the government and the Ministry of Finance in conducting the comprehensive PEFA Assessment. While the World Bank (WB) led the overall assessment, UN Women was responsible for the GRPFM part. This report was compiled using the PEFA GRB framework.

#### **Review of the assessment report:**

- Validation Report draft circulated on December 3, 2021, to the Government of Moldova and to peer reviewers from the UN Women, Ms. Dominika Stojanoska (Country Representative UN Women), Ermira Lubani (GRB - Programme specialist, Europe and Central Asia Regional Office) and Ms. Lucretia Ciurea (Monitoring and Reporting Analyst).

## 1.2 Background

Moldovan national legislation on equality of men and women, and anti-discrimination has been partly harmonized with the EU directives. Progress in implementing best practices and mainstreaming gender has been modest, with issues left unsolved, especially regarding the institutional mechanisms for gender equality and women's empowerment in governance, economic and social spheres, as well as eliminating gender-based violence. The gender pay gap between men and women in Moldova (14.4 percent) is slightly higher compared to EU countries (14.1 percent) in 2019. If the current trend of little attention to gender issues is maintained, gender equality in Moldova will only be achieved in the very long-term, in about 200 years.<sup>165</sup>

### Key gender indicators

Although the Republic of Moldova made considerable progress in gender equality, there are many gender inequalities concerning political, economic and social life. A few selected indicators are represented below.

Due to adoption of temporary special measures (40% gender quota and placement provisions) Moldova moved from 83rd to 27th place in the world ranking on the number of women in the legislature, after the last Parliamentary elections held in July 2021. At the level of the central executive, there was a positive dynamic over the years in the percentage of women in the Cabinet, increasing from 5% (2009-2011) to 11.1% (end of 2019) to 25% (July 2020) and eventually to 31.2% (August 2021). With regard to the representation of women at the local level, there is a slight increase in female mayors in 2015 compared to 2011, and in local councils in 2019, compared to 2015. Nonetheless, only one rayon (from 32 in total) is led by a woman (2019).

The share of women in business has increased to 33.9 percent in 2018 (6.4 percentage points higher than in 2009). Despite this progress, there are two times fewer women entrepreneurs compared to men (66.1 per cent).<sup>166</sup> Despite the substantial number of women living in rural areas (nearly 30 per cent of the total population of the country), data indicate that approximately 36 per cent of agricultural holdings (farms) are headed by women, compared to 64 per cent by men.<sup>167</sup>

The remuneration level of women in 2020 is in most economic activities on average 13.7% lower than that of men. The difference ranges from -1.1 % in education with an overrepresentation of women to +42.9% in financial and insurance activities.<sup>168</sup> The "Barometer for Gender Perception"<sup>169</sup> attributes this difference in earnings between men and women to education, age, working-time status (full-time vs part-time), and sector differences (private vs public).

Latest data for 2020, that the employment rate of women is lower than the rate of men. The discrepancy in the employment rate by sex was 8.1% (35% versus 43.1%). The employment rate of women depends on several factors, including the presence of children under 16 years old. Thus, for women aged 25-49

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<sup>165</sup> <https://progen.md/indexul-egalitatii-de-gen-2021-care-este-nivelul-de-egalitate-dintre-femei-si-barbati-in-moldova/>

<sup>166</sup> Nicoara R. 2020. Analytical report on the participation of women and men in entrepreneurship. NBS. (Ro)

<sup>167</sup> UN Women. 2019. Progress on the Sustainable Development Goals – The Gender Snapshot 2019. New York, New York: UN Women Headquarters.

<sup>168</sup> [https://msmps.gov.md/sites/default/files/raport\\_beijing25\\_draft\\_1.pdf](https://msmps.gov.md/sites/default/files/raport_beijing25_draft_1.pdf)

<sup>169</sup> <https://progen.md/propunerile-cpd-pentru-planul-de-actiuni-al-guvernului-pentru-anii-2021-2022/>

with at least one child (16 years and under) the employment rate in 2020 was 47.3%, while for women without children the employment rate reached 60.5.<sup>170</sup>

In Moldova, seven out of ten women in rural areas and six out of ten in urban areas have suffered from at least one form of spousal/partner violence over their lifetime. Violence remains to be tolerated in Moldova. About 41% of men and 19.1% of women agree, fully or partially, that there are moments when a woman deserves to be beaten; and 27.7% of men and 17.5% of women think that a woman should tolerate violence in order to preserve the family.<sup>171</sup>

### **Legal and policy framework**

Key laws concerning gender equality and gender responsive PFM are mostly linked to the Association Agreements between Moldova and the EU, but also preceding international agreements. Moldova has made national and international commitments to promote women's empowerment and gender equality, with the adoption of the Constitution (1994),<sup>172</sup> the ratification of the UN Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW, 1994), the Optional Protocol of the Beijing Declaration and Platform for Action, and the adoption of sustainable development goals (Agenda 2030). Two other agreements were implemented through the National Action Plan for the Implementation of the UN Security Council Resolution 1325 “Women, Peace and Security”, and the conclusion of the sixth periodic report of Moldova to the UN Committee on the Elimination of Discrimination against Women CEDAW/C/MDA/CO/6.2 from March 2020.<sup>173</sup> In 2017, the Republic of Moldova has signed and in October 2021 ratified the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence (Istanbul Convention) .

The following legal documents contain provisions on gender equality in the different areas:

- ***Equality and Non-Discrimination***

- The Constitution of the Republic of Moldova (1994)<sup>174</sup> enshrines the principle of equality of all citizens before the law and the public authorities, without any discrimination as to race, nationality, ethnic origin, language, religion, sex, political choice, personal property or social origin (Article 16); upholds women's equal rights to men to enter into marriage and equal rights of woman and man in the family and parents' duty (Article 48); supports the right of mothers and children to receive special protection and care (Article 50).

- Law no. 5/2006 on Ensuring Equal Opportunities for Women and Men<sup>175</sup> defines the guiding policy of the government and other actors as it pertains to gender equality. It includes several definitions concerning gender equality, sexual harassment, gender-based discrimination (GBD), direct and indirect discrimination by sex. The national machinery and authorized bodies with tasks responsibilities in the field gender equality are determined.

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<sup>170</sup> <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7319>

<sup>171</sup> : <https://msmps.gov.md/wp-content/uploads/2021/04/Raport-2020-privind-violen%C8%9Ba-%C3%AEn-familie-%C8%99i-fa%C8%9B%C4%83-de-femei.pdf>

<sup>172</sup> [http://lex.justice.md/document\\_rom.php?id=44B9F30E:7AC17731](http://lex.justice.md/document_rom.php?id=44B9F30E:7AC17731)

<sup>173</sup> [https://msmps.gov.md/sites/default/files/cedaw\\_raport\\_1\\_1.pdf](https://msmps.gov.md/sites/default/files/cedaw_raport_1_1.pdf)

<sup>174</sup> CRM1/1994 (legis.md)

<sup>175</sup> LP5/2006 (legis.md)



- Law no. 121/2012 on Ensuring Equality<sup>176</sup> established the Council for Preventing and Eliminating Discrimination and Ensuring Equality and includes several definitions concerning different types of discrimination, harassment, victimization etc.

- ***Rights in Family and Marriage***

The Constitution of the Republic of Moldova enshrines the right to free choice and consent in marriage and defines marriage as a union between a woman and a man. Equal rights of woman and man in the family and their right and duty of parents to ensure the children's upbringing, education, and training are specified (Article 48). Family Code contains specific rules about civil marriage and family relations but not forced marriage. There are no specific penalties for authorizing or knowingly entering into child or early marriage.

- ***Land Rights***

The Constitution of the Republic of Moldova, the Civil Code, and Family Code ensure equal property and equal inheritance rights to both women and men. According to constitution, the state guarantees the realization of the property right in the forms requested by the owner, if they do not contradict the society' interests (Article 127). In practice women face some obstacles to exercise these rights. This may in part be due to unequal registration of land ownership, particularly concerning land privatization process in the late 1990s. At that time, land was divided among households, with ownership awarded to the men as traditional "heads of the household." Only in the absence of men as heads of household, were women granted land titles at that time.

- ***Women's Leadership***

Provisions that demand of political parties to observe the minimum gender quota of 40% in managerial bodies and lists of candidates were introduced in the law no. 5/2016 on Ensuring Equal Opportunities for Women and Men, in the Electoral Code and in the law no. 294/2007 on Political Parties. The new provisions of the Electoral Code (Article 86 special condition on subscription lists) give advantageous conditions to women as regards the mandatory number of signatures they need to collect to be registered as candidates to the position of MP on single-member constituencies. Thus, a female candidate can be registered if she receives the signatures of at least 1,000 and at most 2,500 supporters with the right to vote.

- ***Legislation on Sexual and Reproductive Health***

- Law no. 138/2012 on Reproductive Health<sup>177</sup> (latest amendment 2018) ensures rights on reproductive health services in following areas: family planning and contraception; risk-free motherhood; diagnosis, prevention and treatment of sexually transmitted infections and HIV / AIDS; safe abortion; sexual-reproductive health of adolescents; the sexual health of the elderly; early diagnosis and treatment of genito-breast cancer; prevention and treatment of infertility; sexual-reproductive health of men (Article 3).

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<sup>176</sup> [https://www.legis.md/cautare/getResults?doc\\_id=106454&lang=ro](https://www.legis.md/cautare/getResults?doc_id=106454&lang=ro)

<sup>177</sup> [https://www.legis.md/cautare/getResults?doc\\_id=99603&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=99603&lang=ro#)

- Voluntary interruption of pregnancy has been stipulated by the law on health protection (no. 411/1995- / 1995) and specified in regulations for conducting voluntary interruption of pregnancy (2010).

- While Moldova's legislation is assumed strong, CEDAW Concluding Observations (CO) to Moldova (2020)<sup>178</sup> noted several concerns related to the women's limited access to early detection programs and treatment of breast and cervical cancer, limited use of modern contraceptives by women and men, stigmatization of and discrimination against women living with HIV/AIDS; access to SRH services of rural women, women from ethnic minorities and women living with disabilities and others.

- ***Violence Against Women and Girls, Human Trafficking and Exploitation***

- Law no. 241/2005 on preventing and combating trafficking in human beings<sup>179</sup> established an institutional framework on prevention and combating trafficking in human beings, national referral system for the protection and assistance of victims and alleged victims of trafficking in human beings. According to Article 165 and 206 of the Criminal Code, human trafficking and child trafficking are punishable by imprisonment from 6 to 20 years. However, CEDAW CO to Moldova (2020)<sup>180</sup> addressed several gaps on legal framework implementation: limited access to free medical assistance, as well as to rehabilitation services and state compensation; the lack of protection of victims of trafficking during the investigation stage and the requirement for victims to face to their traffickers at a police station in order to initiate criminal proceedings and others.

- Law no. 45/2007 on preventing and combating domestic violence<sup>181</sup> establishes the legal and organizational bases of the activity of preventing and combating domestic violence, the authorities and institutions competent with functions of preventing and combating domestic violence, the mechanism of notification and resolution of cases of violence in the family. Domestic violence has been established as subject to criminal sanctions by the introduction of a special provision in the Criminal Code (Article 201) as well as contravention sanctions in accordance with Article 78 (prime1) of the Contravention Code.

- Law no. 196/2016 for the amendment and completion of some legislative acts aimed at the first national exercise of transposition of the provisions of the Istanbul Convention and in collaboration with the law no. 137/2016 on the rehabilitation of victims of crimes includes the provision of financial compensation from the state for the damage caused by the violent actions by which the crime was committed but is often not applied in cases of gender-based violence against women.

In addition to the laws, the government has also adopted a series of documents to support implementation of the law:

- Government Decision no. 1200/2010 for the approval of the Minimum Quality Standards regarding the social services provided to the victims of domestic violence.<sup>182</sup>

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<sup>178</sup> Committee on the Elimination of Discrimination against Women. Concluding observations on the sixth periodic report of the Republic of Moldova. CEDAW/C/MDA/CO/6. 2 March 2020.

<sup>179</sup> <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=313051>

<sup>180</sup> Committee on the Elimination of Discrimination against Women. Concluding observations on the sixth periodic report of the Republic of Moldova. CEDAW/C/MDA/CO/6. 2 March 2020.

<sup>181</sup> It is interesting to note that at the beginning, when the law was being developed, conservative politicians and groups objected to the use of the term "Domestic Violence" in the title of the Law, that it is a foreign concept, but also with associations of "domestic animals /activities".

<sup>182</sup> [https://www.legis.md/cautare/getResults?doc\\_id=20068&lang=ro](https://www.legis.md/cautare/getResults?doc_id=20068&lang=ro)

- Government Decision no. 72/2012 on the Inter-ministerial Coordinating Council in the field of preventing and combating domestic violence.<sup>183</sup>
- The Regulations of activity of the teams of territorial multidisciplinary framework within the National Reference System (2014, updated in 2018).<sup>184</sup>
- Government Decision no. 575/2017 regarding the approval of the regulation on organization and operation of the service free telephone assistance for victims of domestic violence and violence against women and Minimum Quality Standards.<sup>185</sup>
- Government Decision no. 129/2010 on the approval of the Framework Regulation for the organization and operation of rehabilitation centers for victims of domestic violence.
- Government Decision no. 496/2014 on the approval of the framework regulation for the organization and operation of the Assistance and Counseling Center for Family Aggressors and the minimum quality standards.
- Methodical instruction on police intervention in preventing and combating cases of domestic violence (2018).<sup>186</sup>
- Instructions regarding the intervention of the territorial social assistance structures in cases of domestic violence (2019)<sup>187</sup> Instruction on the intervention of medical institutions in cases of domestic violence (2019).<sup>188</sup>
- Recently adopted law No. 113/2020<sup>189</sup> and law no. 85/2020 for the modification of some normative acts<sup>190</sup> with new provisions aimed at extending the rights of victims to free services from the state and improving the mechanisms for monitoring cases of domestic violence, compliance with established protection measures.

Despite of the adoption of strong legal framework, CEDAW CO to Moldova (2020) concerned the underreporting of GBV due to fear of stigmatization and re-victimization, the limited enforcement of the legislative framework to combat gender-based violence due to insufficient resources, and the limited access to social services, psychosocial counselling, legal assistance and rehabilitation programs addressed to GBV victims.

### **National Policies, Programs and Action Plans**

Building on previous initiatives, the Association Agreement with the European Union triggered the adoption of several strategies between 2014–2019: (i) Strategy for Ensuring Equality between Women and Men 2017-2021; (ii) National Strategy on preventing and combating violence against women and domestic violence 2018-2023; (iii) National Strategy for preventing and combating trafficking in human beings 2018-2023; as well as (iv) other sectoral strategies/programmes such as health, employment, social

<sup>183</sup> [https://www.legis.md/cautare/getResults?doc\\_id=20880&lang=ro](https://www.legis.md/cautare/getResults?doc_id=20880&lang=ro)

<sup>184</sup> [https://www.legis.md/cautare/getResults?doc\\_id=103074&lang=ro](https://www.legis.md/cautare/getResults?doc_id=103074&lang=ro)

<sup>185</sup> [https://www.legis.md/cautare/getResults?doc\\_id=101006&lang=ro](https://www.legis.md/cautare/getResults?doc_id=101006&lang=ro)

<sup>186</sup> PGI Order no. 360 of August 8, 2018

<sup>187</sup> [Ordinul MSMPS nr. 903/2019](#)

<sup>188</sup> Ordinul MSMPS nr. 1167/2019

<sup>189</sup> According to the Law No. 113 from July 09, 2020, for the modification of some normative acts, several provisions were updated: psychological violence, emergency restriction order, new provision on violence against women and other (in Law nr.45/2007); updated some provisions of the Law no. 198/2007 regarding the legal assistance guaranteed by the state and of the Law no. 8/2008 on probation. ([https://www.legis.md/cautare/getResults?doc\\_id=122517&lang=ro](https://www.legis.md/cautare/getResults?doc_id=122517&lang=ro))

<sup>190</sup> [https://www.legis.md/cautare/getResults?doc\\_id=122005&lang=ro](https://www.legis.md/cautare/getResults?doc_id=122005&lang=ro)

protection, peace and security, child protection, etc., incorporating gender equality issues. At the same time, legislation combating domestic violence and trafficking in human beings was amended in order to adjust the normative framework to international standards (law no. 71/2016,<sup>191</sup> law no. 196/2016, law no. 32/2018, law no. 113/2020 and law 85/2020). Also, the system of gender-sensitive statistical data was developed and actions were carried out to monitor the implemented policies.

In the following sectors strategies have been defined:

- ***Gender Equality:***

The strategy for ensuring equality between women and men in Moldova for the years 2017-2021 and the Action Plan on its implementation<sup>192</sup> covered 10 areas of interventions: women's participation in decision-making, labor market and gender pay gap, social protection and family policies, health, education, climate change, institutional mechanisms, stereotypes in society and nonviolent communication, gender equality in the security and defense sector, gender-sensitive budgeting. The purpose of the strategy is to empower women and achieve de facto equality between women and men in Moldova, cultivating respect for the role of the law in achieving the protection of human rights, ensuring the values of the rule of law, economic growth and the sustainability of society in general. Equality between women and men means equal rights, opportunities and responsibilities for every woman and man in all spheres of public and private life.

- ***Human Rights:***

The Third Human Rights National Action Plan for 2018–2022 (PNADO) was elaborated<sup>193</sup> by the Ministry of Justice with involvement of several stakeholders and approved by the Parliament decision Nr.89 of May 24, 2018. The document covers up 16 areas of interventions, including gender equality and GBV. Based on the National Action Plan in the field of Human Rights for the years 2018-2020, the creation of the National Council for Human Rights was foreseen. The National Council for Human Rights was established by government decision no. 65/2019. The council is a consultative body of the government, established in order to monitor the implementation of the state policy in the field of human rights, as well as the international treaties in the field of human rights to which Moldova is a party.

- ***Violence Against Women and Girls, Human Trafficking and Exploitation:***

The first National Strategy on Preventing and Combating Violence Against Women and Violence in the Family for 2018–2023 and Action Plans for its implementation (government decision no. 281/ 2018) has to ensure a systematic approach to the phenomena of violence against women and domestic violence in order to reduce such phenomena and ensure an effective response by the relevant bodies in case of violence. At the same time, an important step in this area was ratification by the Parliament on 14 October 2021 the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence, signed in Istanbul.

The National Strategy for preventing and combating trafficking in human beings for the years 2018-2023 and the Action Plans were approved by the government (2018-2020 - government decision no. 461/2018 and for the years 2021-2022 - government decision no. 319/2021 (on November 10, 2021)). Of the 5

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<sup>191</sup> <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/106138/130038/F1156538266/PDF.pdf>

<sup>192</sup> [https://www.legis.md/cautare/getResults?doc\\_id=99875&lang=ro](https://www.legis.md/cautare/getResults?doc_id=99875&lang=ro)

<sup>193</sup> [http://www.justice.gov.md/public/files/massmedia/PNADO\\_III.pdf](http://www.justice.gov.md/public/files/massmedia/PNADO_III.pdf)

sections of the Action Plan, one component is dedicated to social assistance and the protection of victims and alleged victims of trafficking in human beings, which responds to the need to ensure the assistance and protection of victims and alleged adult victims of trafficking.

- ***Sexual and Reproductive Health***

The National Program on Sexual and Reproductive Health and Rights 2018–2022 (SRHR Program) aims to ensure equal access to sexual and reproductive health services, including in case of humanitarian situations and improves quality of care, human rights-based and patient-centered approaches to sexual and reproductive health. It also prioritizes population information and education.

- ***Women, Peace and Security (WPS):***

In 2018, the Republic of Moldova adopted the first National Program on Implementation the UNSC Resolution 1325 on WPS for 2018–2021 and the National Action Plan regarding the implementation of the program.<sup>194</sup>

- ***Capacity building and GRB framework***

Despite some initial efforts of the Ministry of Finance and support given by international organizations to implement gender-responsive budgeting limited progress has been achieved. In the framework of “Promoting gender-sensitive policies in Southeast Europe, phase II-III” supported by UN Women a considerable number of public officials have been trained and initial efforts to integrate a gender perspective into national and local planning and budgeting systems have been made.<sup>195</sup> Also the “Strategy for ensuring equality between women and men in the Republic of Moldova for the years 2017-2021” identified the lack of adequate skills to promote gender budgeting among key actors.

Under the regional project, a “*Curriculum and training manual for training on “Gender Equality for public servants”*” was developed aimed to support national stakeholders (Ministry Labor and Social Protection, Academy of Public Administration (APA)) in the implementation of National Strategy on Gender Equality 2017- 2021 and its Action Plan. Eight Gender Equality Trainers were certified to deliver the Gender Equality Course for Public Servants. Starting in 2019 some modules were introduced as optional and will be delivered by those 8 trainers from the Academy for Public Administration. APA formally institutionalized this course and will use it for training of central and local level public officials.

One University (Academy of Economic Studies - ASEM) started to teach students from the economic courses on gender sensitive budgeting. A team of ASEM professors developed knowledge products on GRB: 1) Manual on Gender Responsive Budgeting; 2) two Compendiums on GRB for Undergraduate and Graduate students and 3) the GRB Guide for Local Public Administration).

The Ministry of Finance received technical assistance for integrating a gender perspective into the Budget Call Circulars and MoF order No. 209 on the approval of the “Methodological set on elaboration, approval and modification of the budget.” This was implemented for the 2022 budget (see GRPFM-4).

In 2018, several national CSOs were supported in performing of an independent analysis of the local budgets (revenue and expenditure sides) from a gender perspective and preparing watch dog reports.

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<sup>194</sup> <https://gov.md/ro/content/rezolusia-1325-consiliului-de-securitate-al-onu-privind-femeile-pacea-si-securitatea>

<sup>195</sup> <https://msmps.gov.md/ro/content/rapoarte>

Several workshops have contributed to open dialogue and discussions with civil society organizations and local and central government.

In 2019 and 2020, some further capacity building activities and preliminary analysis have been undertaken which familiarize some stakeholders of GRB with the concept. The focus was local governments and line ministries. The activities include:

- Different trainings at the district level on how to mainstream gender equality in local decisions, plans and budgets;
- Development of a guideline on gender mainstreaming in public policies, including representatives from Ministry of Interior, including General Police Inspectorate, Border Police and Carabineer Department, Ministry of Health, Labor and Social Protection, Ministry of Economy and Infrastructure, Ministry of Interior, Ministry of Defense;
- Analysis of gender inequalities in migration and sports;
- Assessment of papers for the Ministry of Interior and Ministry of Defense how to integrate a gender perspective;
- Training of representatives of the Ministry of Defense, Ministry of Internal Affairs and General Police Inspectorate how to assess a public policy from a GRB perspective;
- Adoption of Gender Sensitive Local Development Strategies of 24 municipalities from Cahul and Ungheni by the end of 2021.

### **Institutional and coordination structures**

The law on Equal Opportunities for Men and Women (2006) with further amendments, provides a legal basis for the gender machinery in Moldova:

- At the governmental level, there is a Governmental Commission for Equality between Women and Men, which is an advisory body, created by the government through its decision no. 895/2006, and operates in line with the established regulations and has the following duties: a) promoting equality between women and men; b) coordinating the activity of central and local public administration authorities concerning equality between women and men; c) developing cooperation between state structures and civil society and international organizations, as well as boosting their partnership with the private sector and the business environment in promoting equality between women and men; d) analysis of national and local plans and programs, capitalization of financial investments towards gender equality.<sup>196</sup> With their coordination mandate they can play a central role in GRB design and implementation but currently they are not driving GRB forward.

- The Ministry of Health, Labour and Social Protection has established a special policy sub-division including with a gender mandate which is responsible for elaboration and improvement of the normative framework in the field; methodological coordination of the activity of the coordinating group in the field of gender and of the gender units; organizing in partnership with civil society media campaigns, planning studies and research in the field; coordinating the process of drafting national reports, as well as periodic government reports on the degree of implementation of the provisions of the treaties in the field; establishing partnerships with the private sector and the business environment, non-profit organizations

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<sup>196</sup> Law on ensuring equal opportunities for women and men no. 5-XVI of 9 February 2006, Official Monitor of the Republic of Moldova no. 47-50/200 of 24 March 2006, <https://www.legislationline.org/documents/id/9071>, [accessed 2 February 2020]

in order to promote and implement the principle of gender equality; exercising other attributions in the field according to the legislation.

Given their broad mandate and with a staff of only five persons they have limited resources to pursue the implementation of GRB although it is not directly included in their mandate.

- Within all ministries and central administrative authorities gender coordinating groups (gender focal points) have been established whose members are gender units of the subdivisions with competencies for development, promotion and monitoring of policies in the area of field of specialized central public administration authority, and which are responsible for advocating and assisting in gender policy formulation and the inner ministerial coordination of gender activities (based on the provisions of law 5/2006). While these units have expertise in gender equality, their main focus refers to staff related gender issues rather than policy related gender analysis. For the implementation of GRB, the units could be an important source but would need to be empowered in terms of mandate and capacity.

Other organizations complement the institutional framework as described below.

#### **At the central level**

- According to the law (art 15 of no. 5/ 2006, and further amendments), the National Bureau of Statistics, the State Labour Inspectorate and the Ombudsperson Office are part of the institutional framework for ensuring gender equality between women and men, and aim to support in monitoring gender policy as well to prevent gender discrimination. The Ombudsperson Office ensures compliance with the laws concerning of equality between women and men. The National Bureau of Statistics collects, processes and generalizes statistical information disaggregated by sex. State Labour Inspectorate integrates compliance checks of the legal requirements in the work context.

- The Council for Preventing and Eliminating Discrimination and Ensuring Equality is an autonomous, unbiased and independent public authority, established in 2013. The council members are appointed by the Parliament of Moldova. The Council is a collegial body with the status of a legal person under public law, established for the purpose of ensuring protection against discrimination and ensuring equality for all persons who consider themselves to be victims of discrimination. The Council shall act impartially and independently of the public authorities. Its mission is to prevent and protect against discrimination, as well as to ensure equality for all persons who consider themselves discriminated against. To do so, they examine the compatibility of current legislation and drafts laws with non-discrimination standards, monitor implementation of legislation, examine complaints and reinstate the rights of victims of discriminations and raise awareness and inform society in order to eliminate all forms of discrimination.

- The State Chancellery coordinates the development, approval, implementation, monitoring and evaluation of public policies based on the government decision no. 386/2020. There are no specific gender equality requirements, although the State Chancellery publishes the report regarding the implementation of provisions of the law on the civil service and the status of civil servants with gender relevant data. Their role in GRB could be to develop gender mainstreamed development policies, based on the new methodological guide on integration of the provisions of the National Development Strategy in the

planning documents and public policy documents at national level,<sup>197</sup> and to play an oversight role with monitoring and evaluation of national policies.

- The MoF has gender coordination groups like other ministries which have a general mandate to ensure gender equality within the policies provided by the MOF. At the moment the MoF does not play a specific role in coordination gender equality issues but is in charge of coordinating public finances. The design and implementation of GRB could be subsumed under the general mandate of the MoF, however, GRB has not been a priority of the MoF due to many other reform initiatives. It is good international practice that the Ministry of Finance plays a crucial role in GRB since it coordinates fiscal policy and PFM. The MoF is leading GRB in some countries or coordinating with the responsible ministry or agency.

#### **At the local level.**

- The local public administration authorities have to ensure the integration of the principle of equality between women and men in policies, programs, normative acts and budget allocations at the local level. Gender units operate within the local public administration authorities. Within the first level of local public administration authorities, the functions of the gender unit are undertaken by the secretary of the local council. The district president and the mayor execute the responsibility under law no. 5/2006 and are in charge of coordination of the subordinated gender units.

#### **Coordination**

- The Governmental Commission for Equality between Women and Men as an advisory body under the government has a coordination role of the activities of central and local public administration authorities concerning issues of equality between women and men. Due to the political changes the Commission was inactive for the last three years and in 2021 only one meeting was conveyed before the new Cabinet took office. The gender coordinating groups at central and local level have a sectorial and local coordination role to ensure gender mainstreaming within the respective development policies.

#### **Figure: National Gender Machinery of Moldova**

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<sup>197</sup> approved by the Order of the Secretary General of the Government no. 65 of July 15, 2021, [ghid\\_copertat\\_coral.pdf \(gov.md\)](#)



**Legislative Level**

- Parliament

**Government Level**

- Government
- Governmental Committee for Equality between Women and Men
- Division for Ensuring Equality between Women and Men (Ministry of Health, Labour and Social Protection)
- Ministries and other administrative authorities Gender coordinating groups consisting of gender units within policy-making subdivisions)
- Governmental Commission for Equality between Women and Men

**Local Level**

- Local public administration authorities of level I and II (gender units)

**Other Authorities**

- National Bureau of Statistics
- State Labour Inspectorate
- Ombudsperson Office
- Council for Preventing and Eliminating Discrimination and Ensuring Equality

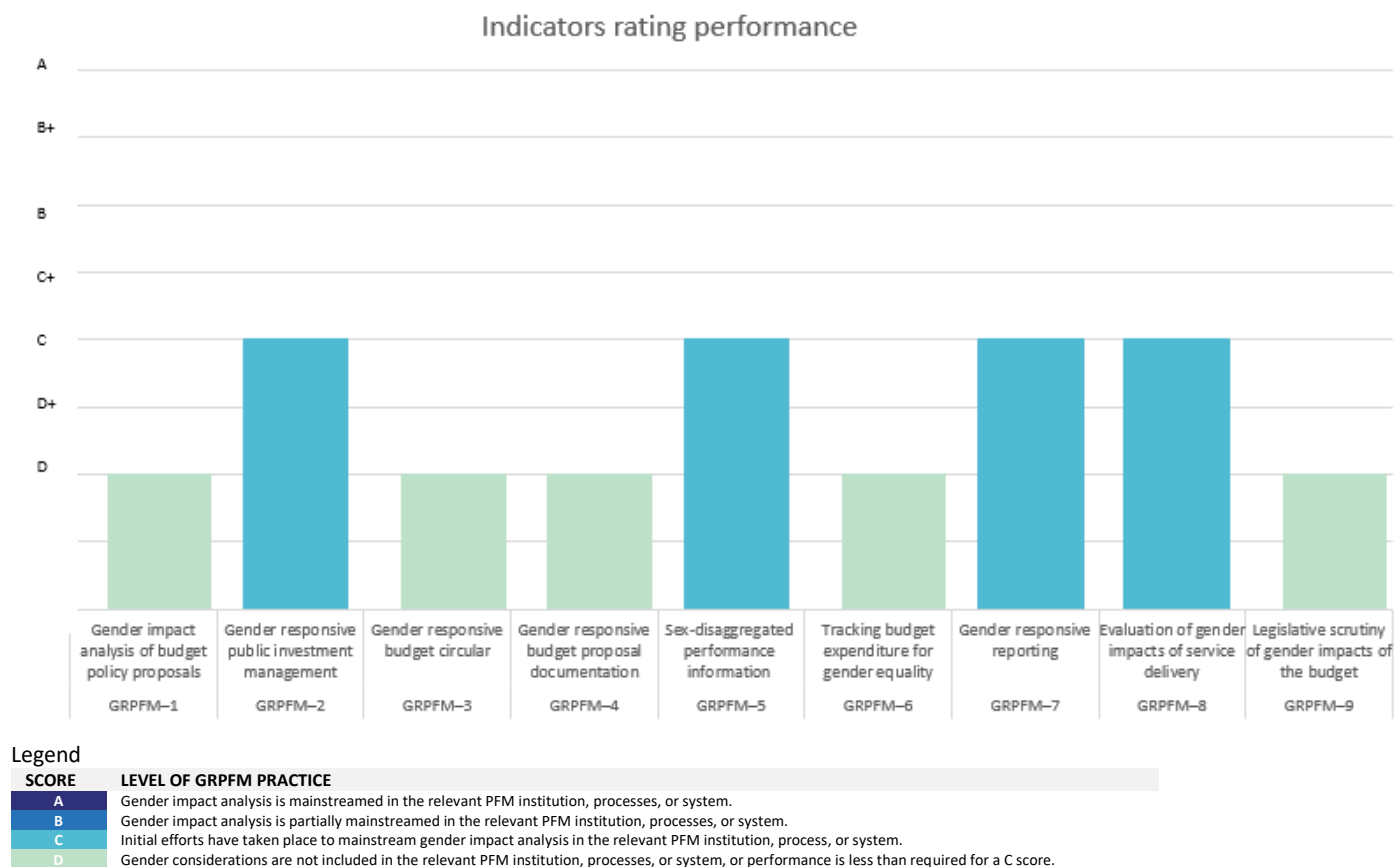
Source: UN Women

## 2.0 Overview of Assessment Findings

### 2.1 Main findings

This section provides an overview of findings of the PEFA assessment of gender responsive PFM practices compared with the PEFA GRPFM framework. It also highlights key PFM tools and processes in place to promote gender equality. The detailed analysis of findings and evidence to score the indicators is presented in section 3.0.

**Figure 1: Overview of assessment findings**



An additional summary of performance indicators at the dimension level is presented in Annex 1.

Moldova does not have a comprehensive GRB framework in place yet. Despite some initial plans for GRB implementation, the MoF has not requested gender information in the budget circular in the assessment year 2020 but for the 2022-2024 period a general requirement for inclusion of gender-responsive information has been added. The lack of guidance through a budget circular leads to a not systematic presentation of an integrated information in the budget documentation. A tracking mechanism for gender related spending has not been implemented. The MoF and line ministries do not keep systematic information on gender-related spending. When revising the IT-system and the chart of accounts, the

integration of the gender perspective could be a reform synergy (together with tracking other spending, e.g., climate-related spending).

Some gender sensitive information is produced but unsystematically and not uniformly across the different sectors. Achievements have been implemented in the following areas:

- The program-based budgets include some gender sensitive indicators whereby in some ministries focus on outputs rather than outcomes and some sectors in this topic are still underdeveloped. The activities remain unsystematic.
- A centralized gender report has not been issued; however, several reports and documents include gender relevant information (e.g., Mid-term Evaluation of National Development Strategy “Moldova 2020”, annual monitoring reports on sector strategy implementation by line ministries, SDG reporting, report on international commitments).
- Some sector strategies include information on gender gaps, objectives or performance indicators.
- Several audit reports include a gender perspective based on the information included in the budget, however, systematic gender evaluations of programs are not conducted. The Courts of Accounts has a regular dialogue with the Parliament which could be also used for reviewing gender policies.
- Ex-ante gender impact assessments for new policies and investment are the exception and refer mainly to donor-driven assessments and guidelines that have not been issued. Many major investment projects follow donor requirements; some donors request a gender impact assessment. A draft methodological guide for the ex-ante evaluation of public policies which includes gender impact assessment is pending approval.
- The PFM strategy 2013-2022 does not incorporate any gender component.

Initiatives that support sensitizing for gender equality issues is spread across the government, however, analytical and technical skills still have to be developed. In the absence of a GRB framework, how-to knowledge is unlikely to have been acquired but some government officials participated in international training programs and the staff attended training courses on gender equality within the Academy of Public Administration. A central coordination organization driving reforms on GRB initiative has also not been assigned yet. The division of policies for ensuring equality between women and men in the Ministry of Health, Labour, and Social Protection does not have an explicit mandate and the resources for coordinating GRB efforts, however, they are an important player in the overall GRB approach.

## *2.2 Options for strengthening gender mainstreaming in the budget process*

Reform efforts for GRB can build on achievements on strengthening the PFM system (such as medium-term budgeting, spending reviews, public investment management) over the last few years. At the same time, GRB reforms are most effective if prioritized within the overall reform agenda. The development of the PFM strategy provides the starting point to integrate gender equality into the broader public finance management reform agenda. Based on the assessment, the following aspects could be used as an input for a GRB approach within the PFM reform agenda. Improving GRB has conceptual overlaps which can be utilized with other PFM reform priorities such as a reform on program based budgeting and public investment management.

### **Short term**

For the short term (1 – 2 years), the already existing fragments on gender responsive budgeting have the potential to be further advanced. This includes program-based budgeting of line ministries and reporting by line ministries against the program-based budgets which is also a general PFM priority of the government. Such an exercise requires guidelines for line ministries and a quality assurance mechanism by the MoF and other institutions coordinating gender equality efforts (e.g., State Chancellery, Ministry of Health, Labor and Social Protection). The assessment of GRPFM-5 shows that the performance information can be expanded by gender-disaggregated information based on an evaluation its quality and scope. A more in-depth reform requires more efforts so that is well placed an integral part of an overall GRB approach (see medium-term actions). The requirement in the 2022-2024 budget circular to include in the budget proposal gender-sensitive information, objectives, goals, and performance indicators is a starting point to be complemented in the future with more specific guidance. Albania and Austria, for example, have developed comprehensive guidelines which can inform Moldovan documents. This initiative could also be combined with the initiative for reporting on SDG which include SDG 5 concerning gender equality.<sup>198</sup>

In addition, the existing reports in particular the annual report on the civil service and the status of civil servants, the Voluntary National Review on SDGs, Progress Report 2020 and mid-term evaluation of National Development Strategy “Moldova 2020” provide essential information, but gaps analyzed in GRPFM-7 demonstrates how they can be strengthened and aligned. With these activities, capacity is developed and GRB institutions are created on which further efforts can be built.

As indicated in GRPFM-1 and GRPFM-8, ex-ante gender impact assessments and ex-post evaluations of selected programs, or subprograms of line ministries could be undertaken when the new methodological guide on ex-ante impact assessment of public policies is approved. In particular, gender assessments could be integrated into investment project appraisals and assessments as part of the broader agenda for strengthening public investment management. Since this process depends on analytical and technical skills which have not been developed yet, such initiatives depend on support by development partners. Piloting has been used by other countries to set up the basis for building analytical capacity and an input

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<sup>198</sup> The nationalized SDG indicators listed 129 gender-sensitive indicators with the fully available data for 47 indicators (36.4%), 54 indicators (41.9%) are partially available with the possibility to easily estimated the missing elements, and 28 indicators (21.7%) are missing across 63 nationalized targets of 14 SDGs.

for developing a country wide methodology. By selecting gender relevant initiatives, such assessments can provide a crucial input for policy decision making.

### **Medium term**

Over the medium term (3-5 years) the initial improvements can be consolidated to comprehensive and advanced reforms in line with other reform priorities.

As indicated in GRPFM-6, the overhaul of the FMIS system would be an opportunity to establish a tracking mechanism for spending on gender equality. This change would enable a systematic observation of budgets dedicated for gender equality and their actual spending. It is most successful if to be embedded into a reform of the chart of accounts and use synergies for tracking of other spending such as for climate change which has also become a global political priority. Country examples such as Albania provide an input for developing a tailored Moldovan mechanism. Such a tracking mechanism would also support reporting on SDG Indicator 5.c.1.

A gender budget statement<sup>199</sup> summarizes the current status, achievements and gaps on gender equality, the key objectives of the government and a summary of key initiatives and their budget allocation. Many countries have implemented it in a phased approach of gradual improvements. The gender budget statement is expanded over time starting for example with key sectors and basic information first. Once the tracking mechanism is operational budget information is an input for such a gender statement. This reform is supported by requesting information through a budget circular.

For ensuring that the different elements of GRB are well integrated and can be extended to a comprehensive system, such an GRB approach links the initiatives, specifies the roles and defines the sequence of the implementation of the GRB elements. It would comprise the definition and purpose of GRB, the instruments and processes. The purpose is a well-integrated approach into existing PFM instruments, processes and systems. A roadmap can define the sequence and pace of the implementation to ensure the alignment with the overall PFM reform efforts. Such broad reform has been complemented in other countries with capacity building in gender analysis starting with a situational analysis.

### **Capacity building and organizational arrangements**

The procedural and instrumental improvements are most effective to be accompanied by a targeted capacity building program. Although sensitization of GRB has already been widely initiated, the main focus should be in a first stage in familiarizing the relevant actors with the concept and how-to-knowledge for implementing the different activities which have to be initiated well ahead of the concrete piloting and implementation. In particular, the implementation of the requirement in the budget circular 2022-2024 requires immediate technical support.

For the activities over the medium term, a broader capacity building initiative familiarizes all relevant organizations and stakeholders with knowledge about the Moldova-specific understanding and instruments of GRB. A capacity building program is an integral part of the road map for GRB implementation.

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<sup>199</sup> Country examples are for example Canada, India, Morocco, Rwanda, Uganda or Andalusia.

Coordination of GRB activities has increased relevance with further progress in implementation of the different activities. Thus, relevant responsibilities in the different ministries (in particular the Ministry of Finance, Prime Minister's Office, Ministry of Health, Labor and Social Protection) and a coordination mechanism are crucial.

## GRPFM–1 GENDER IMPACT ANALYSIS OF BUDGET POLICY PROPOSALS

This indicator assesses the extent to which the government prepares an assessment of the gender impacts of proposed changes in government expenditure and revenue policy. It contains two dimensions and uses the M1 (weakest link) method for aggregating dimension scores. The indicator recognizes that changes in budget policies can have different impacts on the delivery of services to men and women and to subgroups of those categories; and those new policies proposals should therefore undergo an ex-ante assessment of social impacts.

Guiding question: Does the government’s analysis of proposed changes in expenditure and revenue policies include information on the impacts on gender?

Related PEFA Indicator/Dimension: *PI–15 Fiscal strategy, PI–15.1 Fiscal impact of policy proposals*

Coverage: *Central government*

Time period: *last completed fiscal year (2020)*

#### **Background and measurement**

Good budget practices require government to assess the impacts on beneficiaries of expenditure and revenue policy proposals developed during budget preparation, including new or additional expenditures and proposed reductions in expenditures. Changes in policies can have different impacts on the delivery of services to men and women and to subgroups of those categories.

An increasing number of countries perform ex ante gender impact evaluations, analyses, or assessments of policies to understand their envisaged impacts on men and women and subgroups of those categories. The aim is to improve the design and planning of the policy under consideration, in order to avoid any negative impacts on gender equality and to strengthen gender equality through better-designed, transformative policies. This assessment can also be done as part of a spending review process carried out to improve expenditure control and prioritization.

For example, an expenditure proposal to expand childcare will likely have a greater impact on women than men because, globally, women are more likely to assume primary parenting responsibilities. Similarly, an expenditure proposal to improve benefits and support for military veterans will likely have more impact on men than women because, globally, men are more likely to be serving in the armed forces (unless the government’s explicit gender-specific objective is to increase number of women; then it may be important to monitor this particular aspect as well). The assessment under this dimension should only focus on recurrent expenditure.

On the revenue side, increasing tax allowances for nonworking spouses, for example, can create disincentives to work, particularly for women, as the global data demonstrate; similarly, changes in the personal income tax can affect different groups of women and men differently. The assessment should focus on proposals with significant, direct impacts on revenue, including, for example, changes in the rates

and coverage of corporate income tax, value added tax, personal income tax, customs and excise taxes, and taxes on natural resources. The assessment should focus on the government's own revenue sources.

The gender impacts of expenditure and revenue policy proposals typically are prepared by individual budgetary units for their respective policy areas or are prepared by the Ministry of Finance or equivalent central government entity or consolidated by the Ministry of Finance.

#### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–1 Gender impact analysis of budget policy proposals (M1)</b>		<b>D</b>
<b>GRPFM–1.1 Gender impact analysis of expenditure policy proposals</b>	Analysis of the gender impact of the proposed new policies on gender equality are not required, and only conducted in case a development partner conducts or requires a gender impact analysis. A draft methodological guide for the evaluation of public policies which includes gender impact assessment for ex-ante evaluations is pending approval.	D
<b>GRPFM–1.2 Gender impact analysis of revenue policy proposals</b>	The government does not conduct any analysis of the impact of the proposed new revenue policies on gender equality.	D

**Table GRPFM–1.1 Gender impact analysis of expenditure policy proposals**

Key changes in expenditure policy	The amount allocated to expenditure policy change (MDL, million)	As a % of key changes in expenditure policy	Gender impact analysis included (Y/N)
Loan interest subsidy to support the entrepreneurial activity	30.0	3.42%	N
Subsidizing jobs in COVID-19 conditions	200.0	22.81%	N
Increase of premium to the medical staff	104.8	11.95%	N
Increase of personnel expenditures based on modifications in law no. 270/2018 regarding the unitary salary system	251.1	28.63%	N
Increase of contributions to the state social insurance budget	291.1	33,19%	N
<b>Total/Coverage</b>	<b>877.0</b>	.	

Data source: Budget Documentation of the 2020 state budget, calculation of the assessment team



**Table GRPFM–1.2 Gender impact analysis of revenue policy proposals**

Key changes in revenue policy	The amount collected due to revenue policy change (MDL, million)	As a % of key changes in revenue policy	Gender impact analysis included (Y/N)
New tax for physical persons collecting and selling agricultural products	45	64.29%	N
Progressive tax of 2% on imported cars	30	42.86	N
50 % reduction of excise tax on import of hybrid plug-in cars (PHEV) and 25% for traditional hybrid cars	-50	71.43	N
Modification of excise duties on oil products, ethyl alcohol, distillates, spirits, liqueurs, and cigarettes	45	64.29	N
<b>Total/Coverage</b>	<b>70</b>	<b>242.86%</b>	

*Data source: Budget Documentation of the 2020 state budget, calculation of the assessment team*

The MTBF and state budget integrate information on the budgetary impact of new policy initiatives with estimates on the budgetary impact of major policy changes. There is no legal requirement for preparing an ex-ante gender impact assessment at the budget preparation stage or when the policy is drafted or approved. The methodological guidelines on the preparation, approval and amendment of the budget or any other budgetary instruction, however, do not require a gender assessment of new expenditure and revenue policies.

In the absence of a legal requirement for ex ante impact analysis, they are not undertaken by the government. The budget documentation as well as any complementary material thus does not contain gender impact analysis. Expenditure policies and revenues policies of the 2020 budget as outlined in table GRPFM–1.1 and GRPFM–1.2 have not been assessed concerning their gender impact.

A draft methodological guide for the evaluation of public policies which includes gender impact assessment for ex-ante evaluations is pending approval.

## GRPFM–2 GENDER RESPONSIVE PUBLIC INVESTMENT MANAGEMENT

This indicator assesses the extent to which robust appraisal methods, based on economic analysis, of feasibility or prefeasibility studies for major investment projects include analysis of the impacts on gender. There is one dimension for this indicator. The indicator recognizes that different groups of men and women benefit differently from investment projects, and it is therefore important for the government to include a gender perspective in the economic analysis of major investment projects.

**Guiding Question:** Does the government carry out an analysis of the impacts of major public investment proposals on gender as part of the economic analysis of investment proposals?

**Related PEFA Indicator/Dimension:** PI-11. Public investment management, PI-11.1. Economic analysis of investment proposals

**Coverage:** Central government

**Time period:** last completed fiscal year (2020)

### Background and measurement

Public investments can serve as a key driver of economic growth. However, the effectiveness and efficiency of public investment are also key determinants in maximizing the impact of public investment on the government’s social and economic development objectives, including achieving gender equality.

Different groups of men and women benefit differently from investment projects, and it is therefore important for the government to include a gender perspective in the economic analysis of major investment projects. For example, designing a new public space that is aimed at promoting physical activity but is planned to be located in an area with no street lightning and no safe public transportation is likely to be perceived as a safety concern for girls and women who are, as a result, less likely to use the space even if the investment project originally was intended to target both men and boys and women and girls equally. The public space also needs to consider the needs of different subgroups of women and men (including factors such as the needs of people with disabilities, the needs of youth and elderly population).

Major investment projects for this indicator in this report are defined as projects exceeding the total investment cost of the project amounts of 1 percent of total annual budget expenditure. The term “major investment project” also includes investments implemented through structured financing instruments such as public-private partnerships.

### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–2 Gender responsive public investment management</b>	<b>(M1)</b>	<b>C</b>
<b>GRPFM–2.1 Gender responsive public investment management</b>	The existing procedure on the preparation of public investment projects requires a social impact assessment including a gender assessment. However, gender impact assessments are not undertaken for national investment projects. Yet, some donor funded project proposals include a gender impact assessment per donor requirements, but these are not published.	C

The project appraisal methodology requires the standardized information based on guidelines from the line ministries for any project to receive a budget allocation. This includes information about the project's readiness, short and long-term financial costs and benefits, and to compare initiatives across sectors based on standardized criteria. The guidelines set up provisions and a standardized template for project technical and economic justification. The template lists required information about the results of cost-benefit analysis (CBA), economic analysis, environmental and social impact evaluation. The guidelines provide brief instructions for the development of feasibility study, including CBA. Larger and major projects are subject to feasibility studies or undertaking cost-benefit or cost-effectiveness analysis. National guidelines (government decision no. 1029/2013 on public capital investment) require a social impact assessment including a gender assessment but do not specify the methodology. However, these are not undertaken for state budget-financed investment projects.

The economic analysis of two largest state capital investment projects (not donor financed) was conducted based on the national guidelines. The results of economic analysis were not reviewed by an entity other than a sponsoring one and are not published. The MoF's Order no. 185 of November 3, 2015, approved the Instruction on the capital investment projects management which established criteria for an independent review of relevant projects by the working group to confirm the project appraisal acceptability. However, such group has never been operational. The country legal framework does not contain requirements for publication of economic analysis's results and therefore they were not published.

**Table GRPFM–2.1. Capital investments projects in 2020**

No	Name of the capital investment project	Total investment cost of project (MDL, million)	As a % of total expenditures	Economic analysis includes analysis of the impacts on gender Completed (Y/N)	Consistent with national guidelines	Published (Y/N)
1.	Construction of a pre-trial detention center in Balti	250.0	0.48	N	Y	N
2.	Reconstruction of the operating theatre at the Emergency Healthcare Institute , Toma Ciorba Street 1, Chisinau	53.3	0.20	N	Y	N

Source: Budget documentation 2020

Article 1 of the MoF order no. 185 of November 3, 2015 excludes “capital investment projects financed from funds and programs, the use of which is regulated by legislative acts, as well as the external sources that fall under the international agreements with the development partners,” as per the provisions of the order. Thus, many major capital investment projects, such as the road rehabilitation program, the construction of a transmission line connecting Moldova to Romania and the purchase of trolleybuses for Chisinau which are often externally funded are not assessed according to the requirements of the order. These projects are subject to appraisal according to the donors' requirements.

**Table GRPFM–Table 2.2. Five largest investment projects, donor financed**

Five largest major investment projects (>1% of Budgetary Central Government expenditure including PPPs)	Total investment cost of project (MDL, thousand)	As a % of top 5 major projects approved	Economic analysis includes analysis of the impacts on gender Completed (Y/N)	Consistent with national guidelines	Published (Y/N)
The project "Supporting the Program in the road sector" EBRD	11,620,000	64%	Y	NA	N (official use only)
Rehabilitation of local roads project, WB	1,150,000	6%	Y	NA	N (official use only)
Road Rehabilitation Project with the support of the Republic of Belarus	805,300	4%	N	NA	Y
Project "Road infrastructure development program with the support of the Russian Federation"	3,300,000	18%	N	NA	Y
The project "Construction of the penitentiary in Chisinau"	1,292,943	8%	N	NA	Y
<b>Total/Coverage</b>	<b>18,168,243</b>	<b>100%</b>			

Data source: Public Investment Division (MoF)

As many major projects were financed from external funds they were excluded from the requirement to undertake an assessment according to national guidelines and followed instead donor requirements. For all major externally financed investment projects economic assessments are undertaken. Some donors request a gender impact assessment which was prepared for some projects by the line ministries. Two of the five largest major investment covering 70% of the total investment cost of the relevant major projects include a donor-driven gender impact assessment.

The project appraisal of the World Bank concerning the rehabilitation of local roads includes a qualitative assessment on the gender discrepancies in rural areas and how the project contributes to its reduction. It highlights the impact of better connecting local communities to health and education and improved safety for women in their role as pedestrians. A quantitative assessment is not included.

Although some project proposals include a gender impact assessment, they are not published but are for official use only. Some project economic assessments of major projects are public; however, these do not contain a gender impact assessment.

A draft methodological guide for the evaluation of public policies also includes a gender impact assessment for ex-ante evaluations.

## GRPFM–3 GENDER RESPONSIVE BUDGET CIRCULAR

This indicator measures the extent to which the government’s budget circular(s) is gender responsive. There is one dimension for this indicator. The gender responsive budget circular typically includes a requirement for budgetary units to provide justification or planned results for the effects on men and women or on gender equality.

**Guiding Question:** Does the budget circular(s) require budgetary units to include information on the impacts of their spending proposals on gender equality?

**Related PEFA Indicator/Dimension:** *PI-17. Budget preparation process; PI-17.2 Guidance on budget preparation*

**Coverage:** *Central government*

**Time period:** *last budget submitted to the legislature (2021)*

### Background and measurement

The budget circular is the primary guidance from the Ministry of Finance for budgetary units on how to prepare budget submissions. The guidance provided in the circular or circulars should cover the budget for the entire year (and relevant subsequent years for medium-term budget systems).

The budget circular will usually provide instructions for budgetary units on how to set out detailed estimates in accordance with their approved ceilings as well as on how to submit proposals for new spending or potential savings in accordance with government policy priorities. It will normally set out the requirements for budgetary units to provide supporting justification and, if the government is operating a program or a performance- or results-based budgeting system, planned results for both existing and proposed changes in budget allocations.

The gender responsive budget circular includes a requirement for budgetary units to provide justification or planned results for the effects on men and women or on gender equality of the following:

- Proposed new spending initiatives
- Proposed reductions in expenditures

The GRPFM circular also requires budgetary units to include sex-disaggregated data for actual or expected results.

## Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–3 Gender responsive budget circular (M1)</b>		<b>D</b>
<b>GRPFM–3.1 Gender responsive budget circular</b>	Neither methodological guidelines nor the budget circular for the assessment year 2021 require the line ministries units to provide information on the impacts of budget policies on gender equality through any of the following information: i) existing service delivery programs ii) new spending proposals, iii) proposed reduction in expenditures; iv) or the inclusion of sex-disaggregated data on planned outputs and outcomes of service delivery programs. For the 2022-2024, a requirement to provide gender information was included.	D

**Table GRPFM–3.1 Gender responsive budget circular**

Circular for budget year	Requirement to provide justification or planned results for the effects on men and women or on gender equality (Y/N)		Requirement to include sex-disaggregated data in budget proposals (Y/N)
	New spending initiatives (Y/N)	Reductions in expenditure (Y/N)	
2021	N	N	N

*Data source: Methodological guidelines on the preparation, approval and amendment of the budget (Annex to the order of the Minister of Finance no. 209 of 24.12.2015), budget circular 2021*

Neither methodological guidelines nor the budget circular requires the line ministries units to provide information on the impacts of budget policies on gender equality through any of the following information: i) existing service delivery programs; ii) new spending proposals; iii) proposed reduction in expenditures; iv) or the inclusion of sex-disaggregated data on planned outputs and outcomes of service delivery programs. The methodological guidelines include budgetary principles, calendar and timetable for the budget and MTBF, the program-based budgeting methodology, guidance on costing and base line estimates, and information about preparation and approval of the budget. The budget circular further refines the guidelines for the respective budget year and specifies timing and substance. Both methodological guidelines as well as budget circulars are the appropriate documents to initiate GRB efforts with the line ministries.

Some line divisions in the Sectoral Budget Policy Division provide guidance to the line ministries about the gender information in the program budgets, however, this is not based on a comprehensive approach. Thus, these activities remain unsystematic.

The budget circular for the 2022 budget and 2022 – 2024 MTBF includes a requirement to gender-sensitive information, objectives, goals, and performance indicators include in the budget proposal but does not specify further and provides further guidance as required in the standard.

## GRPFM–4 GENDER RESPONSIVE BUDGET PROPOSAL DOCUMENTATION

This indicator assesses the extent to which the government’s budget proposal documentation includes additional information on gender priorities and budget measures aimed at strengthening gender equality.

Guiding Question: Does the government’s published budget proposal documentation include information on gender priorities and budget measures aimed at strengthening gender equality?

Related PEFA Indicator/Dimension: *PI-5. Budget documentation, and PI-9. Public access to fiscal information*

Coverage: *Budgetary Central government*

Time period: *Last budget submitted to the legislature (2021)*

### Background and measurement

The government’s budget proposal documentation sets out, among other things, the government’s expenditure and revenue plans for the budget year and, in the case of medium-term budgets, the two following fiscal years. Gender responsive budget documentation also includes information on the following:

- An overview of government’s policy priorities for improving gender equality. This needs to be presented in a specific section of the budget proposal documentation.
- Budget measures aimed at promoting gender equality. This information would include specific revenue and expenditure initiatives aimed at promoting gender equality.
- Assessment of the impacts of budget policies on gender equality. This assessment would include an overview of the findings of ex ante impact assessments and a description of the envisaged outcomes and impacts of policies targeting a specific gender or gender equality.

Such information helps the government to articulate its plans for implementing gender responsive policies and programs by identifying the resources being allocated to reach strategic goals regarding gender impacts, as well as to put in place systems for measuring the results of those policies.

Sometimes governments may publish this information in the form of a gender budget statement (which is usually described as a gender-specific accountability document produced by the government agency to demonstrate its programs and budget in respect of gender and gender equality); at other times, such information may be incorporated into the standard budget documentation.

Such information may also be presented in the form of a budget paper from a particular ministry or the whole of government on how policies, programs, and related budgets fulfil the government’s gender equality objectives.

Similarly, as with PEFA PI–9, public access to fiscal information, public access is defined as availability without restriction, within a reasonable time frame, without a requirement to register, and free of charge.

Budget documentation refers to the executive’s budget proposals for the next fiscal year or, in the case of medium-term budgets, the two following fiscal years, with supporting documents, as submitted to the legislature for scrutiny and approval.

### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM-4 Gender responsive budget proposal documentation (M1)</b>		<b>D</b>
<b>GRPFM-4.1 Gender responsive budget proposal documentation</b>	The budget documentation does not include an overview of government's policy priorities for improving gender equality, details of budget measures aimed at strengthening gender equality and an assessment of the impacts of budget policies on gender equality.	D

**Table GRPFM-4.1 Gender responsive budget proposal documentation**

Budget proposal for budget year	An overview of government policy priorities for improving gender equality (Y/N)	Details of budget measures aimed at promoting gender equality (Y/N)	Assessment of the impacts of budget policies on gender equality (Y/N)
2020	N	N	N

Data source: Annual Budget 2021

In 2021 like the other budget years, specific sections on gender equality have not been included in the budget documentation. The budget documentation does not have a gender budget statement and thus has not included an overview of government's policy priorities for improving gender equality, a comprehensive list with details of budget measures aimed at strengthening gender equality and a systematic assessment of the impacts of budget policies on gender equality.

Information on gender equality (objectives, activities, indicators) is included in the performance plans of the line ministries which is assessed under GRPFM-5. A consolidated program-based budget report does not exist. The quality and type of information presented varies across line ministries due to lack of centralized guidance and some reports are not published. While relevant information, though not systematic, are published, they do not fulfill the requirements of this indicator. The priorities are not clearly articulated at the government level but only present plans at the line ministry level. Budget measures for promotion gender equality are not systematically and comprehensively identified. The program budgets do not assess the impact of gender equality of budget measures systematically although some performance information could give some indication.

Sector strategies which are a basis for drafting the budgets do not follow a systematic approach for integrating gender relevant information. Some sector strategies include information on gender gaps, objectives or performance indicators, and sector strategies do not have any gender disaggregated information or analysis of gender equality. The National Development Strategy (NDS) "Moldova 2020" refers to some gender challenges but does not provide detailed information although some draft documents include more analysis and information on gender objectives and indicators. The preparation of the preceding National Development Strategy has been delayed due to the pandemic and would be an angle to address gender gaps and define policy measures. The State Chancellery has launched the process for the update of the draft National Development Strategy, starting on December 17, 2021 to be concluded by April 20, 2022.

The MoF discussed innovations to reflect gender relevant information in the budget, however, these discussions did not result in an implementation concept or the start of implementation.



## GRPFM–5 SEX-DISAGGREGATED PERFORMANCE INFORMATION FOR SERVICE DELIVERY

This indicator measures the extent to which the executive’s budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs. It contains two dimensions and uses the M2 (averaging) method for aggregating dimension scores. Inclusion of sex-disaggregated data in government’s budgeting systems facilitates discussions regarding the impacts of services on men and women, including different subgroups of these categories, and on gender equality; and helps policy makers to assess and develop appropriate, evidence-based responses and policies.

Guiding Question: Does the government’s published budget documentation include sex-disaggregated performance information for service delivery programs?

Related PEFA Indicator/Dimension: *PI-8. Performance information for service delivery, PI-8.1. Performance plans for service delivery, PI-8.2. Performance achieved for service delivery*

Coverage: *Central government. Services managed and financed by other tiers of government should be included if the central government significantly finances such services.*

Time period: *GRPFM 5.1: next fiscal year (2021); GRPFM 5,2: last completed fiscal year (2020)*

### Background and measurement

Promoting the efficiency and effectiveness of public service delivery is a core objective of the public financial management system. The inclusion of performance information within budgetary documentation is considered international good practice. It strengthens the accountability of the executive for the planned and achieved outputs and outcomes of government programs and services.

Increasingly, governments have been including sex-disaggregated data in their performance-based budgeting systems to facilitate discussions regarding the impacts of their programs and services on men and women, including different subgroups of these categories, and on gender equality.

Sex-disaggregated data also help policy makers to assess and develop appropriate, evidence-based responses and policies.

Service delivery refers to programs or services that are provided either to the general public or to specifically targeted groups of citizens, whether fully or partially using government resources. They include education and training, health care, social and community support, policing, road construction and maintenance, agricultural support, water and sanitation, and other services. They exclude services that are provided on a commercial basis through public corporations as well as policy functions, internal administration, and purely regulatory functions undertaken by the government, although performance data for these activities may be captured for internal management purposes. Also excluded are defense and national security.

Performance information refers to output and outcome indicators and planned results against those indicators. An output is the actual quantity of products or services produced or delivered by the relevant service (program or function). An outcome is the measurable effect, consequence, or impact of the service (or program or function) and its outputs. Activities are specific tasks or functions of a service delivery or

program. Performance information on gender equality can be included in program objectives, activities, outputs, and outcomes.

Performance information may be included in performance plans, which include the annual budget documents, presented as a supplementary document or published separately by each line ministry, and in performance reports, presented either in the executive’s budget proposal or in an annual report or other public document, in a format and at a level (program or unit) that is comparable to the plans previously adopted within the annual or medium-term budget.

### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–5 Sex-disaggregated performance information for service delivery (M2)</b>		<b>C</b>
<b>GRPFM–5.1 Gender-responsive performance plans for service delivery</b>	Less than 25 percent of expenditure of service providers include outputs or outcomes disaggregated by gender in their program budgets.	D
<b>GRPFM–5.2 Sex-disaggregated performance achieved for service delivery</b>	Most service providers include output indicators disaggregated by gender in their published annual reports for actual performance.	B

Six ministries of the central government were identified as providers of public services. Budget programs of the ministries associated with the delivery of public services were included in this assessment under GRPFM- 4, GRPFM-5 and GRPFM- 7. The table below provides information about the gender-responsive performance plans for service delivery and performance achieved by the service delivery ministries.

**Table GRPFM–5.1 Sex-disaggregated performance information for service delivery**

Name of service delivery ministry	Percentage of service delivery ministries	GRPFM–5.1 Gender-responsive performance plans for service delivery		GRPFM–5.2 Sex-disaggregated performance achieved for service delivery	
		Sex-disaggregated data on planned outputs (Y/N)	Sex-disaggregated data on planned outcomes (Y/N)	Sex-disaggregated data on actual outputs produced (Y/N)	Sex-disaggregated data on actual outcomes achieved (Y/N)
Ministry of Health, Labor, Social Protection	13.18%	N	N	13.18%	13.18%
Ministry of Education	17.23%	N	N	N	N
Ministry of Economy and Infrastructure	33.71%	N	N	33.71% <sup>200</sup>	N
Ministry of Internal Affairs of Moldova	16.58%	N	N	16.58%	N
Ministry of Agriculture, Regional Development and Environment	14.98%	Y	Y	14.98%	Y
Ministry of Defense	4.32%	N	N	N	N
<b>Total</b>	<b>100%</b>	14,98 %	14,98 %	78,45 %	28,17 %

Data source: Performance budgets for 2021, performance reports for 2020

Performance plans for all service delivery ministries (e.g., for health, education) are prepared by the line ministries during the planning and budgeting phase and are the basis for budget execution. Each line ministry is responsible for the input. They base on the sector strategies which are updated regularly. The MoF submits financial baseline estimates as part of the budget circular to line ministries which guide the preparation of performance plans and subsequently scrutinizes drafts performance plans, however, not in respect of gender impacts. In pre-pandemic years only small adjustments to the draft performance plans were made, but in 2020 substantial revisions required the accommodation of pandemic measures. The performance plans of the different line ministries are part of the budget documentation, but a consolidated program-based budget document does not exist. Requirements for presenting sex-disaggregated data do not exist with the exception of guidance for single line ministries by the Sectoral Budget Policy Division (see GRPFM-3).

<sup>200</sup> Example: number of new jobs created for women through financial support programs and number of women benefiting from the Women's Economic Empowerment Program in the regions

Line ministries and the MoF monitor the implementation of the performance plan supported by an IT-system. Line ministries publish narrative performance reports on their homepages and submit it to the MoF. If there are implementation risks of the performance objectives, the MoF discusses with the respective line ministry. Annual performance reports on performance information summarize achievements including comments of the line ministry. Their use in budget preparation is limited based on authorities' information. The methodological guidelines do not include information and guidance on the presentation of sex-disaggregated information in the performance report.

Six ministries of the central government (Ministry of Defense, Ministry of Internal Affairs, Ministry of Health, Labor and Social Protection, the Ministry of Agriculture, Regional Development and Environment, the Ministry of Education, and Ministry of Economy and Infrastructure) were identified as providers of public services. Budget programs of the ministries associated with the delivery of public services were included in this assessment under GRPFM-5 and also included in GRPFM-8. Table GRPFM-5 provides information about the gender-responsive performance plans for service delivery and performance achieved by the service delivery ministries.

Sex-disaggregated information is rare in performance budget of the providers of public services, both outputs and outcomes for planned performance. Only the Ministry of Agriculture, Regional Development and Environment provides information on sex-disaggregated information by breaking down recipients of subsidies by gender but also age or business type and provides information on economic empowerment and access of women to services. In terms of expenditure, the Ministry of Agriculture, Regional Development and Environment accounts for less than 15 percent of total expenditure of providers of service providers, thus not reaching the 25 percent threshold for "some."

In total, 78 percent of service providers' expenditure specify output indicators sex disaggregated for actual performance but only 28 percent cover outcome indicators. The format and the quality of information of the different reports varies heavily due to lack of guidance. The Ministry of Agriculture, Regional Development and Environment and the Ministry of Health, Labor, and Social Protection (accounting for 28.17 percent of total expenditure of providers of service providers) has the most comprehensive sex-disaggregated information including both outputs and outcomes in gender-disaggregated form for actual performance. It reports against the indicators defined in the program budgets. The Ministry of Health, Labor and Social Protection (13.18 percent of total expenditure of providers of service providers) includes output and outcome indicators focusing mainly on indicators for measuring the achievement of related objectives for women. The Ministry of Economy and Infrastructure, and Ministry of Internal Affairs (covering 33.71 and 16.58 percent of total expenditure of providers of service providers, respectively) only cover output indicators broken down by sex.

Some strategies and actions plans include gender-disaggregated information which could inform program budgets and respective reports.

## GRPFM–6 TRACKING BUDGET EXPENDITURE FOR GENDER EQUALITY

This indicator measures the government’s capacity to track expenditure for gender equality throughout the budget formulation, execution, and reporting processes. There is one dimension for this indicator. The indicator recognizes that the capacity to track expenditure in line with the budget proposal is important from the governance and accountability perspective, as it gives the assurance that resources are being used for the purposes intended.

Guiding Question: Does the government have the capacity to track expenditure for gender equality?

Related PEFA Indicator/Dimension: PI-4. Budget classification

Coverage: Central government.

Time period: last completed fiscal year (2020)

### Background and measurement

Gender responsive public financial management is built on the premise that public spending can be used as an instrument for achieving gender equality. To have significant impacts on men and boys, women and girls, and different subgroups of these categories, public spending must be budgeted and disbursed for activities that help to achieve these desired impacts.

It is therefore important that resources planned to promote gender equality are actually disbursed, that there is a way to track those resources, and that no major adjustments are made to allocations that are not authorized by the legislature.

The capacity to track expenditure in line with the budget proposal is important from the governance and accountability perspective, as it gives the assurance that resources are being used for the purposes intended. From a GRPFM perspective, this means that resources spent reached the targeted genders or subgroups of men and women and provided them with meaningful benefits.

In order to understand the impacts of public spending on gender equality, tracking of expenditure should focus not only on budget policies that are explicitly labeled as such (examples include expenditure allocated to the national gender machinery, such as the Ministry of Gender, or expenditure allocated to addressing gender-based violence) but also on policies that are provided to the general public but target a specific gender (for example, a project focusing on decentralization and local governance that has a specific objective to strengthen women’s participation in decision making at the local level).

### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–6 Tracking budget expenditure for gender equality (M1)</b>		<b>D</b>
<b>GRPFM–6.1 Tracking budget expenditure for gender equality</b>	The current budget and reporting system has not incorporated a gender dimension into the chart of account and does not identify spending related to gender outcomes nor are budget line item or program expenditure mapped ex post to specific gender outcomes.	D

There is no separate tracking number or classification of expenditure and revenue in the chart of accounts based on gender. The budget classification and chart of accounts in Moldova are aligned and allow tracking of expenditure based on economic, administrative, functional and program classifications, and revenue based on revenue classification. The budget classification is harmonized with the IMF Government Finance Statistics Manual 2014. As to the selected ministries, they do not collect information on spending for gender equality outcomes.

The MoF has not initiated efforts on tracking or mapping expenditure to gender equality outcomes because it requires massive changes within the IT-system and has to include budget preparation and budget execution. However, they could incorporate a mechanism into a broader reform of the IT system and has to be accompanied with a revision of the charts of the accounts. In this reform effort also other tracking expenditure categories (such as climate change) could be combined to ensure synergies.

## GRPFM–7 GENDER RESPONSIVE REPORTING

This indicator measures the extent to which the government prepares and publishes annual reports that include information on gender-related expenditure and the impact of budget policies on gender equality. There is one dimension for this indicator. Countries’ practices in producing gender responsive annual reports vary.

**Guiding Question:** Do the government’s published annual budget execution reports include information on gender related expenditure and revenue?

**Related PEFA Indicator/Dimension:** *PI-9. Public access to fiscal information (basic element 4), PI-29. Annual financial reports*

**Coverage:** *Central government.*

**Time period:** *last completed fiscal year (2020)*

### Background and measurement

Regardless of the format, the reports should include information on the following:

- I. **An analysis of gender equality outcomes.** This report would include an overview of progress made in achieving gender equality at the overall level as well as relating to specific sectors or areas of society, such as education, health, employment, poverty, and crime.
- II. **Data on gender-related expenditure.** This information would include key figures on resources allocated for budget policies targeting gender equality.
- III. **Assessment of the implementation of budget policies and their impacts on gender equality.** This assessment would include an overview of findings of ex post impact assessments and the extent to which the intended outcomes and impacts of policies targeting specific gender or gender equality have been achieved.
- IV. **Sex-disaggregated data on budgetary central government employment.** The inclusion of sex-disaggregated data on employment allows for the measurement of how employment in budgetary central government units is distributed between women and men, which is a key basic indicator of gender equity. Sex-disaggregated employment data that are broken down further by types of position include sex-disaggregated data on administrative, technical, operational, managerial positions, or others, as relevant. This type of data facilitates discussions on equal employment opportunities and consideration of any types of corrective measures needed.

### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–7 Gender responsive reporting (M1)</b>		<b>C</b>
<b>GRPFM–7.1 Gender responsive reporting</b>	The GoM publishes an annual comprehensive report on sex-disaggregated data for budgetary central government employment. Several reports which assess the implementation of budget policies but not the outcomes impacts on gender equality. The report on the execution of the budget does not have gender relevant information, and the Voluntary National Review Progress Report 2020 only covers a sectorial of gender equality outcomes, but no overall assessment.	C

**Table GRPFM–7.1 Gender responsive reporting**

Annual report includes the following information:				
Report(s) for budget year	Report on gender equality outcomes (Y/N)	Data on gender-related expenditure (Y/N)	Assessment of the implementation of budget policies and their impacts on gender equality (Y/N)	Sex-disaggregated data on budgetary central government employment (Y/N)
2020	N	N	N	Y

Data source: Corporate plans of line ministries; representative of Ministry of Health, Labour and Social Protection, Ministry of Finance, State Chancellery

The government publishes several reports with specific gender information. In the following, the available reports were assigned to the four respective topics of the indicator:

**I. Reports covering an assessment of the implementation of budget policies and their impacts on gender equality:**

The Report for Monitoring the Implementation of the Plan of Actions regarding the Strategy to Promote Equality between Women and Men in the Republic of Moldova for the years 2017 – 2021 (during the year 2020) was prepared and published 2021<sup>201</sup> by the Ministry of Health, Labor and Social Protection and refers in particular to the year 2020. This report monitors the activities defined in the Gender Strategy and was based on inputs from sectoral reports of ministries, other public authorities and NGOs covering 55 activities, which should support the implementation of the Action Plan of the Strategy for ensuring equality of women and men. The year 2020 was characterized by a unique health context (COVID-19 pandemic) that caused a number of changes and effects on the population, which effected women and men differently. Each activity was analyzed separately, categorized according to the degree of implementation,<sup>202</sup> and included recommendations and comments.

**The government report on mid-term evaluation of National Development Strategy “Moldova 2020”<sup>203</sup>** presents general results of the evaluation and analysis of the implementation of the National Development Strategy "Moldova 2020", the main national strategic planning document. It was drafted by the government and adopted by the Parliament in July 2012 for the period until 2020. This report assesses strategies for education, roads, finance, business, energy, pension system, justice, agriculture, including their contribution to gender equality. The achievements are mainly described narratively with referring to gender equality, however, it does not provide quantitative information and information from ex-post evaluations.

**Assessment:** The reports focus on the assessment of the implementation of activities defined in the strategic documents. The information on the achieved impacts of policies targeting gender equality is limited and does not allow assessment of the gender impact of the realization of the strategy.

**II. Reports on analysis of gender equality outcomes:**

<sup>201</sup> [http://mmpsf.gov.md/sites/default/files/raport\\_snaefb\\_2018.doc\\_1.pdf](http://mmpsf.gov.md/sites/default/files/raport_snaefb_2018.doc_1.pdf)

<sup>202</sup> 44 activities have the degree „achieved“, 8 activities „partly completed“ and 3 activities have degree „unrealized“.

<sup>203</sup> <https://cancelaria.gov.md/ro/apc/raport-de-evaluare-intermediara-strategiei-nationale-de-dezvoltare-moldova-2020>



In 2020, the government presented the Voluntary National Review on Sustainable Development Goals (SDGs), for implementing the Agenda 2030<sup>204</sup> which summarizes the progress and challenges in implementing the SDGs. This report summarizes the progress on the implementation of SDGs including SDG 5-“Achieve gender equality and empower all women and girls.”. The results towards achieving SDG 5 along with others gender related goals (SDG 2,3,7,9 and 11) are moderate. The Chapter “People” presents, among other things, the results on the gender dimension, including gender inequalities in leadership positions, the share of women candidates and women elected in parliamentary elections, the employment rate and employment of women with children, gender-based violence. Other chapters such as “Peace” (women and children affected by the crime rate) and “Prosperity” (business development programs for women) include gender results and challenges. The report also describes various gender gaps such as gender pay gap, women affected by gender-based violence , access to lifelong learning and reconciling family and professional life.

**Assessment:** The report includes a gender assessment for main sectors such as health, education, and violence, labour market but does not have an overview of progress made in achieving gender equality at the overall level nor is it linked to budget policies.

The purpose of the Voluntary National Assessment Report on the implementation of the 2030 Agenda was to assess the progress and challenges in achieving the SDGs in the Republic of Moldova. It did not aim at highlighting the gender-related SDG 5 but focused on the country’s overall progress in reaching the 17 SDGs.

### III. Data on gender-related expenditure:

**Report on the execution of the state budget in 2020** contains macroeconomic developments of the national economy in 2020, implementation of budgetary-fiscal policy measures, execution of revenue and expenditure in the state budget and implementation of the recommendations of the Court of Accounts.

**Assessment:** There is no data on gender-related expenditure. The section on the budget execution for expenditure could be expanded with information on gender-related expenditure which would require a tracking mechanism (see GRPFM-7).

### IV. Sex-disaggregated data on budgetary central government employment:

**State Chancellery, Annual Report on the civil service and the status of civil servants 2020.**<sup>205</sup> This report analyses the situation regarding the implementation of the provisions of the law on the civil service and the status of civil servants (law no. 158/2008<sup>206</sup>) and the related Government Decision no. 201/2009.<sup>207</sup> It summarizes developments and trends in the public service employment for management decisions for central and local level. Most data for central government employment presented in the report are sex-disaggregated data such as number of civil servants, type of activity, degree of qualification, age category and education and women’s representation of top-level public management positions. The analysis focused on data presented by public authorities at all levels who responded to the request of the State

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<sup>204</sup> [https://cancelaria.gov.md/sites/default/files/mesaje\\_cheie\\_vnr\\_28.04.2020.pdf](https://cancelaria.gov.md/sites/default/files/mesaje_cheie_vnr_28.04.2020.pdf)

<sup>205</sup> <https://cancelaria.gov.md/sites/default/files/document/attachments/raport-l158-2020.pdf>

<sup>206</sup> [https://www.legis.md/cautare/getResults?doc\\_id=120077&lang=ro](https://www.legis.md/cautare/getResults?doc_id=120077&lang=ro)

<sup>207</sup> [https://www.legis.md/cautare/getResults?doc\\_id=115403&lang=ro](https://www.legis.md/cautare/getResults?doc_id=115403&lang=ro)

Chancellery.<sup>208</sup> This information allows a measurement of how employment in budgetary central government units is distributed between women and men. There are also measures proposed to improve gender balance in public administration such as consideration of gender differences in the formulation of public policies; gender sensitization of decision-makers, promotion of women to senior management positions and positions of public dignity, as well as to public positions with special status.

In addition, the National Bureau of Statistics shows on their website average monthly earnings and averages for employees by sector (public/private), urban/rural, age category, type of activity, education, degree of qualification gender disaggregated.<sup>209</sup> Also, the public authority publishes on its webpage a Statistical portrayal of women and men in the Republic of Moldova<sup>210</sup> and administers the webpage [genderpulse.md](https://genderpulse.md).<sup>211</sup>

**Assessment:** The report provides comprehensive sex-disaggregated data which is intended and used for decision-making. Due to data gaps the 2020 report has not been published yet.

## V. Specific topic reporting

Here are some specific topic reports:

- **Partnership for Development Centre (PDC),<sup>212</sup> GENDER EQUALITY INDEX 2020, “What is the level of equality between women and men in Moldova?”:** The Gender Equality Index 2020 measures the level of equality between women and men in 6 key areas (Labor Market, Politics, Education, Access to Resources, Perceptions and Stereotypes, Health). It is calculated on the basis of 31 impact indicators, grouped into these six relevant categories, and thus contains a topical analysis of gender equality outcomes. Gender Equality Index values show slight but steady increases. Thus, for the year 2020, the average level of equality between women and men for the strategic areas assessed has registered 60 points (max. 100 points), which is one point more than the previous year.
- **Central Electoral Commission of Moldova,<sup>213</sup> 2019 Parliamentary Elections, Gender perspective:** This report covers a topical analysis of gender equality outcomes as it shows the electoral management, the training of electoral officials, the election observation, the electoral competitors and the participation in elections divided by women and men and also the gender profile of the Parliament. In the elections 2021 53.48 % women and 46.52% of men participated. In Parliament 61 MPs are men and 40 MPs are women.

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<sup>208</sup> Thus, following the generation of information, the requested data were submitted by 97 out of 102 authorities' central public, which represents 95%. Among the local public authorities, they presented the data 29 out of 32 level II local public authorities, or 91%, who were also responsible for presenting the data for Level I LPA.

<sup>209</sup> <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7003>

<sup>210</sup> <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7319>

<sup>211</sup> <https://genderpulse.md/ro>

<sup>212</sup> The Gender Equality Index 2020 is produced by the Partnership for Development Centre in the framework of the "Joint Equal Opportunities Initiative" project. The project is implemented by the East Europe Foundation in cooperation with the Development Partnership Centre, with resources from the Swiss Agency for Development and Cooperation and Sweden.

<sup>213</sup> The report was produced by the Central Electoral Commission of Moldova, with the support of the "Enhancing democracy in Moldova through inclusive and transparent elections" Project, implemented by the United Nations Development Program with the financial support of the United States Agency for International Development (USAID), the British Embassy in Chisinau through the Good Governance Fund and the Embassy of the Netherlands through the Matra program.

## GRPFM–8 EVALUATION OF GENDER IMPACTS OF SERVICE DELIVERY

This indicator measures the extent to which independent evaluations of the efficiency and effectiveness of public services include an assessment of gender impacts. There is one dimension for this indicator. The indicator recognizes that ex post assessments of the impact of public services on gender and gender equality provide important feedback to the initial design of services as well as any other unintended consequences for the provision of services for men and women and different categories of these subgroups.

**Guiding Question:** Does the government include an assessment of impacts on gender equality as part of the evaluations of efficiency and effectiveness of service delivery?

**Related PEFA Indicator/Dimension:** *PI-8. Performance information for service delivery, PI-8.4. Performance evaluation for service delivery*

**Coverage:** *Central government.*

**Time period:** *last three completed fiscal years (2018-2020)*

### Background and measurement

It is important that men and women in different socioeconomic positions have equitable access to the full range of public services provided by government and that such services meet gender-specific needs.

Evaluations of the impact of public services on gender and gender equality provide important feedback to the initial design of services as well as any other unintended consequences for the provision of services for men and women and different categories of these subgroups. Such evaluations can include, but are not limited to, program evaluation, assessment, and analysis; performance audits; public expenditure reviews; and ex post impact assessments. In some cases, a separate gender-sensitive evaluation may be undertaken, although it is more desirable to include the assessment of gender impacts in the regular evaluation processes.

Ex post impact assessment that includes gender equality impacts can be carried out at the completion of a program or a service or during implementation in order to obtain feedback and use results to refine or redesign the program or service.

Ex post impact assessment reports that include an element of gender equality impacts build on sex-disaggregated data to measure results and long-term outcomes for men and women. They provide information on the efficiency of programs or services with respect to equal access and equality; whether means and resources are used efficiently to achieve improved benefits for women and men; and whether costs and benefits have been allocated and received equitably. They also provide information on the effectiveness of programs or services by providing information on whether programs or services were effective in achieving gender equality and whether they contributed to the achievement of the planned outputs and outcomes and benefited a specific gender target group in line with planned expectations.

Including gender equality impacts assessment as part of ex post evaluations also enables evaluators to review both the expected and unexpected impacts of programs or services on wider policies, processes, and programs that enhance gender equality and women's rights. This review can include, for example, whether programs or services had an impact on increasing the number of women entering STEM professions, increasing the number of women setting up information technology businesses, reducing the number of cases of gender-based violence, or increasing the number of men taking paternity leave to care for their children.

Ex post evaluations that include gender equality impacts assessment are considered within the scope of this question if they cover all or some aspects of service delivery or if they are cross-functional and incorporate service delivery functions.

### Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM–8 Evaluation of gender impacts of service delivery (M1)</b>		<b>C</b>
<b>GRPFM–8.1 Evaluation of gender impacts of service delivery</b>	The government has not set up a mechanism for independent evaluations of gender impacts, however, the Court of Accounts includes an assessment of gender impacts in their performance audits. Some audits have been undertaken however the depth of the analysis varies.	C

The government has not set up a mechanism for independent evaluations of gender impacts, however, occasionally such independent evaluations are undertaken by international organizations. For example, the study “Well-being and safety of women” of the Organization for Security and Co-operation in Europe (OSCE), assesses mainly the challenges and effectiveness of measures of fighting violence against women in Moldova, which is of significant concern. Based on this study, the OSCE provided recommendations to address violence against women for government and several ministries (e.g., Ministry of Justice, Ministry of Interior, Ministry of Health, Labor and Social Protection, and the Ministry of Education, Culture and Research).

Performance reports and other reports of the government include gender information (see GRPFM-7), however, most reports do not provide ex post evaluations of a specific policy or program or the policies of a sector. An exception are the policies and/or programs of the government where gender equality is the primary objective such as the evaluation reports of specific areas, supported by the development partners, of monitoring of the plan of actions on the strategy to ensure equality between women and men in the Republic of Moldova for the years 2017 – 2021; on preventing and combating violence against women and domestic violence for years 2017-2022 and the National Program for the implementation of UN Security Council Resolution 1325 on women in peace and security area.

These reports are based on sectoral reports from ministries, other public authorities and NGOs and includes information on realization of related activities, which should support the implementation of the strategy outcomes or ensuring equality of women and men in each specific areas. The activities were assessed separately according to the degree of implementation (achieved, partly completed, unrealized). Activities were not evaluated in terms of effectiveness, efficiency and their gender impact, but focused on the degree of implementation and the evaluations reports includes recommendations.

Spending reviews have been piloted and implemented by the Ministry of Finance since 2018, however, they do not include an evaluation of the gender impacts of service delivery or a gender assessment of proposed measures.

The Court of Accounts conducts performance audits and incorporates gender where the Court of Accounts considers a gender gap or gender is relevant in the performance budget or reports. The methodological manual for performance audit of the Court of Accounts describes the procedure for performance audit

but does not include guidance on how to conduct a gender assessment nor how to include the gender perspective into the existing performance audits. This manual is under revision and the Court of Accounts plans to include the gender perspective to be in force in 2023. All audit reports are presented to legislature and published.

An analysis of the audit reports shows that around 10 performance audit reports evaluating efficiency and effectiveness include a gender analysis. In general, the performance audit covers a program or subprogram which is not substantial for the overall budget of the ministries. The audit reports heavily depend on the performance information of the budget and the quality of the gender analysis is highly correlated with the quality of the performance information. The performance audits in the Ministry of Health, Labour, and Social Protection for example assessed the provision of health services to different categories of patients (by age, income, gender) or the coverage of women in the program for Diabetes, Hepatitis and Tuberculosis. Some audits limit the analysis to a disaggregation of beneficiaries or representation of women in staff or boards, others give recommendations on gender equality.

There were additional several general studies, analytical notes and proposed measures including gender in the context of the COVID-19 pandemic on various sectors of life, as well as on different population groups of Moldova, which cover a lot of topics, but have less information on efficiency and effectiveness of provided programs or services. A description of three of these studies is provided below:

- The study “Assessment of COVID-19 impact on gender roles”<sup>214</sup> was carried out by the United Nations Entity for Gender Equality and UN Women in partnership with “Partnership for Development” Centre (PCD). It describes the impact of the COVID-19 pandemic on different fields (care, wellbeing, transition of work, financial vulnerability) and gives general recommendations, such as to develop strategies to mitigate effects of the COVID-19 pandemic on women and men, to include women in the decision and policy-making process, provide more resources to childcare institutions and monitoring of the pandemic crisis effects.
- The government together with United Nations Development Program (UNDP) and United Nations Population Fund (UNFPA) published the study “Social and Economic Impact Assessment of the COVID-19 pandemic on vulnerable groups and economic sectors in the Republic of Moldova”<sup>215</sup>. It describes the socio-economic impact of COVID-19 pandemic crisis on selected vulnerable groups such as children and youth, poor households, vulnerable women, returning migrants and older people, and gives general policy recommendation guidelines addressing the issues of the selected groups.
- The study “Effects of the crisis caused by the COVID-19 pandemic on the Roma population in the Republic of Moldova”<sup>216</sup> was published by the National Roma Center, in partnership UN Women. This analysis highlights the impact of the pandemic on the Roma population covering gender roles, well-being, labor force participation and income.

A draft methodological guide for the evaluation of public policies also includes gender impact assessment for ex-post evaluations.

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<sup>214</sup> <https://moldova.unwomen.org/en/biblioteca-digitala/publicatii/2020/09/gender-assessment-on-covid-19>

<sup>215</sup> [https://www.md.undp.org/content/moldova/en/home/library/inclusive\\_growth/social-and-economic-impact-assessment-of-covid-19-in-the-republi.html](https://www.md.undp.org/content/moldova/en/home/library/inclusive_growth/social-and-economic-impact-assessment-of-covid-19-in-the-republi.html)

<sup>216</sup> <https://www2.unwomen.org/>

[/media/field%20office%20moldova/attachments/publications/2020/roma%20population.pdf?la=ro&vs=1436](https://www2.unwomen.org/-/media/field%20office%20moldova/attachments/publications/2020/roma%20population.pdf?la=ro&vs=1436)

## GRPFM–9 LEGISLATIVE SCRUTINY OF GENDER IMPACTS OF THE BUDGET

This indicator measures the extent to which the legislature’s budget and audit scrutiny include a review of the government’s policies to understand whether policies equally benefit men and women by ensuring the allocation of sufficient funds. It contains two dimensions and uses the M2 (averaging) method for aggregating dimension scores. The indicator recognizes that inclusion of gender impacts in the legislature’s review of budget proposals promotes the participation of men and women in the policy-making process and ensures that their voices are heard, and their priorities are reflected in government programs and services.

Guiding Question: Does the legislature’s budget and audit scrutiny include the requirement to examine the impacts of the budget on gender equality?

Related PEFA Indicator/Dimension: *PI-18. Legislative scrutiny of budgets, PI-31. Legislative scrutiny of audit reports*

Coverage: *Central government.*

Time period: *GRPFM 9.1: last completed fiscal year (2020); GRPFM 9.2: last three completed fiscal years (2018-2020)*

### Background and measurement

In most countries, the legislature awards the government’s authority to spend, through passage of the annual budget law.

Legislative budget scrutiny can include internal organizational arrangements that require budget parliamentary committees or dedicated gender policy committees, which can be fully dedicated to the issue or have a combined portfolio, to provide an analysis of the impact of the proposed budget policies on gender.

Legislative budget scrutiny can also include public hearings as well as presentations by gender advocacy groups, at the request of the legislature or legislative committee, to provide technical support or requirements for gender impact assessments of budget policies.

Inclusion of gender impacts in the legislature’s review of budget proposals promotes the participation of men and women in the policy-making process and ensures that their voices are heard, and their priorities are reflected in government programs and services.

The legislature has a key role to play in exercising scrutiny not only over the budget but also over execution of the budget that it has approved.

A common way in which this is done is through a legislative committee or commission that examines the external audit reports and questions responsible parties about the findings of the reports. This indicator focuses on all types of audits (while PI–31 Legislative scrutiny of audit reports only focuses on financial audits). For a definition of gender audits, please see the measurement guidance under GRPFM–8 Evaluation of Gender Impacts of Service Delivery.

Service delivery for this question refers to programs or services that are provided either to the general public or to specifically targeted groups of citizens, either fully or partially using government resources. They include education and training, health care, social and community support, policing, road construction and maintenance, agricultural support, water and sanitation, and other services. They exclude services provided on a commercial basis through public corporations as well as policy functions, internal administration, and purely

regulatory functions undertaken by the government, although performance data for these activities may be captured for internal management purposes. Also excluded are defense and national security.

Similarly, as with PEFA PI-9, public access is defined as availability without restriction, within a reasonable time frame, without a requirement to register, and free of charge.

## Assessment

INDICATORS/ DIMENSIONS	ASSESSMENT OF PERFORMANCE	SCORE
<b>GRPFM-9 Legislative scrutiny of gender impacts of the budget (M2)</b>		<b>D</b>
<b>GRPFM-9.1 Gender-responsive legislative scrutiny of budgets</b>	The gender impact of government’s fiscal policies or service delivery programs of the budget are not a separate issue on the agenda, have not being reviewed in the budget debates specifically and were not raised during the plenary sessions in a structured way.	D
<b>GRPFM-9.2 Gender responsive legislative scrutiny of audit reports</b>	Debate of audit reports do not include a specific review of the impacts on gender equality.	D

### GRPFM-9.1 Gender-responsive legislative scrutiny of budgets

In Moldova, the legislature’s scrutiny of fiscal year 2020 covered fiscal policy and aggregate figures for the next year, detailed calculations of expenditure and revenue, and macroeconomic indicators developed by the Ministry of Finance and presented by the government. However, gender impact of government’s fiscal policies or service delivery programs of the budget are not a separate issue on the agenda, have not being reviewed in the budget debates specifically and were not raised during the plenary sessions in a structured way. As a consequence, also at the budget execution stage gender aspects were hardly discussed in the respective commissions of the Parliament. Members of the Commission for Economy, Finance and Budget report there is consensus to give gender equality a priority in future budget debates, however, concrete plans do not yet exist.

Internal organizational arrangements for performing gender scrutiny, such as establishment of specific standing committees, technical support, integration of expert advice of gender advocacy groups, or negotiation procedures, or public consultations for gender scrutiny are not institutionalized in the parliamentary procedures and regulations. The Commission for Economy, Finance and Budget invites experts to the committee sessions but gender equality is not a core issue.

The initiative “Women’s Caucus in Parliament” aims to empower female members of the Parliament. A Caucus Action Plan was developed for 2021 to 2023 and some initial activities have taken place such as exchange between members of the Parliament and local politicians, meeting with international delegations, and workshops, but activities have not so far resulted in concrete actions to ensure structural changes in the parliamentary debate in terms of gender. This project will be continued.

### GRPFM-9.2 Gender responsive legislative scrutiny of audit reports

In Moldova, audit reports are scrutinized by the Parliamentary Committee for Control of Public Finance in a hearing with the respective responsible Ministry which is public. The members of the Commission and the Court of Accounts confirm an excellent work relationship with the Court of Accounts with no

disagreement on the findings and recommendations. The meetings are summarized in a report of the Committee and includes recommendations from the audit report and requires reports from the government for follow-up. However, there is no specific review of the impacts on gender equality. Gender aspects are only discussed if audits reports include gender aspects which have only been a part of the audits conducted between 2018 and 2020.



GRPFM Annex 1: Summary of Indicators

PEFA GRPFM INDICATOR		SCORING METHOD	DIMENSION RATINGS		OVERALL RATING
			1	2	
<b>GRPFM-1</b>	Gender impact analysis of budget policy proposals	M1	D	D	<b>D</b>
<b>GRPFM -2</b>	Gender responsive public investment management	M1	C		<b>C</b>
<b>GRPFM -3</b>	Gender responsive budget circular	M1	D		<b>D</b>
<b>GRPFM -4</b>	Gender responsive budget proposal documentation	M1	D		<b>D</b>
<b>GRPFM -5</b>	Sex-disaggregated performance information	M2	D	B	<b>C</b>
<b>GRPFM -6</b>	Tracking budget expenditure for gender equality	M1	D		<b>D</b>
<b>GRPFM -7</b>	Gender responsive reporting	M1	C		<b>C</b>
<b>GRPFM -8</b>	Evaluation of gender impacts of service delivery	M1	C		<b>C</b>
<b>GRPFM -9</b>	Legislative scrutiny of gender impacts of the budget	M2	D		<b>D</b>

PEFA GRPFM INDICATOR		Score	Description of requirements met
<b>GRPFM-1</b>	Gender impact analysis of budget policy proposals	<b>D</b>	1.1 Analysis of the gender impact of the proposed new policies on gender equality are not required, and only conducted in case a development partner conducts or requires a gender impact analysis. A draft methodological guide for the evaluation of public policies which includes gender impact assessment for ex-ante evaluations is pending approval. 1.2 The government does not conduct any analysis of the impact of the proposed new revenue policies on gender equality.
<b>GRPFM -2</b>	Gender responsive public investment management	<b>C</b>	The existing procedure on the preparation of public investment projects requires a social impact assessment including a gender assessment. However, gender impact assessments are not undertaken for national investment projects. However, some donor funded project proposals include a gender impact assessment as part of donor requirement, but these are not published.
<b>GRPFM -3</b>	Gender responsive budget circular	<b>D</b>	Neither methodological guidelines nor the budget circular line ministries units to provide information on the impacts of budget policies on gender equality through any of the following information; i) existing service delivery programs ii) new spending proposals, iii) proposed reduction in expenditures iv) or the inclusion of sex-disaggregated data on planned outputs and outcomes of service delivery programs.
<b>GRPFM -4</b>	Gender responsive budget proposal documentation	<b>D</b>	The budget documentation does not include an overview of government's policy priorities for improving gender equality, details of budget measures aimed at strengthening gender equality and an assessment of the impacts of budget policies on gender equality.
<b>GRPFM -5</b>	Sex-disaggregated performance information	<b>C</b>	5.1 Less than 25 percent of expenditure of service providers include outputs or outcomes disaggregated by gender in their program budgets. 5.2 Most service providers include output indicators disaggregated by gender in their published annual reports for actual performance.
<b>GRPFM -6</b>	Tracking budget expenditure for gender equality	<b>D</b>	The current budget and reporting system has not incorporated a gender dimension into the chart of account and does not identify spending related to gender outcomes nor are budget line item or program expenditure mapped ex post to specific gender outcomes.
<b>GRPFM -7</b>	Gender responsive reporting	<b>C</b>	The GoM publishes an annual comprehensive report on sex-disaggregated data for budgetary central government employment. Several reports which assess the implementation of budget policies but not the impacts on gender equality. The report on the execution of the budget does not have gender relevant information, and the Voluntary National Review Progress Report 2020 only covers a sectorial of gender equality outcomes, but no overall assessment.
<b>GRPFM -8</b>	Evaluation of gender impacts of service delivery	<b>C</b>	The government has not set up a mechanism for independent evaluations of gender impacts, however, the Court of Accounts includes an assessment of gender impacts in their performance audits. Some audits have been undertaken whereby the depth of the analysis varies.
<b>GRPFM -9</b>	Legislative scrutiny of gender impacts of the budget	<b>D</b>	The gender impact of government's fiscal policies or service delivery programs of the budget are not a separate issue on the agenda, have not been reviewed in the budget debates specifically and were not raised during the plenary sessions in a structured way. Debate of audit reports do not include a specific review of the impacts on gender equality.

**List of sources of information used to extract evidence for scoring indicators**

Indicators	Evidence
GRPFM–1 Gender impact analysis of budget policy proposals	Methodological guidelines on the preparation, approval and amendment of the budget (Annex to the order of the Minister of Finance no. 209 of December 24, 2015 2020 state budget documentation
GRPFM–2 Gender responsive public investment management	Project appraisal documents of respective investment projects by international development partners MoF’s Order no. 185 of November 3, 2015, regarding the Instruction on the capital investment projects management
GRPFM–3 Gender responsive budget circular	Methodological guidelines on the preparation, approval and amendment of the budget (Annex to the order of the Minister of Finance no. 209 of December 24, 2015), 2021 Budget circular
GRPFM–4 Gender responsive budget proposal documentation	2021 Budget proposal
GRPFM–5 Sex-disaggregated performance information for service delivery	2021 Budget proposal 2020 Budget execution report and reports on performance
GRPFM–6 Tracking budget expenditure for gender equality	2020 state budget execution reports
GRPFM–7 Gender responsive reporting	<ul style="list-style-type: none"> <li>- Report on the execution of the state budget in 2020;</li> <li>- Report for Monitoring the Implementation of the Plan of Actions regarding the Strategy to Promote Equality between Women and Men in the Republic of Moldova for the years 2017 – 2021: <a href="http://mmpsf.gov.md/sites/default/files/raport_snaefb_2018.doc_1.pdf">http://mmpsf.gov.md/sites/default/files/raport_snaefb_2018.doc_1.pdf</a>;</li> <li>- Government Report on mid-term evaluation of National Development Strategy “Moldova 2020: <a href="https://cancelaria.gov.md/ro/apc/raport-de-evaluare-intermediara-strategiei-nationale-de-dezvoltare-moldova-2020">https://cancelaria.gov.md/ro/apc/raport-de-evaluare-intermediara-strategiei-nationale-de-dezvoltare-moldova-2020</a></li> <li>- State chancellery Annual Report on the civil service and the status of civil servants 2020;</li> <li>- National Bureau of Statistics website: <a href="https://statistica.gov.md/newsview.php?l=ro&amp;idc=168&amp;id=7003">https://statistica.gov.md/newsview.php?l=ro&amp;idc=168&amp;id=7003</a></li> <li>- Gender Equality Index 2020, “What is the level of equality between women and men in Moldova;</li> <li>- Central Electoral Commission of Moldova, 2019 Parliamentary Elections, Gender perspective</li> </ul>
GRPFM–8 Evaluation of gender impacts of service delivery	<ul style="list-style-type: none"> <li>- CoA Performance audit reports;</li> <li>- Well-being and safety of women” Study of the Organization for Security and Co-operation in Europe (OSCE): <a href="https://www.osce.org/secretariat/445501">https://www.osce.org/secretariat/445501</a></li> <li>- Study “Assessment of COVID-19 impact on gender roles”: <a href="https://moldova.unwomen.org/en/biblioteca-digitala/publicatii/2020/09/gender-assessment-on-covid-19">https://moldova.unwomen.org/en/biblioteca-digitala/publicatii/2020/09/gender-assessment-on-covid-19</a></li> <li>- Study “Social and Economic Impact Assessment of the COVID-19 pandemic on vulnerable groups and economic sectors in the republic of Moldova”:</li> </ul>

	<p><a href="https://www.md.undp.org/content/moldova/en/home/library/inclusive_growth/social-and-economic-impact-assessment-of-covid-19-in-the-republi.html">https://www.md.undp.org/content/moldova/en/home/library/inclusive_growth/social-and-economic-impact-assessment-of-covid-19-in-the-republi.html</a>  -Study “Effects of the crisis caused by the COVID-19 pandemic on the Roma population in Republic of Moldova”: <a href="https://www2.unwomen.org/-/media/field%20office%20moldova/attachments/publications/2020/roma%20population.pdf?la=ro&amp;vs=1436">https://www2.unwomen.org/-/media/field%20office%20moldova/attachments/publications/2020/roma%20population.pdf?la=ro&amp;vs=1436</a></p>
<p>GRPFM–9 Legislative scrutiny of gender impacts of the budget</p>	<p>FY2020 state budget documentation  Court of Accounts audit reports  Parliamentary Commission Decisions 2020 (for Economy, Finance and Budget and Parliamentary Committee for Control of Public Finance)  - Parliament’s timetable for hearing of CoA reports  (<a href="https://www.parlament.md/LinkClick.aspx?fileticket=R1qJCbH%2bZ4%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO">https://www.parlament.md/LinkClick.aspx?fileticket=R1qJCbH%2bZ4%3d&amp;tabid=84&amp;mid=486&amp;language=ro-RO</a>;  <a href="https://www.parlament.md/StructuraParlamentului/Comisiipermanente/tabid/84/CommissionId/48/language/ro-RO/Default.aspx">https://www.parlament.md/StructuraParlamentului/Comisiipermanente/tabid/84/CommissionId/48/language/ro-RO/Default.aspx</a>)</p>